JEP HOLDINGS LTD

ANNUAL REPORT 2021

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, ISO 45001 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 three 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. This Annual Report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this Annual Report, including the correctness of any of the statements or opinions made, or reports contained in this Annual Report.

The contact person for the Sponsor:
Name : Ms Bao Qing (Registered Professional, RHT Capital Pte. Ltd.)
Address : 6 Raffles Quay #24-02, Singapore 048580
E-mail : sponsor@rhtgoc.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of JEP Holdings Ltd., I am pleased to present to you the Annual Report of JEP Holdings Ltd. and its subsidiaries (the "Group") for the financial year ended 31 December 2021 ("FY2021").

The Group performed remarkably well in FY2021, especially in 2H2021 achieving record revenue and profit over a six-month period.

The Group's current focus pivots towards the semiconductor equipment segment, whilst awaiting the recovery of its core aerospace component manufacturing business.

The global aerospace market is expected to rebound – growing from US$328 billion in 2021 to US$430.9 billion in 2025 at a rate of about 7%. It is forecast to expand further at a CAGR of 5.9% from 2025 and reach US$573.6 billion in 2030.[1]

According to Deloitte, OEM production rates are expected to ramp up, especially for narrow-body aircraft. Broader global distribution of vaccines in 2022 should lead to higher levels of international travel as restrictions are eased and lifted, which should translate into higher demand for new wide-body aircraft. This should result in some new large orders from airlines.[2]

The Group expects more noticeable recovery of the aerospace business in the second half of the year 2023, supported by volume production of new complex and high value-added parts from our strategic customers.

The strong momentum for the equipment manufacturing segment is expected to continue into 2022.

Moving forward, the Group will continue to seek new businesses and maximize operational synergies with UMS Holdings Limited to improve overall performance.

Shareholder Equity

Shareholders' equity was S$118.0 million as of 31 December 2021, which translates to 28.5 cents per share. This is an improvement over 19.8 cents per share as of 31 December 2020.

Source:

1. *https://sg.style.yahoo.com/global-aerospace-market-outlook-2021-080800824.html and https://www.researchandmarkets.com/reports/5240238/aerospace-global-market-report-2021-covid-19?utm_source=GNOM&utm_medium=PressRelease&utm_code=zl749j&utm_campaign=1586062+-+Global+Aerospace+Market+Outlook+20212030%3a+Growing+Demand+for+Commercial+Use+of+Drones%2c+Emerging+Economies+and+Rapid+Technological+Advances&utm_exec=cari18prd*
2. *https://www2.deloitte.com/content/dam/Deloitte/us/Documents/manufacturing/us-eri-outlooks-2022-aerospace-defense.pdf*

The Group performed remarkably well in FY2021, especially in 2H2021 achieving record revenue and profit over a six-month period.

ANDY LUONG
Executive Chairman and Chief Executive Officer
JEP Holdings Ltd.

Approach to Sustainability

The Group's sustainability goals focus on value creation for our customers, employees, and other key stakeholders. Our efforts are centred on good corporate governance, upholding of health and safety standards, reduction of environmental impact and efficient resource utilisation.

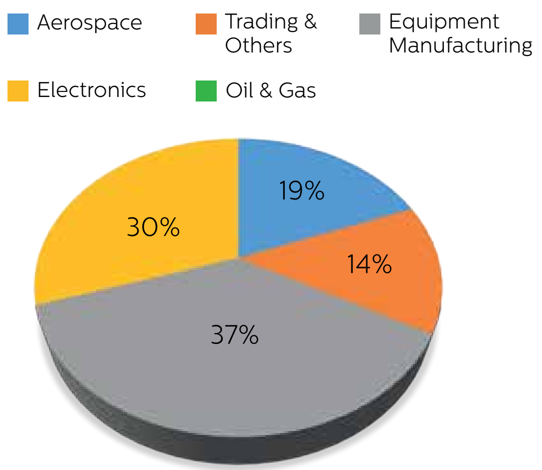
Appreciation

On behalf of the Board, we would like to thank our customers, suppliers and shareholders for their continued support and confidence in the Group. We will remain focus on growing the business and continue to fulfil our commitment to our shareholders while continue to seek opportunities to bring JEP to greater heights. I would also like to thank our management team and employees for their dedication, commitment and can-do spirit in the past year. We look forward to a long and fruitful partnership in the years to come.

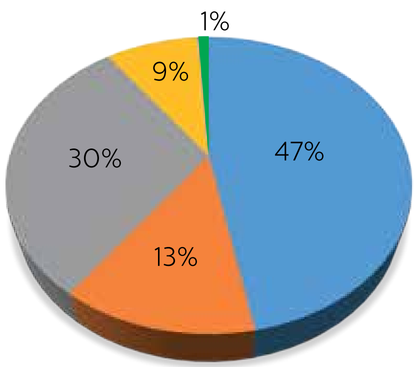
ANDY LUONG
Executive Chairman and Chief Executive Officer
JEP Holdings Ltd.

BUSINESS HIGHLIGHTS

REVENUE BY INDUSTRY

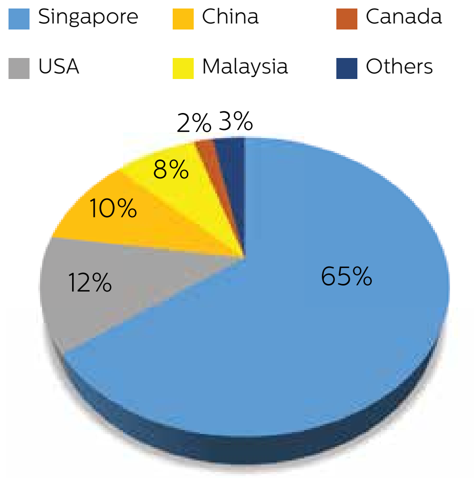


FY2021

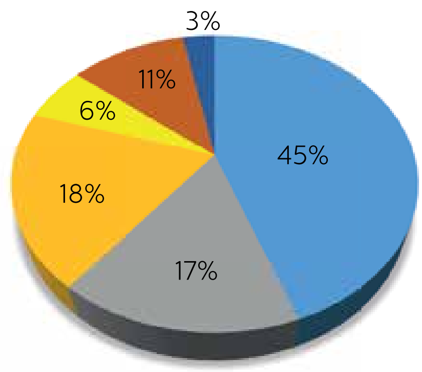


FY2020

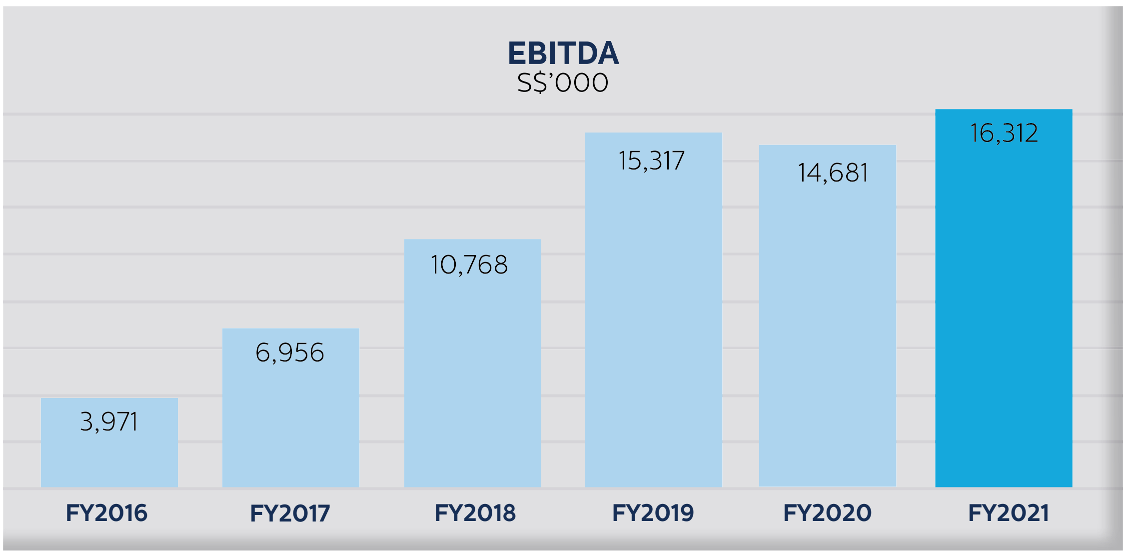
REVENUE BY REGION



FY2021



FY2020



REVENUE
$75.9
million

EBITDA
$16.3
million

EARNINGS PER SHARE
1.9
cents

GROUP TOTAL NET ASSETS VALUE
$67.9
million

NET ASSETS VALUE PER SHARE
16.4
cents

PROFIT TO EQUITY OWNERS
$7.8
million

In FY2021, the Group posted a pre-tax profit of S$9.5 million as compared to S$1.0 million in FY2020. Revenue increased by 3.6% to S$75.9 million from S$73.3 million in FY2020.

The COVID-19 pandemic severely hit the aerospace industry across the globe. The Group was not spared from this phenomenon as its aerospace segment contributed more than 50% of the total revenue in the past. Fortunately, as the Group has a relatively diversified income stream, the Group managed to moderate the severity of the business decline caused by this unprecedented event as compared to other organizations which are highly dependent on the aerospace industry. In year 2021, the Group's focus pivots towards the semiconductor equipment segment.

The Group's FY2021 aerospace segment sales declined by 59.0% to S$14.1 million as compared to FY2020 sales of S$34.4 million. This decline was partially alleviated by its' equipment manufacturing and electronic segments which posted higher sales as compared to FY2020 by S$5.8 million and S$16.3 million respectively.

Precision Machining

Precision Machining posted S$38.2 million revenue in FY2021 compared to S$43.1 million in FY2020. COVID-19 pandemic continued to reverberate through the aerospace industry, and recovery to pre-pandemic levels in this sector is not likely to happen any time soon. The conditions in the Aerospace and Oil & Gas sector remains challenging. In year 2021, the Group has commenced first article inspections ("FAI") in relation to many new complicated and high value-added parts. We expect these low volume FAI to turn into volume production from year 2023 onwards.

Equipment Manufacturing

The revenue in FY2021 increased by 26.3% from S$21.9 million in FY2020 to S$27.7 million. This is mainly attributed to strong demand in the semiconductor and industrial manufacturing equipment sector globally. FY2022 outlook remains positive on strong demand for manufacturing equipment due to the pandemic accelerated digitalization, 5G proliferation and cloud expansion. The Group has moved some of the non-critical manufacturing activities to low cost regions, resulting in increased local capacity to cope with the rising demand.

Trading and Others

The revenue from cutting tools supplies in FY2021 increased by 20.4% to S$10.0 million as compared to S$8.3 million in FY2020. The Group will continue to actively explore and develop new markets, diversify the trading segment's customer base and product range and improve synergy among all subsidiaries and related companies.

Financial Performance

For FY2021, the Group revenue edged up 3.6% to S$75.9 million buoyed by a stronger performance in the second half of the year. Compared to FY2020, Equipment Manufacturing segment and Trading and Others sales climbed 26.3% and 20.4% respectively, while Precision Machining Sales fell 11.2% from S$43.1 million in FY2020 to S$38.2 million in FY2021 due to the continued impact of the COVID-19 pandemic in the aviation industry sector.

Cost of sales for FY2021 decreased by 2.6% from S$62.4 million in FY2020 to S$60.7 million. Gross margin increase to 20.0% from 14.9% in FY2020. The increase was due to the Group's product mix, with more higher-margin component sales as well as higher capacity utilization.

The Group achieved net profit attributable to shareholders for FY2021 of S$7.9 million as compared to S$0.2 million in FY2020.

Other operating income decreased to S$2.2 million from S$5.2 million in FY2020 mainly due to lesser grant amount received in relation to the COVID-19 support funds from government agencies.

Selling expenses mainly comprise staff costs of the Group's sales and marketing staff, outward freight, travelling and marketing expenses, and other related expenses. The expenses in FY2021 remained relatively constant as compared to FY2020.

Administrative expenses mainly comprise of staff costs, directors' fees and compensation, depreciation charge in relation to non-production assets, amortisation of intangible assets, professional fees, foreign exchange and other office expenses. In FY2021, the administrative expenses slightly decreased by S$0.3 million to S$5.1 million from S$5.4 million in FY2020.

Other operating expenses mainly consist of the S$6.25 million goodwill impairment and exchange loss incurred in FY2020. Finance costs decreased by S$0.3 million from S$1.1 million in FY2020 to S$0.8 million in FY2021, mainly due to lesser borrowings made and lower interest rates during the year.

The Group recorded a total income tax expense of S$1.7 million in FY2021 compared to S$0.8 million in FY2020. The increase in income tax expenses was in line with higher profits made during the year.

The Group's earnings per share ("EPS") for FY2021 improved to 1.899 cents from 0.053 cents in FY2020. Group net asset value per share climbed to 16.4 cents in FY2021 from 14.6 cents in FY2020.

Balance Sheet

Total non-current assets decreased by S$2.3 million mainly due to amortisation of right-of-use assets of S$0.4 million and net depreciation of S$1.9 million in relation to property, plant and equipment.

Trade and other receivables increased by S$6.7 million from S$15.5 million as at 31 December 2020 to S$22.2 million as at 31 December 2021. The increase was mainly due to higher sales at the end of FY2021.

Inventories increased by S$5.5 million from S$13.3 million as at 31 December 2020 to S$18.8 million as at 31 December 2021. The increase was mainly due to higher purchases made during the year.

Trade and other payables increased by S$8.0 million from S$7.6 million as at 31 December 2020 to S$15.6 million as at 31 December 2021. The increase was mainly due to higher purchases made during the year.

The Group total lease liabilities decreased by S$1.3 million from S$8.4 million as at 31 December 2020 to S$7.1 million as at 31 December 2021. The reduction was due to a repayment in relation of leased property, plant and equipment.

The Group total loans and borrowings decreased by S$2.4 million from S$28.2 million as at 31 December 2020 to S$25.8 million as at 31 December 2021. This decrease was due to repayment of S$2.4 million.

Deferred tax liabilities increased by S$1.4 million to S$3.8 million in FY2021 from S$2.4 million in FY2020 primarily due to deferred tax expenses arising from the origination and reversal of temporary differences.

Cash Flows

Net cash generated from operating activities increased S$1.5 million from S$10.9 million in FY2020 to S$12.4 million in FY2021 mainly due to higher income generated from operating activities.

Free cash flow declined to S$7.5 million from S$9.4 million in FY2020.

Net cash used in investing activities mainly relates to capital expenditure incurred for the purchase of equipment and new factory construction in Penang, Malaysia.

Net cash used in financing activities was for the repayment of term loans, lease liabilities and acquisition of treasury shares.

BOARD OF DIRECTORS

Mr. Andy Luong

Executive Chairman and Chief Executive Officer

Date of first appointment as a Director:
22 February 2018

Date of last re-election as a Director:
22 June 2020

Mr. Andy Luong was appointed as Executive Chairman and Chief Executive Officer of the Company on 22 February 2018 and 1 June 2018 respectively.

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, started a precision business called Long's Manufacturing, Inc.

Mr. Andy Luong currently is also 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:
22 June 2020

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.

Mr. Wong Gang

Lead Independent Director

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

Date of first appointment as a Director:
1 November 2006

Date of last re-election as a Director:
22 April 2021

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 Tianjin Zhongxin Pharmaceutical Group Corporation Limited (listed on SGX Mainboard).

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

Date of last re-election as a Director:
22 April 2021

Mr. Kong is a Chartered Accountant with more than 27 years of experience of corporate development, private equity investment as well as accounting and corporate governance.

Throughout his career, he held key positions in finance such as chief financial officer and corporate management of several early stage ventures in the renewable energy and healthcare industry. He provided corporate advisory and project management services to both public and private companies. Started his career with Ernst & Young LLP, then private equity arm of ING Barings before progressing into several corporate roles including CFO and directors of private and public companies.

Mr. Kong is currently the Chief Executive Office and Executive Director of Darco Water Technologies Limited.

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

Ms. Lee Sook Wai, Irene

Independent Director

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

Date of first appointment as a Director:
8 July 2019

Date of last re-election as a Director:
22 June 2020

Ms. Irene Lee has a great and vast working experience in engineering and corporate operations strategy in multinational companies. Ms. Irene Lee was Senior Vice President, Global Operations and Chief Quality Officer of the Kulicke & Soffa Pte. Ltd. ("K&S") to drive the Company's global strategic quality initiative and deployment plan that covers overall quality management, business excellence, customer experience management and supplier management. Prior to joining K&S, she held various operational, engineering, and quality-related positions over her 24-year tenure spent at Seagate Technology International, Inc., a global data storage solutions company. In her last role as Vice President of Quality at Seagate Technology International, Inc. where she was responsible for overall factory quality and product reliability engineering for Asia and managed a staff of over 1,000 employees.

Ms. Irene Lee graduated from Singapore Polytechnic in 1984 with Advanced Diploma in Mechanical Engineering, received her Masters of Business Administration from the University of Leeds in year 2000, and a certificate on Strategic Leadership from Harvard Business School in year 2007. She also serves as a Director for Musical Theatre Limited, an Arts Charity and an Institution of Public Character under the Ministry of Culture, Community and Youth, Singapore from 2012 to 2017.

KEY EXECUTIVES

Ms. Pang Su Chun
Group Financial Controller
JEP Holdings Ltd.

Ms. Pang Su Chun joined the Group on 7 August 2021 as Group Financial Controller. She is responsible for the overall financial, accounting, taxation, treasury, and compliance matters of the Group.

Prior to joining JEP Holdings Ltd., Ms. Pang was the Group Finance Manager at UMS Holdings Limited, since November 2009. Ms. Pang started her career as an auditor and held various finance positions in other listed corporation in Singapore. She has over 20 years of experience in the areas of financial and management reporting, taxation, compliance, risk management, audit, acquisitions & corporate secretarial.

Ms. Pang holds a Bachelor of Accountancy degree with distinction from RMIT University of Australia.

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

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

Mr. Eddie Goh Kuan Teck
General Manager
JEP Precision Engineering Pte. Ltd.

Mr. Eddie Goh joined JEP Precision Engineering Pte. Ltd., subsidiary of the Group in May 2013 as General Manager. Mr. Eddie Goh's background is in precision machining, where he has more than 20 years' extensive experience, progressing from a craftsman to various managerial positions during his service in Singapore Aerospace Manufacturing Pte. Ltd., a fully-owned subsidiary of Singapore Technology. His operational experience includes holding key roles in the shipping and logistics, supply chain management, production and engineering department within the organization.

He led a project to redefine and implement the manufacturing processes of the aero-engine compressor vane and transferring the manufacturing technology to Suzhou in the late nineties as part of the group's expansion plan.

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

BOARD STATEMENT

JEP Holdings Ltd. believes that sustainability is integral to our business and is critical to achieving long-lasting value creation for all our stakeholders. We embarked on our sustainability journey to address material ESG issues to create a sustainable future with all our stakeholders. To manage stakeholder engagement, we have cultivated relationships through regular and systematically planned forms of dialogue as well as open channels of communication.

We are proud on delivering top-notch manufacturing solutions evidently. From our customer satisfaction survey results, we have achieved an outstanding score of 90% customer satisfaction. These results stand as a testament to our skilled and professional workforce that exists within our organisation to produce manufacturing quality and high-precision components. To continue our stellar performance and deliver manufacturing solutions to our customers, we have also recognised the importance of attracting, developing and retaining a high-quality workforce.

To strengthen and achieve results that go beyond, we place heavy emphasis on good corporate governance as the core belief of our business. The belief in good cooperate governance enables us to achieve our sustainability goals. We thus uphold this belief as it lays a solid foundation for the establishment of a sound organisation. Furthermore, operating in an ethical environment will safeguard the interests of all our stakeholders. Therefore, we strive to put in place a robust governance framework to maintain integrity, transparency, accountability, and discipline in all our business activities.

In FY2021, the management together with key stakeholders reviewed and assessed the materiality of Environment, Social and Governance ("ESG") topics identified in FY2020. The management was satisfied with the achievement attained in FY2021 and there are no major changes in the Group business model and portfolio in the current fiscal year, the management are of the opinion to continue to focus on the four identified targets to strengthen sustainability performance. We will make efforts to improve the overall sustainability performance across our business portfolio, as well as improve upon our communications to all stakeholders. We aim to create a virtuous cycle that benefits both our business operations and future sustainability pursuits.

About JEP Holdings Ltd.

JEP Holdings Ltd. (the "Group" or "JEP") is a public limited company listed on the Catalist Board of the Singapore Stock Exchange since 2004. JEP is Singapore's leading solution provider of precision machining and engineering services, with a primary focus on the aerospace industry.

The Group's subsidiaries are accredited with AS9100, ISO 45001, and NADCAP and has built a record of accomplishment as a reliable sub-contractor for aerospace components since beginning operations in 1990. It is now part of the global supply chain for the world's leading aircraft manufacturers.

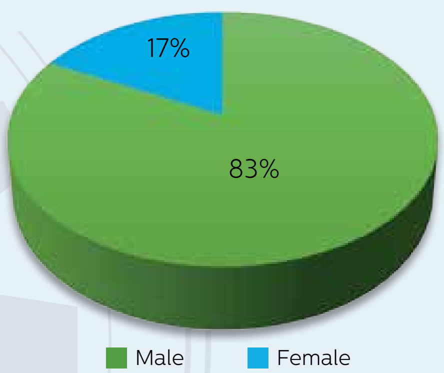
The Group's customer base spans across Singapore, Malaysia, China, the United States of America, and the United Kingdom. This has allowed JEP to build and establish a strong value chain that provides seamless manufacturing solutions. The Group's business operations not only span across different regions globally but also provides complete turnkey services for aerospace, electronics, oil and gas, equipment manufacturing and machine tooling industries. The Group's headquarters and significant location of operations are situated in Singapore.

The Group also believes in providing precision manufacturing services that excel in quality and delivers unprecedented customer satisfaction whilst carrying out our operations in a manner that is both environmentally sustainable and socially responsible.

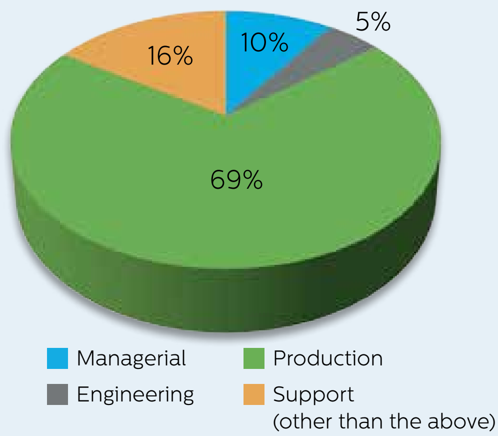
Therefore, the Group follows strict procedures of identifying, selecting, qualifying and monitoring to assess the performance and capabilities of the vendors for raw materials supply, standard items, special process services and fixture as well as gauge fabrication.

OUR PEOPLE

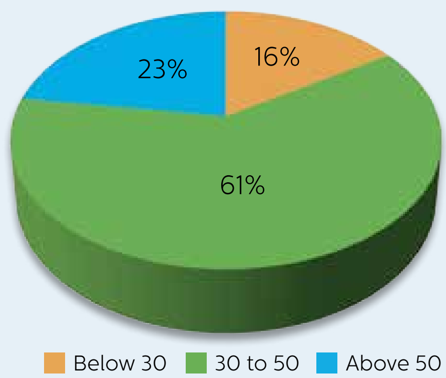
NUMBER OF EMPLOYEES BY GENDER



NUMBER OF EMPLOYEES BY CATEGORY

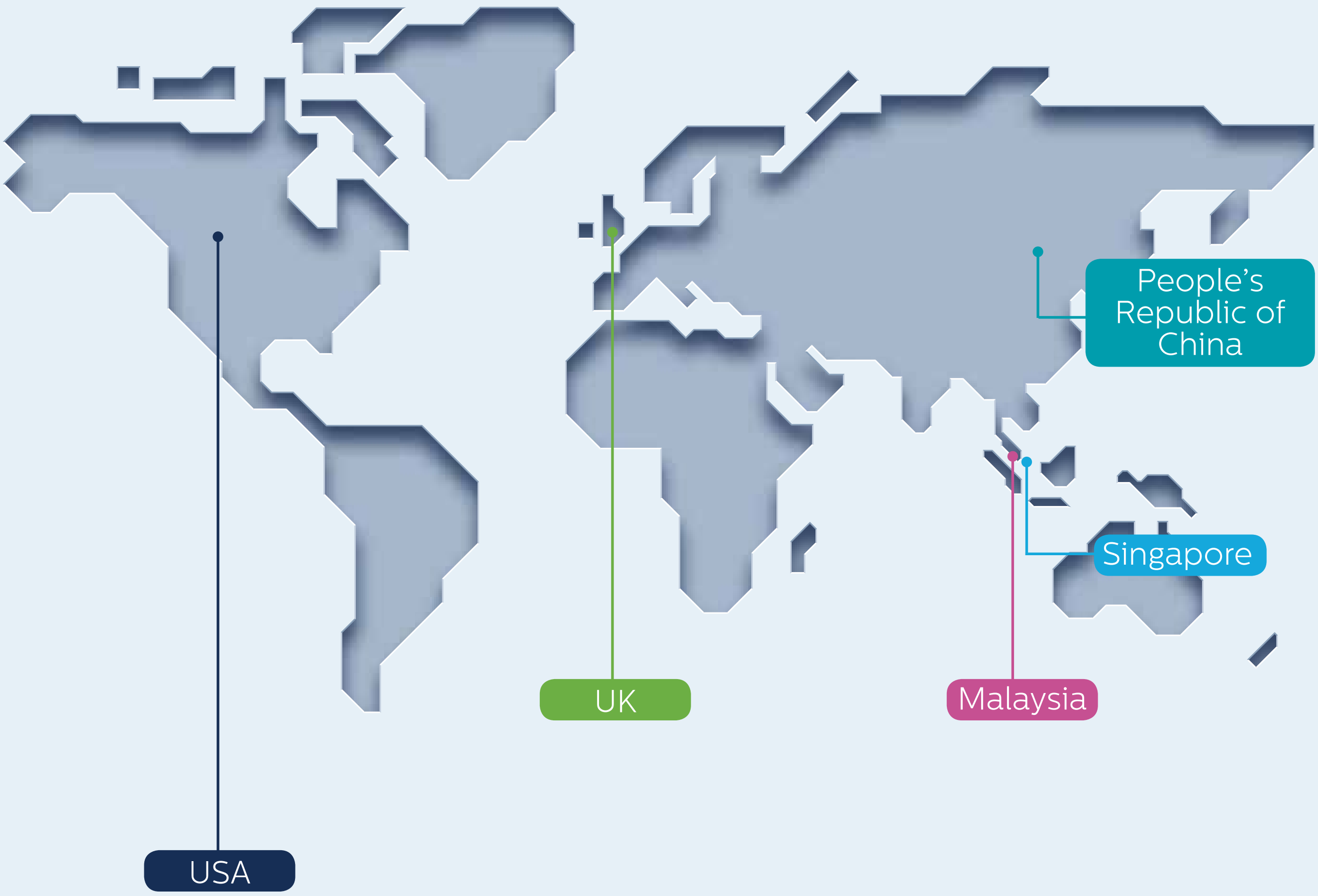


NUMBER OF EMPLOYEES BY AGE



** As at 31 Dec 2021, total number of employees in JEP is 207 (2020: 201)*

LOCATION OF CUSTOMER BASE



Customer base includes:

- United States of America
- United Kingdom
- Malaysia
- Singapore
- People's Republic of China
- Others*

* *Canada, Switzerland, Middle East, Southeast Asia*

EXTERNAL CHARTERS AND PRINCIPLES

As an entity regulated by the Securities and Futures Act (Cap 289) ("SFA"), the Listing Manual of Singapore Exchange Securities Trading Limited (the "SGX-ST") (the "Listing Manual") and other regulations, the Board is committed to upholding good standards of corporate governance at JEP.

The Board of Directors of JEP (the "Board") is committed to upholding high standards of corporate governance practices throughout JEP that are in line with the Code of Corporate Governance 2018 (the "2018 Code"). The Board will also ensure that JEP complies with the other regulations, notices, circulars, and guidelines that may be released by Monetary Authority of Singapore ("MAS") from time to time and should there be deviations, explanations will be provided.

JEP's leadership has combined more than 20 years of experience in manufacturing of front-end semiconductor components. With such experience, JEP's leadership competently drives all operational matters of the Group. JEP's leadership has directed the Group to hold membership in the Association of Aerospace Industries and Singapore Business Federation to develop strategic relationships within the industry to drive value creation for all stakeholders.

AWARDS

The Group has been in business since the 1980s. Over the years, JEP has accumulated a wealth of experience, expertise and an established record of accomplishment. On the right is a list of some of the awards:

Awarded by Eaton Corporation
The Best Supplier in Aerospace Asia Pacific 2011

Awarded by Safran
Performance Excellence Award 2019

Awarded by Aker Solutions
Certificate of Accreditation 2018

Awarded by Kulicke & Soffa
Outstanding Supplier Award 2021

CORPORATE GOVERNANCE

Sustainability is an integral aspect of the Group's operations. We are committed to delivering quality precision manufacturing solutions to our customers. This is only possible through proper management of internal and external risks to mitigate possible disruptions to the Group's operations. We have established an Enterprise Risk Management ("ERM") manual and management framework to provide the architecture for managing risks within the Group.

The Board manages potential risks in JEP through the review and approval of policies and procedures. The management then ensures that the identified risk is relevant to the business environment as well as ensuring controls or mitigating factors are in place. The Audit Committee provides independent oversight of the effectiveness of the risk management process.

RISK MANAGEMENT

Currently, the risk management committee does not exist because the Board is responsible for managing risk within the Group. The Board ensures that a sound system of risk management and internal controls are present to safeguard shareholders' interests and the assets of JEP. The Board also holds the authority to determine the nature and extent of the significant risks undertaken by JEP to achieve strategic business and objectives.

The management has engaged Virtus Assure Pte. Ltd. ("VA"), an internal auditor, to conduct a major review of the Group's operations and business to assess risks within the Group. VA conducted the risk assessment exercise to highlight pertinent risks in all areas of the Group's operations. The identified risks will form the basis of the Group's risk management framework and the ERM manual.

ANTI-CORRUPTION AND WHISTLEBLOWING

JEP is required to observe relevant local laws and regulations. In ensuring that all laws and regulations are complied with, the management has implemented corporate policies and procedures to provide clear instructions for all staff to abide by. The management ensures that all employees are aware of the latest developments in the law through training, seminars, and briefings conducted by professionals.

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.

For continuous improvement of its systems, the ERM manual and risk management framework will undergo review by the Board when necessary. The ERM Framework will be reviewed and updated in the event of any change in regulations, country of operations, nature of the business or any events that could affect the Group's operations.

JEP has in place a whistleblowing policy that encourages employees to bring forward any actions that is opposed to the best interest of JEP, to the Chairman of the Audit Committee ("AC") or the other members of the AC if the Chairman is not available. This is done to instil high standards of good business practices within JEP.

For questions or feedback about this report, please contact:

Group Financial Controller, Pang Su Chun
Address: JEP Holdings Ltd.
16 Seletar Aerospace Crescent
Singapore 797567
Tel : (65) 6545 4222
E-mail : wendy_pang@jep-holdings.com

ABOUT THIS REPORT

This report is prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core Option as it provides a set of an extensive framework that is widely accepted as a global standard for sustainability reporting. This report aims to disclose our Environmental, Social and Governance ("ESG") performance against the issues that are considered most material to our company's stakeholders. This includes shareholders, suppliers*, customers*, regulators*, management and employees. The objective of preparing this report annually is to inform our stakeholders of the initiatives and strategies related to sustainability that we are currently embarking on.

No external assurance has been sought for this report. However, we may seek external assurance for future sustainability reports as our reporting framework matures over time.

REPORTING SCOPE AND BOUNDARIES

The reporting period for the sustainability performance of our operations in Singapore is for the financial year 2021. All data and activities reported are with respect to the timeframe from 1 January 2021 to 31 December 2021, unless stated otherwise.

Since JEP's operations primarily involve precision manufacturing, we refer to the activities and performance of the precision manufacturing facilities when discussing employee-related material issues.

Environmental data disclosed within the sustainability report covers only Singapore-based operations.

The content of this report is defined by the four reporting principles established by GRI G4 Guidelines: Stakeholder Inclusiveness, Sustainability Context, Materiality, and Completeness.

REPORTING PRINCIPLES

PRINCIPLES	OBJECTIVES	APPROACH
Stakeholder Inclusiveness	Defining stakeholders and explain how JEP has responded to their expectations and interests	A stakeholder engagement workshop was conducted in November 2017 to align our reasonable expectations to the interests of our stakeholders. Subsequently, a materiality assessment workshop was conducted with stakeholders to facilitate the identification of topics that is material to JEP's operations. Lastly, the list of identified material topics pertaining to JEP's operations was finalised amongst JEP's management so as to disclose the selected material topics for this reporting period.
Sustainability Context	Presenting JEP's performance in the wider context of sustainability	
Materiality	Identifying JEP's significant ESG factors	
Completeness	Disclosing significant ESG factors and boundaries to assess JEP's performance in this reporting period	

* *Proxies to external stakeholders were present during the stakeholder engagement and materiality assessment workshop.*

STAKEHOLDER ENGAGEMENT & MATERIALITY ASSESSMENT

JEP Holdings Ltd. recognises that stakeholders play an important strategic role in maintaining the company's long-term growth. In November 2017, we engaged our key stakeholders through a stakeholder engagement and materiality assessment workshop to gather their concerns about the sustainability of the business. These key stakeholders were identified based on their ability to influence our performance and provide effective solutions to incorporate sustainability into our operations. Their concerns raised were gathered to identify the material ESG. The ESG factors were then prioritised based on their impact on the business and how important stakeholders considered each aspect.

STAKEHOLDER ENGAGEMENT

At JEP Group, we value all stakeholders and believe that maintaining strong bilateral relationships with stakeholders is a critical success factor for the Group sustainability. With routine engagements with stakeholders, we are able to identify each stakeholder key concerns and respond to their needs timely.

KEY STAKEHOLDER GROUPS	KEY INTERESTS	OUR RESPONSE	ENGAGEMENT METHODS
Investors and Shareholders	• Financial and operational performance • Good corporate governance • Transparency	• Provide reliable and relevant information timely • Cultivate a culture of transparent and timely communication with our investors	• Annual Report • Half-yearly announcement • Announcements and circulars
Employees	• Mentoring, training and skill development • Career prospect and equal opportunities • Working environment	• To establish a safe workplace • Promote equality for career prospects and benefits • To set up a response team to follow up and implement the latest control measures to mitigate risk of COVID-19	• Annual Appraisal • Training and development program
Customers	• Supply chain sustainability • Product quality and conformity • Reliability of delivery schedules	• Sustain our reputation as a reliable business partner to our customers • Meet and exceed customer expectations and demands	• Customer satisfaction survey • Regular meeting and direct communication
Community	• Contribution to local communities • Environment impact	• Sponsorship program to local institutions students • Internship program for undergraduates students • Environmental pollutions from business activities	• Co-sponsorship program with local institutions • Memorandum of Understanding with local institutions for internship arrangement • Restrain any business activities to have potential harmful impacts to environment and lives

MATERIALITY ASSESSMENT

The materiality assessment process was conducted based on a three-step approach to identify the material ESG and the diagram below describes the process.

Identification

Identification of ESG factors was performed by distributing the survey forms to the respective stakeholders to gather their concerns and inputs with regards to these factors.

Prioritisation

Prioritisation of ESG factors was performed during the Stakeholders Engagement and Materiality Assessment Workshop ("Workshop") conducted in November 2017. During the Workshop, we reviewed the ESG factors raised by respective stakeholders by evaluating the importance of information for reflecting significant economic environmental, and/or social impacts, as well as for stakeholders' decision-making.

Validation

Validation of ESG factors was performed by the management of JEP Holdings Ltd. to review and endorse the results consolidated from the Workshop.

The materiality assessment process concluded with JEP's management identifying four ESG factors to be considered as top priorities in this sustainability report.

MATERIAL ASPECTS IDENTIFIED

List of Selected GRI Indicators

SELECTED INDICATORS		ASPECT BOUNDARY
G4-EC1	Direct economic value generated and distributed	Within organisation
G4-EN3	Energy consumption within the organization	Within organisation
G4-LA6	Types of injury and rates of injury, occupational diseases, lost days and absenteeism and number of work related fatalities, by region and gender	Within organisation
G4-PR5	Results of surveys measuring customer satisfaction	Within organisation

ECONOMIC PERFORMANCE

JEP has policies that protect its stakeholders' interest and enhances its shareholders' value. We continuously invest in new capabilities to capture market share and facilitate growth.

In year 2021, the Group achieved more than 5% growth on an economic value retained annually. However, we had a continued impact on the COVID-19 pandemic in the aviation industry sector. The Group's current focus pivots towards the semiconductor equipment segment, whilst awaiting the recovery of its core aerospace component manufacturing business. For the year ended 31 December 2021, we have achieved a revenue of S$77.5 million (2020: S$74.7 million).

	FY2021	FY2020	FY2019
Direct Economic Value Generated	S$77.5m	S$74.7m	S$89.9m
Economic Value Distributed	S$62.6m	S$65.0m	S$76.4m
Economic Value Retained	S$14.9m	S$9.7m	S$13.5m

For a detailed breakdown of its 2021 financial results, please refer to the JEP Holdings Ltd. Annual Report 2021.

Perpetual Target	Performance in FY2020	Performance in FY2021
5% growth on Economic Value Retained	✕ Not Achieved	✓ Achieved

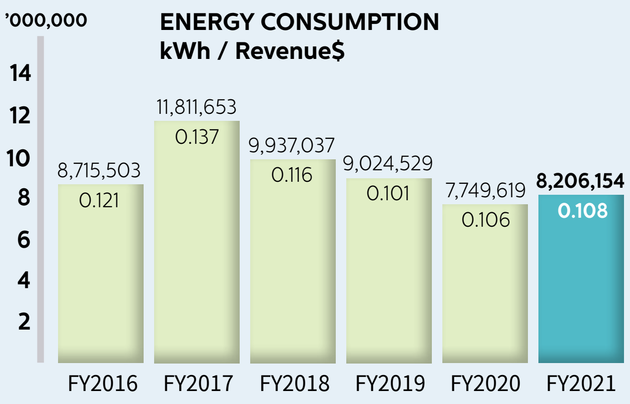
ENERGY CONSUMPTION

Here at JEP, we utilise a wide variety of precision engineering instruments and machinery to deliver the best quality that a precision engineering manufacturer can offer. These instruments and machinery contribute to the majority of our energy consumption. We recognise the importance of properly managing and regulating our energy consumption so as to keep our operational costs low and help reduce the impact on the environment. To keep track of the energy consumption, we have a monitoring system in place and a maintenance team of trained individuals.

In addition, we have an automated electrical supply regulation system that switches off unnecessary appliances and air-conditioning during lunch hours and after office hours. This system enables further reduction in energy consumption within our organisation.

The monitoring of our energy consumption is reviewed daily by our maintenance team. At the end of each month, the team will analyse the monthly energy consumption. Energy surges that were identified within different operational areas will be investigated for possible faults in the instruments and machinery. If necessary, repairs will be carried out should any faults be discovered. With these practices in place, we aim to lower energy consumption and improve efficiency in our energy usage.

In 2021, the total energy consumption accounted to 8,206,154 kWh (2020: 7,749,619 kWh), a 6% increase compared to year 2020 while kWh/Revenue was at S$0.108.



The method used to calculate energy consumption is based on the compiled electricity bill taken for the reporting year.

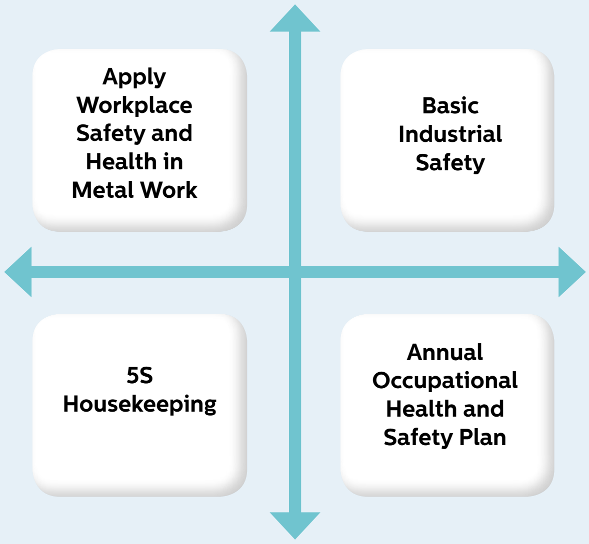
Perpetual Target	Performance in FY2020	Performance in FY2021
5% improvement on either electricity consumption or kWh/Revenue	✓ Achieved	✗ Not Achieved

CARING FOR OUR PEOPLE

We believe that building people within the organisation is crucial to build our business. At JEP, we consider people as the backbone holding up our business and strive to ensure that our employees are always taken care of.

The overall responsibility of planning and conduct of Occupational Health and Safety (“OHS”) in JEP lies with the top management and Worksite Safety Management (“WSM”) committee, which comprises of representatives from all departments.

We have established an OHS policy that has been developed to safeguard our employees. The policy has provided JEP a systematic way of reporting any incidents of injury or accident in our properties. At the same time, we advocate our corporate safety culture through multiple communications channels to all our employees. This includes compulsory training and courses, which include:



In the event of incidents, we have on-site response plan that gives the plant manager overall responsibility in the treatment and evacuation of any injured workers. The human resource department will be informed to follow up with documentation and handling of insurance claims.

In response to COVID-19, the Group has formed a response team to observe the latest development, regulations and guidelines issued by the relevant authorities. The response team members would make an appropriate recommendation and advice to management whenever new updates are issued by relevant authorities. The management has been giving full support to the team to carry out and implement the necessary control measures within the premises. To safeguard our stakeholders’ safety and ensure our business continuity; our responses team

have been carrying out some control measures within the premises including but not limited to the below:-

a) Pre-entry screening procedures
   - Questionnaire checks is required for all visitors or staff who return from overseas.
   - Temperature screening and Trace Together check-in.
b) Social distancing at common areas and working areas.
c) Notifying stakeholders of the latest updates of control measures, safety measures and hygiene practices by providing relevant news, brochures and leaflets at the relevant areas.
d) Personal protection items such as hand sanitizer and face mask are readily available and easily accessible to stakeholders.
e) Work-from-home arrangements for office workers. Stakeholders are encouraged to communicate through electronic means.
f) Strictly adhere to control measures in relation to leave of absence, stay-home Notice, quarantine order and medical leave issued by the relevant professionals and/or authorities.

In 2021, there was two injuries (2020: one injury) reported. These two injuries sustained by our employees in the two incidents reported were of minor severity, with medical leave of 2 and 7 days. At JEP group, all injuries suffered by our employees regardless of the extent of injury are taken seriously.

Following which, we take the necessary corrective action and issue notices to all employees to prevent future occurrences of such incidents. No fatalities and occupationally acquired disease were reported. A further breakdown of lost-days and absenteeism in hours are shown below.

	FY2021	FY2020	FY2019
Occupational Diseases Rate (per 100,000 employed persons)	zero	zero	zero
Injury Rate (per 100,000 employed persons)	966	498	1,434
Absentee Rate (per total man-hours in a year)	0.03	0.03	0.05
Lost Day Rate (per 200,000 working hours)	8.05	7.77	11.9

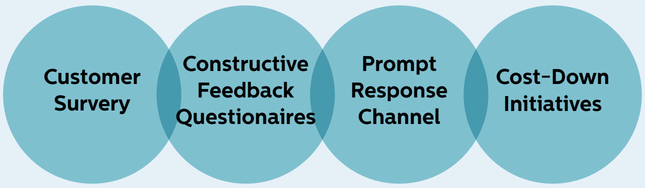
To continue the emphasis on managing workplace health and safety in our business, we educate our employees on the importance of OHS to their respective roles. We aim to achieve an excellent OHS culture within our Group to achieve zero reportable (lost-time) incidents.

Perpetual Target	Performance in FY2020	Performance in FY2021
Zero case of work-related fatalities	✓ Achieved	✓ Achieved
Zero case of occupational diseases	✓ Achieved	✓ Achieved

CUSTOMER SATISFACTION

As a manufacturing solutions provider, we are dedicated to designing and creating high-quality components for our customers. We are deeply committed to meeting customer, statutory and regulatory requirements at all times and our quality management system will be constantly improved to enhance customer satisfaction. Furthermore, we take a proactive approach to satisfy the needs of our customers, thereby providing top quality service and solutions that fit our customers' requirements.

To improve our service and experience to our customers, we utilise a certain approach to gather valuable feedback. The approach that we use includes:



QUALITY POLICY

- We are deeply committed to meeting customer, statutory and regulatory requirements at all times.
- Our quality management system will be constantly improved to enhance customer satisfaction.

With this approach, we were better prepared to serve the needs of our customers. We have achieved an average of 90% (2020: 85%) customers satisfaction level at all stages of services to our customers. In future, we aim to achieve 100% customer satisfaction.

Perpetual Target	Performance in FY2020 and FY2021
100% customer satisfaction	✗ Not Achieved

CARING FOR OUR COMMUNITY

We recognise the need to give back to the community and play a vital role in ensuring that talents in the field of Aerospace have the necessary support to further their pursuits and soar to greater heights. As such, we have actively sponsored events that benefit the underprivileged as well as young talents who are pursuing their studies in the field of Aerospace.

Internship Programme with Local Institutions
JEP has entered a Memorandum of Understanding with local institutions to provide the students with relevant and meaningful workplace experience and enhance their learning and acquisition of knowledge and skills.

Co-Funding of Scholarship to Nanyang Polytechnic Students
JEP believes in supporting government initiatives and it does so by grooming future talents in precision engineering. JEP has co-funded scholarship awards under the National Precision Engineering Scholarship Programme at Nanyang Polytechnic. A total of seven talented individuals have benefitted from this sponsorship.

GRI CONTENT INDEX

GRI G4 Guidelines	Disclosure	Page Number(s) and/or URL	Omission
General Standard Disclosures: Strategy & Analysis	G4-1: Statement from the most senior decision maker of the organisation	Board Statement	
General Standard Disclosures: Organisational Profile	G4-3: Name of the organisation	About JEP Holdings Ltd.	
General Standard Disclosures: Organisational Profile	G4-4: Primary brands, products and services	About JEP Holdings Ltd.	
General Standard Disclosures: Organisational Profile	G4-5: Location of organisation's headquarters	About JEP Holdings Ltd.	
General Standard Disclosures: Organisational Profile	G4-6: Number and names of countries where the organisation operates	About JEP Holdings Ltd.	
General Standard Disclosures: Organisational Profile	G4-7: Nature of ownership and legal form	About JEP Holdings Ltd.	
General Standard Disclosures: Organisational Profile	G4-8: Markets served	Location of Our Customer Base	
General Standard Disclosures: Organisational Profile	G4-9: Scale of organisation	About JEP Holdings Ltd.	
General Standard Disclosures: Organisational Profile	G4-10: Workforce	About JEP Holdings Ltd.	
General Standard Disclosures: Organisational Profile	G4-11: Percentage of employees covered by collective bargaining agreements	Not applicable	
General Standard Disclosures: Organisational Profile	G4-12: Organisation's supply chain	About JEP Holdings Ltd.	
General Standard Disclosures: Organisational Profile	G4-13: Significant changes during the reporting period	Not applicable	
General Standard Disclosures: Organisational Profile	G4-14: How the precautionary approach is addressed	Corporate Governance	
General Standard Disclosures: Organisational Profile	G4-15: Charters, principles or other initiatives to which the organisation is subscribed to	External Charters and Principles	
General Standard Disclosures: Organisational Profile	G4-16: List of memberships or associations and national/ international advocacy in which the organisation holds a position, participates, provides substantive funding or view membership as strategic	External Charters and Principles	
General Standard Disclosures: Identified Material Aspects And Boundaries	G4-17: Entities included in the organisation's consolidated financial statements. Report whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the Report	Economic Performance	

GRI G4 Guidelines	Disclosure	Page Number(s) and/or URL	Omission
General Standard Disclosures: Identified Material Aspects And Boundaries	G4-18: Process for defining Report content and Aspect Boundaries, and how the organisation has implemented the Reporting Principles for Defining Report Content	Reporting Scope and Boundaries	
General Standard Disclosures: Identified Material Aspects And Boundaries	G4-19: List all Material Aspects identified in the process for defining Report content	Material Aspects Identified	
General Standard Disclosures: Identified Material Aspects And Boundaries	G4-20: For each Material Aspect, report the Aspect Boundary within the organisation	Material Aspects Identified	
General Standard Disclosures: Identified Material Aspects And Boundaries	G4-21: For each Material Aspect, report the Aspect Boundary outside the organisation	Material Aspects Identified	
General Standard Disclosures: Identified Material Aspects And Boundaries	G4-22: Restatements	Not applicable	
General Standard Disclosures: Identified Material Aspects And Boundaries	G4-23: Significant changes in Scope and Aspect	Not applicable	
General Standard Disclosures: Stakeholder Engagement	G4-24: List of stakeholder groups	About this Report	
General Standard Disclosures: Stakeholder Engagement	G4-25: Basis for identification and selection of stakeholders	Stakeholder Engagement & Materiality Assessment	
General Standard Disclosures: Stakeholder Engagement	G4-26: Organisation's approach to stakeholder engagement	Stakeholder Engagement & Materiality Assessment	
General Standard Disclosures: Stakeholder Engagement	G4-27: Key topics raised through stakeholder engagement	Stakeholder Engagement & Materiality Assessment	
General Standard Disclosures: Report Profile	G4-28: Report profile	Reporting Scope and Boundaries	
General Standard Disclosures: Report Profile	G4-29: Date of most recent previous report	Not applicable	
General Standard Disclosures: Report Profile	G4-30: Reporting cycle	Reporting Scope and Boundaries	
General Standard Disclosures: Report Profile	G4-31: Contact point	Contact Us	
General Standard Disclosures: Report Profile	G4-32: GRI Content Index	GRI Content Index	
General Standard Disclosures: Report Profile	G4-33: External assurance	Not externally assured	
General Standard Disclosures: Governance	G4-34: Governance structure and composition	Corporate Governance	

GRI GRI G4 Guidelines	Disclosure	Page Number(s) and/or URL	Omission
General Standard Disclosures: Ethics and Integrity	G4-56: Values, principles, standards, codes of conduct and ethics	Risk Management Anti-Corruption and Whistleblowing	
Specific Standard Disclosures: Disclosure on Management Approach	G4-DMA	Economic Performance Energy Consumption Caring for our People Customer Satisfaction	
Specific Standard Disclosures: Category: Economic Sub-category: Economic Performance	G4-EC1: Direct economic value generated and distributed	Economic Performance	
Specific Standard Disclosures: Category: Environmental Sub-category: Energy	G4-EN3: Energy consumption within the organisation	Energy Consumption	
Specific Standard Disclosures: Category: Social Sub-category: Labour Practices and Decent Work	G4-LA6: Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Caring for our People	
Specific Standard Disclosures: Category: Social Sub-category: Labour Practices and Decent Work	G4-PR2: Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	Customers Satisfaction	

BOARD OF DIRECTORS

Executive:

Andy Luong
(Executive Chairman and Chief Executive Officer)

Zee Hoong Huay
(Executive Director)

Non-Executive:

Wong Gang (Lead Independent Director)
Kong Chee Keong (Independent Director)
Lee Sook Wai, Irene (Independent Director)

AUDIT COMMITTEE

Kong Chee Keong (Chairman)
Wong Gang
Lee Sook Wai, Irene

NOMINATING COMMITTEE

Lee Sook Wai, Irene (Chairperson)
Wong Gang
Kong Chee Keong

REMUNERATION COMMITTEE

Wong Gang (Chairman)
Kong Chee Keong
Lee Sook Wai, Irene

COMPANY SECRETARY

Tan Wee Sin

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 Limited
DBS Bank Limited
Maybank Singapore Limited

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
1 Harbourfront Avenue
#14-07 Keppel Bay Tower,
Singapore 098632

AUDITOR

Moore Stephens LLP
10 Anson Road
International Plaza, #29-15
Singapore 079903

PARTNER-IN-CHARGE

Neo Keng Jin
(Date of appointment: 23 April 2019)

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 provisions of the Code of Corporate Governance 2018 (the "**Code**") issued on 6 August 2018.

The Board confirms that the Company has adhered to all principles and provisions 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:

Mr. Andy Luong (Executive Chairman and Chief Executive Officer)
Mr. Zee Hoong Huay (Executive Director)
Mr. Wong Gang (Lead Independent Non-Executive Director)
Mr. Kong Chee Keong (Independent Non-Executive Director)
Ms. Lee Sook Wai, Irene (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.

The Board's Conduct of its Affairs

Principle 1 – The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.

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 discharges its duties and responsibilities at all times and makes decisions 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 set up a Sustainability Steering Team within the Group with members from senior management and across all business units to conduct 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, the Company has been setting performance indicators and monitoring processes are in place. The Sustainability Report is included as a part of the Annual Report.

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. All Directors are required to avoid situations where their own personal or business interests may conflict or appear to conflict with the interests of the Company. Where a Director has a conflict of interest, or it appears that the Director might have a conflict of interest in relation to any matter, the Director must immediately declare personal or business interest at the Board meeting or send a written notice to the Company containing details of personal or business interest in the matter and the actual or potential conflict, and the Director shall recuse from participating in any discussion or decision on the matter.

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 for 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 2021 ("**FY2021**") 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)]
Andy Luong	2	2	–	–	–	–	–	–
Zee Hoong Huay	2	2	–	–	–	–	–	–
Wong Gang	2	2	2	2	1	1	1	1
Kong Chee Keong	2	2	2	2	1	1	1	1
Lee Sook Wai, Irene	2	2	2	2	1	1	1	1

(1) Number of meetings held/attended during the financial year/period from 1 January 2021 (or from date of appointment/resignation of Director, where applicable) to 31 December 2021

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 Singapore Exchange Securities Trading Limited (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.

Board Access to Information

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

The Directors are updated regularly on corporate governance requirements, changes in listing rules and regulations, and the performance of the Group. The Directors have separate and independent access to Management, including the CEO, the Group Financial Controller ("**GFC**") and other key management personnel, 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 Non-Executive Directors, 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.

Board Composition and Guidance

Principle 2 – The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

Board Independence

The Board comprises five (5) members, of whom one (1) is Executive Chairman and Chief Executive Officer ("**CEO**"), one (1) is Executive Director and three (3) are Independent Non-Executive Directors ("**INEDs**") i.e., they have no relationship with the Company, its related companies, its substantial 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 the need 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.

In accordance with the Listing Manual Section B: Rules of the Catalist ("**Catalist Rules**") sets out specific circumstances in which a director is deemed non-independent, including, effective 1 January 2022, the requirement for directors wishing to remain as independent after serving more than nine (9) years, to seek two-tier voting by shareholders. The NC (with Mr. Wong Gang abstaining from deliberation) and the Board have perform a particularly rigorous review to assess the independence of Mr. Wong Gang, who has served the Company for a period exceeding nine (9) years, using a holistic approach and taking into account his contributions in terms of experience, expertise, professionalism, integrity, objectivity and independent judgement in their engagement with all relevant parties, rather than solely and arbitrarily on basis of length of service alone.

Having performed a rigorous review of his independence, the NC (with Mr. Wong Gang abstaining from deliberation) and the Board are of the view that Mr. Wong Gang continue to be independent notwithstanding his length of services, because he has consistently demonstrated strong independence of judgement and integrity of character in discharging his responsibilities. Mr. Wong Gang's vast experience enables him to provide the Board and the various Board Committees on which he served, with pertinent experiences and competence to facilitate sound decision-making. His length of service does not in any way interfere with his exercise of independent judgement nor hinder his ability to act in the best interests of the Company. Additionally, he has fulfilled the role of an Independent Director as defined in the SGX-ST Listing Rules and the Code. The Board trust that he is able to continue to discharge his duties independently with integrity and competency.

The two-tier voting resolution (the "**Ordinary Resolution**") in relation to the continued appointment of Mr. Wong Gang as an Independent Director of the Company for the purpose of Rule 406(3)(d)(iii) of the Catalist Rules of the SGX-ST had been passed at the AGM held on 22 April 2021 and shall continue in force until the earlier of (i) the retirement or resignation of Mr. Wong Gang as a Director, (ii) the conclusion of the third AGM of the Company following the passing of the Ordinary Resolution.

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, has an appropriate balance and mix of skills with 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, as well as other aspects of diversity such as gender diversity. This allows the Board to foster constructive debate and avoid groupthink. The Board Diversity Policy was established in February 2020 and sets out the approach to achieve diversity in the Company's Board. The Company recognises and embraces the importance and benefits of having a diverse Board to enhance the quality of its performance. It is accordingly committed to promoting diversity of the Board.

In consideration of the current scope and nature of the operations of the Group's operations, the Board is satisfied that the current composition 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 ("NEDs")

Although all the Directors have an equal responsibility for the Group's operations, the role of NEDs are 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 any constructive suggestions that will shape the Company's policies. NEDs also aid in the review of Management's performance and monitor Management's reporting framework.

The NEDs meet regularly without the presence of Management.

Chairman and Chief Executive Officer

Principle 3 – There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Role of Chairman and Chief Executive Officer

The position of Chairman and CEO are held by Mr. Andy Luong.

Although the roles and responsibilities for the Executive Chairman and CEO are vested in Mr. Andy Luong, major decisions are made in consultation with the Board which comprises a majority of INEDs. The Board is of the view 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. Andy Luong is responsible for leading the Board and ensuring that the Board is effective in all aspects of its role. He encourages constructive relations among 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 ("LID")

Mr. Wong Gang is the 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 Management are inappropriate or inadequate.

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

Board Membership

Principle 4 – The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

NC composition and Role

The NC comprises the following three (3) members, all of whom, including the Chairperson, are INEDs.

- Ms. Lee Sook Wai, Irene (Chairperson)
- Mr. Wong Gang (Member)
- Mr. Kong Chee Keong (Member)

The principal role of the NC is to establish a formal and transparent process for appointments and re-appointments to the Board and to review Board effectiveness, structure, size and composition. Other roles include reviewing the Board's succession plans as well as succession plans for Executive Chairman and CEO and Key Management Personnel, 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 one-third of the Board retires by rotation at every Annual General Meeting ("**AGM**"), and in accordance with the SGX-ST 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 three (3) years. All new Directors appointed by the Board during the year shall hold office until the next AGM and are eligible for re-election at the said AGM.

Mr. Zee Hoong Huay and Ms. Lee Sook Wai, Irene will be retiring as Directors of the Company at the forthcoming AGM pursuant to Article 91 of the Constitution of the Company and being eligible, have consented to be re-elected as Directors of the Company. The NC had considered the Directors' overall contribution and performance and had recommended Mr. Zee Hoong Huay and Ms. Lee Sook Wai, Irene be nominated for re-election at the forthcoming 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.

Board Performance

Principle 5 – The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

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
- Board diversity
- Overall contribution

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6 – The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

RC Composition and Role

The RC comprises the following three (3) members, all of whom including the Chairman, are INEDs.

- Mr. Wong Gang (Chairman)
- Mr. Kong Chee Keong (Member)
- Ms. Lee Sook Wai, Irene (Member)

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

The RC's principal responsibilities are:

(i) Reviewing and recommending to the Board for the endorsement, a general framework for computation of directors' fees of the Board and Key Management Personnel. For Executive Directors and Key Management Personnel, 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

(ii) 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 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. In FY2021, no remuneration consultant is employed by the Company.

Level and Mix of Remuneration

Principle 7 – The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

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 comprises a fixed component (in the form of basic salary, fixed allowance and other benefits-in-kind) and variable components (in the form of annual performance 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 serves to motivate eligible participants towards better performance through increase dedication and loyalty.

Disclosure on Remuneration

Principle 8 – The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The remuneration of Directors and the top four (4) Key Management Personnel of the Company for FY2021 are set out below:

Name	Fees[1]	Salary[2]	Bonus[2]	Others[3]	Total
Directors					
S$500,000 – S$749,999					
Mr. Andy Luong	–	49%	43%	8%	100%
S$250,000 – S$499,999					
Mr. Zee Hoong Huay	–	71%	16%	13%	100%
Below S$250,000					
Mr. Wong Gang	100%	–	–	–	100%
Mr. Kong Chee Keong	100%	–	–	–	100%
Ms. Lee Sook Wai, Irene	100%	–	–	–	100%
Key Management Personnel					
S$250,000 – S$499,999					
Mr. Darren Zee Yu Liang	–	49%	37%	14%	100%
Below S$250,000					
Mr. Eddie Goh Kuan Teck	–	75%	17%	8%	100%
Ms. Pang Su Chun[4]	–	79%	15%	6%	100%
Mr. Ong Han Poh[5]	–	63%	34%	3%	100%

Notes

(1) These fees were approved by shareholders at the last AGM held on 22 April 2021.
(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) Ms. Pang Su Chun was appointed as Group Financial Controller on 7 August 2021.
(5) Mr. Ong Han Poh resigned as Group Financial Controller on 16 August 2021.

The Board is of the view that it is not in the interests of the Company to disclose the amount of remuneration of each individual Director and the CEO and the amount of the remuneration paid to the top four (4) 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 Group does not have other Key Management Personnel save for those disclosed above.

There are no termination, retirement and post-employment benefits granted to Directors, the CEO and Key Management Personnel in FY2021.

The table below shows annual remuneration (in incremental bands of S$100,000) of employees who are immediate family members of a Director, the CEO or a substantial shareholder, and whose remuneration exceeds S$100,000 during FY2021:

Remuneration Band & Names of Executives
S$250,000 – S$349,999
Mr. Darren Zee Yu Liang

Mr. Darren Zee Yu Liang, is the eldest son of Mr. Zee Hoong Huay, Executive Director of the Company.

(C) ACCOUNTABILITY AND AUDIT

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.

Risk Management and Internal Controls

Principle 9 – The Board is responsible for the governance and risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholder.

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.

Virtus Assure Pte. Ltd. ("**VA**"), the Company's internal auditors conducted 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 developed 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 risks identified are relevant to the business environment and that controls or mitigating factors are in place. The Board reviews and approves policies and procedures for managing the identified risks. The AC provides independent oversight to the effectiveness of the risk management process.

The internal auditors conduct annual reviews of the adequacy and effectiveness of the Group's key internal controls, including financial, operational, compliance and informational technology controls and risk management systems. 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. Additionally, in performing their audit of the financial statements, the external auditors perform a review of the adequacy and effectiveness of the Group's key internal controls to the extent of their scope as laid out in their audit plan. Significant non-compliance and internal control weaknesses noted during the audit are reported to the AC together with the recommendations of the external auditors.

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 CEO, 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 adequate and effective.

Audit Committee

Principle 10 – The Board has an Audit Committee which discharges its duties objectively

Composition of the AC

The AC comprises the following three (3) members who have recent and relevant accounting or related financial expertise or experience to discharge their responsibilities. It comprises the following three (3) INEDs.

- Mr. Kong Chee Keong (Chairman)
- Mr. Wong Gang (Member)
- Ms. Lee Sook Wai, Irene (Member)

None of the AC members is a former partner or director of the Company's external auditors, Messrs. Moore Stephens LLP within the last two (2) years or has any financial interest in the audit firm.

The Board is of the view that all the AC members 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 or whistleblowing reports;

(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 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 Executive Directors and the GFC 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 a whistleblowing 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 cooperation 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 auditors 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 auditors. The external auditors has included this item as a key audit matter in its audit report for FY2021.
Valuation of Inventories	The AC considered the approach and assessment applied in determining the allowance for inventory obsolescence and the net realisable value of the inventories. The assessment of the carrying amount of inventories was also an area of focus of the external auditors. The external auditors has included this item as a key audit matter in its audit report for FY2021.

Interested Person Transactions ("IPTs")

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 Company obtained its shareholders' mandate for IPTs between the Group and UMS Holdings Limited and its subsidiaries ("**UMS Group**") at the AGM held on 22 April 2021.

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 FY2021 as shown in the table below, the aggregate value of all IPTs during the period was approximately 14.0% of the Group's audited net tangible assets as at 31 December 2021.

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$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)
		31 December 2021	31 December 2021
UMS Holdings Limited & its subsidiaries	Controlling shareholder of the Company	S$1,456,440	S$5,401,579

Save for the IPTs disclosed above, the AC is satisfied that there were no material contracts of the Company and its subsidiaries involving the interest of the Executive Chairman 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 the AC is involved in any IPTs, he or she will abstain from reviewing that particular transaction.

The Group will seek shareholders' approval on the renewal of the IPT General Mandate at the forthcoming AGM.

External Auditors

In assessing independence of external auditors, Messrs. Moore Stephens LLP, the AC reviewed the fees and expenses paid to the external auditors, including fees paid for non-audit services during the year. There were no non-audit services rendered by the external auditors for FY2021. The AC is of the opinion that the external auditors is independent and was adequate and effective in performing its audit.

	S$'000	% of fees
Audit fees	100	100
Non-audit fees	–	–
Total fees	100	100

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

Internal Audit

The Internal Auditors, Messrs. 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 auditors to identify other scope of work which will help to further enhance the robustness of the Company.

The internal auditors 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 independence, 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 auditors, who has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

(D) SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11 – The company treats all shareholder fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

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 general meetings. For those who hold their shares through nominee or custodial services, they are allowed, upon prior request through their nominee, to attend the general meetings 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 (2) 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 general meetings. 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 of all votes cast for, or against, or abstain, each resolution and the respective percentages are announced at the meeting and via SGXNet upon the conclusion of the general meetings.

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 not more than two (2) proxies to attend and vote at general meetings. 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. Minutes of general meetings, which include substantial comments or queries from shareholders will be released to the SGX-ST within one (1) month from the date of AGM and shall be made available on the Company's website.

All Directors, including the Chairpersons of the AC, NC and RC are in attendance at the general meeting to allow shareholders the opportunity to express 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 contents of the auditors' report.

Due to the ongoing COVID-19 situation in Singapore, the AGM for FY2021 will continue to be held via electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Alternative arrangements will be made to take into the online nature of the AGM, further information of which is set out in the notice of the AGM dated 5 April 2022.

As shareholders are unable to attend the meeting in person, shareholders will appoint the Chairman of the meeting as proxy to vote on their behalf at the AGM and submit questions relating to the business of the meeting in advance. Please refer to the notice of AGM dated 5 April 2022 for further information.

Substantial and relevant comments or queries from shareholders relating to the agenda of the AGM together with responses from the Board and the Management will be prepared by the Company. The minutes of AGM which capture the attendance of Board members at the meeting, matters approved by shareholders and voting results will be prepared by the Company. The minutes of the AGM for FY2021 will be released to the SGX-ST within one (1) month from the date of AGM and shall be made available on the Company's website.

Engagement with Shareholders

Principle 12 – The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

The Company has an Investor Relations ("**IR**") policy outlining the principles and practices adopted in the course of its investor relations activities, including communication with shareholders and the investment community.

The IR policy reflects avenues for communication between shareholders and the Company, including shareholders' meetings, the Company's annual report and sustainability report, the information available on the Company's website, results announcements, meetings with analysts and media, and describes how shareholders may contact the Company should they have questions. The policy thus allows for an ongoing exchange of views with shareholders, thereby promoting regular, effective and fair communication.

(E) MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13 – The Board adopts an inclusive approach by considering and balancing the needs and interests of materials stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served

The Company's key stakeholders are listed in its Sustainability Report. They are the Company's shareholders, its employees and workers, its consumers, its suppliers and business partners, communities, government and regulators, and its financiers. The Sustainability Report also outlines how relationships with these key stakeholders are managed.

The Group's policies including the Board Diversity Policy, the IR Policy and Whistleblowing Policy facilitates the Group's engagement with its key stakeholders.

The Whistleblowing Policy provides well-defined and accessible channels in the Group through which employees may raise concerns about improper conduct within the Group directly to the AC Chairman, as appropriate, without fear of reprisals. The Whistleblowing Policy serves to encourage and provide a channel where employees of the Company may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters. There were no whistleblowing letters received during the year and until the date of this report.

The Company has designated the AC to investigate whistleblowing reports made in good faith independently. The Company will treat all (written) complaints in a confidential and sensitive manner. A report of a complaint will only be disclosed to persons on a need to know basis in order to properly carry out an investigation and the identity of the whistleblower is kept confidential. The Company is committed to ensure protection of the whistleblower against detrimental or unfair treatment arising from whistleblowing.

The Sustainability Report outlines the Group's policies, practices, performance and targets in relation to its Economic and Environmental, Social and Governance activities. Developed in accordance with the Global Reporting Initiative Standards 2016 (Core option), the Group endeavours to communicate how sustainability is embedded in its business practices and value chain across its operations in the report.

Stakeholders may contact the Company through '**Contact Us**' in the Company's corporate website.

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 and any dividend declaration will be communicated to shareholders via announcement through SGXNet.

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 of the Company from trading in its securities for the period of one (1) 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. NON-SPONSORSHIP FEES

There were no non-sponsor fees paid to the Company's Sponsor, RHT Capital Pte. Ltd., during the financial year under review.

3. ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

Pursuant to Rule 720(5) of Catalist Rules, the information relating to the directors who are seeking re-appointment at the forthcoming AGM of the Company, as set out in Appendix 7F to the Catalist Rules is set out below:

	Mr. Zee Hoong Huay	**Ms. Lee Sook Wai, Irene**
Date of appointment	27 August 2015	8 July 2019
Date of last re-appointment	22 June 2020	22 June 2020
Age	65	61
Country of principal residence	Singapore	Singapore
The Board's comments on the re-appointment	Based on the recommendation of the NC, the Board (save for Mr. Zee Hoong Huay who abstain from deliberating his own re-election) propose to the Company's shareholders to approve the re-election of Mr. Zee Hoong Huay as a director of the Company.	Based on the recommendation of the NC, the Board (save for Ms. Lee Sook Wai, Irene who abstain from deliberating her own re-election) propose to the Company's shareholders to approve the re-election of Ms. Lee Sook Wai, Irene as an independent director of the Company.
Whether the appointment is executive, and if so, the area of responsibility	Executive, responsible for overseeing the Group overall operations and strategies and developing new businesses for the Group and supervise an implementation of internal control for the Group.	Non-Executive
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director	Independent Director, Chairperson of NC and Members of the AC and RC
Working experience and occupation(s) in the past 10 years	<u>1986 – 2015</u> JEP Industrades Pte. Ltd. Co-founder and Managing Director <u>2015 – present</u> JEP Holdings Ltd. Executive Director	<u>2012-2018</u> Kulicke & Soffa Pte. Ltd. Senior Vice President Global Operations, Chief Quality Officer <u>1987-2011</u> Seagate Technology Int'l Inc Vice President, Head of Asia Quality
Shareholding interest in the listed issuer and its subsidiaries	190,000 (direct interest)	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	Mr. Darren Zee Yu Liang, Managing Director of Dolphin Engineering Pte. Ltd. and Director of JEP Precision Engineering Pte. Ltd. is the eldest son.	No
Conflict of interest (including any competing business)	No	No

	Mr. Zee Hoong Huay	Ms. Lee Sook Wai, Irene
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the Company	Yes	Yes
Present	Listed companies • JEP Holdings Ltd. Non-listed companies • JEP Industrades Pte. Ltd.	Listed companies • JEP Holdings Ltd. Non-listed companies • Key Point (S) Pte. Ltd. • Key Point Holding Pte. Ltd.
Past (for the last 5 years)	• JEP Precision Engineering Pte. Ltd.	Senior Vice President Global Operations, Chief Quality Officer, Kulicke & Soffa Pte. Ltd.
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/her or against a partnership of which he/she was a partner at the time when he/she was a partner or at any time within 2 years from the date he/she ceased to be a partner?	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/she was a director or an equivalent person or a key executive, at the time when he/she 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/she 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
c. Whether there is any unsatisfied judgment against him/her?	No	No

		Mr. Zee Hoong Huay	Ms. Lee Sook Wai, Irene
d.	Whether he/she 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/she is aware) for such purpose?	No	No
e.	Whether he/she 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/she is aware) for such breach?	No	No
f.	Whether at any time during the last 10 years, judgment has been entered against him/her 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/her part, or he/she has been the subject of any civil proceedings (including any pending civil proceedings of which he/she is aware) involving an allegation of fraud, misrepresentation or dishonesty on his/her part?	No	No
g.	Whether he/she 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

		Mr. Zee Hoong Huay	Ms. Lee Sook Wai, Irene
h.	Whether he/she 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
i.	Whether he/she has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him/her from engaging in any type of business practice or activity?	No	No
j.	Whether he/she has ever, to his/her 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	No	No

	Mr. Zee Hoong Huay	Ms. Lee Sook Wai, Irene
(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/she was so concerned with the entity or business trust?		
k. Whether he/she 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

FINANCIAL CONTENTS

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 31 December 2021.

In the opinion of the directors:

(a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, 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

(b) 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
Zee Hoong Huay
Wong Gang
Kong Chee Keong
Lee Sook Wai, Irene

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, Debentures and Warrants

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 1 January 2021	As at 31 December 2021	As at 21 January 2022	As at 1 January 2021	As at 31 December 2021	As at 21 January 2022
The Company						
Andy Luong						
- Ordinary shares	1,150,000	1,150,000	1,150,000	168,416,970	298,175,136	298,225,136
Zee Hoong Huay						
- Ordinary shares	57,667,655	190,000	190,000	7,759,500	–	–

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

3 Directors' Interests in Shares, Debentures and Warrants (cont'd)

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)
Lee Sook Wai, Irene	(Independent Director)

The Audit Committee performs the functions set out in Section 201B (5) of the Companies Act 1967, 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 and statement of changes in equity of the Company for the financial year ended 31 December 2021 as well as the independent auditor's report thereon;

(iv) reviewed the effectiveness of the Group'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 internal and external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee;

5 Audit Committee (cont'd)

(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.

In performing its functions, the Audit Committee has also met with the Company's internal and external auditors, without the presence of the Company's management, at least once a year.

The Audit Committee has recommended to the Board of Directors the nomination of Moore Stephens LLP for re-appointment as external auditor of the Group at the forthcoming Annual General Meeting.

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

6 Auditors

The independent auditors, Moore Stephens LLP, have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board of Directors

ANDY LUONG

ZEE HOONG HUAY

Singapore
18 March 2022

INDEPENDENT AUDITORS' REPORT

To the Members of JEP Holdings Ltd.

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 31 December 2021, and the consolidated statement of 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.

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 1967 (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 31 December 2021 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 Matters (cont'd)

Key Audit Matter	Our audit performed and responses thereon
Impairment review of goodwill We refer to Note 2(i), Note 3(b) and Note 13(a) to the financial statements. Goodwill arises from the Group's acquisition of Dolphin Engineering Pte Ltd ("DEPL"), JEP Precision Engineering Pte Ltd ("JEPP") and JEP Industrades Pte Ltd ("JEPI"). As of 31 December 2021, the carrying amount of the Group's goodwill is S$11,292,000. The Group is required to perform an impairment test on goodwill of the cash generating unit ("CGU") by comparing its carrying amount with its recoverable amount as at the current year end. The recoverable amount is determined based on value in use calculations which includes discounted cash flow projections of the CGU to which the goodwill is allocated to. The impairment test involves significant judgement in determining the allocation of goodwill to the relevant CGU and in estimating the underlying assumptions to be applied in the discounted cash flow projections. The recoverable amounts are highly sensitive to key assumptions applied in respect of gross margin, the long-term growth rate and discount rate. A small change in the assumptions can have a significant impact to the estimation of the recoverable amounts. Based on the impairment test performed by management, no impairment loss was recognised during the current financial year ended 31 December 2021.	**Our response** We designed and performed the following key procedures, among others: - Conducted a detailed discussion with the Group's key management and finance key personnel and reviewed the impairment assessment process over the determination of the relevant cash generating units and estimates for forecasted revenues, growth rates, profit margin, tax rates and discount rates. - Challenged management's estimates applied in the value-in-use models based on our knowledge of the Group's business activities and trends, and compared them against historical forecasts and performance, management plans and industry benchmarks. - Evaluated the Group's planned strategies around revenue growth and cost controls and the sensitivity analysis of the possible increase or decrease in the estimated growth rates and discount rates used in the value-in-use models. **Our findings** We concluded that the identification of cash generating units was appropriate. Based on the procedures performed, we found the estimated future cash flows and the rates used to be reasonable. Based on our procedures, we noted that management's analysis and assessment, including sensitivity analysis, on the recoverability of goodwill can be supported. Furthermore, we evaluated the adequacy of the Group's disclosures regarding the impairment testing of goodwill. We found the disclosures included in Note 13(a) to the financial statements to be appropriate in describing the impairment assessment performed in relation to goodwill.

Key Audit Matters (cont'd)

<table>
<tr><th>Key Audit Matter</th><th>Our audit performed and responses thereon</th></tr>
<tr><td>

Allowance for inventory obsolescence

We refer to Note 2(g), Note 3(b) and Note 11 to the financial statements.

The carrying value of inventories amounted to S$18,799,000 which accounted for 16% of the Group's total assets as at 31 December 2021.

As at 31 December 2021, the Group has made allowance for inventory obsolescence which amounted to S$3,110,000.

Inventories are carried in the consolidated financial statements at the lower of cost and net realisable value. The Group writes down the cost of inventories whenever the net realisable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

</td><td>

Our response

We focused on this area because of the high degree of management judgement required in determining the allowance for inventory obsolescence.

We designed and performed the following key procedures, among others:

- Evaluated the appropriateness of the Group's accounting policies on the valuation of its inventories.
- Checked and analysed the ageing of the inventories.
- Evaluated and tested management's assessment of inventories to state them at the lower of cost and net realisable value.
- Reviewed management's assessment of the allowance for inventory obsolescence, taking into consideration inventory ageing, physical condition of the inventories, past and expected future sales.

Our findings

We found management's assessment of inventory obsolescence is reasonable and in accordance with the Group's accounting policies.

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Other Information

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.

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

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

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

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

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

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

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 subsidiaries 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. Neo Keng Jin.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
18 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2021

	Note	Group 2021	Group 2020
		S$'000	S$'000
Revenue	4	75,899	73,284
Cost of sales		(60,741)	(62,392)
Gross profit		15,158	10,892
Other operating income	5	2,166	5,221
Selling and distribution expenses		(1,866)	(1,950)
Administrative expenses		(5,100)	(5,381)
Other operating expenses		–	(6,618)
Finance costs	6	(834)	(1,134)
Profit before tax		9,524	1,030
Income tax expense	7	(1,670)	(812)
Profit for the year attributable to owners of the Company	8	7,854	218
Other comprehensive (loss) / income attributable to owners of the Company			
Item that may be reclassified subsequently to profit or loss			
Currency translation differences		(56)	11
Total comprehensive income for the year attributable to owners of the Company		7,798	229
Earnings per share (expressed in cents)			
Basic	24	1.899	0.053
Diluted	24	1.899	0.053

The accompanying notes form an integral part of the financial statements

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

		Group		Company	
	Note	2021	2020	2021	2020
		S$'000	S$'000	S$'000	S$'000
ASSETS					
Current assets					
Cash and bank balances	9	19,618	15,950	359	465
Trade and other receivables	10	22,219	15,498	19	30
Inventories	11	18,799	13,293	–	–
Total current assets		60,636	44,741	378	495
Non-current assets					
Property, plant and equipment	12	48,472	50,836	14	21
Intangible assets	13	11,292	11,292	–	–
Subsidiaries	14	–	–	68,648	67,320
Deferred tax assets	15	6	2	6	2
Total non-current assets		59,770	62,130	68,668	67,343
Total assets		120,406	106,871	69,046	67,838
LIABILITIES AND EQUITY					
Current liabilities					
Bank loans	16	3,101	2,373	–	–
Trade and other payables	17	15,572	7,610	1,320	595
Amount due to subsidiaries	18	–	–	–	1,864
Current tax liabilities		307	1	87	–
Lease liabilities	19	961	1,245	–	–
Total current liabilities		19,941	11,229	1,407	2,459
Non-current liabilities					
Bank loans	16	22,685	25,786	–	–
Lease liabilities	19	6,111	7,148	–	–
Deferred tax liabilities	15	3,785	2,419	–	–
Total non-current liabilities		32,581	35,353	–	–
Capital and reserves					
Share capital	20	49,226	49,226	49,226	49,226
Treasury shares	21	(203)	–	(203)	–
Capital reserve	22	772	772	870	870
Translation reserve	22	(45)	11	–	–
Retained earnings		18,134	10,280	17,746	15,283
Total equity		67,884	60,289	67,639	65,379
Total liabilities and equity		120,406	106,871	69,046	67,838

The accompanying notes form an integral part of the financial statements

For the financial year ended 31 December 2021

	Share Capital	Treasury Shares	Capital Reserve	Translation Reserve	Retained Earnings	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group						
Balance as at 1 January 2021	49,226	–	772	11	10,280	60,289
Total comprehensive income for the year						
Profit for the year	–	–	–	–	7,854	7,854
Other comprehensive loss for the year	–	–	–	(56)	–	(56)
Total	–	–	–	(56)	7,854	7,798
Buy-back of ordinary shares	–	(203)	–	–	–	(203)
Balance as at 31 December 2021	49,226	(203)	772	(45)	18,134	67,884

	Share Capital	Capital Reserve	Translation Reserve	Retained Earnings	Total
	S$'000	S$'000	S$'000	S$'000	S$'000
Group					
Balance as at 1 January 2020	49,226	772	–	10,062	60,060
Total comprehensive income for the year					
Profit for the year	–	–	–	218	218
Other comprehensive income for the year	–	–	11	–	11
Total	–	–	11	218	229
Balance as at 31 December 2020	49,226	772	11	10,280	60,289

The accompanying notes form an integral part of the financial statements

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2021

	Share Capital	Treasury Shares	Capital Reserve	Retained Earnings	Total
	S$'000	S$'000	S$'000	S$'000	S$'000
Company					
Balance as at 1 January 2021	49,226	–	870	15,283	65,379
Total comprehensive income for the year					
Profit for the year	–	–	–	2,463	2,463
Total	–	–	–	2,463	2,463
Buy-back of ordinary shares	–	(203)	–	–	(203)
Balance as at 31 December 2021	49,226	(203)	870	17,746	67,639

	Share Capital	Capital Reserve	Retained Earnings	Total
	S$'000	S$'000	S$'000	S$'000
Company				
Balance as at 1 January 2020	49,226	870	13,531	63,627
Total comprehensive income for the year				
Profit for the year	–	–	1,752	1,752
Total	–	–	1,752	1,752
Balance as at 31 December 2020	49,226	870	15,283	65,379

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2021

	Group	
	2021	2020
	S$'000	S$'000
Operating activities		
Profit before income tax	9,524	1,030
Adjustments for:		
(Reversal of) Provision for impairment loss recognised on trade receivables	(17)	119
Depreciation of property, plant and equipment	5,952	6,063
Amortisation of intangible assets	–	204
Impairment loss on goodwill	–	6,250
Gain on disposal of property, plant and equipment	(69)	(528)
Property, plant and equipment written off	19	251
Unrealised exchange (gain) loss	(251)	175
Provision for inventory obsolescence	404	627
Gain on re-measurement of lease liabilities	–	(15)
Interest income	(47)	(22)
Interest expense	834	1,134
Operating cash flows before movements in working capital	16,349	15,288
Inventories	(5,910)	1,085
Trade and other receivables	(5,395)	5,314
Trade and other payables	8,103	(9,700)
Cash generated from operations	13,147	11,987
Interest paid	(834)	(1,134)
Interest received	47	22
Income tax refund	(2)	(*)
Net cash generated from operating activities	12,358	10,875
Investing activities		
Purchase of property, plant and equipment (Note A)	(5,034)	(2,151)
Proceeds from disposal of property, plant and equipment (Note B)	197	663
Net cash used in investing activities	(4,837)	(1,488)

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

For the financial year ended 31 December 2021

	Group	
	2021	**2020**
	S$'000	S$'000
Financing activities		
Payment for buy-back of ordinary shares	(203)	–
Repayment of lease liabilities	(1,240)	(2,451)
Proceeds from term loans	–	5,000
Repayments of term loans	(2,373)	(4,784)
Proceeds from trade financing loans	–	1,806
Repayments of trade financing loans	–	(4,253)
Net repayments of factoring loans	–	(709)
Net cash used in financing activities	(3,816)	(5,391)
Net increase in cash and bank balances	3,705	3,996
Effect of exchange rate changes	(37)	11
Cash and bank balances at beginning of year	15,950	11,943
Cash and bank balances at end of year (Note 9)	19,618	15,950

The reconciliation of purchase of property, plant and equipment and proceeds from disposal of property, plant equipment are presented below:

	Group	
	2021	**2020**
	S$'000	S$'000
Note A		
Purchase of property, plant and equipment		
Total additions (Note 12)	3,797	3,276
(Less): Acquired under lease liabilities	–	(1,253)
Movement in liability owing to supplier of property, plant and equipment	108	71
Movement in down-payment to supplier of property, plant and equipment	1,129	57
Net cash outflow in the financial year	5,034	2,151
Note B		
Disposal of property, plant and equipment		
Total net book value of disposal (Note 12)	171	67
Add: Gain on disposal of property, plant and equipment	69	528
Total sales proceeds	240	595
Movement in receivables arising from disposal of property, plant and equipment	(43)	–
Add: Carrying value of assets held for sale	–	68
Net cash inflow in the financial year	197	663

* Denotes less than S$1,000

The accompanying notes form an integral part of the financial statements

These notes form an integral part and should be read in conjunction with the accompanying financial statements.

1 General

The Company (Registration No. 199401749E) was 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 14 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 31 December 2021 were approved and authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

2 Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements have been 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) 16 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.

2 Summary of Significant Accounting Policies (cont'd)

(a) Basis of Accounting (cont'd)

Adoption of New and Revised Singapore Financial Reporting Standards (International) ("SFRS(I)") issued which are effective

On 1 January 2021, the Group has adopted the new and revised SFRS(I) and SFRS(I) Interpretations ("SFRS(I) INTs") that are mandatory for application for the financial year. The adoption of these new and revised SFRS(I) and SFRS(I) INTs did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

Adoption of New and Revised SFRS(I) issued but not yet effective

At the date of authorisation of these financial statements, the following standards that have been issued and are relevant to the Group and Company but not yet effective:

		Effective for annual financial periods beginning on or after
SFRS(I) 16	*Amendments to SFRS(I) 16 Leases – COVID-19 Related Rent Concessions Beyond 30 June 2021*	1 April 2021
SFRS(I) 1-16	*Amendments to SFRS(I) 1-16, Property, Plant and Equipment – Proceeds before Intended Use*	1 January 2022
SFRS(I) 1-37	*Amendments to SFRS(I) 1-37, Provisions – Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
SFRS(I) 3	*Amendments to SFRS(I) 3, Business Combinations – Reference to the Conceptual Framework*	1 January 2022
Annual Improvements to SFRS(I) 2018-2020 Cycle		1 January 2022
SFRS(I) 1-1	*Amendments to SFRS(I) 1-1, Classification of Liabilities as Current or Non-current*	1 January 2023
SFRS(I) 1-1	*Amendments to SFRS(I) 1-1, Disclosure of Accounting Policies and SFRS(I) Practice Statement 2 Making Materiality Judgements*	1 January 2023
SFRS(I) 1-8	*Amendments to SFRS(I) 1-8, Definition of Accounting Estimate*	1 January 2023
SFRS(I) 1-12	*Amendments to SFRS(I) 1-12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
SFRS(I) 10 and SFRS(I) 1-28	*Amendments to SFRS(I) 10 and SFRS(I) 1-28, Investment in Associates and Joint Ventures – Sale or contribution of assets between an investor and its associate or joint venture*	Deferred indefinitely, early application is still permitted

The directors expect that the adoption of the standards above will have no material impact on the consolidated financial statements in the period of initial application.

2 Summary of Significant Accounting Policies (cont'd)

(b) 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.

2 Summary of Significant Accounting Policies (cont'd)

(b) Basis of Consolidation (cont'd)

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.

(c) 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.

2 Summary of Significant Accounting Policies (cont'd)

(c) Business Combinations (cont'd)

The Group applies the acquisition method to account for business combinations when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether an integrated set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create output. The Group has an option to apply a 'fair value concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test can be applied on a transaction-by-transaction basis. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. If the test is not met, or if the Group elects not to apply the test, a detailed assessment must be performed applying the normal requirements in SFRS(I) 3.

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.

2 Summary of Significant Accounting Policies (cont'd)

(c) Business Combinations (cont'd)

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.

(d) Financial Instruments

Financial assets and financial liabilities are recognised on the statements 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

Classification of financial assets

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 fair value through other comprehensive income ("FVTOCI") criteria as measured at fair value through profit or loss ("FVTPL") if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

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.

2 Summary of Significant Accounting Policies (cont'd)

(d) Financial Instruments (cont'd)

Financial Assets (cont'd)

Amortised cost and effective interest method (cont'd)

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, lease receivables, if any and contract assets, if any. 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.

2 Summary of Significant Accounting Policies (cont'd)

(d) Financial Instruments (cont'd)

Financial Assets (cont'd)

Impairment of financial assets (cont'd)

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 10 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 mainly transacts with high credit quality counterparties which are considered to have low credit risk for the purpose of impairment assessment.

2 Summary of Significant Accounting Policies (cont'd)

(d) Financial Instruments (cont'd)

Financial Assets (cont'd)

Significant increase in credit risk (cont'd)

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.

Definition of default

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.

Credit-impaired financial assets

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; or
- A breach of contract, such as a default or past due event; or
- 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; or
- It is becoming probable that the borrower will enter bankruptcy or others financial reorganisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

2 Summary of Significant Accounting Policies (cont'd)

(d) Financial Instruments (cont'd)

Financial Assets (cont'd)

Write-off policy

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. 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.

Measurement and recognition of expected credit losses

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.

2 **Summary of Significant Accounting Policies (cont'd)**

(d) Financial Instruments (cont'd)

Financial Assets (cont'd)

Measurement and recognition of expected credit losses (cont'd)

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.

2 Summary of Significant Accounting Policies (cont'd)

(d) Financial Instruments (cont'd)

Financial Liabilities and Equity Instruments (cont'd)

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 expenses" line item in profit or loss 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 expired. 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.

(e) Leases

The Group as lessor

Each lease in which the Group acts as a lessor is classified as either an operating or a finance lease at lease inception. Leases that transfer substantially all of the risks and rewards incidental to ownership of the underlying assets are classified as finance leases. Other leases are classified as operating leases.

Lessor – operating leases

Rental income earned from operating leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income. Contingent rents are recognised as income in profit or loss when earned.

2 Summary of Significant Accounting Policies (cont'd)

(e) Leases (cont'd)

The Group as lessee

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

The Group recognises right-of-use assets and lease liabilities at the date which the underlying assets become available for use. Right-of-use assets are measured at cost, which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement dates, plus any initial direct costs incurred and an estimate of restoration costs, less any lease incentives received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

Right-of-use assets are subsequently depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the corresponding lease liabilities. The Group presents its right-of-use assets (except for those which meets the definition of an investment property) in "property, plant and equipment" and "lease liabilities" in the statements of financial position.

The initial measurement of lease liabilities is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payments that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under residual value guarantees;
- The exercise price of a purchase option if is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For contracts that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease components. The Group has elected not to separate lease and non-lease components for property leases; instead, these are accounted for as one single lease component.

2 Summary of Significant Accounting Policies (cont'd)

(e) Leases (cont'd)

The Group as lessee (cont'd)

Lease liabilities are measured at amortised cost, and are remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise lease extension and termination options;
- There is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- There is a modification to the lease term.

When lease liabilities are remeasured, corresponding adjustments are made against the right-of-use assets. If the carrying amounts of the right-of-use assets have been reduced to zero, the adjustments are recorded in profit or loss. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less, as well as leases of low value assets, except in the case of sub-lease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

Variable lease payments that are based on an index or a rate are included in the measurement of the corresponding right-of-use assets and lease liabilities. Other variable lease payments are recognised in profit or loss when incurred.

Short-term lease and lease of low-value assets

The Group applies the short-term leases recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payment on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

(f) Cash and Bank Balances in the Statement of Cash Flows

Cash and bank balances in the consolidated 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.

(g) 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.

2 Summary of Significant Accounting Policies (cont'd)

(h) 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:

Buildings on leasehold land	-	Over the lease term of 3 to 50 years
Leasehold land	-	Over the lease term of 3 to 60 years
Machinery and equipment	-	5 to 12 years
Electrical installations and renovations	-	3 to 10 years
Furniture, fittings and office equipment	-	5 to 10 years
Computers	-	1 to 3 years
Motor vehicles	-	5 to 6 years

Asset under construction is stated at cost less any accumulated impairment losses and include any borrowing cost incurred during the period of construction. No depreciation is provided on asset under construction and upon completion of construction, the cost will be transferred to property, plant and equipment.

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 lease liabilities 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.

(i) 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.

2 Summary of Significant Accounting Policies (cont'd)

(i) Goodwill (cont'd)

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.

(j) 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 asset pertains to customer relationship acquired through acquisitions in prior years. The intangible asset is amortised on a straight-line basis over its useful life. Management has assessed the appropriate useful life to be 5 to 10 years. The estimated useful life 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.

(k) 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 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 (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.

2 Summary of Significant Accounting Policies (cont'd)

(k) Impairment of Tangible and Intangible Assets Excluding Goodwill (cont'd)

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.

(l) 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.

(m) 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 statements of financial position by deducting the grant in arriving at the carrying amount of the assets.

(n) 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.

2 Summary of Significant Accounting Policies (cont'd)

(n) Revenue Recognition (cont'd)

Sale of goods

The Group sells precision engineering works, engineering parts and cutting tools. Revenue from the sale of goods is recognised at a point in time 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 precision engineering works and equipment fabrication services is recognised at a point in time when services are completed.

Rental income

The Group's policy for recognition of revenue from operating leases is described as per Note 2(e).

(o) Interest Income

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

(p) Dividend Income

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

(q) Management Fee

Management fee is recognised when services are rendered.

(r) 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.

2 Summary of Significant Accounting Policies (cont'd)

(s) 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.

(t) 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.

(u) 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, 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.

2 Summary of Significant Accounting Policies (cont'd)

(u) Income Tax (cont'd)

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.

(v) 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 statement of changes in 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.

2 Summary of Significant Accounting Policies (cont'd)

(v) Foreign Currency Transactions and Translation (cont'd)

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, if any.

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.

(w) Related Parties

A related party is defined as follows:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the "reporting entity").

a. A person or a close member of that person's family is related to a reporting entity if that person:

i. has control or joint control over the reporting entity;

ii. has significant influence over the reporting entity; or

iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b. An entity is related to a reporting entity if any of the following conditions applies:

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

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

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

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

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

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

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

viii. the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

3 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 consolidated financial statements.

Dismantlement, removal or restoration costs for property, plant and equipment

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 have 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:

Impairment review of property, plant and equipment

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 amount of the property, plant and equipment of the Group and the Company at the end of the reporting period is disclosed in Note 12 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 amount of the property, plant and equipment of the Group and the Company at the end of the reporting period is disclosed in Note 12 to the financial statements.

3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (cont'd)

(b) Key Sources of Estimation Uncertainty (cont'd)

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 a 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 and impairment loss at the end of the reporting period are disclosed in Note 13(a) 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 11 to the financial statements.

4 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 Note 29.

	Group	
	2021	**2020**
	S$'000	S$'000
Segment revenue		
Precision machining	38,235	43,079
Trading and others	9,957	8,271
Equipment manufacturing	27,707	21,934
	75,899	73,284

5 Other Operating Income

	Group	
	2021	2020
	S$'000	S$'000
Gain on disposal of property, plant and equipment	69	528
Government grants	890	3,996
Sales of scrap waste metal	16	47
Dormitory occupancy fee	414	414
Rental income	67	39
Interest income	47	22
Gain on re-measurement of lease liabilities	–	15
Engineering services	189	156
Foreign exchange gain	472	–
Others	2	4
	2,166	5,221

Government grants mainly pertain to one-off Jobs Support Scheme and COVID-19 Relief grants received from relevant government agencies amounting to S$643,000 (2020: S$3,788,000).

6 Finance Costs

	Group	
	2021	2020
	S$'000	S$'000
Interest expense:		
- bank term loans	568	819
- lease liabilities	266	314
- bank overdraft	–	1
	834	1,134

7 Income Tax

	Group 2021	Group 2020
	S$'000	S$'000
Current tax expense	308	1
(Over)/Under provision for deferred tax in prior years	(14)	179
Deferred tax	1,376	632
Deferred tax charged to profit or loss (Note 15)	1,362	811
Income tax expense for the year	1,670	812

Domestic income tax is calculated at 17% (2020: 17%) of the estimated assessable profit for the year.

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

	Group 2021	Group 2020
	S$'000	S$'000
Profit before tax	9,524	1,030
Income tax expense at statutory rate	1,619	175
Effect of expenses that are not deductible for tax purpose*	363	1,465
Effect of tax exempt income*	(221)	(704)
Effect of tax incentives	(77)	(303)
(Over)/Under provision for deferred tax in prior years	(14)	179
Total income tax charge	1,670	812

* Mainly relates to expenses of / income derived by those entities of the Group, whose principal activities are those of investment holding that do not qualify for deduction and impairment losses which are not deductible / are not taxable as they are capital in nature, in accordance with the local income tax regulations.

Subject to the agreement by the tax authorities, at the end of the reporting period, the Group has unutilised tax losses of Nil (2020: S$21,000) available for offset against future profits. A deferred tax asset of S$6,000 (2020: S$2,000) has been recognised in respect of temporarily deductibles expenses timing difference and tax 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 the tax regulations.

8 Profit for the Year

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

	Group	
	2021	2020
	S$'000	S$'000
(Reversal of) Provision for impairment loss recognised on trade receivables (Note 10)	(17)	119
Amortisation of intangible assets (Note 13)	–	204
Impairment loss on goodwill	–	6,250
Depreciation of property, plant and equipment (Note 12)	5,952	6,063
Property, plant and equipment written off (Note 12)	19	251
Foreign exchange (gain) loss	(472)	368
Gain on disposal of property, plant and equipment	(69)	(528)
Provision for inventory obsolescence (Note 11)	404	627
Directors' fees:		
- of the Company	150	149
Employee benefits expense (including directors' remuneration)		
- salaries, bonus and other staff benefits	12,860	12,741
- employer's contribution to Central Provident Fund	866	1,027
	13,726	13,768
Audit fees paid/payable to:		
- auditors of the Company	100	100
- other auditors	1	1

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

	Group	
	2021	2020
	S$'000	S$'000
Employee benefit costs charged to:		
- Cost of sales	8,962	9,377
- Selling and distribution expenses	1,455	1,463
- Administrative expenses	3,309	2,928
	13,726	13,768

9 Cash and Bank Balances

	Group		Company	
	2021	2020	2021	2020
	S$'000	S$'000	S$'000	S$'000
Cash on hand	12	9	3	3
Cash at banks & its equivalent	17,337	13,767	356	462
Fixed deposits	2,269	2,174	–	–
Cash and bank balances	19,618	15,950	359	465

The rates of interest for the interest earning bank account and the fixed deposits are between Nil and 2.0% (2020: between Nil and 2.1%) per annum respectively, with maturity period within one year.

10 Trade and Other Receivables

	Group		Company	
	2021	2020	2021	2020
	S$'000	S$'000	S$'000	S$'000
Trade receivables:				
- related parties	538	365	–	–
- outside parties	19,713	13,636	–	–
	20,251	14,001	–	–
Less: Loss allowance	(157)	(174)	–	–
Net trade receivables	20,094	13,827	–	–
<u>Other receivables</u>				
Deposits	138	170	–	–
Advance payment to suppliers	324	379	7	7
Downpayment to suppliers of property, plant and equipment	1,244	115	–	–
Prepayments	226	271	12	15
GST input tax	78	177	–	–
Recoverable from customers	53	44	–	–
Government grants	30	477	–	8
Other receivables	32	38	–	–
	2,125	1,671	19	30
Total trade and other receivables	22,219	15,498	19	30

Trade receivables from related parties are unsecured, interest-free and repayable based on normal credit terms.

10 Trade and Other Receivables (cont'd)

Trade receivables

The general credit period on sale of goods is 30 to 150 days (2020: 30 to 150 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.

Loss allowance for trade receivables is 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. 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, other than specific debts past due more than 90 days.

The table below is an analysis of trade receivables:

	Group					
	Trade receivables – days past due					
	Not past due	<30 days	31 to 60 days	61 to 90 days	More than 90 days	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
31 December 2021						
Estimated total gross carrying amount at default	17,243	2,543	299	3	163	20,251
Lifetime ECL	–	–	–	–	(157)	(157)
						20,094
31 December 2020						
Estimated total gross carrying amount at default	11,298	1,495	856	171	181	14,001
Lifetime ECL	–	–	–	–	(174)	(174)
						13,827

10 Trade and Other Receivables (cont'd)

Trade receivables (cont'd)

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

	Group	
	2021	2020
	S$'000	S$'000
Balance as at 1 January	174	55
(Reversal of) Provision for loss allowance recognised on trade receivables (Note 8)	(17)	119
Balance as at 31 December	157	174

Other receivables

Loss allowance for other receivables is measured at an amount equal to 12-month 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.

11 Inventories

	Group	
	2021	2020
	S$'000	S$'000
Raw materials	5,805	2,644
Work-in-progress	5,680	5,525
Finished goods	7,412	6,019
Consumables	1,076	1,136
Goods-in-transit	1,936	675
	21,909	15,999
Less: Allowance for inventory	(3,110)	(2,706)
	18,799	13,293
Cost of inventories included in cost of sales	60,741	62,392

11 Inventories (cont'd)

Movement in the allowance for inventory:

	Allowance for inventory 2021	Allowance for inventory 2020
	S$'000	S$'000
Group		
Balance as at 1 January	2,706	2,079
Increase in allowance recognised in profit or loss (Note 8)	404	627
Balance as at 31 December	3,110	2,706

12 Property, Plant and Equipment

Group	Buildings on leasehold land	Leasehold land [1]	Machinery and equipment [1]	Electrical installations and renovations	Furniture, fittings and office equipment [1]	Computers	Motor vehicles [1]	Asset under construction	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Cost:									
At 1 January 2021	29,125	6,862	54,184	3,641	1,084	1,684	446	1,094	98,120
Additions	–	–	3,112	5	15	55	–	610	3,797
Disposals	–	–	(2,577)	–	–	–	–	–	(2,577)
Written off	–	–	(112)	–	(8)	(10)	–	–	(130)
Effect of foreign exchange differences	–	–	–	–	–	–	–	(19)	(19)
At 31 December 2021	29,125	6,862	54,607	3,646	1,091	1,729	446	1,685	99,191
Accumulated depreciation:									
At 1 January 2021	5,490	782	36,511	1,809	809	1,569	314	–	47,284
Depreciation for the year	1,089	376	3,831	353	174	81	48	–	5,952
Disposals	–	–	(2,406)	–	–	–	–	–	(2,406)
Written off	–	–	(93)	–	(8)	(10)	–	–	(111)
At 31 December 2021	6,579	1,158	37,843	2,162	975	1,640	362	–	50,719
Carrying amount:									
At 31 December 2021	22,546	5,704	16,764	1,484	116	89	84	1,685	48,472

12 Property, Plant and Equipment (cont'd)

Group	Buildings on leasehold land	Leasehold land [1]	Machinery and equipment [1]	Electrical installations and renovations	Furniture, fittings and office equipment [1]	Computers	Motor vehicles [1]	Asset under construction	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Cost:									
At 1 January 2020	29,125	6,560	56,143	3,631	1,074	1,672	603	–	98,808
Additions	–	302	1,726	10	23	64	57	1,094	3,276
Disposals	–	–	(3,297)	–	(13)	–	(214)	–	(3,524)
Written off	–	–	(388)	–	–	(52)	–	–	(440)
At 31 December 2020	29,125	6,862	54,184	3,641	1,084	1,684	446	1,094	98,120
Accumulated depreciation:									
At 1 January 2020	4,401	395	36,106	1,453	635	1,425	452	–	44,867
Depreciation for the year	1,089	387	3,788	356	182	196	65	–	6,063
Disposals	–	–	(3,246)	–	(8)	–	(203)	–	(3,457)
Written off	–	–	(137)	–	–	(52)	–	–	(189)
At 31 December 2020	5,490	782	36,511	1,809	809	1,569	314	–	47,284
Carrying amount:									
At 31 December 2020	23,635	6,080	17,673	1,832	275	115	132	1,094	50,836

[1] Right-of-use assets arising from leasehold land, office equipment, machinery and equipment and motor vehicles are recognised in accordance with SFRS(I) 16 Leases. Please refer to Note 19 for more information.

Company	Furniture, fittings and office equipment	Computers	Total
	S$'000	S$'000	S$'000
Cost:			
At 1 January 2020, 31 December 2020 and 31 December 2021	32	67	99
Accumulated depreciation:			
At 1 January 2020	7	50	57
Depreciation for the year	6	15	21
At 31 December 2020	13	65	78
Depreciation for the year	6	1	7
At 31 December 2021	19	66	85
Carrying amount:			
At 31 December 2021	13	1	14
At 31 December 2020	19	2	21

12 Property, Plant and Equipment (cont'd)

Right-of-use assets

Right-of-use of assets acquired under leasing arrangements are presented together with the owned assets of the same class. The details of such leased assets are disclosed in Note 19.

As at 31 December 2021, the buildings on leasehold land comprise:

Location	Description	Tenure	Carrying amount 2021	Carrying amount 2020
			S$'000	S$'000
No. 16 Seletar Aerospace Crescent Singapore 797567	Leasehold land with an erected 4-storey single-user industrial development factory	30 years commencing 1 February 2015	16,928	17,662
No. 2 Loyang Way 4 Singapore 507098	Leasehold land with an erected single-storey factory with a mezzanine level and a single-storey rear extension	30 years commencing 1 June 2007	3,160	3,365
	Leasehold land with an erected 4-storey factory building with provision of secondary workers' dormitory	23 years 10 months commencing 1 August 2013	2,458	2,608
			22,546	23,635

Security

As at 31 December 2021, the Group's factory buildings with carrying amounts of S$22,546,000 (2020: S$23,635,000) are pledged as security to certain banking facilities granted to the Group (Note 16).

13 Intangible Assets

Group	Goodwill on consolidation S$'000	Customer relationship S$'000	Total S$'000
Cost:			
Balance as at 1 January 2020, 31 December 2020 and 31 December 2021	18,812	12,915	31,727
Accumulated amortisation:			
At 1 January 2020	–	12,711	12,711
Amortisation for the year	–	204	204
At 31 December 2020 and 31 December 2021	–	12,915	12,915
Impairment:			
Balance as at 1 January 2020, 31 December 2020 and 31 December 2021	7,520	–	7,520
Carrying amount:			
Balance as at 31 December 2021	11,292	–	11,292
Balance as at 31 December 2020	11,292	–	11,292

(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 2021 S$'000	Group 2020 S$'000
Precision machining - JEPS	5,200	5,200
Trading and others - JEPI	814	814
Equipment manufacturing - DEPL	5,278	5,278
	11,292	11,292

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

13 Intangible Assets (cont'd)

(a) Goodwill on consolidation (cont'd)

Impairment tests for goodwill (cont'd)

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 post-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. Selling prices and direct costs are expected to remain consistent with the current financial year, except for inflationary adjustments.

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 0% (2020: 1% - 2%). This rate does not exceed the average long term growth rate for the relevant markets.

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

	Gross margin		**Discount rate**	
	2021	2020	2021	2020
Group				
Precision machining - JEPS	15%	8%	12.51%	11.58%
Trading and others - JEPI	23%	20%	15.93%	10.57%
Equipment manufacturing - DEPL	23%	25%	12.06%	10.52%

As at 31 December 2021, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amounts to be below the carrying amounts of the CGUs.

(b) Customer relationship

This relates to customer relationship arising from the acquisition of JEP Precision Engineering Pte Ltd and JEP Industrades Pte Ltd. The customer relationship had been fully amortised in the current reporting period and the amortisation was included in the "Administrative expenses" line item in the consolidated statement of comprehensive income.

14 Subsidiaries

	Company	
	2021	**2020**
	S$'000	S$'000
Unquoted equity investments, at cost	68,648	67,320

14 Subsidiaries (cont'd)

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	Cost of investment	
		2021	2020		2021	2020
		%	%		S$'000	S$'000
Held by the Company						
JEP Precision Engineering Pte Ltd [(1)]	Singapore	100	100	Precision engineering works for parts used mainly in the aerospace, oil and gas industries, and other general engineering and machinery works.	42,870	42,870
JEP Industrades Pte Ltd [(1)]	Singapore	100	100	Manufacturer, importers and exporters, traders, agents, repairs of precision machineries, carbide cutting tools, hardware, industrial equipment and engineering works.	7,236	7,236
Dolphin Engineering Pte Ltd [(1)]	Singapore	100	100	Large format precision engineering and equipment fabrication service	13,934	13,934
Dolphin Manufacturing Solutions Sdn Bhd [(2)]	Malaysia	100	100	Steel structure fabrication and high precision machining for aerospace, semiconductor and oil and gas industries	4,608	3,280
					68,648	67,320

(1) Audited by Moore Stephens LLP, Singapore.

(2) Audited by Moore Stephens Associates PLT, Malaysia.

15 Deferred Tax Assets and Deferred Tax Liabilities

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	Provisions and others	Tax losses	Total
	S$'000	S$'000	S$'000	S$'000	S$'000
Group					
Balance as at 1 January 2020	2,270	36	(692)	(8)	1,606
Charged to profit or loss (Note 7)	1,132	(36)	(293)	8	811
Balance as at 31 December 2020	3,402	–	(985)	–	2,417
Charged to profit or loss (Note 7)	821	–	541	–	1,362
Balance as at 31 December 2021	4,223	–	(444)^	–	3,779
Company					
Balance as at 1 January 2020	–	–	–	(8)	(8)
Charged to profit or loss	2	–	(4)	8	6
Balance as at 31 December 2020	2	–	(4)	–	(2)
Charged to profit or loss	(2)	–	(2)	–	(4)
Balance as at 31 December 2021	–	–	(6)	–	(6)

^ Deferred tax assets.

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 statements of financial position purposes:

	Group		Company	
	2021	2020	2021	2020
	S$'000	S$'000	S$'000	S$'000
Deferred tax liabilities	3,785	2,419	–	–
Deferred tax assets	(6)	(2)	(6)	(2)
	3,779	2,417	(6)	(2)

16 Bank Loans

	Group 2021	Group 2020
	S$'000	S$'000
Secured - at amortised cost:		
- Term loans	25,786	28,159
Less: Amount due for settlement within 12 months (shown under current liabilities)	(3,101)	(2,373)
Amount due for settlement after 12 months	22,685	25,786

The management estimates 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.

Terms and conditions of outstanding borrowings are as follows:

			31 December 2021		31 December 2020	
	Currency	Nominal interest rate	Principal amount	Carrying amount	Principal amount	Carrying amount
Group		%	S$'000	S$'000	S$'000	S$'000
Secured						
5-year temporary bridging loan	SGD	2.00%	5,000	4,497	5,000	5,000
Seletar Aerospace Park (SAP) term loan	SGD	COF[1]+1.75%	20,000	15,391	20,000	16,567
10-year term loan	SGD	COF[1]+1.50%	4,000	2,246	4,000	2,512
15-year term loan	SGD	COF[1]+1.50%	6,400	3,652	6,400	4,080
			35,400	25,786	35,400	28,159

[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 2021	Group 2020
5-year temporary bridging loan	2.00%	2.00%
SAP term loan	2.16%	2.16%
10-year term loan	1.93%	1.92%
15-year term loan	1.95%	1.92%

16 Bank Loans (cont'd)

(a) A 5-year temporary bridging loan was granted to a subsidiary in 2020. The secured term loan granted to the subsidiary is repayable over 48 monthly instalments starting from the 13th month from the drawdown date of 30 July 2020. The first monthly instalment is on 30 August 2021.

(b) A SAP 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 S$98,000 and a final principal instalment of S$11,862,000.

(c) 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 S$22,200 each and a final fixed principal instalment of S$1,358,200.

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

Secured term loans

The SAP term loan, 10-year and 15-year secured term loans are secured over buildings on leasehold land with carrying amount of S$22,546,000 (2020: S$23,635,000).

Secured bank facilities

The bridging loan is secured by a corporate guarantee provided by the Company (Note 28).

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.

Interest rate benchmark reform

The Group is not affected by the interest rate benchmark reform as it does not have any financial contracts dependent on the Interbank Offered Rates ("IBOR") which are subject to interest rate benchmark reform.

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.

			Non-cash change	
	1 January 2021	Financing cash flows (i)	Foreign exchange movement	31 December 2021
	S$'000	S$'000	S$'000	S$'000
Bank loans (Note 16)	28,159	(2,373)	–	25,786
Lease liabilities (Notes 19)	8,393	(1,240)	(81)	7,072
	36,552	(3,613)	(81)	32,858

16 Bank Loans (cont'd)

Reconciliation of liabilities arising from financing activities (cont'd)

			Non-cash changes			
	1 January 2020	Financing cash flows [i]	Purchase of property, plant and equipment [ii]	Foreign exchange movement	Gain on re-measurement of lease liabilities	31 December 2020
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Bank loans (Note 16)	31,068	(2,940)	–	31	–	28,159
Lease liabilities (Notes 19)	9,605	(2,451)	1,253	1	(15)	8,393
	40,673	(5,391)	1,253	32	(15)	36,552

[i] The cash flows make up the net amount of proceeds and repayments of borrowings and lease liabilities in the consolidated statement of cash flows.

[ii] Purchase of property, plant and equipment by means of leasing arrangement.

17 Trade and Other Payables

	Group		Company	
	2021	2020	2021	2020
	S$'000	S$'000	S$'000	S$'000
Trade payables				
Outside parties	8,345	3,700	–	–
Other payables				
Related parties (non-trade)	1,055	–	–	–
Outside parties	749	543	–	6
Liability owing to suppliers of property, plant and equipment	–	108	1,121	409
Accrued personnel costs	3,321	1,927	106	87
Other accrued operating expenses	883	861	–	–
Accruals for purchases	115	93	–	–
GST output tax	445	129	18	18
Deposits received	584	174	–	–
Provision for directors' fees	75	75	75	75
	7,227	3,910	1,320	595
	15,572	7,610	1,320	595

The non-trade amount due to related parties is unsecured, interest-free and repayable on demand.

18 Amount due to Subsidiaries

	Company	
	2021	**2020**
	S$'000	S$'000
Amount due to subsidiaries	–	1,864

Amount due to subsidiaries was non-trade, unsecured and carried interest of 1.91% per annum for the amount of S$1,773,000. Remaining amount was interest-free. Payment has been fully settled during the current financial year.

19 Lease Liabilities

The Group as Lessee

(a) Nature of the Group's leasing activities

The Group has entered into leases contract for its leasehold land, machinery and equipment, office equipment and motor vehicles. The Group has the option to terminate the leases contract but is unlikely to exercise the option. The leases contract does not include the option to extend the lease term. These right-of-use assets are recognised within property, plant and equipment (Note 12).

(b) Addition of right-of-use assets classified within property, plant and equipment

	2021	**2020**
	S$'000	S$'000
Machinery and equipment	–	1,344

(c) Carrying amount of right-of-use assets classified within property, plant and equipment

	2021	**2020**
	S$'000	S$'000
Leasehold land	5,704	6,080
Office equipment	30	69
Machinery and equipment	4,531	5,428
Motor vehicles	16	42
	10,281	11,619

19 Lease Liabilities (cont'd)

The Group as Lessee (cont'd)

(d) Depreciation of right-of-use assets classified within property, plant and equipment

	2021	2020
	S$'000	S$'000
Leasehold land	376	387
Office equipment	39	39
Machinery and equipment	898	783
Motor Vehicles	26	40
	1,339	1,249

(e) Amounts recognised in profit or loss

	2021	2020
	S$'000	S$'000
Depreciation of right-of-use assets	1,339	1,249
Interest expense on lease liabilities	266	314
Gain on re-measurement of lease liabilities	–	(15)
	1,605	1,548

(f) Other disclosures

	2021	2020
	S$'000	S$'000
Total cash outflow for leases	1,240	2,451

(g) Carrying amount of lease liabilities

	Group		Company	
	2021	2020	2021	2020
	S$'000	S$'000	S$'000	S$'000
Minimum lease payments due:				
- Not later than 1 year	1,189	1,512	–	–
- Later than 1 year but within 5 years	2,133	2,996	–	–
- Later than 5 years	6,179	6,580	–	–
	9,501	11,088	–	–
Less:				
Future finance charges	(2,429)	(2,695)	–	–
Present value of financial lease liabilities	7,072	8,393	–	–

19 Lease Liabilities (cont'd)

The Group as Lessee (cont'd)

(g) Carrying amount of lease liabilities (cont'd)

The present value of lease liabilities is analysed as follows:

	Group		Company	
	2021	2020	2021	2020
	S$'000	S$'000	S$'000	S$'000
Not later than 1 year	961	1,245	–	–
Later than 1 year but within 5 years	1,396	2,199	–	–
Later than 5 years	4,715	4,949	–	–
	6,111	7,148		
	7,072	8,393	–	–

The Group as Lessor

Nature of the Group's leasing activities

The Group leased out its factory space as a dormitory under operating leases with lease term of 3 years. The lessee does not have an option to purchase the property at the expiry of the lease period. This lease is classified as an operating lease because the risk and rewards incidental to ownership of the assets are not substantially transferred.

Dormitory occupancy fee from the operating lease is disclosed in Note 5.

Undiscounted lease payments from the operating leases to be received after the end of the reporting period are as follows:

	2021	2020
	S$'000	S$'000
Less than one year	414	345
One to two years	242	–
	656	345

20 Share Capital

	2021		2020	
	No. of ordinary shares	S$'000	No. of ordinary shares	S$'000
Group and Company				
Issued and paid-up:				
- At the beginning and end of the year	413,944,721	49,226	413,944,721	49,226

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.

21 Treasury Shares

	2021	
	No. of ordinary shares	S$'000
Group and Company		
At the beginning of the year	–	–
Purchase during the year	920,700	203
At end of the year	920,700	203

22 Reserves

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

	Group		Company	
	2021	2020	2021	2020
	S$'000	S$'000	S$'000	S$'000
Capital reserve	772	772	870	870
Translation reserve	(45)	11	–	–
	727	783	870	870

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.

23 Dividends

There is no dividend declared in respect of the current financial year.

24 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 31 December:

	Group	
	2021	**2020**
Profit for the year attributable to owners of the Company	S$7,854,000	S$218,000
Weighted average number of ordinary shares for the purpose of basic earnings per share*	413,603,219	413,944,721
Weighted average number of ordinary shares for the purpose of diluted earnings per share*	413,603,219	413,944,721
Basic earnings per share (Singapore cents)	1.899	0.053
Diluted earnings per share (Singapore cents)	1.899	0.053

* excludes treasury shares

25 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	
	2021	**2020**
	S$'000	S$'000
Related parties		
Sale of goods	2,684	1,282
Purchase of goods	2,762	3,362
Purchase of machinery	1,338	170
Rental of machinery	74	–

The transactions with the related parties are with one of the Group's controlling shareholders and its subsidiaries.

25 Related Party Transactions (cont'd)

Key Management Compensation

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly. The below amounts are key management compensation:

	Group	
	2021	2020
	S$'000	S$'000
Salaries, bonuses and related benefits	1,455	1,889
Defined contribution plans	70	84
	1,525	1,973

26 Capital Commitments

	Group	
	2021	2020
	S$'000	S$'000
Commitments for the acquisition of property, plant and equipment	7,497	1,920

27 Financial Instruments

(a) Categories of financial instruments

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

	Group		Company	
	2021	2020	2021	2020
	S$'000	S$'000	S$'000	S$'000
Financial assets				
At amortised cost:				
- Cash and bank balances	19,618	15,950	359	465
- Trade receivables	20,094	13,827	–	–
- Other receivables	253	729	–	8
Total	39,965	30,506	359	473
Financial liabilities				
At amortised cost:				
- Bank loans	25,786	28,159	–	–
- Trade and other payables	15,127	7,481	1,302	577
- Amount due to subsidiaries	–	–	–	1,864
- Lease liabilities	7,072	8,393	–	–
Total	47,985	44,033	1,302	2,441

27 Financial Instruments (cont'd)

(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"), Euro ("EUR"), Pound Sterling ("GBP") and Malaysian Ringgit ("MYR") 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**	
	2021	**2020**	**2021**	**2020**
	S$'000	S$'000	S$'000	S$'000
USD	4,241	2,322	26,114	19,589
JPY	2,068	2,132	2,638	918
CNY	–	17	611	226
EUR	11	10	245	652
GBP	–	2	–	–
MYR	14	1	2,924	2,202

	Company			
	Liabilities		**Assets**	
	2021	**2020**	**2021**	**2020**
	S$'000	S$'000	S$'000	S$'000
USD	–	–	77	76

27 Financial Instruments (cont'd)

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

(i) Foreign exchange risk management (cont'd)

Foreign currency sensitivity

The following table details the sensitivity to a 5% (2020: 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% (2020: 5%) against the functional currency of each Group entity, profit or loss before tax will increase (decrease) by:

	Group		Company	
	2021	**2020**	**2021**	**2020**
	S$'000	S$'000	S$'000	S$'000
Impact arising from				
USD	1,094	863	4	4
JPY	29	(61)	–	–
CNY	31	10	–	–
EUR	12	32	–	–
GBP	–	(*)	–	–
MYR	(146)	110	–	–

If the relevant foreign currencies weaken by 5% (2020: 5%) against the functional currency of each Group entity, the impact to the profit or loss will be vice versa.

* Denotes less than S$1,000

27 Financial Instruments (cont'd)

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

(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 16.

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 0.5% 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 0.5% higher or lower and all other variables were held constant, the Group's profit after tax for the year ended 31 December 2021 would decrease or increase by S$107,000 (2020: S$116,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

(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.

27 Financial Instruments (cont'd)

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

(iii) Credit risk management (cont'd)

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
Under-performing	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL - not credit-impaired
Non-performing	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 Company has no realistic prospect of recovery.	Amount is written off

Further details of credit risks on trade and other receivables are disclosed in Note 10 to the financial statements.

The tables below detail the credit quality of the Group'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
Group					S$'000	S$'000	S$'000
2021							
Trade receivables	10	n.a	(i)	Lifetime ECL (simplified approach)	20,251	(157)	20,094
Other receivables	10	n.a	Performing	12-month ECL	253	–	253
					20,504	(157)	20,347
2020							
Trade receivables	10	n.a	(i)	Lifetime ECL (simplified approach)	14,001	(174)	13,827
Other receivables	10	n.a	Performing	12-month ECL	729	–	729
					14,730	(174)	14,556

(i) For trade 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 10 includes further details on the loss allowance for these receivables.

27 Financial Instruments (cont'd)

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

(iii) Credit risk management (cont'd)

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:

	2021	2021	2020	2020
	S$'000	% of total	S$'000	% of total
By country:				
Singapore	11,802	59%	5,836	42%
People's Republic of China*	1,847	9%	2,885	21%
Malaysia	1,869	9%	756	5%
United States	2,271	11%	2,007	14%
Canada	611	3%	727	5%
Others**	1,851	9%	1,790	13%
	20,251	100%	14,001	100%
By industry sectors:				
Aerospace	3,515	18%	4,814	34%
Oil and gas	74	0%	85	1%
Electronics	5,055	25%	1,701	12%
Trading and others	2,433	12%	2,428	17%
Equipment manufacturing	9,174	45%	4,973	36%
	20,251	100%	14,001	100%

* People's Republic of China includes Hong Kong.

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

Other than 6 major customers amounting to S$12,743,000 (2020: 6 major customers amounting to S$9,629,000) 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.

27 Financial Instruments (cont'd)

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

(iii) Credit risk management (cont'd)

As at year end, the maximum amount the Company could be forced to settle under the financial guarantee contract in Note 28, if the full guaranteed amount is claimed by the counterparty to the guarantee is S$26,833,000 (2020: S$30,203,000). 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 is not subject to material 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 S$39,965,000 (2020: S$30,506,000) are either repayable on demand or due within one year from the end of the reporting period. All the Group's non-derivative financial assets are non-interest bearing except for fixed deposit placements in a financial institution in Malaysia which are interest bearing at interest rates of 1.50% to 2.10%.

The Company's non-derivative financial assets of S$359,000 (2020: S$473,000) are either repayable on demand or due within one year from the end of the reporting period and non-interest bearing.

27 Financial Instruments (cont'd)

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

(iv) Liquidity risk management (cont'd)

Liquidity and interest risk analyses (cont'd)

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 statements of financial position.

	Weighted average effective interest rate	On demand or within 1 year	Within 5 years	Over 5 years	Undiscounted cash flows	Adjustment	Total
	% p.a.	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group							
2021							
Non-interest bearing	–	15,127	–	–	15,127	–	15,127
Lease liabilities (incremental borrowing rate)	3.48%	562	1,674	6,179	8,415	(2,391)	6,024
Lease liabilities (fixed rate)	3.14%	626	460	–	1,086	(38)	1,048
Fixed interest rate instruments	2.00%	1,302	3,363	–	4,665	(168)	4,497
Variable interest rate instruments	2.10%	2,311	18,595	1,425	22,331	(1,042)	21,289
		19,928	24,092	7,604	51,624	(3,639)	47,985
2020							
Non-interest bearing	–	7,481	–	–	7,481	–	7,481
Lease liabilities (incremental borrowing rate)	3.47%	542	1,834	6,580	8,956	(2,606)	6,350
Lease liabilities (fixed rate)	3.17%	970	1,162	–	2,132	(89)	2,043
Fixed interest rate instruments	2.00%	600	4,664	–	5,264	(264)	5,000
Variable interest rate instruments	2.09%	2,336	20,391	1,925	24,652	(1,493)	23,159
		11,929	28,051	8,505	48,485	(4,452)	44,033

27 Financial Instruments (cont'd)

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

(iv) Liquidity risk management (cont'd)

Liquidity and interest risk analyses (cont'd)

Non-derivative financial liabilities (cont'd)

The Company's non-derivative financial liabilities of S$1,302,000 (2020: S$2,441,000) is due within 1 year and non-interest bearing except for the amount due to subsidiaries of Nil (2020: S$1,773,000) as at 31 December 2021 which was subject to an interest rate of 1.91% per annum.

Fair value of financial assets and financial liabilities

The carrying amounts of cash and bank balances (Note 9), trade and other receivables (Note 10), bank loans (Note 16), trade and other payables (Note 17), amount due to subsidiaries (Note 18), and lease liabilities (Note 19) approximate their respective fair values due to the relatively short-term maturity of these financial instruments, except for bank loans (Note 16) and lease liabilities (Note 19). 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; and

- 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.

(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 year 2020.

The capital structure of the Group consists of debt, which includes the bank loans and lease liabilities as disclosed in Notes 16 and 19 to the consolidated 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.

28 Corporate Guarantees

Intra-group financial guarantee comprises a guarantee given by the Company to a bank in respect of banking and leasing facilities amounting to S$47,863,000 (2020: S$48,778,000) granted to its subsidiaries. The fair value of the corporate guarantees is assessed by management to be insignificant as the banking and leasing facilities are secured by property, plant and equipment.

29 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 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, interest income, finance costs 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.

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

29 Segment Information (cont'd)

(a) By Business

	Precision machining		Trading and others		Equipment manufacturing		Group	
	2021	2020	2021	2020	2021	2020	2021	2020
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
REVENUE:								
Total revenue	38,956	43,207	11,020	8,848	27,708	21,934	77,684	73,989
Inter-reporting unit sales	(721)	(128)	(1,063)	(577)	(1)	–	(1,785)	(705)
External customers	38,235	43,079	9,957	8,271	27,707	21,934	75,899	73,284
Results								
Segment results	4,940	(2,043)	1,446	507	4,752	4,194	11,138	2,658
Unallocated expenses:								
Unallocated corporate expenses							(780)	(494)
							10,358	2,164
Finance costs							(834)	(1,134)
Profit before tax							9,524	1,030
Income tax expense							(1,670)	(812)
Net profit for the year, net of tax							7,854	218
OTHER INFORMATION:								
Capital expenditure	1,576	1,916	50	–	2,171	1,360	3,797	3,276
Depreciation of property, plant and equipment	4,465	4,780	70	100	1,417	1,183	5,952	6,063
Amortisation of intangible assets	–	–	–	204	–	–	–	204
Impairment loss on goodwill	–	6,250	–	–	–	–	–	6,250

29 Segment Information (cont'd)

(b) Geographical Information

Revenue is based on the location of customers regardless of where the goods are produced. Non-current assets (exclude deferred tax assets) are based on the location of those assets.

	Revenue		Non-current assets	
	2021	2020	2021	2020
	S$'000	S$'000	S$'000	S$'000
Singapore	49,226	32,549	58,079	60,645
People's Republic of China*	7,517	13,068	–	–
Malaysia	5,966	4,461	1,685	1,483
USA	9,491	12,699	–	–
Canada	1,385	8,077	–	–
Others**	2,314	2,430	–	–
	75,899	73,284	59,764	62,128

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

	Segment assets		Segment liabilities	
	2021	2020	2021	2020
	S$'000	S$'000	S$'000	S$'000
Singapore	115,713	103,946	48,280	44,032
Malaysia	4,609	2,746	12	2
	120,322	106,692	48,292	44,034

* People's Republic of China includes Hong Kong.

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

29 Segment Information (cont'd)

(c) Reconciliation of Segments Total Assets and Total Liabilities

	Group	
	2021	**2020**
	S$'000	S$'000
Reportable segments' assets are reconciled to total assets as follows:		
Segment assets	120,322	106,692
GST input tax	78	177
Deferred tax assets	6	2
Total assets	120,406	106,871
Reportable segments' liabilities are reconciled to total liabilities as follows:		
Segment liabilities	48,292	44,034
GST output tax	445	129
Deferred tax liabilities	3,785	2,419
Total liabilities	52,522	46,582

Information about major customers

Revenue from transactions with three external customers accounted to S$37,545,000 (2020: three external customers accounted to S$43,579,000), where each individual external customer contributes to 10% or more of the Group's revenue.

STATISTICS OF SHAREHOLDINGS

As at 18 March 2022

SHARE CAPITAL

Issued and fully paid up capital	:	S$52,309,074.12
Number of Shares (excluding treasury shares and subsidiary holdings)	:	413,024,021
Number of Treasury Shares	:	920,700
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	48	4.54	1,866	#
100 - 1,000	71	6.71	25,111	0.01
1,001 - 10,000	396	37.43	1,949,021	0.47
10,001 - 1,000,000	524	49.53	44,240,195	10.71
1,000,001 AND ABOVE	19	1.79	366,807,828	88.81
TOTAL	**1,058**	**100.00**	**413,024,021**	**100.00**

# Denotes less than 0.01%

SUBSTANTIAL SHAREHOLDERS

	DIRECT INTEREST		DEEMED INTEREST	
NAME OF SHAREHOLDER	NO. OF SHARES	%	NO. OF SHARES	%
UMS Holdings Ltd.	299,506,936	72.52	–	–

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	UMS HOLDINGS LIMITED	299,506,936	72.52
2	SEVEN CREEK PTE LTD	14,950,000	3.62
3	CITIBANK NOMINEES SINGAPORE PTE LTD	11,459,100	2.77
4	DBS NOMINEES (PRIVATE) LIMITED	5,295,350	1.28
5	TAN TAI SIM	4,686,500	1.13
6	PHILLIP SECURITIES PTE LTD	3,730,705	0.90
7	LEE NAI MING	3,510,475	0.85
8	HENG YONG SENG	3,300,000	0.80
9	NEO KOK LIANG	2,906,200	0.70
10	UOB KAY HIAN PRIVATE LIMITED	2,596,700	0.63
11	LIM TOW MENG OR POON WAI HING	2,368,000	0.57
12	HSBC (SINGAPORE) NOMINEES PTE LTD	2,316,500	0.56
13	WONG HIN YET OR LEE KENG LAN	1,874,000	0.45
14	KOK TZE SHONG	1,700,000	0.41
15	LEE WEE NGAM	1,675,000	0.41
16	LEE CHIN HOO	1,296,900	0.31
17	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,222,662	0.30
18	TEH CHIN HUAT	1,210,000	0.29
19	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,202,800	0.29
20	WONG CHUN	903,725	0.22
	TOTAL	**367,711,553**	**89.01**

PERCENTAGE OF SHAREHOLDINGS HELD BY PUBLIC

Based on the information available to the Company as at 18 March 2022, approximately 27.16% of the total issued ordinary shares of the Company are held by public and therefore, Rule 723 of Catalist Rules has been complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of JEP Holdings Ltd. (the "**Company**") will be held via electronic means on 26 April 2022 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 2021 together with the Auditor's Report thereon. **(Resolution 1)**

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

   (a) Mr. Zee Hoong Huay **(Resolution 2)**
   (b) Ms. Lee Sook Wai, Irene **(Resolution 3)**

   Mr. Zee Hoong Huay will, upon re-election as Director, remain as Executive Director.

   Ms. Lee Sook Wai, Irene will, upon re-election as Independent Non-Executive Director, remain as Chairperson of the Nominating Committee and members of the Remuneration Committee and Audit 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 2022, to be paid half yearly in arrears. (2021: S$200,000) **(Resolution 4)**

4. To re-appoint Messrs. Moore Stephens LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**

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

AS SPECIAL BUSINESS

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

6. **Authority to issue shares**

   That pursuant to Section 161 of the Companies Act 1967 ("**Act**") and Rule 806 of the 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; 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 (i)] **(Resolution 6)**

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

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act 1967, 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 Singapore Exchange Securities Trading Limited ("**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 1967 and the Catalist Rules,

on the terms set out in the Appendix to the Annual Report, be and is hereby authorised 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 and 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 during 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 authorised 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 authorised by this Resolution.

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

8. **Proposed Renewal of the Shareholders' Mandate for Interested Person Transactions**

That:

(a) approval be and is hereby given for the purposes of Chapter 9 of the Catalist Rules, for the Company and/or its subsidiaries and associated companies which are entities at risk as defined under Chapter 9 of the Listing Manual, or any of them, to enter into any of the transactions falling within the types of Interested Person Transactions ("**IPT**"), particulars of which are set out in the Appendix to the Annual Report, with any person who is of the class of Interested Persons described in the Letter to Shareholders, provided that such transactions are made on normal commercial terms, are not prejudicial to the interests of the Company and its minority shareholders and are in accordance with the review procedures for the IPT as set out in the Appendix;

(b) the approval given in sub-paragraph (a) above (the "**Mandate**") shall, unless revoked or varied by the Company in general meeting, continue in force until the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is held or is required by law to be held, whichever is earlier; and

(c) the Directors be and are hereby authorised, jointly or severally, to take such steps, approve all matters and enter into all such transactions, arrangements and agreements and execute all such documents and notices as may be necessary or expedient for the purposes of giving effect to the proposed adoption of the IPT General Mandate as such Directors or any of them may deem fit or expedient or to give effect to this Resolution.

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

By Order of the Board

Tan Wee Sin
Company Secretary
Singapore, 5 April 2022

Explanatory Notes:

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

(ii) The Ordinary Resolution 7 in item 7 above, if passed, renews the Share Buy-Back Mandate and will authorise the Directors of the Company, from time to time, to purchase Shares subject to and in accordance with the Constitution of the Company, the Catalist Rules and such other laws and regulations as may for the time being, 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 2021 is set out in Section 6 of the Appendix dated 5 April 2022, which is enclosed together with the Company's Annual Report.

(iii) The Ordinary Resolution 8 in item 8 above, if passed, renews the IPT General Mandate and empower the Company, its subsidiaries and associated companies, to enter into the IPT as described in the Section 2.4 of the Appendix dated 5 April 2022, which is enclosed together with the Company's Annual Report. The authority under the renewed IPT General Mandate will, unless revoked or varied by the Company in general meeting, expire at the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting is required to be held, whichever is the earlier.

IMPORTANT NOTICE TO SHAREHOLDERS REGARDING THE COMPANY'S ANNUAL GENERAL MEETING

The Annual General Meeting ("**AGM**") is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. The Company will not be issuing printed copies of this Notice of AGM ("**Notice**"), proxy forms and annual reports to its shareholders and members. Instead, the Notice, proxy forms and annual report are accessible by electronic means via the Company's website at **https://www.jep-holdings.com/jep_IR/jep.listedcompany.com/index.html** and on SGX website at **https://www.sgx.com/securities/company-announcements**.

Participation in the AGM via live webcast or live audio feed

1. Due to the current COVID-19 measures in Singapore, the AGM will be held by way of electronic means and shareholders will NOT be able to attend the AGM in person. All shareholders or their corporate representative (in the case of shareholders who are legal entities) will be able to participate in the AGM proceedings by accessing a live webcast or live audio feed. To do so, shareholders are required to pre-register their participation in the AGM by accessing the site **https://septusasia.com/jepholdings** by 22 April 2022, Friday before 10:00 a.m. ("Registration Deadline") for verification of their status as shareholders (or corporate representative of such shareholders) ("Pre-registration").

2. Upon successful verification, each such shareholder or its corporate representative will receive an email by 25 April 2022 before 12:00 p.m. The email will contain instructions to access the live webcast or live audio feed of the AGM proceedings.

3. Shareholders or their corporate representative must not forward the email to other persons who are not shareholders and who are not entitled to participate in the AGM. Shareholders or their corporate representatives who have pre-registered by the Registration Deadline but do not receive an email by 25 April 2022 after 12:00 p.m. should contact the Company through email address: **ir@jep-holdings.com**, kindly state (1) Full name of shareholder (2) Shareholder's identification or registration number.

Voting by Proxy

1. Shareholders may only exercise their voting rights at the AGM via proxy voting.

   Shareholders who wish to vote on any or all of the resolutions at the AGM must appoint the Chairman of the AGM as their proxy to do so on their behalf. In the proxy form, a shareholder should specifically direct the Chairman on how to vote for or vote against or abstain from voting on each resolution to be tabled at the AGM, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

2. the instrument appointing the Chairman of the AGM as proxy must be

   (i) Deposited at the registered office of the Company at **16 Seletar Aerospace Crescent, Singapore 797567**; or

   (ii) Sent by email to **ir@jep-holdings.com** or via the AGM portal at **https://septusasia.com/jepholdings**

   in any case, not less than forty-eight (48) hours before the time appointed for the AGM of the Company.

   In view of the COVID-19 measures which may make it difficult for shareholders to submit completed proxy forms by post, shareholders are strongly encouraged to submit completed proxy forms electronically via email or the AGM portal.

3. CPF or SRS Investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators at least seven (7) working days before the AGM (i.e. by 10:00 a.m. on Friday, 15 April 2022) to ensure that their votes are submitted.

4. All documents and information relating to the business of the AGM (including the Annual Report 2021 and Proxy Form) have been published on the Company's website at **https://www.jep-holdings.com/jep_IR/jep.listedcompany.com/index.html** or the AGM portal at **https://septusasia.com/jepholdings**.

Submission of questions prior to the AGM

Shareholders will not be able to ask questions during the live webcast or live audio feed, therefore it is important for shareholders to register and submit their questions in advance of the AGM.

Shareholders may submit questions related to the resolutions to be tabled at the AGM via email to **ir@jep-holdings.com** or electronically via the shareholder portal accessible upon pre-registering at **https://septusasia.com/jepholdings**. Questions must be submitted by email to **ir@jep-holdings.com** or via the AGM portal at **https://septusasia.com/jepholdings by 15 April 2022**, Friday before 5:30 p.m. so that relevant and substantial queries will be addressed by the Board of Directors and publish on the SGXNet by 22 April 2022.

Shareholders or their corporate representative must state his/her full name, and whether he/she is a shareholder or a corporate representative of a corporate shareholder and Shareholder's identification or registration number. Any question without the identification details will not be addressed.

The Company shall address relevant and substantial questions before or during the AGM, and publish the minutes of the AGM on the SGXNet, and the Company's website within one (1) month after the date of AGM.

Personal data privacy:

By submitting an instrument appointing the Chairman of the Meeting as proxy to attend, speak and vote at the Annual General Meeting 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 or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the Meeting as proxy appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.

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

The details of the contact person for the Sponsor is:

Name	:	Ms. Bao Qing (Registered Professional, RHT Capital Pte. Ltd.)
Address	:	6 Raffles Quay #24-02, Singapore 048580
Email	:	sponsor@rhtgoc.com

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JEP HOLDINGS LTD.

(Company Registration No. 199401749E)
(Incorporated in the Republic of Singapore)

IMPORTANT:
1. Due to the current COVID-19 restriction orders in Singapore, shareholders will not be able to attend the Annual General Meeting ("**AGM**") in person. Instead, alternative arrangements set out in the Notice of AGM have been put in place to allow members to participate at the AGM. Shareholders **(whether individual or corporate) who wish to vote on any or all of the resolutions of the AGM must appoint the Chairman of the Meeting as his/her/its proxy to do so on their behalf, by giving specific instructions as to voting, or abstentions from voting, failing which the appointment of Chairman of the AGM as proxy for the AGM will be treated as invalid**.
2. For investors who have used their CPF/SRS monies to purchase the Company's shares, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF or SRS investors who wish to appoint the Chairman of the Meeting as their proxy to vote on their behalf should approach their respective Agent Banks or SRS Operators at least seven (7) working days before the AGM to specify voting instructions and to ensure that their votes are submitted.
4. By submitting an instrument appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of the Annual General Meeting dated 5 April 2022.
5. **Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the Meeting as a member's proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting**.

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 the Chairman of the Annual General Meeting (the "**AGM**") as *my/our proxy to attend and vote for *me/us on *my/our behalf at the AGM of the Company, to be held by way of electronic means on Tuesday, 26 April 2022 at 10:00 a.m. and at any adjournment thereof. *I/We direct *my/our proxy to vote for or against or abstain from voting the Resolutions to be proposed at the AGM as indicated hereunder.

(Voting will be conducted by poll. If you wish the Chairman of the AGM as your proxy to cast all your votes "For" or "Against" a resolution, please tick (✓) within the "For" or "Against" box provided in respect of that resolution. Alternatively, please indicate the number of votes "For" or "Against" in the "For" or "Against" box provided in respect of that resolution.

If you wish the Chairman of the AGM as your proxy to abstain from voting on a resolution, please tick (✓) in the "Abstain" box provided in respect of that resolution. Alternatively, please indicate the number of votes that the Chairman of the AGM as your proxy is directed to abstain from voting in the "Abstain" box provided in respect of that resolution.

No.	Resolutions relating to:	For	Against	Abstain
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2021			
2	Re-election of Mr. Zee Hoong Huay as a Director			
3	Re-election of Ms. Lee Sook Wai, Irene as a Director			
4	Approval of Directors' fees of up to S$200,000 for the financial year ending 31 December 2022, to be paid half yearly in arrears			
5	Re-appointment of Auditors			
6	Authority to issue shares			
7	Proposed Renewal of Share Buy-Back Mandate			
8	Proposed Renewal of IPT General Mandate			

Dated this __________ day of ________________ 2022

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

____

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

*Delete where inapplicable

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 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. **Due to the current COVID-19 restriction orders in Singapore, the AGM will be held by way of electronic means and shareholders will NOT be able to attend the AGM in person. A shareholder (whether individual or corporate) must appoint the Chairman of the AGM as his/her proxy to vote on his/her behalf at the AGM if such shareholders wishes to exercise his/her voting rights at the AGM. This proxy form has been made available on SGXNet at https://www.sgx.com/securities/company-announcements and may be accessed at the Company's website at https://www.jep-holdings.com/jep_IR/jep.listedcompany.com/index.html.**

3. CPF or SRS Investor who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators at least seven (7) working days before the AGM on Tuesday, 26 April 2022 at 10:00 a.m. to ensure that sufficient time is given to their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the AGM to vote on behalf by the cut-off date. "Relevant intermediary" is defined under Section 181(6) of the Companies Act 1967 as:

   (a) a banking corporation licensed under the Banking Act (Cap. 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 under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 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.

4. Where a shareholder (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

5. The instrument appointing the Chairman of the AGM as proxy must be submitted to the Company in the following manner:

   (a) Deposited at the registered office of the Company at **16 Seletar Aerospace Crescent, Singapore 797567**; or

   (b) Sent by email to **ir@jep-holdings.com** or via the AGM portal at **https://septusasia.com/jepholdings**

   in any case, not less than forty-eight (48) hours before the time appointed for the AGM of the Company.

   In view of the COVID-19 measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email or the AGM portal.

6. The instrument appointing the Chairman of the AGM must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing the Chairman of the AGM as proxy 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 an instrument appointing the Chairman of the AGM as proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company), if the instrument appointing the Chairman of the AGM as proxy is submitted by post, be lodged with the instrument of proxy or, if the instrument appointing the Chairman of the AGM as proxy is submitted electronically via email, be emailed with the instrument of proxy, failing which the instrument may be treated as invalid.

Personal Data Privacy:

By (a) submitting an instrument appointing the Chairman of the Meeting as proxy to vote at the AGM and/or any adjournment thereof, or (b) completing the Pre-registration in accordance with the Notice, or (c) submitting any question prior to the AGM in accordance with the Notice, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the following purposes:

(i) the processing and administering by the Company (or its agents or service providers) of proxy forms appointing the Chairman of the Meeting as a proxy for the AGM (including any adjournment thereof);

(ii) the processing of the Pre-registration for purposes of granting access to members (or their corporate representatives in the case of members which are legal entities) to the live webcast of the AGM proceedings and providing them with any technical assistance where necessary;

(iii) addressing relevant and substantial questions from Members received before the AGM and if necessary, following up with the relevant members in relation to such questions;

(iv) the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof); and

(v) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

General:

The Company shall be entitled to reject the instrument appointing the Chairman of the AGM if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

JEP

HOLDINGS LTD

Company Registration No.: 199401749E

16 Seletar Aerospace Crescent
Singapore 797567

Tel : (65) 6545 4222
Fax : (65) 6545 2823

www.jep-holdings.com