

CIRCULAR DATED 10 JUNE 2019

THIS CIRCULAR IS ISSUED BY JEP HOLDINGS LTD. (THE “COMPANY”). THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) AND THE ADVICE OF THE INDEPENDENT FINANCIAL ADVISER. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt about its contents or the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers immediately.

If you have sold or transferred all your Shares and/or Warrants held through The Central Depository (Pte) Limited (“CDP”), you need not forward this Circular to the purchaser or transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your Shares and/or Warrants not held through CDP, you should at once hand this Circular to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee.

This Circular has been prepared by the Company and its contents have been reviewed by the Company’s continuing sponsor, RHT Capital Pte. Ltd. (“Sponsor”), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (“SGX-ST”). The Sponsor has not independently verified the contents of this Circular. This Circular has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this Circular, including the correctness of any of the statements or opinions made or reports contained in this Circular.

The contact person for the Sponsor is Mr. Shervyn Essex (Tel: (65) 63816757) at 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619.

JEP

HOLDINGS LTD

JEP HOLDINGS LTD.

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

CIRCULAR TO SECURITYHOLDERS

in relation to the

MANDATORY CONDITIONAL CASH OFFER

by

HONG LEONG FINANCE LIMITED

(Company Registration No.: 196100003D)
(Incorporated in the Republic of Singapore)

for and on behalf of

UMS HOLDINGS LIMITED

(Company Registration No.: 200100340R)
(Incorporated in the Republic of Singapore)

to acquire all the Offer Shares (as defined herein)

Independent Financial Adviser to the Independent Directors



PROVENANCECAPITAL

PROVENANCE CAPITAL PTE. LTD.

(Company Registration No.: 200309056E)
(Incorporated in the Republic of Singapore)

SECURITYHOLDERS SHOULD NOTE THAT ACCEPTANCES MUST BE RECEIVED BY THE CLOSE OF THE OFFER FOR SECURITIES AT 5.30 P.M. (SINGAPORE TIME) ON 24 JUNE 2019, OR SUCH LATER DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME BY OR ON BEHALF OF THE OFFEROR.

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DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Circular:

- “ACRA”** : Accounting and Corporate Regulatory Authority of Singapore
- “Business Day”** : A day (other than a Saturday, a Sunday or a gazette public holiday) on which commercial banks are open for business in Singapore
- “Catalist Rules”** : The SGX-ST Listing Manual Section B: Rules of Catalist, as amended or modified from time to time
- “CDP”** : The Central Depository (Pte) Limited
- “Circular”** : This Circular to Securityholders dated 10 June 2019 in relation to the Offer for Securities, enclosing, *inter alia*, the IFA Letter
- “Closing Date”** : 5.30 p.m. (Singapore time) on 24 June 2019 or such later date(s) as may be announced from time to time by or on behalf of the Offeror, such date being the last day for the lodgement of acceptances for the Offer for Securities
- “Code”** : The Singapore Code on Take-overs and Mergers, as amended or modified from time to time
- “Companies Act”** : The Companies Act (Chapter 50 of Singapore), as amended or modified from time to time
- “Company”** : JEP Holdings Ltd.
- “Company Securities”** : (a) Shares; (b) securities which carry voting rights in the Company; and (c) convertible securities, warrants, options (including any options granted under any employee share scheme of the Company) and derivatives in respect of any Shares or securities which carry voting rights in the Company
- “Concert Group”** : The parties acting or deemed to be acting in concert with the Offeror
- “Constitution”** : The constitution of the Company, as amended or modified from time to time
- “Controlling Shareholder”** : A person who:
- (a) holds directly or indirectly 15% or more of the voting shares in the Company. The SGX-ST may determine that a person who satisfies this paragraph is not a Controlling Shareholder; or
 - (b) in fact exercises control over the Company
- “CPFIS”** : Central Provident Fund Investment Scheme
- “CPFIS Investors”** : Investors who have purchased Shares using their CPF contributions pursuant to the CPFIS
- “Directors”** : The directors of the Company as at the Latest Practicable Date, and “Director” means any one of them

DEFINITIONS

- “FAA”** : Form of Acceptance and Authorisation which forms part of the Offer Document and which is issued to Shareholders whose Shares are deposited with CDP
- “FAT”** : Form of Acceptance and Transfer which forms part of the Offer Document and which is issued to Shareholders whose Shares are not deposited with CDP
- “Financial Adviser”** : Hong Leong Finance Limited, the financial adviser to the Offeror in relation to the Offer for Securities
- “FY”** : Financial year ended or ending 31 December
- “Group”** : The Company and its subsidiaries
- “IFA” or “Independent Financial Adviser”** : Provenance Capital Pte. Ltd., the independent financial adviser to the Independent Directors in connection with the Offer for Securities
- “IFA Letter”** : Has the meaning ascribed to it in Section 10.1 of this Circular
- “Independent Directors”** : The Directors who are considered independent for the purposes of the Offer for Securities, being Mr. Zee Hoong Huay, Mr. Wong Gang, Mr. Kong Chee Keong and Mr. Chung Chi-Te
- “Interested Person”** : As defined in the Note on Rule 24.6 of the Code and read with the Note on Rule 23.12 of the Code, an interested person, in relation to a company, is:
- (a) a director, chief executive officer, or substantial shareholder of the company;
 - (b) the immediate family of a director, the chief executive officer, or a substantial shareholder (being an individual) of the company;
 - (c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer, or a substantial shareholder (being an individual) and his immediate family is a beneficiary;
 - (d) any company in which a director, the chief executive officer, or a substantial shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30% or more;
 - (e) any company that is the subsidiary, holding company or fellow subsidiary of the substantial shareholder (being a company); or
 - (f) any company in which a substantial shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more
- “Latest Practicable Date”** : 30 May 2019, being the latest practicable date prior to the printing of this Circular

DEFINITIONS

“Listing Manual”	: The Listing Manual of the SGX-ST
“Market Day”	: A day on which the SGX-ST is open for trading of securities
“Offer”	: The mandatory conditional cash offer made by the Financial Adviser, for and on behalf of the Offeror, on the Offer Announcement Date, to the Shareholders to acquire all Shares of Company, other than those already owned, controlled or agreed to be acquired by the Offeror and its Concert Group
“Offer Announcement”	: The formal offer announcement made by Financial Adviser on the Offer Announcement Date, for and on behalf of the Offeror, of its firm intention to undertake the Offer for Securities
“Offer Announcement Date”	: 13 May 2019, being the date of the Offer Announcement
“Offer Document”	: The offer document dated 27 May 2019 (as revised, amended and supplemented in accordance with the announcement dated 29 May 2019 made by the Financial Adviser, for and on behalf of the Offeror), including the Relevant Acceptance Forms, and any supplemental documents as may be issued by or on behalf of the Offeror from time to time
“Offer for Securities”	: The Offer and/or the Warrants Offer (as the case may be)
“Offer Price”	: S\$0.150 for each Offer Share
“Offer Shares”	: (a) Shares in the capital of the Company, other than those already owned, controlled or agreed to be acquired by the Offeror and its Concert Group; and (b) all new Shares unconditionally issued or to be issued pursuant to the valid exercise of any Warrants prior to the Closing Date of the Offer
“Offeror”	: UMS Holdings Limited
“Offeror Group”	: The Offeror and its subsidiaries
“Offeror Securities”	: Ordinary shares in the capital of the Offeror
“Overseas Securityholders”	: Securityholders whose addresses are outside Singapore, as shown on the Register, the Register of Warrantholders or, as the case may be, in the records of the CDP
“Register”	: The register of holders of Shares as maintained by the Registrar
“Register of Warrantholders”	: The register of holders of Warrants as maintained by the Warrant Agent
“Registrar”	: Boardroom Corporate & Advisory Services Pte Ltd of 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623
“Relevant Acceptance Forms”	: The FAA, the FAT, the Warrants FAA and/or the Warrants FAT (as the case may be)
“Relevant Period”	: The period commencing on 13 November 2018, being 6 months prior to the Offer Announcement Date, and ending on the Latest Practicable Date

DEFINITIONS

“S\$” and “cents”	: Singapore dollars and cents, respectively
“Securityholders”	: Shareholders and/or Warrantheolders (as the case may be)
“SFA”	: The Securities and Futures Act (Chapter 289 of Singapore), as amended or modified from time to time
“SGX-ST”	: Singapore Exchange Securities Trading Limited
“Shareholders”	: Persons who are registered as holders of Shares in the Register and Depositors who have Shares entered against their names in the Depository Register
“Shares”	: Issued and paid-up ordinary shares in the capital of the Company
“SIC”	: Securities Industry Council
“SRS”	: Supplementary Retirement Scheme
“SRS Investors”	: Investors who have purchased Shares using their SRS contributions pursuant to the SRS
“Valuation Report”	: The consolidated valuation report by Hilco Appraisal Singapore Pte Ltd in association with United Valuers Pte Ltd dated 28 May 2019 as set out in Appendix F
“Warrant Agent”	: Boardroom Corporate & Advisory Services Pte Ltd of 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623
“Warrantheolders”	: Persons who are registered as holders of Warrants in the Register of Warrantheolders and Depositors who have Warrants entered against their names in the Depository Register
“Warrants”	: The outstanding warrants issued by the Company each carrying the right to subscribe for one new Share at an exercise price of S\$0.080 for each new Share
“Warrants FAA”	: Form of Acceptance and Authorisation which forms part of the Offer Document and which is issued to Warrantheolders whose Warrants are deposited with CDP
“Warrants FAT”	: Form of Acceptance and Transfer which forms part of the Offer Document and which is issued to Warrantheolders whose Warrants are not deposited with CDP
“Warrants Offer”	: The mandatory unconditional cash offer made by the Financial Adviser, for and on behalf of the Offeror, to the Warrantheolders to acquire the Warrants, on the terms and subject to the conditions set out in the Offer Document, the Warrants FAA and the Warrants FAT, as such offer may be amended, extended or revised from time to time by or on behalf of the Offeror
“Warrants Offer Price”	: S\$0.074 in cash for each Warrant
“%” or “per cent.”	: Per centum or percentage

Acting in Concert and Associates. Unless otherwise defined, the expressions “**acting in concert**” and “**associates**” shall have the same meanings as ascribed to them respectively in the Code.

DEFINITIONS

Announcements and Notices. References to the making of an announcement or the giving of notice by the Company shall include the release of an announcement by the Company or its agents, for and on behalf of the Company, to the press or the delivery of or transmission by telephone, telex, facsimile, SGXNET or otherwise of an announcement to the SGX-ST. An announcement made otherwise than to the SGX-ST shall be notified to the SGX-ST simultaneously.

Capitalised Terms in Extracts. Statements which are reproduced in their entirety from the Offer Document, the IFA Letter and the Constitution are set out in this Circular within quotes and italics, and capitalised terms used within these reproduced statements shall bear the same meanings as attributed to them in the Offer Document, the IFA Letter and the Constitution respectively.

Depository Related Terms. The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

Expressions. Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing a single gender shall, where applicable, include any or all genders. References to persons shall, where applicable, include corporations.

Headings. The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Rounding. Any discrepancies in the figures in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, the figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

Securityholders. References to “**you**”, “**your**” and “**yours**” in this Circular are, as the context so determines, to Securityholders.

Shareholders. References to “**you**”, “**your**” and “**yours**” in this Circular are, as the context so determines, to Shareholders.

Shares. References in this Offer Document to the total number of Shares is a reference to a total of 401,236,516 Shares in issue as at the Latest Practicable Date, unless the context otherwise requires.

Statutes. Any reference in this Circular to any enactment or statutory provision is a reference to that enactment or statutory provision as for the time being amended or re-enacted, unless the context otherwise requires. Any word defined under the Companies Act, the Code, the Catalist Rules, the SFA or any modification thereof and not otherwise defined in this Circular shall, where applicable, have the same meaning as ascribed to it under the Companies Act, the Code, the Catalist Rules, the SFA or any statutory modification thereof, as the case may be, unless the context otherwise requires.

Subsidiary and Related Corporation. The terms “**subsidiary**” and “**related corporation**” shall have the meanings ascribed to them in Sections 5 and 6 of the Companies Act respectively.

Time and Date. Any reference to a time of day and date in this Circular is made by reference to Singapore time and date respectively unless otherwise stated.

Warrantholders. References to “**you**”, “**your**” and “**yours**” in this Circular are, as the context so determines, to Warrantholders.

Warrants. References in this Offer Document to the total number of Warrants is a reference to a total of 12,800,989 Warrants as at the Latest Practicable Date, unless the context otherwise requires.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as **“aim”**, **“seek”**, **“expect”**, **“anticipate”**, **“believe”**, **“estimate”**, **“intend”**, **“project”**, **“plan”**, **“strategy”**, **“forecast”** and similar expressions or future or conditional verbs such as **“if”**, **“will”**, **“would”**, **“should”**, **“could”**, **“may”** and **“might”**. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Securityholders should not place undue reliance on such forward-looking statements, and neither the Company nor the IFA guarantees any future performance or event, or undertakes any obligation to update publicly or revise any forward looking statements, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

INDICATIVE TIMETABLE

Date of despatch of Offer Document	:	27 May 2019
Date of despatch of this Circular	:	10 June 2019
Closing Date	:	5.30 p.m. (Singapore time) on 24 June 2019, or such later date(s) as may be announced from time to time by or on behalf of the Offeror
Date of settlement of consideration for the Offer for Securities	:	Please refer to Section 2 of Appendix 1 of the Offer Document for further information

LETTER TO SECURITYHOLDERS

JEP HOLDINGS LTD.

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

Directors:

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

Registered Office:

16 Seletar Aerospace Crescent
Singapore 797567

10 June 2019

To: The Securityholders of the Company

Dear Sir/Madam

MANDATORY CONDITIONAL CASH OFFER BY THE FINANCIAL ADVISER, FOR AND ON BEHALF OF THE OFFEROR, FOR THE OFFER SHARES AND UNCONDITIONAL CASH OFFER BY THE FINANCIAL ADVISER, FOR AND ON BEHALF OF THE OFFEROR, FOR THE WARRANTS

1. INTRODUCTION**1.1 Offer Announcement**

On 13 May 2019, the Financial Adviser, for and on behalf of the Offeror, announced, *inter alia*, that the Offeror would make a mandatory conditional cash offer for the Offer Shares and an unconditional cash offer for the Warrants, in accordance with Rule 14 and 19 of the Code respectively.

A copy of the Offer Announcement is available on the website of the SGX-ST at www.sgx.com.

1.2 Offer Document

Securityholders should by now have received a copy of the Offer Document and the Relevant Acceptance Forms, which set out, *inter alia*, the terms and conditions of the Offer for Securities. The principal terms and conditions of the Offer for Securities are set out on pages 9 - 11 of the Offer Document. **Securityholders are advised to read the terms and conditions of the Offer for Securities contained in the Offer Document carefully.**

A copy of the Offer Document is available on the website of the SGX-ST at www.sgx.com.

1.3 Purpose of this Circular

The purpose of this Circular is to provide Securityholders with relevant information pertaining to the Company, the Offer for Securities, the advice of the IFA to the Independent Directors and the recommendation of the Independent Directors with regards to the Offer for Securities.

Securityholders should read the Offer Document, this Circular and the IFA Letter carefully and consider the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors on the Offer for Securities before deciding on whether to accept or reject the Offer for Securities. If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers immediately.

LETTER TO SECURITYHOLDERS

2. THE OFFER FOR SECURITIES

2.1 Terms of the Offer for Securities

The Offer for Securities is made by the Financial Adviser, for and on behalf of the Offeror, on the principal terms set out in Section 2 and 3 of the Offer Document (as amended and revised by an announcement dated 29 May 2019 made by the Financial Adviser, for and on behalf of the Offeror), extracts of which are set out below. Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document.

“2. TERMS OF THE OFFER

2.1. **Terms.** *The Offer will be made for all the Offer Shares, subject to the terms and conditions set out in this Offer Document.*

2.2. **Offer Price.** *The Offer Price for each Offer Share will be as follows:*

For each Offer Share: S\$0.150 in cash.

THE OFFEROR DOES NOT INTEND TO REVISE THE OFFER PRICE.

2.3. **Rights and Encumbrances.** *The Offer Shares will be acquired:*

(a) *fully paid-up;*

(b) *free from all mortgages, assignments, debentures, liens, hypothecation, charges, pledges, adverse claims, rent-charge, title retention, claims, equity, options, encumbrances, pre-emption rights, rights to acquire, security agreement and security interest or other rights of whatever nature (“Encumbrances”); and*

(c) *together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including all voting rights and the right to receive and retain all dividends, rights, other distributions and return of capital (“Distribution”) (if any) which may be announced or declared by the Company or the entitlement to which is determined by the Company, each on or after the Offer Announcement Date.*

If any Distribution is announced, declared, paid or made on or after the Offer Announcement Date, the Offeror reserves the right to reduce the Offer Price by an amount equivalent to such Distribution.

2.4. **Minimum Acceptance Condition.** *The Offer is conditional upon the Offeror having received, by the Closing Date, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and its Concert Group (either before or during the Offer and pursuant to the Offer or otherwise), would result in the Offeror and its Concert Group holding such number of Shares carrying more than 50% of the voting rights attributable to the issued Shares (excluding any treasury shares) as at the close of the Offer (“Minimum Acceptance Condition”).*

The Offer will not become or be capable of being declared to be unconditional as to acceptances until the close of the Offer, unless at any time prior to the close of the Offer, the Offeror has received valid acceptances (which have not been withdrawn) in respect of such number of Offer Shares which, together with Shares owned, controlled or agreed to be acquired before or during the Offer by or on behalf of the Offeror and its Concert Group, will result in the Offeror and its Concert Group holding such number of Shares representing more than 50% of the maximum potential share capital of the Company. For the purposes of the Offer, the “maximum potential share capital of the Company”

LETTER TO SECURITYHOLDERS

means the total number of Shares which would be in issue if all the outstanding Warrants (other than those owned, controlled or agreed to be acquired by the Offeror and its Concert Group) were validly converted and exercised as at the date of the relevant declaration.

The Offer is not subject to any other condition.

3. TERMS OF THE WARRANTS OFFER

3.1. **Warrants.** As at the Latest Practicable Date, based on the latest information available to the Offeror, the Company has 12,800,989 Warrants in issue. Pursuant to the terms and conditions of the Warrants, the exercise period for the Warrants commences on 23 December 2016 and ends on 20 December 2019. The Warrants (other than those owned, controlled or agreed to be acquired by the Offeror and its Concert Group), if converted at the prevailing conversion price, represent approximately 3.1% of the maximum potential share capital of the Company.

3.2. **Warrants Offer.** In accordance with Rule 19 of the Code, Hong Leong Finance, for and on behalf of the Offeror, hereby makes an unconditional cash offer to the Warrantholders to acquire all the Warrants, other than those already owned, controlled or agreed to be acquired by the Offeror and its Concert Group, in accordance with the terms and subject to the conditions set out in this Offer Document.

3.3. **Warrants Offer Price.** The Warrants Offer Price for each Warrant will be as follows:

For each Warrant: S\$0.074 in cash.

The Warrants Offer Price is calculated based on the highest price paid by the Offeror and its Concert Group in the Reference Period.

3.4. **No Conditions.** The Warrants Offer is unconditional in all respects.

3.5. **Rights and Encumbrances.** The Warrants will be acquired:

(a) fully paid-up;

(b) free from all Encumbrances; and

(v) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain all payments, rights and other distributions (if any) declared, paid or made by the Company on or after the Offer Announcement Date.

3.6. **Adjustment.** If any payments, rights and other distributions is declared, paid or made by the Company or any right arises (for any reason whatsoever) on or after the Offer Announcement Date for the benefit of a Warrantholder who validly accepts or has validly accepted the Warrants Offer, the Offeror reserves the right to reduce the Warrants Offer Price payable to such Warrantholder by the amount of such interest, payment, right or other distribution.

3.7. **Offer and Warrants Offer Mutually Exclusive.** The Offer and the Warrants Offer are separate and are mutually exclusive. The Warrants Offer does not form part of the Offer, and vice versa.

LETTER TO SECURITYHOLDERS

3.8. **Choices.** Warrantheolders can, in relation to all or part of their Warrants:

- (a) exercise such Warrants and participate in the Offer by (i) exercising the Warrants in compliance with the procedures for the exercise of the Warrants set out in the terms and conditions of the Warrants and (ii) thereafter accepting the Offer in respect of all or part of the new Shares unconditionally issued or to be issued pursuant to such conversion, in accordance with the procedures set out in **Appendix 2** to this Offer Document;
- (b) accept the Warrants Offer in respect of all or part of the Warrants held in accordance with the procedures set out in **Appendix 3** to this Offer Document; or
- (c) take no action and let the Warrants Offer lapse in respect of their Warrants.

4. **WARRANTY FOR OFFER FOR SECURITIES**

A Securityholder who tenders his Offer Shares and/or Warrants, as the case may be, in acceptance of the Offer and/or the Warrants Offer, as the case may be, will be deemed to unconditionally and irrevocably represent and warrant that he sells such Offer Shares and/or the Warrants, as the case may be, as or on behalf of the beneficial owner(s) thereof, (a) properly and validly issued and fully paid-up; (b) free from all Encumbrances; and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including all voting rights and the right to receive and retain all Distributions which may be announced or declared by the Company or the entitlement to which is determined by the Company, each on or after the Offer Announcement Date.”

2.2 **Duration of the Offer for Securities**

The duration of the Offer for Securities is set out in Section 5 of the Offer Document (as amended and revised by an announcement dated 29 May 2019 made by the Financial Adviser, for and on behalf of the Offeror), extracts of which are set out below.

“5. DURATION OF THE OFFER AND THE WARRANTS OFFER

5.1. **First Closing Date.** The Offer and the Warrants Offer are open for acceptance by Shareholders and Warrantheolders respectively for at least twenty-eight (28) days after the Despatch Date, unless the Offer is withdrawn with the consent of the SIC in which event every person shall be released from any obligation incurred thereunder.

THE OFFER AND THE WARRANTS OFFER WILL CLOSE AT 5.30 P.M. (SINGAPORE TIME) ON 24 JUNE 2019, BEING THE CLOSING DATE, OR SUCH LATER DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME BY OR ON BEHALF OF THE OFFEROR, SUCH DATE BEING THE LAST DAY FOR THE LODGEMENT OF ACCEPTANCES OF THE OFFER AND THE WARRANTS OFFER.

5.2. **Subsequent Closing Date(s).** If there is an extension of the Offer for Securities, pursuant to Rule 22.4 of the Code, any announcement of an extension of the Offer for Securities will state the next closing date or if the Offer is unconditional as to acceptances, a statement may be made that the Offer for Securities will remain open until further notice. In the latter case, those Shareholders who have not accepted the Offer will be notified in writing at least fourteen (14) days before the Offer closes.

LETTER TO SECURITYHOLDERS

5.3. **Offer for Securities to Remain Open for Fourteen (14) Days After Offer Being Declared Unconditional as to Acceptances.** Pursuant to Rule 22.6 of the Code, if the Offer becomes or is declared unconditional as to acceptances, the Offer for Securities will remain open for acceptances for a period of not less than fourteen (14) days after the date on which the Offer for Securities would otherwise have closed ("**Rule 22.6 Period**"), unless the Offeror has given Shareholders and Warrantholders, as the case may be, at least fourteen (14) days' notice in writing ("**Shut-Off Notice**") that the Offer for Securities will not be open for acceptance beyond a specified Closing Date, provided that:

- (a) the Offeror may not give a Shut-Off Notice in a competitive situation; and
- (b) the Offeror may not enforce a Shut-Off Notice, if already given, in a competitive situation.

For these purposes, a "**competitive situation**" shall be regarded to have arisen if (i) a competing offer has been announced; or (ii) the SIC determines that a competitive situation has arisen.

If a declaration that the Offer is unconditional as to acceptances is confirmed in accordance with **Paragraph 4.3 of Appendix 1**, the Rule 22.6 Period will run from the date of such confirmation or the date on which the Offer for Securities would otherwise have closed, whichever is later.

5.4. **Final Day Rule.** Pursuant to Rule 22.9 of the Code, the Offer (whether revised or not) will not be capable of becoming or being declared unconditional as to acceptances after 5:30 p.m. (Singapore time) on the 60th day after the Despatch Date or of being kept open after the expiry of such 60-day period, unless it has previously become or been declared unconditional as to acceptances, except with the permission of the SIC. The SIC will consider granting such permission in circumstances including where a competing offer has been announced.

5.5. **Revision.** The Offeror does not intend to revise the Offer Price. However, pursuant to Rule 20.1 of the Code, the terms of the Offer for Securities, if revised, will remain open for acceptance for a period of at least fourteen (14) days from the date of despatch of the written notification of the revision to Securityholders. In any case, where the terms are revised, the benefit of the Offer for Securities (as so revised) will be made available to each of the Securityholders, including those who had previously accepted the Offer for Securities.

5.6. **No Obligation to Extend the Offer for Securities.** The Offeror is not obliged to extend the Offer for Securities if the condition of the Offer as set out in **Section 2.4** of this Offer Document (being the Minimum Acceptance Condition) is not fulfilled by the Closing Date. However, if the Offer for Securities is extended and:

- (a) the Minimum Acceptance Condition is not fulfilled as at the date of such extension, the announcement of the extension must state the next Closing Date; or
- (b) the Minimum Acceptance Condition is fulfilled as at the date of such extension, the announcement of the extension need not state the next Closing Date but may state that the Offer for Securities will remain open until further notice. In such a case, the Offeror must give Shareholders and Warrantholders, as the case may be, who have not accepted the relevant Offer for Securities at least fourteen (14) days' prior notice in writing before it may close the Offer for Securities."

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In an announcement dated 30 May 2019 issued by the Financial Adviser, for and on behalf of the Offeror, the Offeror has confirmed that it does not intend to extend the Offer for Securities beyond the Closing Date at 5.30 p.m. (Singapore time) on 24 June 2019, save that the Offeror reserves the right to do so in a competitive situation.

Pursuant to Rule 22.6 of the Code, the Offer for Securities will not be open for acceptances beyond 5.30 p.m. (Singapore time) on the Closing Date, notwithstanding that the Offer may have become or been declared unconditional as to acceptances by then, except that such notice shall not be capable of being enforced in a competitive situation. This means that, save in a competitive situation, if the Offer becomes unconditional as to acceptances before the Closing Date or even if the Offer becomes unconditional as to acceptances on the Closing Date itself, there will NOT be any extension of the Closing Date pursuant to Rule 22.6 of the Code and Securityholders who do not accept the Offer and/or the Warrants Offer, as the case may be, by the Closing Date will not be able to do so after the Closing Date. Acceptances of the Offer and the Warrants Offer received after 5.30 p.m. (Singapore time) on the Closing Date will be rejected.

2.3 Details of the Offer for Securities

The details of the Offer for Securities are set out in Section 6 and Appendix 1 of the Offer Document, extracts of which are set out below.

“6. DETAILS OF THE OFFER FOR SECURITIES

Appendix 1 to this Offer Document sets out further details on, inter alia:

- (a) the settlement of the consideration for the Offer and the Warrants Offer;*
- (b) the requirements relating to the announcement of the level of acceptances of the Offer; and*
- (c) the right of withdrawal of acceptances of the Offer.*

...

APPENDIX 1 – DETAILS OF THE OFFER FOR SECURITIES

...

2. SETTLEMENT FOR THE OFFER AND THE WARRANTS OFFER

2.1. Settlement for the Offer. *Subject to the Offer becoming or being declared unconditional in all respects and to the receipt by the Offeror from accepting Shareholders of valid acceptances and all relevant documents required by the Offeror which are complete in all respects and in accordance with the instructions given in this Offer Document and in the relevant Acceptance Forms, and in the case of a Depositor, the receipt by the Offeror of a confirmation satisfactory to it that the Shares, as the case may be, are standing to the credit of the “Free Balance” of the Depositor’s Securities Account at the relevant time, remittances in the form of Singapore Dollar cheques drawn on a bank in Singapore for the appropriate amounts will be despatched (or by such other manner as the accepting Shareholders may have agreed with CDP for the payment of any cash distributions), pursuant to Rule 30 of the Code, to the accepting Shareholders (or in the case of Shareholders holding share certificate(s) which are not deposited with CDP, their designated agents, as they may direct) by ordinary post, at the risk of the accepting Shareholders as soon as practicable and in any case, as the case may be:*

- (a) in respect of acceptances of the Offer which are complete and valid in all respects and are received on or before the date on which the Offer becomes or is declared unconditional in all respects, within seven (7) Business Days after the Offer becomes or is declared unconditional in all respects; or*

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(b) *in respect of acceptances of the Offer which are complete and valid in all respects and are received after the Offer becomes or is declared unconditional in all respects, but before the Offer, as the case may be, closes, within seven (7) Business Days of the date of such receipt.*

2.2. **Settlement for the Warrants Offer.** *Subject to the receipt by the Offeror from accepting Warranholders of valid acceptances and all relevant documents required by the Offeror which are complete in all respects and in accordance with such requirements as may be stated in this Offer Document, the relevant Warrants FAA or Warrants FAT, as the case may be, and in the case of a Depositor, the receipt by the Offeror of confirmation satisfactory to it that the relevant number of Warrants tendered by the accepting Depositor in acceptance of the Warrants Offer standing to the credit of the "Free Balance" of the Depositor's Securities Account at the relevant time, remittances in the form of Singapore Dollar cheques drawn on a bank in Singapore for the appropriate amounts will be despatched (or by such other manner as the accepting Warranholders may have agreed with CDP for the payment of any cash distributions), pursuant to Rule 30 of the Code, to the accepting Warranholders (or, in the case of Warranholders holding warrant certificate(s) which are not deposited with CDP, their designated agents, as they may direct) by ordinary post, at the risk of the accepting Warranholders as soon as practicable and in any case, in respect of acceptances of the Warrants Offer which are complete and valid in all respects, within seven (7) Business Days of the date of such receipt.*

3. ANNOUNCEMENTS

3.1. **Timing and Contents.** *Pursuant to Rule 28.1 of the Code, by 8.00 a.m. (Singapore time) on the dealing day ("**Relevant Day**") immediately after the day on which the Offer is due to expire, becomes or is declared unconditional as to acceptances, revised or extended (if applicable), the Offeror will announce and simultaneously inform the SGX-ST of the total number of Shares (excluding treasury shares) (as nearly as practicable):*

(a) *for which valid acceptances of the Offer have been received;*

(b) *held by the Offeror and its Concert Group prior to the commencement of the Offer Period; and*

(c) *acquired or agreed to be acquired by the Offeror and its Concert Group during the Offer Period,*

and will specify the percentages of the total number of Shares in issue represented by such numbers.

3.2. **Suspension.** *Under Rule 28.2 of the Code, if the Offeror is unable, within the time limit, to comply with any of the requirements in **Paragraph 3.1** of this **Appendix 1**, the SIC will consider requesting the SGX-ST to suspend dealings in the Shares and, where appropriate, the Offeror's shares until the relevant information is given.*

3.3. **Valid Acceptances for Offer Shares.** *Under Rule 28.1 of the Code, subject to **Paragraph 4** of this **Appendix 1**, in computing the number of Offer Shares represented by acceptances received by the Offeror, the Offeror will, at the time of making an announcement, take into account acceptances which are valid in all respects.*

4. RIGHT OF WITHDRAWAL

4.1. *Except as expressly provided in this Offer Document and the Code, acceptances of the Offer and the Warrants Offer shall be irrevocable.*

LETTER TO SECURITYHOLDERS

4.2. *If the Offer has become or been declared unconditional as to acceptances, but the Offeror fails to comply with any of the requirements of Rule 28.1 of the Code by 3.30 p.m. (Singapore time) on the Relevant Day, then immediately thereafter:*

- (a) *Shareholders holding Offer Shares which are deposited with CDP and who have accepted the Offer, will be entitled to withdraw their acceptance by written notice to UMS Holdings Limited, c/o The Central Depository (Pte) Limited, 11 North Buona Vista Drive, #06-07, The Metropolis Tower 2, Singapore 138589; and*
- (b) *Shareholders holding Offer Shares which are not deposited with CDP and who have accepted the Offer, will be entitled to withdraw their acceptance by written notice to UMS Holdings Limited, c/o Boardroom Corporate & Advisory Services Pte Ltd, 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623.*

Such notice of withdrawal shall be effective only if signed by the accepting Shareholder or his agent duly appointed in writing and evidence of whose appointment is produced in a form satisfactory to the Offeror within the said notice and when actually received by the Offeror.

4.3. ***Subject to Rule 22.9 of the Code, this right of withdrawal may be terminated not less than eight (8) days after the Relevant Day by the Offeror confirming (if that be the case) that the Offer is still unconditional and complying with Rule 28.1 of the Code. The Rule 22.6 Period (referred to in Section 5.3 of this Offer Document), will run from the date of such confirmation (if given), or the date on which the Offer would otherwise have expired, whichever is later.***

4.4. *A Shareholder who accepts the Offer will be entitled to withdraw his acceptance after fourteen (14) days from the first Closing Date, if the Offer has not by then become unconditional as to acceptances. Such entitlement to withdraw will be exercisable until the Offer becomes or is declared unconditional as to acceptances.”*

2.4 Procedures for Acceptance

The procedures for acceptance are set out in Section 7 and Appendixes 2 and 3 of the Offer Document, extracts of which are set out below.

“7. PROCEDURES FOR ACCEPTANCE

*The procedures for acceptance of the Offer are set out in **Appendix 2** and the accompanying FAA and/or FAT, as the case may be.*

*The procedures for acceptance of the Warrants Offer are set out in **Appendix 3** and the accompanying Warrants FAA and/or Warrants FAT, as the case may be.*

...

APPENDIX 2 – PROCEDURES FOR ACCEPTANCE OF THE OFFER

1. DEPOSITORS

1.1. ***Depositors whose Securities Accounts are credited with Offer Shares.*** *If you have Offer Shares standing to the credit of your Securities Account, you should receive this Offer Document together with the FAA.*

LETTER TO SECURITYHOLDERS

If you wish to accept the Offer, you should:

(a) complete the FAA in accordance with the provisions of this Offer Document and the instructions printed on the FAA. Please note that you must insert the number of Offer Shares in respect of which you wish to accept the Offer. If you:

(i) do not specify such number; or

(ii) specify a number which exceeds the number of Offer Shares standing to the credit of the "Free Balance" of your Securities Account as at 5.00 p.m. (Singapore time) on the Date of Receipt, or, in the case where the Date of Receipt is on the Closing Date, as at 5.30 p.m. (Singapore time) on the Closing Date (provided always that the Date of Receipt must fall on or before the Closing Date),

you shall be deemed to have accepted the Offer in respect of all the Offer Shares already standing to the credit of the "Free Balance" of your Securities Account as at 5.00 p.m. (Singapore time) on the Date of Receipt or, in the case where the Date of Receipt is on the Closing Date, as at 5.30 p.m. (Singapore time) on the Closing Date.

If, at the time of verification by CDP of the FAA on the Date of Receipt, **Paragraph 1.1(a)(ii)** applies, and there are outstanding settlement instructions with CDP to receive further Shares into the "Free Balance" of your Securities Account ("**Unsettled Buy Position (Shares)**"), and the Unsettled Buy Position (Shares) settles such that the Shares in the Unsettled Buy Position (Shares) are transferred to the "Free Balance" of your Securities Account at any time during the period the Offer is open, up to 5.30 p.m. (Singapore time) on the Closing Date ("**Settled Shares**"), you shall be deemed to have accepted the Offer in respect of the balance number of Shares specified in the FAA which have not yet been accepted pursuant to **Paragraph 1.1(a)(ii)**, or the number of Settled Shares, whichever is less;

(b) sign the FAA in accordance with the provisions of this Offer Document and the instructions printed on the FAA; and

(c) deliver the duly completed and signed original FAA in its entirety (no part may be detached or otherwise mutilated):

(i) **by hand**, to UMS Holdings Limited, c/o The Central Depository (Pte) Limited, 9 North Buona Vista Drive, #01-19/20, The Metropolis, Singapore 138588; or

(ii) **by post**, in the enclosed pre-addressed envelope at your own risk, to UMS Holdings Limited, c/o The Central Depository (Pte) Limited, Robinson Road Post Office, P.O. Box 1984, Singapore 903934,

so as in either case your acceptance arrives not later than 5.30 p.m. (Singapore time) on the Closing Date. If the duly completed and signed original FAA is delivered by post to the Offeror, please use the enclosed pre-addressed envelope. It is your responsibility to affix adequate postage on the said envelope.

If you have sold or transferred all your Offer Shares through CDP, you need not forward the Offer Document and the accompanying FAA to the purchaser or transferee, as CDP will arrange for a separate Offer Document and FAA to be sent to the purchaser or transferee. Purchasers of the Offer Shares should note that CDP will, for and on behalf of the Offeror, send a copy of this Offer Document and the FAA by ordinary post at the purchasers' own risk to their respective mailing addresses as they appear in the records of

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CDP. If you are a Depository Agent, you may accept the Offer via Electronic Acceptance. Such Electronic Acceptance must be submitted **not later than 5.30 p.m. (Singapore time) on the Closing Date**. CDP has been authorised by the Offeror to receive Electronic Acceptances on its behalf. Electronic Acceptances submitted will be deemed irrevocable and subject to each of the terms and conditions contained in the FAA and this Offer Document as if the FAA had been completed, signed in its originality and delivered to CDP.

- 1.2. **Depositors whose Securities Accounts will be credited with Offer Shares.** If you have purchased Offer Shares on the SGX-ST and such Offer Shares are in the process of being credited to the "Free Balance" of your Securities Account, you should also receive this Offer Document together with the FAA. If you do not receive the FAA, you may obtain a copy of such FAA, upon production of satisfactory evidence that you are a Shareholder, from CDP at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588.

If you wish to accept the Offer in respect of such Offer Shares, you should, after the "Free Balance" of your Securities Account has been credited with such number of Offer Shares purchased:

- (a) complete and sign the FAA in accordance with the provisions of this Offer Document and the instructions printed on the FAA; and
- (b) deliver the duly completed and signed original FAA in its entirety (no part may be detached or otherwise mutilated):
 - (i) **by hand**, to UMS Holdings Limited, c/o The Central Depository (Pte) Limited, 9 North Buona Vista Drive, #01-19/20, The Metropolis, Singapore 138588; or
 - (ii) **by post**, in the enclosed pre-addressed envelope at your own risk, to UMS Holdings Limited, c/o The Central Depository (Pte) Limited, Robinson Road Post Office, P.O. Box 1984, Singapore 903934,

so as in either case your acceptance arrives not later than 5.30 p.m. (Singapore time) on the Closing Date. If the duly completed and signed original FAA is delivered by post to the Offeror, please use the enclosed pre-addressed envelope. It is your responsibility to affix adequate postage on the said envelope.

- 1.3. **Rejection.**

If you purchase Offer Shares on the SGX-ST, your acceptance in respect of such Offer Shares will be rejected if the "Free Balance" of your Securities Account is not credited with such Offer Shares by 5.00 p.m. (Singapore time) on the Date of Receipt or 5.30 p.m. (Singapore time) on the Closing Date (if the FAA is received by CDP on the Closing Date), save where you had indicated the number of Offer shares you wish to tender in acceptance of the Offer in the FAA and there is an Unsettled Buy Position (Shares) at the time of verification by CDP of the FAA on the Date of Receipt. If the Unsettled Buy Position (Shares) does not settle by 5.30 p.m. (Singapore time) on the Closing Date, your acceptance in respect of such Shares will be rejected. None of the Offeror, Hong Leong Finance or CDP accepts any responsibility or liability in relation to such a rejection, including the consequences for such a rejection.

- 1.4. **Depositors whose Securities Accounts are and will be credited with Offer Shares.** If you have Offer Shares credited to your Securities Account, and such Offer Shares are in the process of being credited to the "Free Balance" of your Securities Account, a FAA in respect of such Offer Shares bearing your name and Securities Account number will be sent to you by CDP and if you wish to accept the Offer in respect of the Offer Shares, you

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should, after the "Free Balance" of your Securities Account has been credited with such number of Offer Shares, complete, sign and return the FAA in accordance with the instructions contained therein and in this Offer Document. If you do not receive that FAA, you may obtain a copy, upon production of satisfactory evidence that you have purchased the Offer Shares on the SGX-ST, from CDP at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588.

- 1.5. **Acceptance via SGX-SFG service.** Depository Agents may accept the Offer via the SGX-SFG service provided by CDP as listed in Schedule 3 of the Terms and Conditions for User Services for Depository Agents. CDP has been authorised by the Offeror to receive acceptances on its behalf. Such acceptances will be deemed irrevocable and subject to each of the terms and conditions contained in the FAA and this Offer Document as if the FAA had been completed and delivered to CDP.
- 1.6. **General.** No acknowledgement will be given by CDP for submissions of the FAA made by hand or by post or deposited into boxes located at CDP's premises. All communications, notices, documents and payments will be sent by ordinary post at your own risk to your mailing address appearing in the records of CDP. For reasons of confidentiality, CDP will not entertain telephone enquiries relating to the number of Offer Shares in your Securities Account. You can verify the number of Offer Shares in your Securities Account through: (a) CDP Online if you have registered for the CDP Internet Access Service; or (b) CDP Phone Service using SMS OTP, under the option "To check your securities balance".
- 1.7. **Blocked Balance.** Upon receipt by CDP, for and on behalf of the Offeror, of the FAA which is complete and valid in all respects, CDP will transfer the Offer Shares in respect of which you have accepted the Offer from the "Free Balance" of your Securities Account to the "Blocked Balance" of your Securities Account. Such Offer Shares will be held in the "Blocked Balance" until the consideration for such Offer Shares has been despatched to you.
- 1.8. **Return of Offer Shares.** In the event the Offer does not become or is not declared unconditional in all respects in accordance with its terms, the relevant Offer Shares in respect of which you have accepted the Offer will be returned to the "Free Balance" of your Securities Account as soon as possible but, in any event not later than fourteen (14) days from the lapse of the Offer.
- 1.9. **Notification.** If you have accepted the Offer in accordance with the provisions contained in this Offer Document and the FAA, and the Offer becomes or is declared unconditional in all respects in accordance with its terms, CDP will send you a notification letter stating the number of Offer Shares debited from your Securities Account together with payment of the Offer Price by way of a Singapore Dollar cheque drawn on a bank in Singapore for the appropriate amount and sent by ordinary post to your mailing address as recorded with CDP, or in such other manner as you may have agreed with CDP for the payment of any cash distributions, at your own risk.
- 1.10. **No Securities Account.** If you do not have any existing Securities Account in your own name at the time of acceptance of the Offer, your acceptance as contained in the FAA will be rejected.

2. SCRIP HOLDERS

- 2.1. **Shareholders whose Offer Shares are not deposited with CDP.** If you hold Offer Shares which are not deposited with CDP ("**in scrip form**"), you should receive this Offer Document together with the FAT.

LETTER TO SECURITYHOLDERS

If you wish to accept the Offer, you should:

(a) complete and sign the FAT in accordance with the provisions of this Offer Document and the instructions printed on the FAT. Please note that you must insert the number of Offer Shares in respect of which you wish to accept the Offer. If you:

(i) do not specify such number in the FAT; or

specify a number which exceeds the number of Offer Shares represented by the share certificate(s) attached to the FAT and/or other document(s) of title accompanying the FAT, you shall be deemed to have accepted the Offer in respect of all the Offer Shares represented by the share certificate(s) attached to the FAT and/or other document(s) of title accompanying the FAT;

(b) sign the FAT in accordance with this Offer Document and the instructions printed on the FAT; and

(c) deliver:

(i) the duly completed and signed original FAT in its entirety (no part may be detached or otherwise mutilated);

(ii) the share certificate(s), other document(s) of title and/or other relevant document(s) required by the Offeror and/or the Registrar relating to the Offer Shares in respect of which you wish to accept the Offer. If you are recorded in the Register as holding Offer Shares but do not have the relevant share certificate(s) relating to such Offer Shares, you, at your own risk, are required to procure the Company to issue such share certificate(s) in accordance with the constitution of the Company and then deliver such share certificate(s) in accordance with the procedures set out in this **Appendix 2** and the FAT; and

(iii) any other relevant document(s),

either **by hand or by post**, in the enclosed pre-addressed envelope at your own risk, to UMS Holdings Limited, c/o Boardroom Corporate & Advisory Services Pte Ltd, 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, **so as in either case your acceptance arrives not later than 5.30 p.m. (Singapore time) on the Closing Date**. If the duly completed and signed original FAT is delivered by post to the Offeror, please use the enclosed pre-addressed envelope. It is your responsibility to affix adequate postage on the said envelope.

If your share certificate(s), transfer form(s) and/or any other relevant document(s) of title and/or other documents required by the Offeror is/are not readily available or is/are lost, the FAT should nevertheless be completed and returned by the aforesaid time and the share certificate(s) and/or other document(s) of title and/or other relevant document(s) required by the Offeror should be forwarded to UMS Holdings Limited, c/o Boardroom Corporate & Advisory Services Pte Ltd, 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, as soon as possible thereafter but in any event before 5.30 p.m. (Singapore time) on the Closing Date.

If your Offer Shares are represented by share certificate(s) which are not registered with the Company in your name, you must send in, at your own risk, the relevant share certificate(s), other document(s) of title and/or other relevant document(s) required by the Offeror together with the duly completed and signed original FAT in its entirety (no part may be detached or otherwise mutilated), accompanied by transfer form(s), duly completed and executed by the person(s) registered with the Company as the holder(s) of the Offer Shares and stamped, with the particulars of the transferee left blank (to be completed by the Offeror or a person nominated in writing by the Offeror as the transferee or a person authorised by either).

LETTER TO SECURITYHOLDERS

- 2.2. **Receipt.** No acknowledgement of receipt of any FAT, share certificate(s), other document(s) of title, transfer forms or any other relevant document(s) required by the Offeror will be given.
- 2.3. **Payment.** If you have accepted the Offer in accordance with the provisions contained in this Offer Document and the FAT, and the Offer becomes or is declared unconditional in all respects in accordance with its terms, payment will be sent to you (or your designated agent or, in the case of joint Accepting Securityholders who have not designated any agent, to the one first named in the Register) by ordinary post to your mailing address appearing in the Register at your own risk (or to such different name and address as may be specified by you in the FAT and at your own risk), by way of a Singapore Dollar cheque drawn on a bank in Singapore for the appropriate amount.
- 2.4. **Return of Offer Shares.** In the event of the Offer not becoming or not being declared unconditional in all respects in accordance with its terms, the FAT, share certificate(s) and/or any other accompanying document(s) will be returned to you as soon as possible but, in any event, not later than fourteen (14) days from the lapse of the Offer.
- 3. GENERAL**
- 3.1. **Disclaimer and Discretion.** The Offeror, Hong Leong Finance, the Registrar and/or CDP will be authorised and entitled, at their sole and absolute discretion, to reject any acceptance of the Offer which is not entirely in order or which does not comply with the terms of this Offer Document and the relevant Acceptance Forms or which is otherwise incomplete, incorrect, unsigned, signed but not in its originality or invalid in any respect. If you wish to accept the Offer, it is your responsibility to ensure that the FAA and/or the FAT, as the case may be, is/are properly completed in all respects, originally signed and all required documents, where applicable, are provided. Any decision to reject the FAA and/or the FAT, as the case may be, on the grounds that it has been invalidly, incorrectly or incompletely signed, completed or submitted unsigned or signed but not in its originality will be final and binding and none of the Offeror, Hong Leong Finance, the Registrar and/or CDP accepts any responsibility or liability for such a decision (including the consequences thereof). The Offeror and Hong Leong Finance each reserves the right to treat acceptances of the Offer as valid if received by or on behalf of either of them at any place or places determined by them otherwise than as stated herein or in the FAA and/or the FAT, as the case may be, or if made otherwise than in accordance with the provisions herein and instructions printed on the FAA and/or the FAT, as the case may be. CDP takes no responsibility for any decision made by the Offeror or Hong Leong Finance.
- 3.2. **Scrip and Scripless Offer Shares.** If you hold some Offer Shares in scrip form and others with CDP, you should complete a FAT for the former and a FAA for the latter in accordance with the respective procedures set out in this **Appendix 2** and the relevant Acceptance Forms if you wish to accept the Offer in respect of such Offer Shares.
- 3.3. **Deposit Time.** If you hold Offer Shares in scrip form, you should not deposit the share certificate(s) through CDP on or after the Despatch Date as the Offer Shares may not be credited into your Securities Account with CDP in time for you to accept the Offer. If you wish to accept the Offer in respect of such Offer Shares, you should complete a FAT and follow the procedures set out in **Paragraph 2** of this **Appendix 2**.
- 3.4. **Acceptances received on Saturday, Sunday and public holidays.** Acceptances in the form of the FAA and/or the FAT, as the case may be, to CDP and/or the Registrar on a Saturday, Sunday or public holiday will only be processed and validated on the next Business Day.

LETTER TO SECURITYHOLDERS

- 3.5. **Correspondences.** All communications, certificates, notices, documents and remittances to be delivered or sent to you (or in the case of scrip holders, your designated agent or, in the case of joint Accepting Securityholders who have not designated any agent, to the one first named in the records of CDP or the Register, as the case may be) will be sent by ordinary post to your mailing addresses appearing in the records of CDP, the address as it appears in the FAT or the Register (if no such address is indicated in the FAT), as the case may be, at the risk of the person entitled thereto (or for the purposes of remittances only, to such different name and addresses as may be specified by you in the FAA and/or the FAT, as the case may be, at your own risk).
- 3.6. **Evidence of Title.** Delivery of the duly completed and signed original FAA and/or FAT, together with the relevant share certificate(s) and/or other documents of title (where applicable) and/or other relevant document(s) required by the Offeror, CDP and/or the Registrar, to the Offeror, CDP and/or the Registrar, as the case may be, shall be conclusive evidence in favour of the Offeror, CDP and/or the Registrar, as the case may be, of the right and title of the person(s) signing it to deal with the same and with the Offer Shares to which it relates.
- 3.7. **Loss in Transmission.** The Offeror, Hong Leong Finance, the Registrar and/or CDP, as the case may be, shall not be liable for any loss in transmission of the FAA and/or the FAT.
- 3.8. **Acceptance Irrevocable.** Except as expressly provided in this Offer Document and/or the Code, acceptances of the Offer made by you using the FAA and/or the FAT, as the case may be, shall be irrevocable.
- 3.9. **Personal Data Privacy.** By completing and delivering a relevant Acceptance Form, each person (a) consents to the collection, use and disclosure of his personal data by CDP, the Registrar, the Offeror, Hong Leong Finance and the Company ("**Relevant Entities**") for the purpose of facilitating his acceptance of the Offer, and in order for the Relevant Entities to comply with any applicable laws, listing rules, regulations and/or guidelines; (b) warrants that where he discloses the personal data of another person, such disclosure is in compliance with applicable laws, listing rules, regulations and/or guidelines; and (c) agrees that he will indemnify the Relevant Entities in respect of any penalties, liabilities, claims, demands, losses and damages as a result of his breach of warranty.

APPENDIX 3 – PROCEDURES FOR ACCEPTANCE OF THE WARRANTS OFFER

1. DEPOSITORS

- 1.1. **Depositors whose Securities Accounts are credited with Warrants.** If you hold Warrants standing to the credit of the "Free Balance" of your Securities Account, you should receive this Offer Document together with a Warrants FAA.

If you wish to accept the Warrants Offer, you should:

- (a) complete the Warrants FAA in accordance with this Offer Document and the instructions printed on the Warrants FAA. In particular, you must state in Part A of the Warrants FAA, the number of Warrants in respect of which you wish to accept the Warrants Offer. If you:
- (i) do not specify such number; or
 - (ii) specify a number which exceeds the number of Warrants standing to the credit of the "Free Balance" of your Securities Account as at 5.00 p.m. (Singapore time) on the Date of Receipt, or, in the case where the Date of Receipt is on the Closing Date, as at 5.30 p.m. (Singapore time) on the Closing Date (provided always that the Date of Receipt must fall on or before the Closing Date),

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you shall be deemed to have accepted the Warrants Offer in respect of all the Warrants already standing to the credit of the "Free Balance" of your Securities Account as at 5.00 p.m. (Singapore time) on the Date of Receipt or, in the case where the Date of Receipt is on the Closing Date, as at 5.30 p.m. (Singapore time) on the Closing Date.

If, at the time of verification by CDP of the Warrants FAA on the Date of Receipt, **Paragraph 1.11.1(a)(ii)** applies, and there are outstanding settlement instructions with CDP to receive further Warrants into the "Free Balance" of your Securities Account ("**Unsettled Buy Position (Warrants)**"), and the Unsettled Buy Position (Warrants) settles such that the Warrants in the Unsettled Buy Position (Warrants) are transferred to the "Free Balance" of your Securities Account at any time during the period the Warrants Offer is open, up to 5.30 p.m. (Singapore time) on the Closing Date ("**Settled Warrants**"), you shall be deemed to have accepted the Warrants Offer in respect of the balance number of Warrants specified in the Warrants FAA which have not yet been accepted pursuant to **Paragraph 1.11.1(a)(ii)**, or the number of Settled Warrants, whichever is less;

- (b) sign the Warrants FAA in accordance with the provisions of this Offer Document and the instructions printed on the Warrants FAA; and
- (c) deliver the duly completed and signed original Warrants FAA in its entirety (no part may be detached or otherwise mutilated):
 - (i) **by hand**, to UMS Holdings Limited, c/o The Central Depository (Pte) Limited, 9 North Buona Vista Drive, #01-19/20, The Metropolis, Singapore 138588; or
 - (ii) **by post**, in the enclosed pre-addressed envelope at your own risk, to UMS Holdings Limited, c/o The Central Depository (Pte) Limited, Robinson Road Post Office, P.O. Box 1984, Singapore 903934,

so as in either case your acceptance arrives not later than 5.30 p.m. (Singapore time) on the Closing Date. If the duly completed and signed original Warrants FAA is delivered by post to the Offeror, please use the enclosed pre-addressed envelope. It is your responsibility to affix adequate postage on the said envelope.

If you have sold or transferred all your Warrants through CDP, you need not forward the Offer Document and the accompanying Warrants FAA to the purchaser or transferee, as CDP will arrange for a separate Offer Document and Warrants FAA to be sent to the purchaser or transferee. Purchasers of the Warrants should note that CDP will, for and on behalf of the Offeror, send a copy of this Offer Document and the Warrants FAA by ordinary post at the purchasers' own risk to their respective mailing addresses as they appear in the records of CDP. If you are a Depository Agent, you may accept the Warrants Offer via Electronic Acceptance. Such Electronic Acceptance must be submitted **not later than 5.30 p.m. (Singapore time) on the Closing Date.** CDP has been authorised by the Offeror to receive Electronic Acceptances on its behalf. Electronic Acceptances submitted will be deemed irrevocable and subject to each of the terms and conditions contained in the Warrants FAA and this Offer Document as if the Warrants FAA had been completed, signed in its originality and delivered to CDP.

- 1.2. **Depositors whose Securities Accounts will be credited with Warrants.** If you have purchased Warrants on the SGX-ST and such Warrants are in the process of being credited to the "Free Balance" of your Securities Account, you should also receive this Offer Document together with the Warrants FAA. If you do not receive the Warrants FAA, you may obtain a copy of such Warrants FAA, upon production of satisfactory evidence that you are a Warrantholder, from CDP at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588.

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If you wish to accept the Warrants Offer in respect of such Warrants, you should, after the “Free

Balance” of your Securities Account has been credited with such number of Warrants purchased:

- (a) complete and sign the Warrants FAA in accordance with the provisions of this Offer Document and the instructions printed on the Warrants FAA; and
- (b) deliver the duly completed and signed original Warrants FAA in its entirety (no part may be detached or otherwise mutilated):
 - (i) **by hand**, to UMS Holdings Limited, c/o The Central Depository (Pte) Limited, 9 North Buona Vista Drive, #01-19/20, The Metropolis, Singapore 138588; or
 - (ii) **by post**, in the enclosed pre-addressed envelope at your own risk, to UMS Holdings Limited, c/o The Central Depository (Pte) Limited, Robinson Road Post Office, P.O. Box 1984, Singapore 903934,

so as in either case your acceptance arrives not later than 5.30 p.m. (Singapore time) on the Closing Date. If the duly completed and signed original Warrants FAA is delivered by post to the Offeror, please use the enclosed pre-addressed envelope. It is your responsibility to affix adequate postage on the said envelope.

1.3. **Rejection.**

If you purchase Warrants on the SGX-ST, your acceptance in respect of such Warrants will be rejected if the “Free Balance” of your Securities Account is not credited with such Warrants by 5.00 p.m. (Singapore time) on the Date of Receipt or 5.30 p.m. (Singapore time) on the Closing Date (if the Warrants FAA is received by CDP on the Closing Date), save where you had indicated the number of Warrants you wish to tender in acceptance of the Warrants Offer in the Warrants FAA and there is an Unsettled Buy Position (Warrants) at the time of verification by CDP of the Warrants FAA on the Date of Receipt. If the Unsettled Buy Position (Warrants) does not settle by 5.30 p.m. (Singapore time) on the Closing Date, your acceptance in respect of such Warrants will be rejected. None of the Offeror, Hong Leong Finance or CDP accepts any responsibility or liability in relation to such a rejection, including the consequences for such a rejection.

- 1.4. **Depositors whose Securities Accounts are and will be credited with Warrants.** If you have Warrants credited to your Securities Account, and such Warrants are in the process of being credited to the “Free Balance” of your Securities Account, a Warrants FAA in respect of such Warrants bearing your name and Securities Account number will be sent to you by CDP and if you wish to accept the Warrants Offer in respect of the Warrants, you should, after the “Free Balance” of your Securities Account has been credited with such number of Warrants, complete, sign and return the Warrants FAA in accordance with the instructions contained therein and in this Offer Document. If you do not receive that Warrants FAA, you may obtain a copy, upon production of satisfactory evidence that you have purchased the Warrants on the SGX-ST, from CDP at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588.

- 1.5. **Acceptance via SGX-SFG service.** Depository Agents may accept the Warrants Offer via the SGX-SFG service provided by CDP as listed in Schedule 3 of the Terms and Conditions for User Services for Depository Agents. CDP has been authorised by the Offeror to receive acceptances on its behalf. Such acceptances will be deemed irrevocable and subject to each of the terms and conditions contained in the Warrants FAA and this Offer Document as if the Warrants FAA had been completed and delivered to CDP.

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- 1.6. **General.** No acknowledgement will be given by CDP for submissions of the Warrants FAA made by hand or by post or deposited into boxes located at CDP's premises. All communications, notices, documents and payments will be sent by ordinary post at your own risk to your mailing address appearing in the records of CDP. For reasons of confidentiality, CDP will not entertain telephone enquiries relating to the number of Warrants in your Securities Account. You can verify the number of Warrants in your Securities Account through: (a) CDP Online if you have registered for the CDP Internet Access Service; or (b) CDP Phone Service using SMS OTP, under the option "To check your securities balance".
- 1.7. **Blocked Balance.** Upon receipt by CDP, for and on behalf of the Offeror, of the Warrants FAA which is complete and valid in all respects, CDP will transfer the Warrants in respect of which you have accepted the Warrants Offer from the "Free Balance" of your Securities Account to the "Blocked Balance" of your Securities Account. Such Warrants will be held in the "Blocked Balance" until the consideration for such Warrants has been despatched to you.
- 1.8. **Notification.** If you have accepted the Warrants Offer in accordance with the provisions contained in this Offer Document and the Warrants FAA, CDP will send you a notification letter stating the number of Warrants debited from your Securities Account together with payment of the Warrants Offer Price by way of a Singapore Dollar cheque drawn on a bank in Singapore for the appropriate amount and sent by ordinary post to your mailing address as recorded with CDP, or in such other manner as you may have agreed with CDP for the payment of any cash distributions, at your own risk.
- 1.9. **No Securities Account.** If you do not have any existing Securities Account in your own name at the time of acceptance of the Warrants Offer, your acceptance as contained in the Warrants FAA will be rejected.

2. SCRIP HOLDERS

- 2.1. **Warrantholders whose Warrants are not deposited with CDP.** If you hold Warrants which are not deposited with CDP ("**in scrip form**"), you should receive this Offer Document together with the Warrants FAT.

If you wish to accept the Warrants Offer, you should:

- (a) complete and sign the Warrants FAT in accordance with the provisions of this Offer Document and the instructions printed on the Warrants FAT. Please note that you must insert the number of Warrants in respect of which you wish to accept the Warrants Offer. If you:
- (i) do not specify such number in the Warrants FAT; or
 - (ii) specify a number which exceeds the number of Warrants represented by the warrant certificate(s) attached to the Warrants FAT and/or other document(s) of title accompanying the Warrants FAT,

you shall be deemed to have accepted the Warrants Offer in respect of all the Warrants represented by the warrant certificate(s) attached to the Warrants FAT and/or other document(s) of title accompanying the Warrants FAT;

- (b) sign the Warrants FAT in accordance with this Offer Document and the instructions printed on the Warrants FAT; and

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(c) deliver:

- (i) the duly completed and signed original Warrants FAT in its entirety (no part may be detached or otherwise mutilated);
- (ii) the warrant certificate(s), other document(s) of title and/or other relevant document(s) required by the Offeror and/or the Warrant Agent relating to the Warrants in respect of which you wish to accept the Warrants Offer. If you are recorded in the Register of Warranholders as holding Warrants but do not have the relevant warrant certificate(s) relating to such Warrants, you, at your own risk, are required to procure the Company to issue such warrant certificate(s) in accordance with the constitution of the Company and then deliver such warrant certificate(s) in accordance with the procedures set out in this **Appendix 3** and the Warrants FAT; and
- (iii) any other relevant document(s),

either **by hand or by post**, in the enclosed pre-addressed envelope at your own risk, to UMS Holdings Limited, c/o Boardroom Corporate & Advisory Services Pte Ltd, 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, **so as in either case your acceptance arrives not later than 5.30 p.m. (Singapore time) on the Closing Date**. If the duly completed and signed original Warrants FAT is delivered by post to the Offeror, please use the enclosed pre-addressed envelope. It is your responsibility to affix adequate postage on the said envelope.

If your warrant certificate(s), transfer form(s) and/or any other relevant document(s) of title and/or other documents required by the Offeror is/are not readily available or is/are lost, the Warrants FAT should nevertheless be completed and returned by the aforesaid time and the warrant certificate(s) and/or other document(s) of title and/or other relevant document(s) required by the Offeror should be forwarded to UMS Holdings Limited, c/o Boardroom Corporate & Advisory Services Pte Ltd, 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, as soon as possible thereafter but in any event before 5.30 p.m. (Singapore time) on the Closing Date.

If your Warrants are represented by warrant certificate(s) which are not registered with the Company in your name, you must send in, at your own risk, the relevant warrant certificate(s), other document(s) of title and/or other relevant document(s) required by the Offeror together with the duly completed and signed original Warrants FAT in its entirety (no part may be detached or otherwise mutilated), accompanied by transfer form(s), duly completed and executed by the person(s) registered with the Company as the holder(s) of the Warrants and stamped, with the particulars of the transferee left blank (to be completed by the Offeror or a person nominated in writing by the Offeror as the transferee or a person authorised by either).

2.2. **Receipt.** No acknowledgement of receipt of any Warrants FAT, warrant certificate(s), other document(s) of title, transfer forms or any other relevant document(s) required by the Offeror will be given.

2.3. **Payment.** If you have accepted the Warrants Offer in accordance with the provisions contained in this Offer Document and the Warrants FAT, payment will be sent to you (or your designated agent or, in the case of joint Accepting Securityholders who have not designated any agent, to the one first named in the Register of Warranholders) by ordinary post to your mailing address appearing in the Register of Warranholders at your own risk (or to such different name and address as may be specified by you in the Warrants FAT and at your own risk), by way of a Singapore Dollar cheque drawn on a bank in Singapore for the appropriate amount.

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3. GENERAL

- 3.1. **Disclaimer and Discretion.** *The Offeror, Hong Leong Finance, the Warrant Agent and/or CDP will be authorised and entitled, at their sole and absolute discretion, to reject any acceptance of the Warrants Offer which is not entirely in order or which does not comply with the terms of this Offer Document and the relevant Acceptance Forms or which is otherwise incomplete, incorrect, unsigned, signed but not in its originality or invalid in any respect. If you wish to accept the Warrants Offer, it is your responsibility to ensure that the Warrants FAA and/or the Warrants FAT, as the case may be, is/are properly completed in all respects, originally signed and all required documents, where applicable, are provided. Any decision to reject the Warrants FAA and/or the Warrants FAT, as the case may be, on the grounds that it has been invalidly, incorrectly or incompletely signed, completed or submitted unsigned or signed but not in its originality will be final and binding and none of the Offeror, Hong Leong Finance, the Warrant Agent and/or CDP accepts any responsibility or liability for such a decision (including the consequences thereof). The Offeror and Hong Leong Finance each reserves the right to treat acceptances of the Warrants Offer as valid if received by or on behalf of either of them at any place or places determined by them otherwise than as stated herein or in the Warrants FAA and/or the Warrants FAT, as the case may be, or if made otherwise than in accordance with the provisions herein and instructions printed on the Warrants FAA and/or the Warrants FAT, as the case may be. CDP takes no responsibility for any decision made by the Offeror or Hong Leong Finance.*
- 3.2. **Scrip and Scripless Warrants.** *If you hold some Warrants in scrip form and others with CDP, you should complete a Warrants FAT for the former and a Warrants FAA for the latter in accordance with the respective procedures set out in this **Appendix 3** and the relevant Acceptance Forms if you wish to accept the Warrants Offer in respect of such Warrants.*
- 3.3. **Deposit Time.** *If you hold Warrants in scrip form, you should not deposit the warrant certificate(s) through CDP on or after the Despatch Date as the Warrants may not be credited into your Securities Account with CDP in time for you to accept the Warrants Offer. If you wish to accept the Warrants Offer in respect of such Warrants, you should complete a Warrants FAT and follow the procedures set out in **Paragraph 2** of this **Appendix 3**.*
- 3.4. **Acceptances received on Saturday, Sunday and public holidays.** *Acceptances in the form of the Warrants FAA and/or the Warrants FAT, as the case may be, to CDP and/or the Warrant Agent on a Saturday, Sunday or public holiday will only be processed and validated on the next Business Day.*
- 3.5. **Correspondences.** *All communications, certificates, notices, documents and remittances to be delivered or sent to you (or in the case of scrip holders, your designated agent or, in the case of joint Accepting Securityholders who have not designated any agent, to the one first named in the records of CDP or the Register of Warrantholders, as the case may be) will be sent by ordinary post to your mailing addresses appearing in the records of CDP, the address as it appears in the Warrants FAT or the Register of Warrantholders (if no such address is indicated in the Warrants FAT), as the case may be, at the risk of the person entitled thereto (or for the purposes of remittances only, to such different name and addresses as may be specified by you in the Warrants FAA and/or the Warrants FAT, as the case may be, at your own risk).*
- 3.6. **Evidence of Title.** *Delivery of the duly completed and signed original Warrants FAA and/or Warrants FAT, together with the relevant warrant certificate(s) and/or other documents of title (where applicable) and/or other relevant document(s) required by the Offeror, CDP and/or the Warrant Agent, to the Offeror, CDP and/or the Warrant Agent, as the case may be, shall be conclusive evidence in favour of the Offeror, CDP and/or the Warrant Agent, as the case may be, of the right and title of the person(s) signing it to deal with the same and with the Warrants to which it relates.*

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- 3.7. **Loss in Transmission.** *The Offeror, Hong Leong Finance, the Warrant Agent and/or CDP, as the case may be, shall not be liable for any loss in transmission of the Warrants FAA and/or the Warrants FAT.*
- 3.8. **Acceptance Irrevocable.** *Except as expressly provided in this Offer Document and/or the Code, acceptances of the Warrants Offer made by you using the Warrants FAA and/or the Warrants FAT, as the case may be, shall be irrevocable.*
- 3.9. **Personal Data Privacy.** *By completing and delivering a relevant Acceptance Form, each person (a) consents to the collection, use and disclosure of his personal data by the Relevant Entities for the purpose of facilitating his acceptance of the Warrants Offer, and in order for the Relevant Entities to comply with any applicable laws, listing rules, regulations and/or guidelines; (b) warrants that where he discloses the personal data of another person, such disclosure is in compliance with applicable laws, listing rules, regulations and/or guidelines; and (c) agrees that he will indemnify the Relevant Entities in respect of any penalties, liabilities, claims, demands, losses and damages as a result of his breach of warranty.”*

3. INFORMATION ON THE OFFEROR

Section 8 of the Offer Document sets out certain information on the Offeror, extracts of which are set out below. Additional information on the Offeror extracted from Appendix 4 of the Offer Document is set out in **Appendix C** of this Circular.

- “8.1. **Introduction.** *The Offeror was incorporated in Singapore on 17 January 2001 and is listed on the Mainboard of the SGX-ST. The Offeror and its subsidiaries are principally engaged in the business of manufacturing precision machining components and equipment.*
- 8.2. **Directors of the Offeror.** *As at the date of this Offer Document, the directors of the Offeror are:*
- (a) *Mr Luong Andy (Chairman and Chief Executive Officer);*
 - (b) *Mr Loh Meng Chong, Stanley (Executive Director);*
 - (c) *Mr Chay Yiowmin (Lead Independent Director);*
 - (d) *Ms Gn Jong Yuh Gwendolyn (Independent Director); and*
 - (e) *Datuk Phang Ah Tong (Independent Director).*
- 8.3. *As at the Latest Practicable Date:*
- (a) *the Offeror holds 155,589,477 ordinary shares in the Company, representing approximately 38.8% of the entire issued share capital of the Company; and*
 - (b) *Mr Luong Andy holds approximately 20.6% of the issued share capital of the Offeror and is therefore, deemed to be interested in all the shares in the Company held by the Offeror.”*

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4. RATIONALE FOR THE OFFER FOR SECURITIES AND THE OFFEROR'S INTENTIONS FOR THE COMPANY

The full text of the rationale for the Offer for Securities has been extracted from Section 10 of the Offer Document, extracts of which are set out below.

“10. RATIONALE FOR THE OFFER FOR SECURITIES AND OFFEROR'S INTENTION FOR THE COMPANY

10.1. Rationale. *As set out in Section 1 of this Offer Document, the Offeror is making the Offer for Securities in compliance with the requirements of the Code.*

10.2. Offeror's Intention for the Company. *The directors of the Offeror are of the view that the Offer for Securities is an opportunity for the Offeror to diversify beyond its traditional semiconductor business, broaden its earnings stream and may provide synergistic benefits. The Offeror may explore the business synergies with the Company and tap into growth opportunities in new markets. Save for the above, the Offeror has no current intention to (a) make material changes to the existing business of the Group, (b) re-deploy the Group's fixed assets or (c) discontinue the employment of the employees of the Group, other than in the ordinary course of business. The Offeror however retains the flexibility at any time to consider options or opportunities which may present themselves.”*

5. LISTING STATUS AND COMPULSORY ACQUISITION

Section 11 of the Offer Document sets out the intentions of the Offeror relating to the listing status of the Company, compulsory acquisition and the Offeror's intentions for the Company, extracts of which are set out below. Securityholders are advised to read the extracts below carefully and note the Offeror's future plans for the Company.

“11. LISTING STATUS AND COMPULSORY ACQUISITION

11.1. Listing Status.

Pursuant to Rule 723 of the Catalist Rules, the Company must ensure that at least 10% of the total number of Shares (excluding preference shares, convertible equity securities and treasury shares) in a class that is listed is at all times held by the public (the “Free Float Requirement”).

Pursuant to Rule 1104 of the Catalist Rules, in the event that the Offeror and its Concert Group should, as a result of the Offer or otherwise, own or control more than 90% of the total number of Shares (excluding treasury shares), the SGX-ST may suspend the trading of the Shares on the SGX-ST until such time when the SGX-ST is satisfied that at least 10% of the total number of Shares (excluding treasury shares) are held by at least 200 Shareholders who are members of the public.

In addition, under Rule 724(1) of the Catalist Rules, if the Free Float Requirement is not complied with, the Company must, as soon as possible, notify its sponsor of that fact and announce that fact and the SGX-ST may suspend trading of all the Shares on the SGX-ST. Rule 724(2) of the Catalist Rules states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, for the percentage of the Shares held by members of the public to be raised to at least 10%, failing which the Company may be delisted from the SGX-ST.

11.2. Compulsory Acquisition. *Pursuant to Section 215(1) of the Companies Act, in the event that the Offeror receives valid acceptances pursuant to the Offer (or otherwise acquires Shares during the period when the Offer is open for acceptance) in respect of not less than 90% of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer*

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and excluding any Shares held by the Company as treasury shares), the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares of the Shareholders who have not accepted the Offer (“**Dissenting Shareholders**”) at a price equal to the Offer Price.

In addition, Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at a price equal to the Offer Price in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with the treasury shares and the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares. **Dissenting Shareholders who wish to exercise such rights are advised to seek their own independent legal advice.** Unlike Section 215(1) of the Companies Act, the 90% threshold under Section 215(3) of the Companies Act does not exclude treasury shares or Shares held by the Offeror, its related corporations or their respective nominees as at the date of the Offer.

11.3. Offeror’s Intentions. It is the current intention of the Offeror to maintain the listing status of the Company on the Catalist board of the SGX-ST and the Offeror does not intend to exercise its right of compulsory acquisition under Section 215(1) of the Companies Act. However, in the event that the Company does not meet the Free Float Requirement at the close of the Offer, the Offeror reserves the right to re-evaluate its position, including its right of compulsory acquisition (if applicable) as described in **Section 11.2** above depending on, inter alia, the ultimate level of acceptances received by the Offeror and the prevailing market conditions at the relevant time.”

6. FINANCIAL ASPECTS OF THE OFFER

Section 12 of the Offer Document sets out certain information on the financial evaluation of the Offer, extracts of which are set out below.

“12. FINANCIAL ASPECTS OF THE OFFER

The Offer Price represents the following premium over / discount to the historical transacted prices of the Shares on the SGX-ST over various periods:

Description	Benchmark Price⁽¹⁾⁽²⁾ (S\$)	Premium over / (Discount to) Benchmark Price⁽³⁾
Last traded price per share as quoted on the SGX-ST on the Last Trading Day	0.156	(3.8)%
VWAP per Share for the one (1)-month period up to and including the Last Trading Day	0.157	(4.5)%
VWAP per Share for the three (3)-month period up to and including the Last Trading Day	0.158	(5.1)%
VWAP per Share for the six (6)-month period up to and including the Last Trading Day	0.154	(2.6)%
VWAP per Share for the twelve (12)-month period up to and including the Last Trading Day	0.176	(14.8)%

Notes:

(1) Based on data extracted from Bloomberg L.P.

(2) Figures rounded to the nearest three (3) decimal places.

(3) Percentages rounded to the nearest one (1) decimal place.”

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7. DISCLOSURES

Section 13 of the Offer Document sets out certain information relating to disclosure of interests, extracts of which are set out below.

“13. DISCLOSURES

13.1. Offeror and its Concert Group. *As at the Latest Practicable Date, save as disclosed in Appendix 6, none of the Offeror and its Concert Group:*

- (a) owns, controls or has agreed to acquire any Company Securities; or*
- (b) has dealt for value in any Company Securities during the Reference Period.*

13.2. No Other Arrangements. *As at the Latest Practicable Date, none of the Offeror and its Concert Group has:*

- (a) entered into any arrangement of the kind referred to in Note 7 on Rule 12 of the Code with any person, including any indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to any Company Securities which may be an inducement to deal or refrain from dealing;*
- (b) received any irrevocable undertaking from any party to accept or reject the Offer for Securities in respect of any Company Securities;*
- (c) granted any security interest relating to any Company Securities to another person, whether through a charge, pledge or otherwise;*
- (d) borrowed any Company Securities from another person (excluding borrowed Company Securities which have been on-lent or sold); or*
- (e) lent any Company Securities to any person.”*

8. CONFIRMATION OF FINANCIAL RESOURCES

Section 14 of the Offer Document sets out certain information on the confirmation of financial resources, extracts of which are set out below.

“14. CONFIRMATION OF FINANCIAL RESOURCES

Hong Leong Finance, as financial adviser to the Offeror in connection with the Offer for Securities, confirms that sufficient financial resources are available to the Offeror to satisfy in full, all acceptances of the Offer by Shareholders on the basis of the Offer Price and all acceptances of the Warrants Offer by Warranholders on the basis of the Warrants Offer Price.”

9. DIRECTORS' INTERESTS

Details of the Directors including, *inter alia*, the Directors' direct and deemed interests in the Company Securities and Offeror Securities as at the Latest Practicable Date are set out in **Appendix B** of this Circular.

10. ADVICE AND RECOMMENDATIONS

10.1 General

The IFA, Provenance Capital Pte. Ltd., has been appointed as the independent financial adviser to advise the Independent Directors in respect of the Offer and the Warrants Offer.

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Securityholders should read and carefully consider the recommendations of the Independent Directors and the advice of the IFA to the Independent Directors dated 10 June 2019, which is set out in **Appendix A** of this Circular ("**IFA Letter**"), before deciding: (i) in respect of the Offer, whether to accept or reject the Offer; and (ii) in respect of the Warrants Offer, whether to (a) exercise their Warrants into Warrants Shares and accept the Offer; (b) accept the Warrants Offer; or (c) take no action and let the Warrants Offer lapse.

10.2 Independence of Directors

Mr. Zee Hoong Huay, Mr. Wong Gang, Mr. Kong Chee Keong and Mr. Chung Chi-Te are considered independent for the purposes of making a recommendation on the Offer for Securities.

The SIC has on 30 May 2019 ruled that Mr. Andy Luong is exempted from the requirement under Rule 24.1 of the Code to make a recommendation to the Securityholders in respect of the Offer for Securities, as he is a director of both the Offeror and the Company and would face, or may reasonably be perceived to face, a conflict of interest, that would render him inappropriate to join the other Directors in making a recommendation on the Offer for Securities.

10.3 Advice of the IFA in respect of the Offer for Securities

After having regard to the considerations set out in the IFA Letter, and based on the circumstances of the Company and the information as at the Latest Practicable Date, the IFA has made certain recommendations to the Independent Directors in section 10 of the IFA Letter, an extract of which is set out below and should read in conjunction with, and in the context of, the full text of the IFA Letter. Unless otherwise stated, all terms and expressions used in the extract below shall have the meanings given to them in the IFA Letter.

"10. OUR RECOMMENDATION TO THE INDEPENDENT DIRECTORS ON THE OFFER AND THE WARRANTS OFFER

In arriving at our recommendation in respect of the Offer and the Warrants Offer, we have taken into account, reviewed and deliberated on several key considerations which we considered to be pertinent in our assessment of the Offer and Warrants Offer. These are set out in Sections 7, 8 and 9 of this Letter.

Based on our analysis and after having considered carefully the information available to us as at the Latest Practicable Date, we are of the view that the financial terms of the Offer and the Warrants Offer are not fair and not reasonable.

Accordingly, we advise the Independent Directors to recommend Shareholders to REJECT the Offer and to recommend Warranholders to take no action and let the Warrants Offer lapse.

Warranholders should note that the Warrants will expire on 20 December 2019. If the Warrants are not exercised prior to the expiry date of the Warrants, the Warrants will lapse and cease to be valid."

10.4 Recommendation of the Independent Directors

The Independent Directors, having considered carefully the terms of the Offer for Securities and the advice given by the IFA in the IFA Letter, **CONCUR** with the advice of the IFA in respect of the Offer for Securities. Accordingly, the Independent Directors recommend that Securityholders **REJECT** the Offer and to take no action and let the Warrants Offer lapse.

10.5 No regard to Specific Objectives

In rendering the advice and the recommendations above, both the IFA and the Independent Directors have not had regard to the specific investment objectives, financial situation, tax status, risk profiles or unique needs and constraints of any individual Securityholder. As different Securityholders would have different investment objectives and profiles, the Independent Directors

LETTER TO SECURITYHOLDERS

recommend that any individual Securityholder who may require advice in the context of his specific investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers immediately.

SECURITYHOLDERS ARE ADVISED TO READ THE FULL TEXT OF THE IFA LETTER WHICH IS SET OUT IN APPENDIX A OF THIS CIRCULAR CAREFULLY.

11. OVERSEAS SECURITYHOLDERS

11.1 Availability of Offer for Securities

The availability of the Offer for Securities to Securityholders whose addresses are outside Singapore, as shown on the Register, the Register of Warranholders or in the Depository Register (as the case may be), being the Overseas Securityholders, may be affected by the laws of the relevant overseas jurisdiction. Overseas Securityholders should refer to Section 15 of the Offer Document, extracts of which are set out below.

“15. OVERSEAS SECURITYHOLDERS

15.1. Overseas Securityholders. *This Offer Document does not constitute an offer or a solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful. The Offer and the Warrants Offer are not being proposed in any jurisdiction in which the introduction or implementation of the Offer and the Warrants Offer would not be in compliance with the laws of such jurisdiction. Where there are potential restrictions on sending this Offer Document and the relevant Acceptance Forms to any overseas jurisdictions, the Offeror and Hong Leong Finance reserve the right not to send this Offer Document and the relevant Acceptance Forms to such overseas jurisdictions. The availability of the Offer and the Warrants Offer, as the case may be, to Overseas Securityholders may be affected by the laws of the relevant overseas jurisdictions. Accordingly, all Overseas Securityholders should inform themselves about, and observe, any applicable legal requirements in their own jurisdictions. For the avoidance of doubt, the Offer and the Warrants Offer are made to all Shareholders and Warranholders respectively, including those to whom this Offer Document and the relevant Acceptance Forms have not been, or will not be, sent.*

15.2. Copies of the Offer Document. *Securityholders (including Overseas Securityholders) may (subject to compliance with applicable laws) obtain copies of this Offer Document, the relevant Acceptance Forms and any related documents, during normal business hours and up to 5.30 p.m. (Singapore time) on the Closing Date from Boardroom Corporate & Advisory Services Pte Ltd (if he is a scrip holder) at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 or The Central Depository (Pte) Limited (if he is a Depositor) at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588. Alternatively, Securityholders (including Overseas Securityholders) may (subject to compliance with applicable laws) write to Boardroom Corporate & Advisory Services Pte Ltd (if he is a scrip holder) at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 or The Central Depository (Pte) Limited (if he is a Depositor) at Robinson Road Post Office P.O. Box 1984, Singapore 903934, to request for this Offer Document, the relevant Acceptance Forms and any related documents to be sent to an address in Singapore by ordinary post at his own risk, up to five (5) Market Days prior to the Closing Date.*

15.3. Compliance with Applicable Laws. *It is the responsibility of any Overseas Securityholder who wishes to (a) request for this Offer Document, the relevant Acceptance Forms and/or any related documents; and/or (b) accept the Offer and/or the Warrants Offer, as the case may be, to satisfy himself as to the full observance of the laws of the relevant jurisdictions in that connection, including the obtaining of any governmental or other consent which may be required, or compliance with other necessary formalities or legal requirements. Such Overseas Securityholder shall also be liable for any taxes, imposts, duties or other*

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requisite payments payable in his own jurisdiction and the Offeror and any person acting on its behalf (including Hong Leong Finance, CDP, the Registrar and the Warrant Agent) shall be fully indemnified and held harmless by such Overseas Securityholder for any such taxes, imposts, duties or other requisite payments that may be required to be paid and the Offeror shall be entitled to set-off any such amounts against any sum payable to the Overseas Securityholder pursuant to the Offer and/or the Warrants Offer and/or any acquisition of Shares and/or the Warrants pursuant to Sections 215(1) or 215(3) of the Companies Act. In (i) requesting for this Offer Document, the relevant Acceptance Forms and/or any related documents; and/or (ii) accepting the Offer and/or the Warrants Offer, the Overseas Securityholder represents and warrants to the Offeror, Hong Leong Finance, CDP, the Registrar and the Warrant Agent that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities and legal requirements. If any Securityholder is in any doubt about his position, he should consult his professional adviser in the relevant jurisdiction. All Overseas Securityholders should inform themselves about, and observe, any applicable legal requirements in their own jurisdictions.

15.4. Notice. *The Offeror and Hong Leong Finance each reserves the right to notify any matter, including the fact that the Offer and the Warrants Offer have been made, to any or all Securityholders (including Overseas Securityholders) by announcement to the SGX-ST or paid advertisement in a daily newspaper published and circulated in Singapore, in which case, such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Securityholder (including Overseas Securityholders) to receive or see such announcement or advertisement.”*

11.2 Copies of Circular

This Circular may not be sent to Overseas Securityholders due to potential restrictions on sending such documents to the relevant overseas jurisdictions. Any affected Overseas Securityholder may, nevertheless, obtain copies of this Circular during normal business hours up to the Closing Date, from the Registrar, download a copy of this Circular from the website of the SGX-ST at www.sgx.com, or make a request to the Registrar for this Circular to be sent to an address in Singapore by ordinary post at his own risk, up to five (5) Market Days prior to the Closing Date.

12. INFORMATION PERTAINING TO SRS INVESTORS

Section 16 of the Offer Document sets out information pertaining to CPFIS Investors and SRS Investors, extracts of which are set out below.

“16. INFORMATION RELATING TO CPFIS INVESTORS AND SRS INVESTORS

CPFIS Investors and SRS Investors should receive further information on how to accept the Offer and/or the Warrants Offer from their CPF Agent Banks and SRS Agent Banks respectively. CPFIS Investors and SRS Investors are advised to consult their respective CPF Agent Banks and SRS Agent Banks should they require further information, and if they are in any doubt as to the action they should take, CPFIS Investors and SRS Investors should seek independent professional advice.

CPFIS Investors and SRS Investors who wish to accept the Offer and/or the Warrants Offer are to reply to their respective CPF Agent Banks and SRS Agent Banks by the deadline stated in the letter from their respective CPF Agent Banks and SRS Agent Banks. Subject to the Offer becoming or being declared unconditional in all respects in accordance with its terms, CPFIS Investors and SRS Investors who validly accept the Offer will receive the payment for their Offer Shares in their respective CPF investment accounts and SRS investment accounts. CPFIS Investors and SRS Investors who validly accept the Warrants Offer will receive the payment for their Warrants in their respective CPF Investment accounts and SRS Investment accounts.”

LETTER TO SECURITYHOLDERS

13. ACTION TO BE TAKEN

Securityholders who **wish to accept the Offer for Securities** must do so not later than the Closing Date or, in a competitive situation, such later date(s) as may be announced from time to time by or on behalf of the Offeror, abiding by the procedures for the acceptance of the Offer for Securities as set out in Appendixes 2 and 3 of the Offer Document, and in the accompanying Relevant Acceptance Forms. Acceptances should be completed and returned as soon as possible and, in any event, so as to be received, on behalf of the Offeror, by the CDP (in respect of the FAA and Warrants FAA) or the Registrar (in respect of the FAT and Warrants FAT), as the case may be, not later than the Closing Date or such later date(s) as may be announced from time to time by or on behalf of the Offeror. Securityholders who **do not wish to accept the Offer for Securities** need not take any further action in respect of the Offer Document and the Relevant Acceptance Forms which have been sent to them.

14. CONSENTS

Provenance Capital Pte. Ltd., named as the IFA, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the IFA Letter in **Appendix A** of this Circular and the references to its name in the form and context in which it appears in this Circular.

Hilco Appraisal Singapore Pte Ltd and United Valuers Pte Ltd, named as the valuers in the Valuation Report), have given and have not withdrawn their written consents to the issue of this Circular with the inclusion of their names, a copy of the Valuation Report in **Appendix F** to this Circular, their recommendations and/or opinions, and the references to their names in the form and context in which they appear in this Circular.

Deloitte & Touche LLP, the auditors of the Company for FY2018, has given and has not withdrawn its written consent to the inclusion herein of its name, the independent auditor's report dated 26 March 2019 in relation to the audited consolidated financial statements of the Group for FY2018, and references to their names in the form and context in which they appear in this Circular.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the Company's registered office at 16 Seletar Aerospace Crescent, Singapore 797567 during normal business hours from the date of this Circular up to and including the date of the Closing Date:

- (a) the Constitution of the Company;
- (b) the annual reports of the Company for FY2016, FY2017 and FY2018;
- (c) the IFA Letter as set out in **Appendix A** of this Circular;
- (d) the letters of consent referred to in **Section 14** of this Circular; and
- (e) the Valuation Report as set out in **Appendix F** of this Circular.

16. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including any who may have delegated detailed supervision of the preparation of this Circular) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Circular (other than those relating to the Offeror, parties acting in concert or deemed to be acting in concert with the Offeror, the Offer for Securities and the IFA Letter) are fair and accurate and that no material facts have been omitted from this Circular, and they jointly and severally accept responsibility accordingly. Where any information has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, the

LETTER TO SECURITYHOLDERS

Offer Announcement and the Offer Document), the sole responsibility of the Directors has been to ensure, through reasonable enquiries, that such information has been accurately extracted from such sources or, as the case may be, reflected or reproduced in this Circular.

In respect of the IFA Letter, the sole responsibility of the Directors has been to ensure that the facts stated with respect to the Group are fair and accurate.

17. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices which form part of this Circular.

Yours faithfully
For and on behalf of the Board of Directors of
JEP HOLDINGS LTD.

Zee Hoong Huay
Executive Director

APPENDIX A – LETTER FROM IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER FOR SECURITIES

PROVENANCE CAPITAL PTE. LTD.

(Company Registration Number: 200309056E)
(Incorporated in the Republic of Singapore)
96 Robinson Road #13-01 SIF Building
Singapore 068899

10 June 2019

To: The Directors of JEP Holdings Ltd.
(who are deemed to be independent in respect of the Offer and the Warrants Offer)

Mr Zee Hoong Huay	(Executive Director)
Mr Wong Gang	(Lead Independent Director)
Mr Kong Chee Keong	(Independent Director)
Mr Chung Chi-Te	(Independent Director)

Dear Sirs,

MANDATORY CONDITIONAL CASH OFFER FOR THE SHARES OF JEP HOLDINGS LTD. (“JEP” OR THE “COMPANY”) AND UNCONDITIONAL CASH OFFER FOR THE WARRANTS OF THE COMPANY

Unless otherwise defined or the context otherwise requires, all terms used herein have the same meanings as defined in the circular to the shareholders of the Company (“Shareholders”) dated 10 June 2019 (“Circular”). The latest practicable date referred to in the Circular and for the purpose of this letter (“Letter”) is 30 May 2019 (“Latest Practicable Date”). A copy of this Circular is also despatched to Warrantholders of the Company (as defined below).

1. INTRODUCTION

1.1 After trading hours on 13 May 2019 (“Offer Announcement Date”), Hong Leong Finance Limited (“Hong Leong Finance”) announced (“Offer Announcement”), for and on behalf of UMS Holdings Limited (“Offeror” or “UMS”) that, the Offeror had *via* a married deal acquired 43,841,202 ordinary shares of the Company (“Shares”) from Ellipsiz Ltd (“Acquisition”), representing 10.9% of the issued share capital of the Company. The aggregate consideration for the Acquisition was S\$6,576,180.30 based on S\$0.150 for each Share in cash.

The Offeror is a company listed on the Mainboard of the Singapore Exchange Securities Trading Limited (“SGX-ST”) with a market capitalisation of approximately S\$329.9 million as at the Offer Announcement Date. The Offeror and its subsidiaries (“UMS Group”) are principally engaged in the business of manufacturing precision machining components and equipment. UMS is the single largest Shareholder with a shareholding interest of approximately 27.9% in the Company prior to the Acquisition. Pursuant to the completion of the Acquisition, the Offeror and parties acting in concert with it (“Concert Group”) own, in aggregate, 155,589,477 Shares, representing 38.8% of the issued share capital of the Company.

As a consequence of the Acquisition, in accordance with Section 139 of the Securities and Futures Act (Cap. 289) of Singapore and Rule 14.1 of the Singapore Code on Take-overs and Mergers (“Code”), and subject to the terms and conditions set out in the offer document to be issued by Hong Leong Finance for and on behalf of the Offeror (“Offer Document”), the Offeror is required to make a mandatory conditional cash offer (“Offer”) for all the remaining issued and paid-up Shares (excluding treasury shares) and all Warrants Shares (as defined below) which are not already owned, controlled or agreed to be acquired by the Offeror and its Concert Group (“Offer Shares”).

The offer price for each Offer Share (“Offer Price”) is **S\$0.150 in cash. The Offeror has stated in the Offer Announcement that it does not intend to revise the Offer Price.**

APPENDIX A – LETTER FROM IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER FOR SECURITIES

The Offer will be conditional upon the Offeror having received by the closing date of the Offer (“**Closing Date**”), valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and its Concert Group, will result in the Offeror and its Concert Group holding more than 50% of the voting rights attributable to the issued share capital of the Company as at the Closing Date.

In accordance with Rule 19 of the Code, the Offeror also intends to make an offer (“**Warrants Offer**”) to holders (“**Warrantholders**”) of the outstanding warrants (“**Warrants**”) which were issued pursuant to the Company’s rights-cum-warrants issue on 23 December 2016. Each of these Warrants carries the right to subscribe for one new Share at the exercise price of S\$0.080 (“**Exercise Price**”) for each new Share (“**Warrants Share**”).

The offer price for each Warrant (“**Warrants Offer Price**”) is **S\$0.074 in cash**. The Warrants Offer is unconditional in all respects.

The Offer and the Warrants Offer are separate and are mutually exclusive. The Warrants Offer does not form part of the Offer, and *vice versa*.

As at the Offer Announcement Date, the Company has outstanding 401,236,516 Shares and 12,800,989 Warrants and no treasury shares.

- 1.2 In connection with the Offer and Warrants Offer, the Company has appointed Provenance Capital Pte. Ltd. (“**Provenance Capital**”) as the independent financial adviser (“**IFA**”) to the Directors who are considered independent in respect of the Offer and Warrants Offer, for the purpose of making their recommendation to Shareholders and Warrantholders in relation to the Offer and Warrants Offer respectively.

The board of directors of the Company (“**Directors**”) comprises the following:

- | | | |
|-----|--------------------|--|
| (a) | Mr Luong Andy | (Executive Chairman and Chief Executive Officer) |
| (b) | Mr Zee Hoong Huay | (Executive Director) |
| (c) | Mr Wong Gang | (Lead Independent Director) |
| (d) | Mr Kong Chee Keong | (Independent Director) |
| (e) | Mr Chung Chi-Te | (Independent Director) |

Mr Luong Andy, who is the Executive Chairman and Chief Executive Officer of the Company, is also the Executive Chairman, Chief Executive Officer and controlling shareholder of the Offeror.

The Securities Industry Council (“**SIC**”) had, on 30 May 2019, exempted Mr Luong Andy from the requirements to make a recommendation to Shareholders on the Offer and the Warrants Offer as he would face an irreconcilable conflict of interest in doing so, being deemed a concert party to the Offeror.

Accordingly, the remaining Directors namely Mr Zee Hoong Huay, Mr Wong Gang, Mr Kong Chee Keong and Mr Chung Chi-Te are deemed independent in respect of the Offer and the Warrants Offer (“**Independent Directors**”).

- 1.3 This Letter is therefore addressed to the Independent Directors and sets out, *inter alia*, our evaluation and advice on the financial terms of the Offer and the Warrants Offer, and our recommendations on the Offer and the Warrants Offer. This Letter forms part of the Circular which provides, *inter alia*, details of the Offer and the Warrants Offer and the recommendations of the Independent Directors on the Offer and the Warrants Offer.

Shareholders and Warrantholders should have by now received a copy of the Offer Document dated 27 May 2019 setting out, *inter alia*, the terms and conditions of the Offer and the Warrants Offer. The Offer Document is also available on the SGXNET.

APPENDIX A – LETTER FROM IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER FOR SECURITIES

2. TERMS OF REFERENCE

Provenance Capital has been appointed as the IFA to advise the Independent Directors in respect of their recommendation to Shareholders in relation to the Offer and the Warrants Offer.

We have confined our evaluation and assessment to the financial terms of the Offer and Warrants Offer, and have not taken into account the commercial risks or commercial merits of the Offer and the Warrants Offer. In addition, we have not been requested to, and we do not express any advice or give any opinion on the merits of the Offer and the Warrants Offer relative to any other alternative transaction. We were not involved in the negotiations pertaining to the Offer and the Warrants Offer nor were we involved in the deliberations leading up to the decision to put forth the Offer and Warrants Offer to Shareholders and Warrantholders respectively.

The scope of our appointment does not require us to express, and we do not express, any view on the future growth prospects, financial position or earnings potential of the Company and its subsidiaries (“**Group**”). Such evaluation or comments remain the responsibility of the Directors although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion. The opinion set forth herein is based solely on publicly available information as well as information provided by the Directors, and is predicated upon the economic and market conditions prevailing as at the Latest Practicable Date. This Letter therefore does not reflect any projections on the future financial performance of the Group and we do not express any views as to the prices at which the Shares and Warrants may trade after the close of the Offer and Warrants Offer respectively.

We have not been requested or authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the Shares and/or the Warrants. In this regard, we have not addressed the relative merits of the Offer and Warrants Offer in comparison with any alternative transaction the Company may consider in the future. Therefore, we do not express any views in these areas in arriving at our recommendation.

In formulating our opinion and recommendation, we have held discussions with the Directors and the management of the Group (“**Management**”) and have relied to a considerable extent on the information set out in the Circular, other public information collated by us and the information, representations, opinions, facts and statements provided to us, whether written or verbal, by the Company and its other professional advisers. Whilst care has been exercised in reviewing the information we have relied upon, we have not independently verified the information both written and verbal and accordingly cannot and do not make any representation or warranty, expressly or impliedly, in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information. Nonetheless, we have made reasonable enquiries and exercised our judgement on the reasonable use of such information and have found no reason to doubt the accuracy or reliability of such information.

The Directors have confirmed, having made all reasonable enquiries and to the best of their respective knowledge, information and belief, all material information in connection with the Offer, Warrants Offer, the Company and/or the Group have been disclosed to us, that such information is true, complete and accurate in all material respects and that there is no other material information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Company and/or the Group stated in the Circular to be inaccurate, incomplete or misleading in any material respect. The Directors have jointly and severally accepted full responsibility for such information described herein. Accordingly, no representation or warranty, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Company and/or the Group (including without limitation, the Group’s property, plant and equipment (“**PPE**”)).

In connection with the Offer and Warrants Offer, the Group had commissioned Hilco Appraisal Singapore Pte Ltd (“**Hilco Global**” or “**Valuer**”) to carry out an independent market valuation of the bulk of the PPE as at 31 December 2018, being the date of the Group’s latest published

APPENDIX A – LETTER FROM IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER FOR SECURITIES

financial statements. The PPE comprises leasehold land and buildings with total net book value of S\$25.8 million and machinery and equipment with total net book value of S\$21.7 million as at 31 December 2018.

Hilco Global is a business asset valuation services firm and had carried out an assessment of the market valuation of bulk of the machinery and equipment of the Group, representing 76.3% of the total net book value of these machinery and equipment as at 31 December 2018. With respect to the Group's leasehold properties, Hilco Global had engaged the services of United Valuers Pte Ltd ("**United Valuers**"), an independent real estate valuer, to carry out an independent market valuation of all the Group's leasehold land and buildings as at 31 December 2018. The consolidated valuation report of the Group's PPE which were revalued is set out in the valuation report by Hilco Global dated 28 May 2019 ("**Valuation Report**"), a copy of which is attached as Appendix F to the Circular.

We are not experts in the evaluation or appraisal of the assets concerned and we have placed sole reliance on the independent valuations by Hilco Global and United Valuers for such asset appraisals and have not made any independent verification of the contents thereof. In particular, we do not assume any responsibility to enquire about the basis of the valuation contained in the Valuation Report or if the contents thereof have been prepared and/or included in the Circular in accordance with all applicable regulatory requirements including the Code.

The information we had relied on in the assessment of the Offer and the Warrants Offer were based on market, economic, industry, monetary and other conditions prevailing as at the Latest Practicable Date, which may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion or assumptions in light of any subsequent development after the Latest Practicable Date that may affect our opinion or assumptions contained herein. Shareholders and Warranholders should take note of any announcements relevant to their consideration of the Offer and the Warrants Offer, as the case may be, which may be released or published after the Latest Practicable Date.

In rendering our advice and giving our recommendation, we have not had regard to the specific investment objectives, financial situation, tax position, risk profiles or particular needs and constraints of any Shareholder or Warranholder. As each Shareholder and Warranholder may have different investment profiles and objectives, we advise the Directors to recommend that any Shareholder/Warranholder who may require specific advice in relation to his investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Company has been separately advised by its own professional advisers in the preparation of the Circular. We have had no role or involvement and have not and will not provide any advice (financial or otherwise) in the preparation, review and verification of the Circular. Accordingly, we take no responsibility for and express no view, whether expressed or implied, on the contents of the Circular (other than this Letter).

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company, Directors nor any Shareholder/Warranholder may reproduce, disseminate or quote this Letter (or any part thereof) for any other purposes, other than for the purpose of the Offer and the Warrants Offer respectively, at any time and in any manner, without the prior written consent of Provenance Capital in each specific case.

Our opinion is addressed to the Independent Directors for their benefit and deliberation of the Offer and the Warrants Offer. The recommendation made to the Shareholders and Warranholders in relation to the Offer and the Warrants offer, as the case may be, shall remain the responsibility of the Independent Directors.

Our recommendation to the Independent Directors in relation to the Offer and the Warrants Offer should be considered in the context of the entirety of this Letter and the Circular.

APPENDIX A – LETTER FROM IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER FOR SECURITIES

3. TERMS OF THE OFFER AND WARRANTS OFFER

As at the Latest Practicable Date, the Company has 401,236,516 issued Shares and 12,800,989 outstanding Warrants in issue which are exercisable into Warrants Shares. These Shares and Warrants are listed on the Catalist board of the SGX-ST.

The Offer is made for the Offer Shares (being the Shares and the Warrants Shares), other than those already owned by the Offeror and its Concert Group.

Pursuant to the terms of the Warrants, the Warrants are exercisable into Warrants Shares at the Exercise Price of S\$0.080 for each Warrants Share during the exercise period of the Warrants from 23 December 2016 to 20 December 2019. The Warrants (other than those owned, controlled or agreed to be acquired by the Offeror and its Concert Group), if converted at the Exercise Price, represent 3.1% of the maximum potential issued share capital of the Company.

The Warrants Offer is made for the Warrants, other than those already owned by the Offeror and its Concert Group.

3.1 TERMS OF THE OFFER

The detailed terms and conditions of the Offer are set out in Section 2 and Appendices 1 and 2 to the Offer Document. The key terms of the Offer are set out below for your reference.

3.1.1 Offer Price

The Offer Price for each Offer Share is **S\$0.150 in cash**.

The Offeror has stated in the Offer Announcement that it does not intend to revise the Offer Price ("**No Increase Statement**"). The No Increase Statement was not stated in the Offer Document.

The Offeror had on, 29 May 2019, made a clarification announcement in relation to the Offer Document to reiterate its position in the Offer Announcement that "**THE OFFEROR DOES NOT INTEND TO REVISE THE OFFER PRICE**", notwithstanding that this statement was inadvertently omitted in the Offer Document.

Therefore, in accordance with Rule 20.2 of the Code, the Offeror will not be allowed to subsequently amend the terms of the Offer, including the Offer Price.

3.1.2 Offer Shares

The Offer is extended to all the issued Shares, other than those held in treasury and those already owned by the Offeror and its Concert Group. The Offer will also be extended, on the same terms and conditions, to all Warrants Shares issued prior to the Closing Date pursuant to the valid exercise of these Warrants.

For the purpose of the Offer, the Offer Shares shall include such Warrants Shares.

3.1.3 No Encumbrances

The Offer Shares are to be acquired:

- (a) fully paid;
- (b) free from all Encumbrances (as defined in the Offer Document); and
- (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including all voting rights and the right to receive and retain all dividends, rights, other distributions and return of capital

APPENDIX A – LETTER FROM IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER FOR SECURITIES

("Distribution") (if any) which may be announced or declared by the Company or the entitlement to which is determined by the Company, each on or after the Offer Announcement Date.

If any Distribution is announced, declared, paid or made on or after the Offer Announcement Date, the Offeror reserves the right to reduce the Offer Price by an amount equivalent to such Distribution.

Since the Offer Announcement Date and up to the Latest Practicable Date, we note that the Company has not made or declared any Distribution.

3.1.4 Minimum Acceptance Condition

The Offer is conditional upon the Offeror having received, by the Closing Date, valid acceptances in respects of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and its Concert Group (either before or during the Offer and pursuant to the Offer or otherwise), would result in the Offeror and its Concert Group holding such number of Shares carrying more than 50% of the voting rights attributable to the issued Shares (excluding any treasury shares) as at the close of the Offer ("**Minimum Acceptance Condition**").

The Offer will not become or be capable of being declared to be unconditional as to acceptances until the close of the Offer, unless at any time prior to the close of the Offer, the Offeror has received valid acceptances (which have not been withdrawn), in respect of such number of Offer Shares which, together with Shares owned, controlled or agreed to be acquired before or during the Offer by or on behalf of the Offeror and its Concert Group, will result in the Offeror and its Concert Group holding such number of Shares representing more than 50% of the maximum potential share capital of the Company. For the purposes of the Offer, the "**maximum potential share capital of the Company**" means the total number of Shares which would be in issue if all outstanding Warrants (other than those owned, controlled or agreed to be acquired by the Offeror and its Concert Group) were validly converted and exercised as at the date of the relevant declaration.

Save for the above, the Offer is not subject to any other conditions.

As at the Latest Practicable Date, the Offer has not become or been declared unconditional in all respects.

3.2 TERMS OF THE WARRANTS OFFER

In accordance with Rule 19 of the Code, the Offeror has made the Warrants Offer, being the unconditional cash offer to the Warrantholders to acquire all the Warrants, other than those already owned, controlled or agreed to be acquired by the Offeror and its Concert Group, in accordance with the terms and subject to the conditions set out in the Offer Document. The detailed terms and conditions of the Warrants Offer are set out in Section 3 and Appendices 1 and 3 to the Offer Document.

The key terms of the Warrants Offer are set out below for your reference.

3.2.1 Warrants Offer Price

The Warrants Offer Price for each Warrant is **S\$0.074 in cash**.

The Warrants Offer Price is calculated based on the highest price paid by the Offeror and its Concert Group in the 6 months prior to the Offer Announcement Date and up to 21 May 2019, being the latest practicable date prior to the printing of the Offer Document.

3.2.2 No Conditions

The Warrants Offer is unconditional in all respects.

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3.2.3 Rights and Encumbrances

The Warrants will be acquired:

- (a) fully paid-up;
- (b) free from all Encumbrances; and
- (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain all payments, rights and other distributions (if any) declared, paid or made by the Company on or after the Offer Announcement Date.

3.2.4 Adjustment

If any payments, rights and other distributions is declared, paid or made by the Company or any right arises (for any reason whatsoever) on or after the Offer Announcement Date for the benefit of the Warrantholder who validly accepts or has validly accepted the Warrants Offer, the Offeror reserves the right to reduce the Warrants Offer Price payable to such Warrantholder by the amount of such interest, payment, right or other distribution.

3.2.5 Offer and Warrants Offer are mutually exclusive

The Offer and the Warrants Offer are separate and are mutually exclusive. The Warrants Offer does not form part of the Offer, and *vice versa*.

Without prejudice to the foregoing, if Warrantholders exercise their Warrants in order to accept the Offer in respect of the Warrants Shares to be issued pursuant to such exercise, they may not accept the Warrants Offer in respect of such Warrants.

Conversely, if Warrantholders wish to accept the Warrants Offer in respect of their Warrants, they may not exercise these Warrants in order to accept the Offer in respect of the Warrants Shares to be issued pursuant to such exercise.

3.2.6 Choices

Warrantholders can, in relation to all or part of their Warrants:

- (a) participate in the Offer by exercising their Warrants into Warrants Shares and accepting the Offer with respect to their Warrants Shares;
- (b) accept the Warrants Offer with respect to their Warrants; or
- (c) take no action and let the Warrants Offer lapse in respect of their Warrants.

3.3 Warranty

Acceptance of the Offer and Warrant Offer will be deemed to constitute an unconditional and irrevocable warranty by the accepting Shareholder or Warrantholder, as the case may be, that each Offer Share and/or Warrant tendered in acceptance of the Offer/Warrant Offer is sold by the accepting Shareholder/Warrantholder, as or on behalf of the beneficial owner(s) thereof, (a) properly and validly issued and fully paid, (b) free from all Encumbrances, and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all Distributions which may be announced, declared, paid or made by the Company in respect of the Offer Shares/Warrants on or after the Offer Announcement Date).

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3.4 Duration of the Offer and Warrants Offer

As set out in Section 5 of the Offer Document, the Offer and the Warrants Offer will close at **5.30 p.m. (Singapore time) on 24 June 2019**, being the Closing Date, or such later date(s) as may be announced from time to time by or on behalf of the Offeror, such date being the last day for the lodgement of acceptances of the Offer and the Warrants Offer.

Shut Off Notice

Subsequent to the despatch of the Offer Document, the Offeror had, on 30 May 2019, given notice that it does not intend to extend the Offer and the Warrants Offer beyond 5.30 p.m. (Singapore time) on 24 June 2019 (“**Final Closing Date**”), save that it reserves the right to do so in a competitive situation.

Pursuant to Rule 22.6 of the Code, the Offer and the Warrants Offer will not be open for acceptances beyond 5.30 p.m. (Singapore time) on the Final Closing Date, notwithstanding that the Offer may have become or been declared unconditional as to acceptances by then, except that such notice shall not be capable of being enforced in a competitive situation (“**Shut-Off Notice**”). This means that, save in a competitive situation, if the Offer becomes unconditional as to acceptances before the Final Closing Date or even if the Offer becomes unconditional as to acceptances on the Final Closing Date itself, there will NOT be any extension of the Final Closing Date pursuant to Rule 22.6 of the Code and Shareholders and/or Warrantholders who do not accept the Offer and/or the Warrants Offer, as the case may be, by the Final Closing Date will not be able to do so after the Final Closing Date.

Acceptances of the Offer and the Warrants Offer received after 5.30pm (Singapore time) on the Final Closing Date will be rejected.

3.5 Further details of the Offer and Warrants Offer

Further details of the Offer and the Warrants Offer including details on (a) the settlement of the consideration for the Offer and Warrants Offer; (b) the requirements relating to the announcement of the level of acceptances of the Offer; (c) the right of withdrawal of acceptances of the Offer; and (d) procedures for acceptance of the Offer and the Warrants Offer are set out in Appendices 1, 2 and 3 to the Offer Document.

4. INFORMATION ON THE OFFEROR AND ITS CONCERT GROUP

4.1 The Offeror was incorporated in Singapore on 17 January 2001 and is listed on the Mainboard of the SGX-ST. As at the Latest Practicable Date, the Offeror has an estimated market capitalisation of S\$319.2 million.

As disclosed in the annual report of UMS for the financial year ended 31 December 2018 (“**UMS 2018 Annual Report**”), the UMS Group is a one-stop strategic integration partner providing equipment manufacturing and engineering services to Original Equipment Manufacturers of semiconductors and related products. The products the UMS Group offers include modular and integration system for original semiconductor equipment manufacturing. Headquartered in Singapore, the Group has production facilities in Singapore, Malaysia and California, USA.

The directors of the Offeror are:

- (a) Mr Luong Andy, Chairman and Chief Executive Officer;
- (b) Mr Loh Meng Chong, Stanley, Executive Director;
- (c) Mr Chay Yiowmin, Lead Independent Director;
- (d) Ms Gn Jong Yuh Gwendolyn, Independent Director; and
- (e) Datuk Phang Ah Tong, Independent Director.

As disclosed in the Offer Document, the Offeror holds 155,589,477 Shares, representing 38.8% of the issued share capital of the Company. Mr Luong Andy holds 20.6% of the issued share

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capital of the Offeror. Therefore, Mr Luong Andy is deemed to be interested in all the Shares held by the Offeror. Mr Luong Andy is deemed as acting in concert with the Offeror and is a party to the Concert Group.

Subsequent to the despatch of the Offer Document, Mr Luong Andy had on, 23 May 2019, acquired 250,000 shares of the Offeror, thereby marginally increasing his shareholding interest in the Offeror to 20.67%.

Mr Loh Meng Chong, Stanley, a director of the Offeror, indirectly holds 328,000 Warrants, representing 2.6% of the outstanding Warrants. Mr Loh Meng Chong, Stanley is presumed to be acting in concert with the Offeror in relation to the Offer and the Warrants Offer under the Code, and therefore is a party to the Concert Group.

Save for the above, the Offeror and its Concert Group do not own or control any Shares or Warrants as at 21 May 2019, being the latest practicable date prior to the printing of the Offer Document.

As disclosed in Section 13 of the Offer Document, neither the Offeror nor its Concert Group has received any irrevocable undertaking from any party to accept or reject the Offer or Warrants Offer.

Additional information on the Offeror and its Concert Parties is set out in Section 8, Appendices 4 and 6 to the Offer Document.

- 4.2** As disclosed in the UMS 2018 Annual Report, in January 2018, the UMS Group acquired a 29.5% interest of the then issued share capital of JEP. The JEP acquisition forms part of UMS' strategy to diversify beyond its traditional semiconductor business. As the single largest shareholder and controlling shareholder of JEP, the UMS Group has significant influence over the Group.

Since then, the UMS Group had been transacting with the Group and the Group has been leveraging on the operational strengths of the UMS Group by entering into recurrent transactions with the UMS Group of a revenue or trading nature in the ordinary course of business of the Group ("**Recurring IPTs**"). On 23 April 2019, JEP had sought and obtained the approval of its Shareholders at its extraordinary general meeting ("**EGM**") to adopt the general mandate for the Recurring IPTs ("**IPT General Mandate**"). The IPT General Mandate was also subject to the opinion of an IFA.

In addition, JEP had sought and obtained the approval of its Shareholders at the above EGM to purchase an aggregate of up to 16 units of the CNC machines from the UMS Group for up to an estimated maximum consideration of S\$4.36 million ("**Proposed Purchase of Machinery**"). The above Proposed Purchase of Machinery is considered as an IPT subject to the approval of Shareholders and opinion of an IFA. The Shareholders' approval will expire on the earlier of the date of JEP's next annual general meeting or when the acquisition of the machineries is completed, unless varied or revoked in a general meeting.

We were appointed as the IFA to JEP in relation to the above IPT General Mandate and the Proposed Purchase of Machinery.

Details of the above IPT General Mandate and Proposed Purchase of Machinery are set out in the circular to Shareholders dated 5 April 2019.

- 4.3** Following the Acquisition on 13 May 2019, the UMS Group has increased its shareholding interest in JEP to 38.8% of the existing issued share capital of JEP. The Offer and the Warrants Offer by the Offeror is being made as a consequence of the Acquisition and in compliance with the requirements of the Code.
- 4.4** UMS' strategic investment in JEP appears to be bearing fruit as UMS had disclosed in its commentary in relation to its results announcement for the first quarter ended 31 March 2019, *inter alia*, the following:

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“The Group also expects to further benefit from its diversification strategy as it continues to reap improved contributions from its associate and subsidiary companies.

A mandatory conditional cash offer (“Offer”) to acquire all the remaining issued and paid-up ordinary shares (which UMS does not already own or control) of its associate company - SGX Catalist-listed JEP Holdings Ltd (“JEP”) has been announced on 13 May 2019. The proposed acquisition is in line with the Group's diversification strategy to grow its revenue base beyond semiconductors to other high-growth sectors especially the buoyant aerospace industry.”

- 4.5 Following the Offer Announcement on 13 May 2019, the Offeror had made 2 announcements on 29 May 2019 and 30 May 2019 in relation to reaffirming the No Increase Statement and giving the Shut-Off Notice of the Final Closing Date. The Offeror also announced that as at 30 May 2019, it had received valid acceptances amounting to 1,291,515 Shares, representing approximately 0.3% of the total number of issued Shares, and had not received any valid acceptances of the Warrants Offer.

5. INFORMATION ON THE COMPANY AND THE GROUP

- 5.1 The Company is incorporated in Singapore and has been listed on the Catalist board of the SGX-ST since 2004.

The Group is a leading solution provider of precision machining and engineering services, with a primary focus on the aerospace industry. The Group's main operating subsidiary, JEP Precision Engineering Pte Ltd (“**JEPS**”), was acquired by the Group in 2007. Accredited with AS9100, OSHAS, and NADCAP, JEPS has built a track record as a reliable sub-contractor for aerospace components since beginning operations in 1990, and is now part of the global supply chain for the world's leading aircraft manufacturers. The Group is headquartered in Singapore, and operates out of four facilities equipped with state of the art machinery for manufacturing and the provision of secondary processes related to engineering services.

- 5.2 In the last 3 financial years since 1 January 2016 and up to the Latest Practicable Date, the Company had completed the following:

- (a) a rights cum warrants issue in December 2016 on the basis of one rights share for every 2 existing shares held at S\$0.02 for each rights share, with one free detachable warrant for every 2 rights shares subscribed. Each warrant is exercisable into one new share at the exercise price of S\$0.02 each during the 3-year period from the date of issue; and
- (b) a share consolidation exercise (“**Share Consolidation Exercise**”) whereby 4 existing shares were consolidated into one Share, which became effective on 21 May 2018 (“**Share Consolidation Effective Date**”).

The exercise price and number of the warrants were adjusted accordingly pursuant to the terms of the warrants. The Exercise Price of each Warrant is S\$0.080 and the Warrants will expire on 20 December 2019.

As a result, following the completion of the above and subsequent exercise of some the Warrants, the Company has outstanding 401,236,516 Shares and 12,800,989 Warrants as at the Latest Practicable Date. Save for the above, the Company does not hold any treasury shares and does not have any outstanding instruments convertible into, rights to subscribe for, or options in respect of, Shares or securities which carry voting rights in the Company.

Based on the Offer Price of S\$0.150 and the number of issued Shares as at the Latest Practicable Date, the implied market capitalisation of the Company is approximately S\$60.2 million.

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Prior to the release of the Offer Announcement, the Shares were last transacted at S\$0.172 on 13 May 2019. The Offer Price represents a discount of 12.8% to the last transacted Share price on 13 May 2019.

The Warrants were infrequently traded and was last transacted at S\$0.073 on 9 May 2019 prior to the release of the Offer Announcement. The Warrants Offer Price of S\$0.074 represents a slight premium of 1.4% above the last transacted Warrant price of S\$0.073 on 9 May 2019.

Based on the Exercise Price of the Warrants of S\$0.08, the Warrants are considered to be in-the-money with intrinsic value being the difference between the market Share price and the Exercise Price. Based on the Offer Price of S\$0.150, the intrinsic value of the Warrants is S\$0.07 each. The Warrants Offer Price of S\$0.074 is higher than the intrinsic value of the Warrants implied by the Offer Price.

5.3 The Directors of the Company are as follows:

- (a) Mr Luong Andy (Executive Chairman and Chief Executive Officer)
- (b) Mr Zee Hoong Huay (Executive Director)
- (c) Mr Wong Gang (Lead Independent Director)
- (d) Mr Kong Chee Keong (Independent Director)
- (e) Mr Chung Chi-Te (Independent Director)

Mr Luong Andy, who is the Executive Chairman and Chief Executive Officer of the Company, is also the Executive Chairman, Chief Executive Officer and controlling shareholder of the Offeror.

As at the Latest Practicable Date, the Directors' interests in the Shares of the Company are as follows:

Name of Director	Direct Interest (no. of Shares)	Deemed Interest (no. of Shares)	Total Interest (no. of Shares)	Total percentage shareholding interest in the Company (%)
Mr Luong Andy	-	155,589,477	155,589,477	38.8
Mr Zee Hoong Huay	53,653,855	6,401,000	60,054,855	15.0
Mr Wong Gang	-	-	-	-
Mr Kong Chee Keong	-	-	-	-
Mr Chung Chi-Te	-	-	-	-

Mr Luong Andy's deemed interest in the Company is through the Offeror's interest in the Company. The relationship between UMS and JEP is set out in Section 4 of this Letter.

Mr Zee Hoong Huay is deemed interested in 6,401,000 Shares held by his spouse, Ms Lee Pui Rong, who holds 1,358,500 Warrants, representing 10.1% of the outstanding Warrants as at the Latest Practicable Date.

Mr Zee Hoong Huay is deemed interested in 4,871,200 shares of the Offeror (including shares of the Offeror held by his spouse), representing 0.9% of the issued share capital of the Offeror as at the Latest Practicable Date.

Save as disclosed above, none of the Directors have any interest in the Shares and Warrants and the securities of the Offeror.

Save for Mr Luong Andy, all the Directors are deemed independent in respect of the Offer and the Warrants Offer.

Additional information on the Company and the Group is set out in Appendix B to the Circular.

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6. RATIONALE FOR THE OFFER AND WARRANTS OFFER, OFFEROR'S INTENTIONS FOR THE COMPANY AND LISTING STATUS OF THE COMPANY

The full text of the rationale for the Offer and Warrants Offer, the Offeror's intentions for the Company and the Offeror's intentions on the listing status of the Company is set out in Sections 10 and 11 of the Offer Document.

Rationale

The Offeror is making the Offer and the Warrants Offer in compliance with the requirements of the Code.

Intention for the Company

The directors of the Offeror are of the view that the Offer and Warrants Offer is an opportunity for the Offeror to diversify beyond its traditional semiconductor business, broaden its earnings stream and which may provide synergistic benefits. The Offeror may explore the business synergies with the Company and tap into growth opportunities in new markets.

Save for the above, the Offeror has no current intention to (a) make material changes to the existing business of the Group, (b) re-deploy the Group's fixed assets or (c) discontinue the employment of the employees of the Group, other than in the ordinary course of business. The Offeror however retains the flexibility at any time to consider options or opportunities which may present themselves.

Listing Status

It is the current intention of the Offeror to maintain the listing status of the Company on the Catalist board of the SGX-ST and the Offeror does not intend to exercise its right of compulsory acquisition under Section 215(1) of the Companies Act (Cap. 50) ("**Companies Act**"). However, in the event that the Company does not meet the Free Float Requirement (as defined in Rule 723 of the Catalist Rules) at the close of the Offer, the Offeror reserves the right to re-evaluate its position, including its right of compulsory acquisition (if applicable) depending on, *inter alia*, the ultimate level of acceptances received by the Offeror and the prevailing market conditions at the relevant time.

7. EVALUATION OF THE FINANCIAL TERMS OF THE OFFER AND THE WARRANTS OFFER

Overview

With respect to the Shares, we have taken into account various pertinent factors in relation to the Shares which we consider to have a significant bearing on our evaluation and assessment of the financial terms of the Offer.

With respect to the Warrants, as these Warrants are derivative instruments which are linked to the underlying Shares, that is, these Warrants are options which are exercisable into the Shares which carry voting rights, our evaluation and assessment of the Shares is also relevant in evaluating the financial terms of the Warrants Offer.

Pursuant to Rule 19 of the Code, the offer price for such derivative instruments is at least the higher of the (a) "see-through" price which is the excess of the offer price for the underlying shares over the exercise price of the options; and (b) the highest price paid by the Offeror and its Concert Group during the offer period.

Based on the Offer Price of S\$0.150 for the Offer Shares, the "see-through" price of the Warrants is S\$0.07. Had the Warrants Offer Price be made at S\$0.07 for each Warrant, then our assessment of and recommendation on the Offer based on the Offer Price of S\$0.150 each would be more directly applicable to the Warrants Offer.

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We note that the Warrants Offer is not made at the “see-through” price. Instead, the Warrants Offer is being made at S\$0.074 based on the highest price paid by the Offeror and its Concert Group in the 6 months prior to the Offer Announcement Date and up to 21 May 2019, being the latest practicable date prior to the printing of the Offer Document. This translates to an equivalent offer price for the Shares at S\$0.154 each. We have therefore also evaluated the Warrants Offer based on the equivalent offer price of the Shares at S\$0.154 each.

We have therefore organised our evaluation and recommendation of the Offer and the Warrants Offer as follows:

- In this Section 7, our evaluation of the Offer for the Shares at the Offer Price of S\$0.150 each;
- In Section 8 of this Letter, our evaluation of the Warrants Offer including our assessment of the equivalent offer price for the Shares at S\$0.154;
- In Section 9 of this Letter, other relevant considerations which apply to both the Offer and the Warrants Offer; and
- In Section 10 of this Letter, our recommendations on the Offer and the Warrants Offer.

Evaluation of the Offer

In evaluating and assessing the financial terms of the Offer, we have taken into account the following pertinent factors:

- (a) Market quotation and trading activity of the Shares;
- (b) Financial analysis of the Group;
- (c) Comparison with recently completed non-privatisation takeover offers of companies listed on the SGX-ST;
- (d) Comparison of valuation ratios of selected listed companies which are broadly comparable with the Group; and
- (e) Dividend track record of the Company.

7.1 Market quotation and trading activity of the Shares

The Shares were last transacted on 13 May 2019 prior to the release of the Offer Announcement after trading hours on that date, being the Offer Announcement Date.

We have therefore compared the Offer Price against the historical market price performance of the Shares and considered the historical trading volume of the Shares from 14 May 2018 to 13 May 2019, being the 1-year period prior to the release of the Offer Announcement, and up to the Latest Practicable Date (“**Period Under Review**”).

The Share prices and trading volume information below for the initial part of the Period Under Review from 14 May 2018 to 20 May 2018 had been adjusted for comparison purposes for the Share Consolidation Exercise which became effective on 21 May 2018, as extracted from Bloomberg L.P..

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Share Price Chart

We set out below a chart showing the Offer Price relative to the daily last transacted prices and trading volume of the Shares for the Period Under Review:

Price movement and trading volume of the Shares for the Period Under Review



Source: Bloomberg L.P.

As can be seen from the share price chart above, the Shares had traded substantially above the Offer Price, up to a high of S\$0.244 on 14 May 2018 (based on the daily last transacted prices) during the period from 14 May 2018 to around mid-November 2018. Share prices went through a trough during the period in mid-November 2018 to mid-February 2019 when the Shares traded to a low of S\$0.122 (based on the daily last transacted prices) on 28 November 2018. Since then, the Shares had mostly traded above the Offer Price and up to a high of S\$0.175 on 26 February 2019.

The Shares were last traded at S\$0.172 prior to the release of the Offer Announcement. The Offer Price represents a discount of 12.8% to the last transacted Share price.

Subsequent to the Offer Announcement and up to the Latest Practicable Date, the Shares had traded slightly above the Offer Price.

Daily trading volume on the Shares (excluding married deals) was low prior to the release of the Offer Announcement but spiked up on the couple of days immediately after the release of the Offer Announcement as shown in the price chart above.

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Market Statistics

In addition to the share price chart above, we have tabulated below selected statistical information on the share price performance and trading liquidity of the Shares for the Period Under Review:

Reference period	Highest traded price (S\$)	Lowest traded price (S\$)	VWAP ⁽¹⁾ (S\$)	Premium/ (Discount) of Offer Price over/ (to) VWAP (%)	Number of traded days ⁽²⁾	Average daily trading volume ⁽³⁾ ('000)	Average daily trading volume as a percentage of free float ⁽⁴⁾ (%)
<u>Prior to the release of the Offer Announcement</u>							
Last 1 year	0.252	0.122	0.1803	(16.8)	216	246	0.13
Last 6 months	0.177	0.122	0.1544	(2.9)	100	234	0.13
Last 3 months	0.177	0.142	0.1582	(5.2)	58	384	0.21
Last 1 month	0.172	0.149	0.1573	(4.6)	18	546	0.30
13 May 2019 (the last trading day prior to the release of the Offer Announcement)	0.172	0.155	0.1624	(7.6)	1	1,341	0.72
<u>After the Offer Announcement and up to the Latest Practicable Date</u>							
From 14 May 2019 to the Latest Practicable Date	0.160	0.149	0.1517	(1.1)	12	1,774	0.96
Latest Practicable Date	0.151	0.150	0.1509	(0.6)	1	2,853	1.54

Source: Bloomberg L.P.

Notes:

- (1) The volume-weighted average price (“VWAP”) for the respective periods are calculated based the aggregate daily turnover value of the Shares divided by the aggregate daily trading volume of the Shares for the respective periods as extracted from Bloomberg L.P.. Off market transactions are excluded from the calculation;
- (2) Traded days refer to the number of days on which the Shares were traded on the SGX-ST during the period;
- (3) The average daily trading volume of the Shares is computed based on the total volume of Shares traded on the SGX-ST (excluding off market transactions) during the relevant periods, divided by the number of days when the SGX-ST was open for trading (excluding days with full day trading halt/suspension on the Shares) during that period; and
- (4) Free float refers to the Shares other than those directly and deemed held by the Directors and substantial Shareholders. For the purpose of computing the average daily trading volume as a percentage of free float, we have used the free float of approximately 185.00 million Shares based on the free float of 46.18% as disclosed in the annual report of the Company for FY2018 and the outstanding issued Shares as at the Latest Practicable Date.

We observe the following with regard to the share price performance of the Company for the Period Under Review:

- (a) Over the 1-year period prior to the release of the Offer Announcement, the Shares had traded between a low of S\$0.122 and a high of S\$0.252. The Offer Price represents a premium of S\$0.028 (or 23.0%) above the lowest transacted Share price and a discount of S\$0.102 (or 40.5%) to the highest transacted Share price;
- (b) The Offer Price represents discounts of 16.8%, 2.9%, 5.2% and 4.6% to the VWAP of the Shares for the 1-year, 6-month, 3-month and 1-month periods prior to the release of the Offer Announcement respectively;
- (c) The Offer Price represents a discount of 7.6% to the VWAP of the Shares of S\$0.1624 on 13 May 2019, being the last trading day prior to the release of the Offer Announcement; and

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- (d) After the Offer Announcement and up to the Latest Practicable Date, the Shares had mostly traded slightly above the Offer Price of S\$0.150. The Shares were last transacted at S\$0.151 on 30 May 2019, being the Latest Practicable Date.

We observe the following with regard to the trading liquidity of the Shares:

- (i) Over the 1-year period prior to the release of the Offer Announcement, the Shares were traded on most days during the period. However, the average daily trading volume of the Shares for the 1-year, 6-month, 3-month and 1-month periods prior to the release of the Offer Announcement was low, representing 0.13%, 0.13%, 0.21% and 0.30% of the free float of the Shares respectively; and
- (ii) During the period following the Offer Announcement and up to the Latest Practicable Date, the average daily trading volume on the Shares was higher at 0.96% of the free float of the Shares.

7.2 Financial analysis of the Group

Overview

The Group has over 30 years of operating history. Over the years, the Group has established itself within the precision manufacturing industry as a supplier that provides turnkey services for the aerospace, oil and gas, electronics and machine tooling industries.

The Group's main operating subsidiary is JEPS which was acquired by the Group in 2007. On 20 December 2018, the Group acquired the remaining 15% stake in JEPS and made it its wholly-owned subsidiary.

In January 2012, the Group acquired 100% of Dolphin Engineering Pte Ltd ("**Dolphin Engineering**") which provides large format precision engineering and equipment fabrication services.

In August 2015, the Group acquired 100% of JEP Industrades Pte Ltd ("**JEP Industrades**"), a trading business which markets, *inter alia*, cutting tools.

The Group had suffered some setbacks in FY2016 and suffered a small loss of S\$0.2 million due mainly to the collapse in crude oil prices, which had affected its oil & gas segment activities.

In 2017, the Group moved into its present facilities in Seletar Aerospace Park and embarked on several new initiatives including new robotics and automation technologies to improve its operations and provide support to its customers. Aerospace sector continued to be the Group's main growth driver, fuelled by the growth of passenger carriers particularly in Asia and the Middle East.

In January 2018, the UMS Group acquired a 29.5% shareholding interest in the Company. Mr Luong Andy, who is the Chairman and CEO of UMS, became the Executive Chairman of the Company and made its maiden Chairman's Statement in the annual report of the Company for the financial year ended 31 December 2017 ("**FY2017**").

The financial year ended 31 December 2018 ("**FY2018**") marks the first year that the Group had leveraged on the operational strengths of the UMS Group, as the Group worked to streamline its operations to strengthen the Group's cost competitiveness and to grow its core aerospace business.

On 13 May 2019, the UMS Group increased its interest in the Company to 38.8% from the Acquisition, which resulted in triggering the Offer and the Warrants Offer in compliance with the Code.

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In the Company's annual report for FY2018, the Chairman's Statement had made the following outlook for the Group as extracted below for your information:

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

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

7.2.1 Financial performance of the Group

Against the above overview, we set out below a summary of the key financial information of the Group for the last three financial years ended 31 December 2016 ("FY2016"), FY2017 and FY2018:

S\$'000	← FY2016	Audited FY2017	→ FY2018
Revenue	71,934	86,093	85,865
Gross profit	7,735	9,933	12,591
Profit/(Loss) before tax	(1,157)	(254)	3,181
Profit/(Loss) for the year	(185)	183	2,295
Profit/(Loss) attributable to:			
Owners of the Company	154	825	2,193
Non-controlling interests	(339)	(642)	102
	(185)	183	2,295

Source: Company's annual reports for FY2017 and FY2018

Review of operating results

FY2017 vs FY2016

Revenue increased by S\$14.2 million (or 19.7%) from S\$71.9 million in FY2016 to S\$86.1 million in FY2017. The increase was mainly contributed by an increase in revenue from all business segments and partially offset by a decrease in revenue from the oil & gas segment.

Gross profit increased by S\$2.2 million (or 28.4%) from S\$7.7 million in FY2016 to S\$9.9 million in FY2017 in line with the increase in revenue, with a slight increase in gross profit margin from 10.8% in FY2016 to 11.5% in FY2017. Gross profit was partially affected by an additional depreciation of S\$1.0 million incurred on the new factory in Seletar Aerospace Park in FY2017 and nil in FY2016.

After taking into account net operating expenses of S\$10.2 million for FY2017 and S\$8.9 million for FY2016, the Group recorded a small loss before tax of S\$0.3 million in FY2017 compared to a loss of S\$1.2 million in FY2016.

The Group recorded income tax credit of S\$0.4 million in FY2017 and S\$1.0 million in FY2016. Accordingly, the Group achieved a marginal profit of S\$0.2 million in FY2017 compared to a loss of S\$0.2 million in FY2016.

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Profit attributable to the owners of the Company increased from S\$0.2 million in FY2016 to S\$0.8 million in FY2017.

FY2018 vs FY2017

Revenue decreased marginally from S\$86.1 million in FY2017 to S\$85.9 million in FY2018.

Gross profit increased by S\$2.7 million (or 26.8%) to S\$12.6 million in FY2018 compared to S\$9.9 million in FY2017. Gross profit margin improved from 11.5% in FY2017 to 14.7% in FY2018 due mainly to higher gross profit margin generated from the precision manufacturing segment.

After taking into account net operating expenses of S\$9.4 million for FY2018 and S\$10.2 million for FY2017, overall, the Group achieved higher profit before tax of S\$3.2 million in FY2018 compared to a loss before tax of S\$0.3 million in FY2017. Unlike the tax credit of S\$0.4 million in FY2017, the Group had posted an income tax expense of S\$0.9 million in FY2018, resulting in profit after tax of S\$2.3 million in FY2018 compared to net loss after tax of S\$0.2 million in FY2017.

Profit attributable to owners of the Company increased by S\$1.4 million from S\$0.8 million in FY2017 to S\$2.2 million in FY2018.

Historical price-earnings ratio (“PER”) implied by the Offer Price

PER illustrates the valuation ratio of the current market value of a company’s shares relative to its consolidated basic earnings per share as stated in its financial statements. The PER is affected by, *inter alia*, the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and intangible assets. The historical PER is commonly used for the purpose of illustrating the profitability and hence the valuation of a company as a going concern.

Based on the profit attributable to the owners of the Company of S\$2.2 million for FY2018 and the market capitalisation of the Company (implied by the Offer Price) of S\$60.2 million, the implied PER of the Shares is 27.4 times.

In view of the low profits attributable to the owners of the Company and the exponential percentage increase over the low base profit in the last 3 years, the above implied PER of 27.4 times may be a skewed valuation statistic of the Company and hence, may not be meaningful for the purpose of evaluating the Offer Price.

7.2.2 Financial Position of the Group

The audited statement of financial position of the Group as at 31 December 2018 is set out below:

	S\$'000
Current Assets	
Cash and bank balances	4,541
Trade and other receivables	22,713
Inventories	15,741
Total current assets	<u>42,995</u>
Non-current Assets	
Property, plant and equipment	51,185
Intangible assets	17,869
Deferred tax assets	91
Total non-current assets	<u>69,145</u>
Total Assets	<u><u>112,140</u></u>

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	S\$'000
Current Liabilities	
Bank Loans	11,105
Trade and other payables	15,487
Finance leases	2,003
Total current liabilities	28,595
Current Liabilities	
Bank Loans	25,551
Finance leases	4,572
Deferred tax liabilities	1,295
Total non-current liabilities	31,418
Equity attributable to owners of the Company	52,127
Total Equity	52,127
Total Liabilities and Equity	112,140

Net asset value ("NAV") of the Group	S\$52,127,000
Net tangible assets ("NTA") of the Group	S\$34,258,000
Number of issued Shares as at 31 December 2018	396,256,066
NAV per Share	S\$0.1315
NTA per Share	S\$0.0865

Source: Company's annual report for FY2018

Assets

As at 31 December 2018, the Group has total assets of S\$112.1 million comprising current assets of S\$43.0 million (38.3% of total assets) and non-current assets of S\$69.1 million (61.7% of total assets).

The main current assets of the Group are trade and other receivables of S\$22.7 million (52.8% of current assets), inventories of S\$15.7 million (36.6% of current assets) and cash and other bank balances of S\$4.5 million (10.6% of current assets).

The main non-current assets of the Group are PPE of S\$51.2 million (74.0% of non-current assets) and intangible assets of S\$17.9 million (25.8% of non-current assets).

The intangible assets comprise goodwill on consolidation of S\$17.5 million and customer relationship of S\$0.3 million. These intangibles arose from the Group's acquisitions of its subsidiaries, namely, JEPS, Dolphin Engineering and JEP Industrades.

Of the PPE of S\$51.2 million, S\$25.8 million pertains to the leasehold land and buildings and S\$21.7 million pertains to the machinery and equipment. The leasehold land and buildings are located at (i) 16 Seletar Aerospace Crescent Singapore 797567; and (ii) 2 Loyang Way 4 Singapore 507098. These properties and S\$4.3 million of the machinery and equipment are pledged as security to certain banking facilities granted to the Group.

In connection with the Offer and Warrants Offer, the Company had commissioned Hilco Global, an independent Valuer, to carry out an independent market valuation of the properties and bulk of the machinery and equipment as at 31 December 2018.

Please see Section 7.2.3 below for further details under the caption "**Independent Valuation**".

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Liabilities and Equity

As at 31 December 2018, the Group has total liabilities of S\$60.0 million comprising mainly bank loans of S\$36.7 million (61.1% of total liabilities), trade and other payables of S\$15.5 million (25.8% of total liabilities) and finance leases of S\$6.6 million (11.0% of total liabilities).

Total equity and equity attributable to the owners of the Company as at 31 December 2018 was S\$52.1 million. Non-controlling interest became nil as at 31 December 2018 after the Group had acquired the remaining 15% shareholding interest in JEPS on 20 December 2018.

Accordingly, the NAV of the Group as at 31 December 2018 was S\$52.1 million, representing NAV per Share of S\$0.1315 based on 396,256,066 Shares as at 31 December 2018.

After deducting the intangible assets of S\$17.9 million, the NTA of the Group was S\$34.3 million as at 31 December 2018, representing NTA per Share of S\$0.0865.

We note that the intangible assets are in relation to the companies that the Group had acquired over the years and these companies constitute the main operating subsidiaries of the Group which are revenue generating. The amount of intangible assets as at 31 December 2018 is after Management has taken into consideration any impairment charges in accordance with the Group's accounting policies.

Hence, we are of the opinion that assessment of the valuation of the Group based on the net asset backing approach, that is, the NAV approach, is more relevant compared to the NTA approach.

Adjustments after 31 December 2018

Subsequent to 31 December 2018, 4,980,450 new Shares were issued pursuant to the exercise of the Warrants which raised gross proceeds of S\$398,436 for the Company ("**Warrants Proceeds**") based on the Exercise Price of S\$0.08. As at the Latest Practicable Date, the number of issued Shares is 401,236,516.

Accordingly, based on the outstanding 401,236,516 issued Shares as at the Latest Practicable Date and the adjusted NAV of the Group (after taking into account the Warrants Proceeds) ("**Adjusted NAV**"), the Adjusted NAV per Share is S\$0.1309 as at 31 December 2018.

The Offer Price represents a P/Adjusted NAV ratio of 1.15 times, that is, the Offer Price is at a premium of 14.6% above the Adjusted NAV per Share.

7.2.3 Independent Valuation

In connection with the Offer and Warrants Offer, the Group had commissioned Hilco Global to carry out an independent market valuation of the bulk of the PPE as at 31 December 2018, being the date of the Group's latest published financial statements. The PPE comprises leasehold land and buildings with total net book value of S\$25.8 million as at 31 December 2018 and machinery and equipment with total net book value of S\$21.7 million as at 31 December 2018.

Hilco Global is a business asset valuation services firm and had carried out an assessment of the market valuations of the machinery and equipment of the Group which has net book value of at least S\$200,000 each. There are in total 39 units of these machineries, representing 76.3% of the total net book value of these machinery and equipment as at 31 December 2018. With respect to the Group's leasehold properties, Hilco Global had engaged the services of United Valuers, an independent real estate valuer, to carry out an independent market valuation of all the Group's leasehold land and buildings as at 31 December 2018. The consolidated market valuation of the Group's PPE is set out in the Valuation Report by Hilco Global dated 28 May 2019, a copy of which is attached as Appendix F to the Circular.

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Machineries

Hilco Global had defined market value of the machinery and equipment in the executive summary as:

“is an opinion expressed in terms of money, at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts, as of a specific date.”

Valuation methodology

There are 3 basic valuation methods that are used to derive an indication of the value of the assets. These methods include the cost approach, sales comparison approach and income approach to value.

Hilco Global had used the cost approach as the primary basis and had also given some consideration to the sales comparison approach. The cost approach estimates the current cost to reproduce or replace the personal property, deducting for all accrued depreciation. The sales comparison approach involves comparing the personal property being appraised to similar assets that have been sold recently, applying appropriate units of comparison, and making adjustments based on the elements of comparison to the sale prices of the comparable.

The income approach was not utilised as this approach gives consideration to income-generating criteria and is very limited in its application to the appraisal of machinery and equipment on a piecemeal basis. This is due to the difficulty in determining what portion of the total income and expense stream of a given plant would be attributable to a specific piece of equipment.

Hilco Global had determined the total market value of the 39 units of machineries to be S\$18.8 million as at 31 December 2018. The corresponding total net book value of these machineries is S\$16.6 million as at 31 December 2018, thus resulting in a revaluation surplus of S\$2.2 million.

In assessing the above revaluation surplus, we have also considered whether there is any potential tax liabilities which could arise on the disposal of these machineries for the purpose of Rule 26.3 of the Code. As these machineries are used for the Group’s existing operations, the Company is of the view that no potential tax liabilities would arise as the Company intends to retain these machineries for its own use.

Leasehold Properties

United Valuers had defined the open market value of the leasehold properties to mean “the best price” at which an interest in a property might reasonably be expected to be sold at the date of the valuation taking into consideration certain assumptions.

In arriving at the open market value of the leasehold properties, United Valuers had considered the Direct Comparison Approach with the Income Capitalisation Approach as check and reference. In the Direct Comparison Approach, sales and listing of similar properties in the vicinity and elsewhere are used as guides to value after relevant valuation adjustments are made for differences in location, usage, land area, floor area, improvement works, JTC remaining lease, JTC ground rental, market conditions, date of sale, etc.

In the Income Capitalisation Approach, United Valuers had based on current fair and reasonable rental values of similar properties in similar neighbourhoods, subject to relevant valuation adjustment and deductions for outgoings such as property tax, cost of maintenance/repairs, JTC land rent and future vacancy allowances. The resultant nett income is then capitalised over the unexpired lease term using an appropriate capitalisation rate according to current market condition.

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A summary of the revaluation surplus arising from the market valuation of the leasehold properties as at 31 December 2018 is set out below:

Properties	Net book value as at 31 December 2018 (S\$'000)	Market value as at 31 December 2018 (S\$'000)	Revaluation surplus (S\$'000)
(a) 16 Seletar Aerospace Crescent, Singapore 797567	19,128	43,000	23,872
(b) 2 Loyang Way 4 Singapore 507098	6,686	10,000	3,314
Total	25,814	53,000	27,186

Source: Market value from the Valuation Report and net book value from the Company's annual report for FY2018

The revaluation surplus arising from the valuation of the properties amounted to S\$27.2 million. The Company is also of the opinion that no potential tax liabilities would arise from the revaluation surplus as the Company intends to retain these properties for its own use.

7.2.4 Revalued Adjusted NAV (“RNAV”) of the Group

After taking into account the revaluation surplus arising from the valuation of the selected PPE, the RNAV per Share as at 31 December 2018 is computed as follows:

	S\$'000	per Share ⁽¹⁾
Adjusted NAV of the Group as at 31 December 2018	52,525	S\$0.1309
Add: Revaluation surplus arising from the market valuation of the selected PPE	29,396	S\$0.0733
RNAV of the Group as at 31 December 2018	81,921	S\$0.2042

Note:

(1) Based on 401,236,516 Shares as at the Latest Practicable Date.

Price-to-RNAV (“P/RNAV”) ratio implied by the Offer Price

The net asset backing of the Group is measured by its NAV, NTA or RNAV, RNTA value.

The NAV and NTA based valuation approach provides an estimate of the value of a company assuming the hypothetical sale of all its assets over a reasonable period of time and would be more relevant for asset-based companies or where the subject company intends to realise or convert the uses of all or most of its assets. Such a valuation approach would be particularly appropriate when applied in circumstances where the business is to cease operations or where the profitability of the business being valued is not sufficient to sustain an earnings-based valuation.

The NAV based valuation approach shows the extent to which the value of each share is backed by the company's tangible and intangible assets. NTA is derived by deducting intangible assets from the NAV and the NTA based valuation approach shows the extent to which the value of each share is backed by its net tangible assets.

The RNAV and RNTA is after taking into consideration any revaluation surpluses or deficits arising from the valuation of the assets of the company.

Based on the RNAV per Share of S\$0.2042 as at 31 December 2018 as computed in the table above, the Offer Price of S\$0.150 represents a P/RNAV of 0.73 times, or a discount of 26.5% to the RNAV per Share.

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Confirmation by the Company

In our evaluation of the financial terms of the Offer, we have also considered whether there is any other asset which should be valued at an amount that is materially different from that which was recorded in the statement of financial position of the Group as at 31 December 2018, and whether there are any factors which have not been otherwise disclosed in the financial statements of the Group that are likely to impact the NAV of the Group as at 31 December 2018.

In respect of the above, the Directors and the Management have confirmed to us that as at the Latest Practicable Date, to the best of their knowledge and belief, and save as disclosed above, in the Valuation Report, and in the announcements made by the Company and circulars issued by the Company since 31 December 2018 to the Latest Practicable Date:

- (a) there are no material differences between the realisable value of the Group's assets and their respective book values as at 31 December 2018 which would have a material impact on the NAV of the Group;
- (b) other than that already provided for or disclosed in the Group's financial statements as at 31 December 2018, there are no other contingent liabilities, bad or doubtful debts or material events which are likely to have a material impact on the NAV of the Group as at the Latest Practicable Date;
- (c) there are no litigation, claim or proceeding pending or threatened against the Company or any of its subsidiaries or of any fact likely to give rise to any proceeding which might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole;
- (d) there are no intangible assets which ought to be disclosed in the statement of financial position of the Group in accordance with the Singapore Financial Reporting Standards (International) and which have not been so disclosed and where such intangible assets would have a material impact on the overall financial position of the Group; and
- (e) there are no material acquisitions and disposals of assets by the Group between 31 December 2018 and the Latest Practicable Date, and the Group does not have any plans for any such impending material acquisition or disposal of assets, conversion of the use of its material assets or material change in the nature of the Group's business.

For the avoidance of doubt, we have not made any independent evaluation or appraisal of the assets and liabilities of the Company and/or the Group (including without limitation, the Group's PPE). We are not experts in the evaluation or appraisal of the assets concerned and we have placed sole reliance on the independent valuations by Hilco Global and United Valuers for such asset appraisals and have not made any independent verification of the contents thereof. In particular, we do not assume any responsibility to enquire about the basis of the valuation contained in the Valuation Report or if the contents thereof have been prepared and/or included in the Circular in accordance with all applicable regulatory requirements including the Code.

7.3 Comparison with recently completed non-privatisation takeover offers of companies listed on the SGX-ST

The Offeror has stated its intention to maintain the listing status of the Company on the Catalyst board of the SGX-ST and does not intend to exercise its right of compulsory acquisition under Section 215(1) of the Companies Act.

Therefore, in our assessment of the reasonableness of the Offer Price, we have compared the financial terms implied by the Offer Price with those of selected recently completed takeover offers in cash for companies listed on the SGX-ST (excluding real estate investment trusts and business trusts) that were announced since January 2017 and completed as at the Latest Practicable Date, where the offeror has indicated similar intentions to maintain the listing status of the offeree company and these companies continued to be listed after the close of their respective offers ("**Non-Privatisation Transactions**").

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This analysis serves as a general indication of the relevant premium/discount that the offerors had paid in order to acquire the offeree companies without having regard to their specific industry characteristics or other considerations, and the comparison sets out:

- (a) the premium or discount represented by each of the respective offer prices to the last transacted prices and VWAPs over the 1-month and 3-month periods prior to the announcement of the respective transactions; and
- (b) the premium or discount represented by each of the respective offer prices to the NAV of the respective target companies. We note that certain transactions had undertaken revaluations and/or adjustments to their assets which may have a material impact on their latest announced book values. In this respect, we have compared the offer price with the revalued NAV, revalued NTA or adjusted NAV or adjusted NTA of the respective target companies.

We wish to highlight that the target companies listed in the Non-Privatisation Transactions as set out in the analysis below may not be directly comparable to the Group in terms of market capitalisation, size of operations, composition of business activities, asset base, geographical spread, track record, operating and financial leverage, risk profile, liquidity, accounting policies, future prospects and other relevant criteria. Each transaction must be judged on its own commercial and financial merits. The premium or discount that an offeror pays in any particular Non-Privatisation Transaction varies in different specific circumstances depending on, *inter alia*, factors such as the intention of the offeror, the potential synergy the offeror can gain by acquiring the target, the prevailing market conditions and sentiments, attractiveness and profitability of the target's business and assets, the possibility of a significant revaluation of the assets to be acquired, the availability of substantial cash reserves, the liquidity in the trading of the target company's shares, the presence or absence of competing bids for the target company, and the existing and desired level of control in the target company. The list of the Non-Privatisation Transactions is by no means exhaustive and as such any comparison made only serves as an illustration. Conclusions drawn from the comparisons made may not necessarily reflect the perceived or implied market valuation of the Company.

Name of company	Sector	Date of announcement	Premium/(Discount) of Offer Price over/(to)			P/NAV (times)
			Last transacted price prior to announcement (%)	1-month VWAP prior to announcement (%)	3-month VWAP prior to announcement (%)	
Healthway Medical Corporation Limited	Healthcare management	07 Feb 2017	2.4	8.9	15.0	0.66 ⁽¹⁾
International Healthway Corporation Limited	Provides, develops and manages healthcare services	16 Feb 2017	0.0	14.0	20.5	1.11 ⁽²⁾
CMC Infocomm Limited	Provider of integrated communication solutions and services	07 May 2017	18.8	34.6	30.5	1.70 ⁽³⁾
Cityneon Holdings Limited	Provider of events management and exhibition services, design and build services for museums and galleries and interior architecture services	12 May 2017	(5.4)	0.6	3.9	3.20 ⁽⁴⁾
United Engineers Limited	Property, engineering and distribution, and manufacturing businesses	13 Jul 2017	7.9 ⁽¹⁷⁾	11.5 ⁽¹⁷⁾	12.8 ⁽¹⁷⁾	0.86 ⁽⁵⁾

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Name of company	Sector	Date of announcement	Premium/(Discount) of Offer Price over/(to)			P/NAV (times)
			Last transacted price prior to announcement (%)	1-month VWAP prior to announcement (%)	3-month VWAP prior to announcement (%)	
Blumont Group Limited	Investment holding, sterilisation, property, mineral and energy resources	24 Aug 2017	(81.8) ⁽²¹⁾	(87.9) ⁽²¹⁾	(86.0) ⁽²¹⁾	0.60 ⁽⁶⁾
Mary Chia Holdings Limited	Provision of lifestyle and wellness services	24 Aug 2017	68.2	93.0	96.1	2.80 ⁽⁷⁾
BRC Asia Limited	Building construction and manufacture of basic iron and steel	08 Sep 2017	33.1 ⁽¹⁸⁾	30.3 ⁽¹⁸⁾	35.3 ⁽¹⁸⁾	0.81 ⁽⁸⁾
New Wave Holdings Ltd.	Aluminium products distribution and components distribution	19 Oct 2017	44.4	38.0	9.0	0.89 ⁽⁹⁾
TMC Education Corporation Ltd.	Provides commercial, academic, and technical education and providing expertise in setting up and administering schools	14 Dec 2017	68.8	50.0	29.8	1.50 ⁽¹⁰⁾
CH Offshore Ltd.	Offshore support service provider in oil and gas	26 Jul 2018	0.0	(11.0)	(11.6)	0.50 ⁽¹¹⁾
Chew's Group Limited	Food products	22 Aug 2018	26.2 ⁽¹⁹⁾	30.9 ⁽¹⁹⁾	33.4 ⁽¹⁹⁾	1.23 ⁽¹²⁾
Sunrise Shares Holding Ltd.	Trading and distribution of electrical products, the manufacture and assembly of electrical distribution and control equipment, and the provision of property consultancy and management services in the real estate and hospitality industries.	06 Dec 2018	21.4	30.8	36.0	0.34 ⁽¹³⁾
Thakral Corporation Limited	Real estate related investment and marketing and distribution of brands in beauty, wellness and lifestyle categories	04 Mar 2019	11.1	17.1	18.1	0.50 ⁽¹⁴⁾
Sevak Limited	Distribution of operator products and distribution services, ICT distribution and managed services, and mobile devices retail business.	21 Mar 2019	5.9 ⁽²⁰⁾	9.3 ⁽²⁰⁾	9.8 ⁽²⁰⁾	1.10 ⁽¹⁵⁾
Ying Li International Real Estate Limited	Property developer	03 Apr 2019	0.7	5.7	10.5	0.30 ⁽¹⁶⁾
High			68.8	93.0	96.1	3.20
Low			(81.8)	(87.9)	(86.0)	0.30
Mean			20.2	24.2	23.3	1.13
Median			11.1	17.1	18.1	0.88
Company (implied by the Offer Price)		13 May 2019	(12.8)	(4.6)	(5.2)	0.73 (based on RNAV as at 31 Dec 2018)

Source: SGX-ST announcements and circulars to shareholders in relation to the Non-Privatisation Transactions

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Notes:

- (1) Based on the NAV per share of Healthway Medical Corporation Limited as at 31 December 2016;
- (2) Based on the revalued NTA per share of International Healthway Corporation Limited as at 30 September 2016;
- (3) Based on the NTA per share of CMC Infocomm Limited as at 30 November 2016;
- (4) Based on the NAV per share of Cityneon Holdings Limited as at 31 December 2016;
- (5) Based on the NTA per share of United Engineers Limited as at 30 June 2017;
- (6) Based on the revalued NTA per share of Blumont Group Limited as at 30 June 2017;
- (7) Based on the revalued NAV per share of Mary Chia Holdings Limited as at 31 March 2017;
- (8) Based on the revalued NAV per Share of BRC Asia Limited as at 30 June 2017;
- (9) Based on the revalued NTA per share of New Wave Holdings Limited as at 30 September 2017;
- (10) Based on the adjusted NTA per share of TMC Education Corporation Ltd. as at 30 June 2017;
- (11) Based on the revalued NAV per share of CH Offshore Ltd. as at 30 June 2018;
- (12) Based on the adjusted NAV per Share of Chew's Group Limited as at 31 March 2018;
- (13) Based on the NAV per share of Sunrise Shares Holding Ltd. as at 30 June 2018;
- (14) Based on the NAV per share of Thakral Corporation Limited as at 31 December 2018. The takeover transaction of Thakral Corporation Limited is a partial offer;
- (15) Based on the NAV per share of Sevak Limited as at 31 December 2018;
- (16) Based on the revalued NAV per share of Ying Li International Real Estate Limited as at 31 December 2018;
- (17) The benchmark VWAP share prices of United Engineers Limited used by the IFA to compute the premium of the offer price above market share prices were based on the date of the first joint announcement made by Oversea-Chinese Banking Corporation Limited and Great Eastern Holdings Limited on 26 September 2016, instead of the date of the offer announcement on 13 July 2017;
- (18) The benchmark VWAP share prices of BRC Asia Limited used by the IFA to compute the premium of the offer price above market share prices were based on 30 May 2017, being the last full trading day prior to the holding announcement date;
- (19) The benchmark VWAP share prices of Chew's Group Limited used by the IFA to compute the premium of the offer price above market share prices were based on the date of the announcement of the term sheet on 8 June 2018 instead of the date of the offer announcement on 22 August 2018;
- (20) The benchmark VWAP share prices of Sevak Limited used by the IFA to compute the premium of the offer price above market share prices were based on 1 February 2019, being the holding announcement date. The takeover transaction of Sevak Limited is a partial offer;
- (21) Excluded as statistical outlier in the mean and median computations.

Based on the above, we note that:

- (a) The discounts implied by the Offer Price over the last transacted Share price and the VWAP for the 1-month period and 3-month period prior to the release of the Offer Announcement are within the range but significantly below the mean and median of the corresponding Non-Privatisation Transactions. In fact, the mean and median of the Non-Privatisation Transactions are at premiums above the market share prices but for the Company, the Offer Price is at a discount to the market share prices; and
- (b) The P/RNAV ratio of 0.73 times implied by the Offer Price is also within the range but below the mean and median of the corresponding P/NAV ratios of the Non-Privatisation Transactions.

Shareholders should note that the above comparison with the Non-Privatisation Transactions is purely for illustrative purposes only.

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7.4 Comparison of valuation ratios of selected listed companies which are broadly comparable with the Group

For the purpose of assessing the Offer Price, we have also attempted to compare the valuations ratios of the Company implied by the Offer Price with those of selected companies listed on the SGX-ST and Bursa Malaysia Securities Berhad (“**Bursa Securities**”) that are involved in businesses which can be considered as broad proxies to the principal businesses of the Group, that is, listed companies that are engaged in precision machinery and engineering services (“**Comparable Peer Companies**”). For a more meaningful comparison, we have selected Comparable Peer Companies with a market capitalisation of S\$500 million and below as at the Offer Announcement Date as broad proxies to the Group. There are 5 such Comparable Peer Companies.

We have had discussions with Management about the suitability and reasonableness of the selected Comparable Peer Companies acting as a basis for comparison with the Group. Relevant information has been extracted from Bloomberg L.P., publicly available annual reports and/or public announcements of the selected Comparable Peer Companies. We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information. The accounting policies of the selected Comparable Peer Companies with respect to the values for which the assets, revenue or cost are recorded may differ from that of the Group.

We wish to highlight that the selected Comparable Peer Companies are not exhaustive and it should be noted that there may not be any listed company that is directly comparable with the Group in terms of location, business activities, customer base, size of operations, asset base, geographical spread of activities, geographical markets, track record, financial performance, operating and financial leverage, future prospects, liquidity, quality of earnings, accounting policies, risk profile and other relevant criteria. As such, any comparison made herein is necessarily limited and it may be difficult to place reliance on the comparison of valuation statistics for the selected Comparable Peer Companies. Therefore, any comparison made serves only as an illustrative guide.

A brief description of the selected Comparable Peer Companies, as extracted from Bloomberg L.P. is set out below:

Company name	Principal Business
Listed on SGX-ST	
UMS	UMS provides equipment manufacturing and engineering services to Original Equipment Manufacturers (OEMs) of semiconductors and related products. It manufactures high precision components and complex electromechanical assembly and final testing services. UMS supports the electronic, machine tools and oil and gas industries.
AEM Holdings Ltd (“ AEM Holdings ”)	AEM Holdings operates as a holding company. AEM Holdings, through its subsidiaries, designs, develops, and manufactures precision engineering products for electronics, life sciences, instruments, and aerospace industries. AEM Holdings serves customers worldwide.
Spindex Industries Ltd (“ Spindex ”)	Spindex manufactures, imports, exports, and deals mechanical, electrical and electronic parts. Spindex also manufactures and trades precision machine parts, plastic molds and injections, and other related plastic and engineering materials.
Grand Venture Technology Ltd (“ Grand Venture ”)	Grand Venture manufactures fabricated metal products. Grand Venture also focuses on manufacturing precision machining and sheet metal components for the semiconductor, analytical and life science, oil and gas electronics, and industrial automation industries. Grand Venture serves customers in Singapore.
Listed on Bursa Securities	
Sam Engineering & Equipment M Bhd (“ Sam Engineering ”)	Sam Engineering manufactures production equipment and aerospace products. Sam Engineering produces manufacturing machinery including test handlers, laser mark handlers, material handling systems, vision inspection and automation solutions, and offers metal machining and sheet metal fabrication services.

Source: Bloomberg L.P.

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For the purpose of our evaluation and for illustration, we have made comparison between the Group and the selected Comparable Peer Companies using the following bases:

- (i) The historical PER is commonly used for the purpose of illustrating the profitability and hence the valuation of the company as a going concern; and
- (ii) The P/NAV ratio or NAV approach to show the extent to which the value of each share is backed by its net assets. The NAV approach of valuing a group of companies is based on the aggregate value of all the assets of the group in their existing condition, after deducting the sum of all liabilities of the group.

Comparable Peer Companies	Last financial year end	Market capitalisation as at the Offer Announcement Date (\$\$million)	Historical PER ⁽²⁾ (times)	P/NAV ⁽³⁾ (times)
<u>Listed on SGX-ST</u>				
UMS	31 Dec 2018	329.90	7.95	1.44
AEM Holdings	31 Dec 2018	251.90	7.90	2.63
Spindex	31 Jun 2018	103.80	7.44	0.91
Grand Venture	31 Dec 2018	52.71	11.24	3.28
<u>Listed on Bursa Securities</u>				
Sam Engineering	31 Mar 2018	359.44 ⁽¹⁾	15.24	2.08
High			15.24	3.28
Low			7.44	0.91
Mean			9.96	2.07
Median			7.95	2.08
Company (implied by the Offer Price)	31 Dec 2018	60.19	27.44	0.73 (based on RNAV as at 31 Dec 2018)

Source: Bloomberg L.P., annual reports and latest publicly available financial information on the Comparable Peer Companies as at Offer Announcement Date

Notes:

- (1) Based on the exchange rate of S\$1.00:MYR3.039 on the Offer Announcement Date as extracted from Bloomberg L.P.;
- (2) The historical PERs of the Comparable Companies are computed based on their respective latest published full year earnings or trailing twelve months (“T12M”) earnings, where applicable, as at the Offer Announcement Date; and
- (3) The P/NAV ratio of the Comparable Peer Companies was computed based on their respective NAV values as set out in their latest published financial statements available as at the Offer Announcement Date.

Based on the above, we note that:

- (i) the historical PER of the Company of 27.4 times implied by the Offer Price is significantly higher than the upper end of the range of the historical PER of the Comparable Peer Companies and significantly higher than the mean and median of the historical PER of the Comparable Peer Companies.

However, as analysed in Section 7.2.1 of this Letter, in view of the low profits of the Group and the exponential percentage increase over the low base profit over the last 3 years,

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the Company's historical PER of 27.4 times implied by the Offer Price may be a skewed valuation statistic of the Company and hence, may not be meaningful as a comparison with the Comparable Peer Companies; and

- (ii) the P/RNAV ratio of 0.73 times implied by the Offer Price is within the range of the P/NAV ratios of the Comparable Peer Companies but below the mean and median of the P/NAV ratios of the Comparable Peer Companies.

It is also an anomaly as the Company appears to be priced high in terms of its implied PER but such valuation is below the value of its net assets, and substantially below the P/NAV ratios of its peers.

Shareholders should also note that the above comparison with the Comparable Peer Companies is purely for illustrative purposes only.

7.5 Dividend track record of the Company

In the last 3 years from FY2016 to FY2018, the Company had only declared and paid a final (one-tier) tax-exempt cash dividend of S\$0.0003 per ordinary share for FY2016. This represents a dividend yield of 1.15% based on then average daily closing price of the shares of the Company for FY2016.

As disclosed in the annual report of the Company for FY2018, the Company does not have a fixed dividend policy.

We wish to highlight that the above dividend analysis of the Company serves only as an illustrative guide and is not an indication of the Company's future dividend policy. There is no assurance that the Company will pay dividend in the future and/or maintain the level of dividends paid in the past periods.

7.6 Summary of our evaluation of the Offer

Based on our evaluation of the financial terms of the Offer, we are of the view that the Offer Price at S\$0.150 for each Offer Shares is not fair and not reasonable.

8. EVALUATION OF THE WARRANTS OFFER

- 8.1 As set out in the Overview in Section 7 of this Letter, our evaluation of the financial terms of the Warrants Offer includes our assessment of the equivalent offer price of the Shares at S\$0.154.

As pointed out in the above Overview, the Warrants Offer is not based on the "see-through" price of S\$0.07 for each Warrant, which is the difference between the Offer Price and the Exercise Price of the Warrants of S\$0.08 each. Instead the Warrants Offer Price of S\$0.074 is based on the highest price paid for the Warrants by the Concert Group in the last 6 months prior to the release of the Offer Announcement as disclosed in Appendix 6 to the Offer Document. The Concert Party, Mr Loh Meng Chong, Stanley, the Executive Director of the Offeror, had purchased the Warrants in the market at between S\$0.064 and \$0.074 each.

The Warrants Offer Price of S\$0.074 translates to an equivalent offer price for the Shares at S\$0.154 each. This represents a slight premium of S\$0.004, or 2.7% above the Offer Price.

- 8.2 In assessing the equivalent offer price of S\$0.154, we have re-looked at the pertinent factors set out in Section 7 of this Letter. Based on our evaluation, we are of the view that the equivalent offer price of S\$0.154 is also not fair and not reasonable as summarised below:

- (a) the equivalent offer price of S\$0.154 still represents discounts to the Company's historical market share prices, of 14.6%, 0.3%, 2.7% and 2.1% to the VWAP of the Shares for the 1-year, 6-month, 3-month and 1-month periods prior to the release of the Offer

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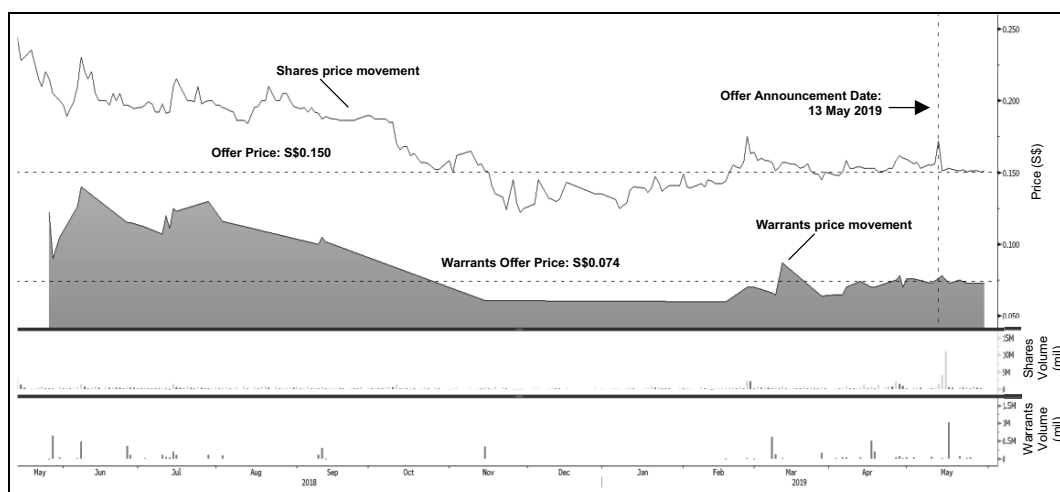
Announcement respectively, and a discount of 5.2% to the VWAP of the Shares on 13 May 2019, being the last trading day prior to the release of the Offer Announcement;

- (b) the equivalent offer price of S\$0.154 represents a P/RNAV of 0.75 times, or a discount of 24.6% to the RNAV per Share, which is significantly below the P/NAV ratios of the Comparable Peer Companies; and
- (c) the equivalent offer price of S\$0.154 represents a discount to the Company's market share prices compared to takeover offers of the Non-Privatisation Transactions which are at an average and median market premium of between 11% and 25%.

8.3 Market valuation of the Warrants

The Warrants, being a derivative instruments, generally move in tandem with the market Share prices, as show in the chart below for the Period Under Review. With respect to the Warrants, as these Warrants are deep in-the-money and the expiry date of the Warrants is due by 20 December 2019, the market valuation and the traded price of the Warrants would mainly reflect the intrinsic value of the Warrants, being the difference between the market Share price and the Exercise Price, and the band between the Share price and the Warrant price represents mainly the Exercise Price.

Price movement and trading volume of the Shares and Warrants for the Period Under Review



Source: The above trading price chart of Warrants commenced from 25 May 2018 as extracted from Bloomberg L.P.

However, compared to the underlying Shares, the Warrants were infrequently traded on the Catalist board of the SGX-ST, as the Warrants were traded on 38 out of 250 market days, and the average daily trading volume is low, representing 1.02% of the 12,800,989 outstanding Warrants over a 1-year period prior to the release of the Offer Announcement.

As an illustration, the Warrants were last transacted at S\$0.073 on 9 May 2019 prior to release of the Offer Announcement. On 9 May 2019, the last transacted Share price was S\$0.155. The intrinsic value of the Warrants would be S\$0.075. Perhaps due to the illiquid Warrants market, the Warrants were traded at below its intrinsic value.

Based on the Offer Price of S\$0.150, the intrinsic value of the Warrants, which is also the “see-through” price is S\$0.07. The Warrants Offer Price of S\$0.074 therefore represents a slight premium of 5.7% above the intrinsic value of the Warrants implied by the Offer Price. The Warrants Offer is therefore a more favourable offer compared to the Offer for the Shares.

As a result, post the Offer Announcement, the Warrants were mainly transacted at S\$0.073 up to the Latest Practicable Date, presumably supported by the Warrants Offer Price.

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Theoretical value of the Warrants

For completeness, we have also considered the valuation of the Warrants using the theoretical value of warrants based on the Black-Scholes model, which is a common methodology used in the calculation of call warrants. The theoretical value of the warrants is a function of, *inter alia*, the exercise price vis-à-vis the current price of the underlying shares, the exercise period of the warrants, the nature of the call option whether it is an European call option (which is only exercisable on a predetermined exercise date) or an American call option (which can be exercised at any time prior to the expiry date of the warrant), the risk-free interest rate, the dividend yield of the shares and the price volatility of the underlying shares.

Based on the Black-Scholes model, the theoretical value of the Warrants implied by the Offer Price of S\$0.150 is S\$0.0721, mainly supported by the intrinsic value of the Warrants implied by the Offer Price as the time value of the Warrants is close to zero based on the expiry date of the Warrants which is due soon in December 2019.

The Warrants Offer Price of S\$0.074 is at a slight premium of 2.5% above the theoretical value of the Warrants.

It should be noted that the theoretical value of the call option using the Black-Scholes model may not reflect the actual value of the Warrants transacted on the Catalist board of the SGX-ST and there can be no assurance that an active trading of the Warrants will trade at or close to the theoretical value as suggested by the Black-Scholes model.

The following chart as extracted from Bloomberg L.P. shows the theoretical value of the Warrants implied by the Offer Price:

Underlying	JEP SP Equity	1J6W SP Equity		Trade	05/30/2019	17:17	
Und. Price	0.15	SGD		Settle	05/30/2019		
Results							
Price (Total)	0.07208	Currency	SGD	Vega	0.0001	Time Value	0.00
Price (Wrnt)	0.0721	Delta (%)	95.9134	Theta	0.0000	Gearing	2.08
Price (%)	48.0562	Gamma (%)	0.2244	Rho	0.0000	Break-Even (%)	1.39
Warrant	Leg 1						
Style	Warrant	Model		BS - continuous			
Warrant Type	Regular	Vol	HIST	55.807%			
Exercise	American	Forward	Carry	0.1517			
Call/Put	Call	SGD Rate	MMkt	2.037%			
Direction	Buy	Dividend Yield		0.000%			
Strike	0.080	Discounted Div Flow		0.00			
Strike % Money	46.67% ITM	Borrow Cost		0.000%			
Shares/Warrant	1.000000						
Position	1.0000						
First Exercise	12/23/2016						
Dilutive?	Dilutive Model						
Shares out (M)	401.24						
Warrants out (K)	12,800.99						
Expiry	12/20/2019						
Time to Expiry	204						
Price Type	Absolute						

Source: Bloomberg L.P.

8.4 Offer and Warrants Offer are mutually exclusive, choices by Warrantholders and our evaluation of the Warrants Offer

The Offer and Warrants Offer are separate and mutually exclusive. While the Offer is conditional upon the Minimum Acceptance Level, the Warrants Offer is unconditional in respects.

It is important to note that Warrantholders who exercise their Warrants into Warrants Shares in order to accept the Offer, will not be permitted to accept the Warrants Offer. Conversely, Warrantholders who accept the Warrants Offer will not be allowed to exercise their Warrants into Warrants Shares in order to accept the Offer.

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As set out in the Offer Document in relation to the terms of the Warrants Offer, Warrantholders have 3 choices in relation to all or any part of their holdings of the Warrants:

- (a) exercise their Warrants into Warrants Shares and accept the Offer;
- (b) accept the Warrants Offer; or
- (c) take no action and let the Warrants Offer lapse.

In view of the higher Warrants Offer Price which translates to an equivalent offer price of S\$0.154, it will not make economical sense for Warrantholders to exercise their Warrants into Warrants Shares so as to accept the Offer at the lower Offer Price of S\$0.150.

Further, in view of our opinion that the Offer Price at S\$0.150 and the equivalent offer price at S\$0.154 is not fair and not reasonable, we are therefore of the view that the financial terms of the Warrants Offer are also not fair and not reasonable even though the Warrants Offer Price of S\$0.074 is at a slight premium above the “see-through” price of S\$0.07.

Warrantholders should note that the Warrants will expire on 20 December 2019. If the Warrants are not exercised prior to the expiry date of the Warrants, the Warrants will lapse and cease to be valid.

9. Other relevant considerations

9.1 No increase in the Offer Price and Shut-Off Notice

The Offeror has given notice of the No Increase Statement in the Offer Announcement and in the clarification announcement on 29 May 2019 that it does not intend to revise the Offer Price.

Shareholders should therefore note that the Offer Price of S\$0.150 per Share is final and will not be revised.

The Offeror has also given the Shut-Off Notice for the Offer and the Warrants Offer to close at 5.30 p.m. (Singapore time) on 24 June 2019. Shareholders and Warrantholders should note that acceptances of the Offer and the Warrants Offer received after 5.30 p.m. (Singapore time) on 24 June 2019 will be rejected.

9.2 Likelihood of competing offers

As at the Latest Practicable Date, the UMS Group is the single largest controlling Shareholder with a 38.8% shareholding interest in the Company. The Directors have confirmed that, as at the Latest Practicable Date, apart from the Offer being made by the Offeror, no alternative offer or proposal from any third party has been received. We also note that there is no publicly available evidence of any alternative offer for the Shares from any third party.

In the event that the Offer becomes unconditional in all respects, upon the close of the Offer, the UMS Group would have statutory control of the Company.

In the event that the Offer does not become or is not declared unconditional in all respects by the close of the Offer, all acceptances to the Offer will be returned to the Shareholders not later than 14 days from the lapse of the Offer.

9.3 Intention of the Offeror regarding listing status

The Offeror is making the Offer and Warrants Offer in compliance with the requirements of the Code. It is the current intention of the Offeror to maintain the listing status of the Company on the Catalist board of the SGX-ST and the Offeror does not intend to exercise its right of compulsory acquisition under Section 215(1) of the Companies Act.

However, in the event that the Company does not meet the Free Float Requirement at the close of the Offer, the Offeror reserves the right to re-evaluate its position, including its right of

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compulsory acquisition (if applicable) depending on, *inter alia*, the ultimate level of acceptances received by the Offeror and the prevailing market conditions at the relevant time. Accordingly, there is no assurance that the Offeror will take steps to preserve the listing status of the Company on the Catalist board of the SGX-ST if the Free Float Requirement is not met.

9.4 Independent Directors' intention with regards to their Shares and/or Warrants

As disclosed in Appendix B to the Circular, the Director, namely Mr Zee Hoong Huay, has informed the Company that he intends to reject the Offer in respect of the 53,653,855 Shares directly held by him.

Ms Lee Pui Rong, spouse of Mr Zee Hoong Huay, has also informed the Company that she intends to reject the Offer in respect of the 6,401,000 Shares and to take no action and let the Warrants Offer lapse in respect of the 1,358,500 Warrants held by her.

Save as disclosed in this Letter and the Circular with respect to the interests of Mr Zee Hoong Huay and Mr Luong Andy, none of the Directors have any interest in the Shares and the Warrants.

9.5 Commentary by the Company on the outlook of the Group

The Company had made the following comments in relation to its business outlook in its unaudited results announcement for FY2018:

“Aerospace segment continues as the mainstream revenue of the Group, the global aerospace industry experienced a solid year as passenger travel demand expected growth rate of 7% annually and aircraft order backlog remains at an all-time high, enticing manufacturers to ramp up production rate.

The oil and gas segment remains challenging and uncertain largely due to shortage of projects despite signs of recovery in oil prices. The Group is on the lookout for positive developments in this segment and has recently received several orders from existing customers.

Equipment manufacturing segment, despite semiconductor industry is slowing down and U.S.-China trade tension, we are confident to achieve growth largely due to our well-diversified customer bases.

The Group will continue to monitor the market closely to capitalise on available opportunities either locally or outside Singapore; to capture the potential business opportunities, to leverage business risk and not overly-dependent on existing operation model, to enhance competitiveness and increasing its market share at respective business segments.”

In addition, the Chairman's Statement in the Company's Annual Report for FY2018 shared similar confident outlook for the Group, an extract of which is set out in Section 7.2 of this Letter under the caption entitled “**Overview**”.

Shareholders and Warrantholders should take note of any update announcements on the business outlook of the Group which may be released or published after the Latest Practicable Date, which may be relevant to their consideration of the Offer and the Warrants Offer.

10. OUR RECOMMENDATION TO THE INDEPENDENT DIRECTORS ON THE OFFER AND THE WARRANTS OFFER

In arriving at our recommendation in respect of the Offer and the Warrants Offer, we have taken into account, reviewed and deliberated on several key considerations which we considered to

APPENDIX A – LETTER FROM IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER FOR SECURITIES

be pertinent in our assessment of the Offer and Warrants Offer. These are set out in Sections 7, 8 and 9 of this Letter.

Based on our analysis and after having considered carefully the information available to us as at the Latest Practicable Date, we are of the view that the financial terms of the Offer and the Warrants Offer are not fair and not reasonable.

Accordingly, we advise the Independent Directors to recommend Shareholders to REJECT the Offer and to recommend Warranholders to take no action and let the Warrants Offer lapse.

Warranholders should note that the Warrants will expire on 20 December 2019. If the Warrants are not exercised prior to the expiry date of the Warrants, the Warrants will lapse and cease to be valid.

In rendering the above advice, we have not given regard to the specific investment objectives, financial situation, tax position, risk profiles or particular needs and constraints of any individual Shareholder or Warranholder. As each individual Shareholder/Warranholder would have different investment objectives and profiles, we would advise that any individual Shareholder/Warranholder who may require specific advice in relation to his investment objectives or portfolio should consult his legal, financial, tax or other professional adviser immediately. The Independent Directors should advise Shareholders/Warranholders that the opinion and advice of Provenance Capital should not be relied upon by any Shareholder/Warranholder as the sole basis for deciding whether or not to reject the Offer or the Warrants Offer, as the case may be.

Our recommendation is addressed to the Independent Directors for their benefit, in connection with and for the purposes of their consideration of the Offer and the Warrants Offer and may not be used or relied on for any other purposes (other than for the purpose of the Offer and the Warrants Offer) without the prior written consent of Provenance Capital. The recommendation to be made by the Independent Directors to Shareholders and Warranholders in respect of the Offer and the Warrants Offer respectively shall remain the responsibility of the Independent Directors.

This Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
For and on behalf of
PROVENANCE CAPITAL PTE. LTD.

Wong Bee Eng
Chief Executive Officer

APPENDIX B – ADDITIONAL INFORMATION ON THE COMPANY

1. DIRECTORS

The names, addresses, and designations of the Directors as at the Latest Practicable Date are set out below:

Name	Address	Designation
Mr. Luong Andy	c/o 16 Seletar Aerospace Crescent, Singapore 797567	Executive Chairman and Chief Executive Officer
Mr. Zee Hoong Huay	c/o 16 Seletar Aerospace Crescent, Singapore 797567	Executive Director
Mr. Wong Gang	c/o 16 Seletar Aerospace Crescent, Singapore 797567	Lead Independent Director
Mr. Kong Chee Keong	c/o 16 Seletar Aerospace Crescent, Singapore 797567	Independent Director
Mr. Chung Chi-Te	c/o 16 Seletar Aerospace Crescent, Singapore 797567	Independent Director

2. REGISTERED OFFICE OF THE COMPANY

The registered office of the Company is at 16 Seletar Aerospace Crescent, Singapore 797567.

3. PRINCIPAL ACTIVITIES OF THE COMPANY

The Company was incorporated in Singapore on 12 March 1994 and is listed on the Catalist of the SGX-ST. The principal activities of the Company are that of investment holding and the provision of management services to its subsidiaries.

4. SHARE CAPITAL

4.1 Number and Class of Shares

As at the Latest Practicable Date, based on a search conducted at the ACRA, the total issued and paid-up share capital of the Company is S\$51,292,417.72 comprising 401,236,516 ordinary shares (excluding treasury shares). The Company does not hold any treasury shares.

4.2 Rights of Shareholders in respect of Capital, Dividends and Voting

The rights of Shareholders in respect of capital, dividends and voting are contained in the Constitution. An extract of the relevant provisions in the Constitution relating to the rights of Shareholders in respect of capital, dividends and voting is reproduced in **Appendix E** of this Circular. The Constitution is available for inspection at the registered address of the Company at 16 Seletar Aerospace Crescent, Singapore 797567. Capitalised terms and expressions not defined in the extract have the meanings ascribed to them in the Constitution and/or the Companies Act.

4.3 Shares Issued since End of Last Financial Year

As at the Latest Practicable Date, 4,980,450 new Shares were issued by the Company since 31 December 2018, being the end of the last financial year as a result of Warrants being exercised by Warrantholders.

4.4 Outstanding Convertible Securities

As at the Latest Practicable Date, the Company has 12,800,989 Warrants. Save for the Warrants, the Company does not have any outstanding instruments convertible into, rights to subscribe for, or options (whether pursuant to an employee share option scheme or otherwise) in respect of, securities which carry voting rights in the Company

APPENDIX B – ADDITIONAL INFORMATION ON THE COMPANY

5. SUMMARY OF FINANCIAL INFORMATION

5.1 Consolidated statements of comprehensive income

A summary of the audited consolidated statement of comprehensive income of the Group for FY2016, FY2017 and FY2018 is set out below.

	The Group		
	FY2016 S\$ '000	FY2017 S\$ '000	FY2018 S\$ '000
Revenue	71,934	86,093	85,865
Cost of sales	(64,199)	(76,160)	(73,274)
Gross profit	7,735	9,933	12,591
Other operating income	1,771	2,134	1,165
Selling and distribution expenses	(2,234)	(2,241)	(2,094)
Administrative expenses	(7,445)	(8,653)	(6,270)
Other operating expenses	–	–	(680)
Finance expenses	(984)	(1,427)	(1,531)
Profit (Loss) before tax	(1,157)	(254)	3,181
Income tax (expense) credit	972	437	(886)
Profit (Loss) for the year	(185)	183	2,295
Other comprehensive income <i>Items that may be reclassified subsequently to profit or loss</i>			
Currency translation differences	1	*	194
Total comprehensive income (expenses) for the year	(184)	183	2,489
Profit (Loss) attributable to:			
Owners of the Company	154	825	2,193
Non-controlling interests	(339)	(642)	102
	(185)	183	2,295
Total comprehensive income (expenses) attributable to:			
Owners of the Company	155	825	2,387
Non-controlling interests	(339)	(642)	102
	(184)	183	2,489

* Denotes less than S\$1,000

APPENDIX B – ADDITIONAL INFORMATION ON THE COMPANY

5.2 Statement of financial position

A summary of the audited consolidated statement of financial position of the Group as at 31 December 2018 is set out below.

	S\$ '000
ASSETS	
Current assets	
Cash and bank balances	4,541
Trade and other receivables	22,713
Inventories	15,741
	42,995
Non-current assets	
Property, plant and equipment	51,185
Intangible assets	17,869
Deferred tax assets	91
	69,145
	112,140
TOTAL ASSETS	
LIABILITIES AND EQUITY	
Current liabilities	
Bank loans	11,105
Trade and other payables	15,487
Finance leases	2,003
	28,595
Non-current liabilities	
Bank loans	25,551
Finance leases	4,572
Deferred tax liabilities	1,295
	31,418
Equity attributable to owners of the Company	
Share capital	47,811
Capital reserve	553
Warrants reserve	219
Retained earnings	3,544
	52,127
	112,140
TOTAL LIABILITIES AND EQUITY	

The above summary should be read together with the annual report for FY2018 and the audited consolidated financial statements of the Group for FY2018, which is set out in **Appendix D** of this Circular, and the related notes thereto.

APPENDIX B – ADDITIONAL INFORMATION ON THE COMPANY

5.3 Significant accounting policies

A summary of the significant accounting policies of the Group is set out in Note 2 to the audited consolidated financial statements of the Group for FY2018, which are reproduced in **Appendix D** of this Circular.

Save as disclosed in this Circular and publicly available information on the Group (including but not limited to that contained in the audited consolidated financial statements of the Group for FY2018), there are no significant accounting policies or any points from the notes to the financial statements which are of major relevance for the interpretation of the accounts.

5.4 Changes in accounting policies

There have been no significant changes in the accounting policies of the Group since 31 December 2018, being the date of the last published audited accounts of the Group, which will cause the figures disclosed in this Circular not to be comparable to a material extent.

6. MATERIAL CHANGES IN FINANCIAL POSITION

Save for the information disclosed in this Circular and publicly available information on the Company (including but not limited to announcements and circulars released and despatched by the Company in respect of its financial results or other matters), there are no known material changes in the financial position of the Company as at the Latest Practicable Date since 31 December 2018, being the date to which the Company's last published audited financial statements were made up.

7. DISCLOSURE OF INTERESTS OF THE COMPANY AND THE DIRECTORS

7.1 Holdings in securities and dealings

As at the Latest Practicable Date:

- (a) the Company does not have any direct or deemed interests in any Offeror Securities;
- (b) save as disclosed below and in this Circular, as at the Latest Practicable Date, none of the Directors has any direct or deemed interests in any Offeror Securities;

Name of Director	Offeror Securities registered in name of director	Offeror Securities in which director is deemed to have an interest	Total	Percentage (%) ⁽¹⁾
Mr. Luong Andy – Offeror Securities	3,556,800	107,323,750 ⁽²⁾	110,880,550	20.67
Mr. Zee Hoong Huay – Offeror Securities	–	4,871,200 ⁽³⁾	4,871,200	0.91

Notes:

- (1) Based on the total issued and paid-up ordinary share capital of the Offeror comprising 536,429,579 Offeror Securities.
- (2) Mr. Luong Andy is deemed interested in 107,323,750 Offeror Securities registered in the name of UOB Kay Hian Private Limited.
- (3) Mr. Zee Hoong Huay is deemed interested in 1,893,300 Offeror Securities registered in the name of DBS Nominees Pte Ltd, 2,937,800 Offeror Securities registered in the name of Phillip Securities Pte Ltd, and 40,100 Offeror Securities held by his spouse, Ms. Lee Pui Rong, through Phillip Securities Pte Ltd.

APPENDIX B – ADDITIONAL INFORMATION ON THE COMPANY

- (c) save as disclosed below and in this Circular, each of the Company and the Directors have not dealt for value in any Offeror Securities during the Relevant Period:
- (i) on 15 November 2018, Mr. Luong Andy acquired 331,800 Offeror Securities via transactions on the market at a price of S\$0.648 per Offeror Security;
 - (ii) on 20 November 2018, Mr. Zee Hoong Huay acquired 100,000 Offeror Securities via transactions on the market at a price of S\$0.620 per Offeror Security;
 - (iii) on 23 November 2018, Mr. Zee Hoong Huay acquired 100,000 Offeror Securities via transactions on the market at a price of S\$0.605 per Offeror Security;
 - (iv) on 26 November 2018, Mr. Zee Hoong Huay acquired 100,000 Offeror Securities via transactions on the market at a price of S\$0.595 per Offeror Security;
 - (v) on 18 December 2018, Mr. Luong Andy acquired 250,000 Offeror Securities via transactions on the market at a price of S\$0.555 per Offeror Security;
 - (vi) on 16 May 2019, Mr. Luong Andy acquired 250,000 Offeror Securities via transactions on the market at a price of S\$0.625 per Offeror Security; and
 - (vii) on 23 May 2019, Mr. Luong Andy acquired 250,000 Offeror Securities via transactions on the market at a price of S\$0.595 per Offeror Security;
- (d) save as disclosed below and in this Circular, as at the Latest Practicable Date, none of the Directors has any direct or deemed interests in any Company Securities:

Name of Director	Shareholdings registered in name of director	Shareholdings in which director is deemed to have an interest	Total	Percentage (%)
Mr. Luong Andy – Shares	–	155,589,477 ⁽¹⁾	155,589,477	38.78
– Warrants	–	–	–	–
Mr. Zee Hoong Huay – Shares	53,653,855	6,401,000 ⁽²⁾	60,054,855	14.97
– Warrants	–	1,358,500	1,358,500	

Notes:

- (1) Mr. Luong Andy holds 20.67% of the issued share capital of UMS Holdings Limited, which in turn holds 155,589,477 Shares. Mr. Luong Andy is therefore deemed to be interested in all the Shares held by UMS Holdings Limited in the Company.
 - (2) Mr. Zee Hoong Huay is deemed interested in 6,401,000 Shares and 1,358,500 Warrants held by his spouse, Ms. Lee Pui Rong.
- (e) none of the Directors has dealt for value in any Company Securities during the Relevant Period.

APPENDIX B – ADDITIONAL INFORMATION ON THE COMPANY

7.2 Directors' intentions in relation to the Offer for Securities

The following Directors who have direct or deemed interests in the Shares and/or Warrants have informed the Company of their intentions in respect of the Offer for Securities as follows:

- (a) Mr. Zee Hoong Huay intends to reject the Offer in respect of the 53,653,855 Shares directly held by him; and
- (b) Ms. Lee Pui Rong, the spouse of Mr. Zee Hong Huay, has also informed the Company that she intends to reject the Offer in respect of the 6,401,000 Shares held by her and to take no action and let the Warrants Offer lapse in respect of the 1,358,500 Warrants held by her.

7.3 Directors' service contracts

As at the Latest Practicable Date, (a) there are no service contracts between any Director or proposed director with the Company or any of its subsidiaries with more than 12 months to run, which the employing company cannot, within the next 12 months, terminate without payment of compensation; and (b) there are no such service contracts entered into or amended between any of the Directors or proposed director with the Company or any of its subsidiaries during the period between the start of six (6) months preceding the Offer Announcement Date and the Latest Practicable Date.

7.4 Arrangements affecting directors

As at the Latest Practicable Date:

- (a) there are no payments or other benefits which will be made or given to any Director or any director of any corporation, which is by virtue of Section 6 of the Companies Act, deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Offer for Securities;
- (b) there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer for Securities; and
- (c) save as disclosed in Section 7.1 (Holdings in securities and dealings) of this **Appendix B**, none of the Directors has a material personal interest, whether direct or indirect, in any material contract entered into by the Offeror.

8. DISCLOSURE OF INTERESTS OF THE INDEPENDENT FINANCIAL ADVISER

None of the IFA or any of the funds whose investments are managed by the IFA on a discretionary basis, owns or controls any Company Securities as at the Latest Practicable Date, or has dealt with any Company Securities during the Relevant Period.

9. MATERIAL CONTRACTS WITH INTERESTED PERSONS

In January 2018, the Offeror, then holding 107,466,075 Shares representing approximately 29.48% of the Company's issued and paid up share capital (excluding treasury shares), became a Controlling Shareholder of the Company. As a Controlling Shareholder, the Offeror was deemed as an interested person ("**Interested Person**") within the meaning of Chapter 9 of the Catalyst Rules and transactions between the Group and the Offeror Group are deemed interested person transactions ("**Interested Person Transactions**") within the meaning of Chapter 9 of the Catalyst Rules.

APPENDIX B – ADDITIONAL INFORMATION ON THE COMPANY

The Company sought and obtained Shareholders' approval at an extraordinary general meeting convened on 23 April 2019 for the adoption of a general mandate to allow the entities within the Group that are considered to be "entities at risk" within the meaning of Chapter 9 of the Catalyst Rules, to enter in the ordinary course of business into any of the mandated transactions ("**Interested Person Transactions**") with specified classes of the Company's Interested Persons, comprising the Offeror, its subsidiaries and associated companies; provided that such transactions are made on normal commercial terms, and will not be prejudicial to the interests of the Company and its minority Shareholders, and in accordance with the review procedures for such transactions.

The mandated transactions comprise:

(i) Trading transactions

This category of Interested Person Transactions includes:

- (1) the sale of cutting tools by the Group to the Offeror Group; and
- (2) the purchase of raw materials from the Offeror Group.

The Group supplies cutting tools to certain members of the Offeror Group which are primarily engaged in the business of manufacturing components for the semiconductor industry. The Group also purchases raw materials, namely aluminium blocks and other aluminium products from certain members of the UMS Group for the Group's precision machining and fabrication operations.

(ii) Sub-contracting services

This category of Interested Person Transactions includes:

- (1) procuring subcontracting services from the Offeror Group for metal fabrication works and machining works; and
- (2) providing subcontracting services to the Offeror Group for machining works.

In this category of Interested Person Transactions, the Group procures subcontracting services from the Offeror Group by engaging certain members of the Offeror Group to act as subcontractors for its metal fabrication and machining works for its projects relating to manufacturing of integrated plating lines, machine frames and enclosures. The Group will be the main contractor of such projects. The Group also intends to provide subcontracting services by acting as subcontractors for certain members of the Offeror Group which are engaged in the manufacturing of components for the semiconductor industry by providing machining works, primarily for high precision machining projects.

Since the Offeror became a Controlling Shareholder of the Group, the Group has been leveraging on the operational strengths of the Offeror Group by entering into certain recurrent Interested Person Transactions with the Offeror Group in the ordinary course of business of the Group. For the financial year ended 31 December 2018 ("**FY2018**"), the value of such Interested Person Transactions amounted to S\$879,350. From 1 January 2019 until the Latest Practicable Date, the value of such Interested Person Transactions amounted to S\$1,462,203.

Save as disclosed above and in this Circular, as at the Latest Practicable Date, there have been no material contracts (not being contracts entered into during the ordinary course of business carried on by the Company) entered into by the Company or any of its subsidiaries with Interested Persons, during the three (3) years preceding the Offer Announcement Date and ending on the Latest Practicable Date.

APPENDIX B – ADDITIONAL INFORMATION ON THE COMPANY

10. MATERIAL LITIGATION

As at the Latest Practicable Date:

- (a) neither the Company nor any of its subsidiaries is engaged in any material litigation or arbitration proceedings, as plaintiff or defendant, which might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole; and
- (b) the Directors are not aware of any litigation, claim or proceeding pending or threatened against the Company or any of its subsidiaries or of any fact likely to give rise to any proceeding which might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole.

APPENDIX C – ADDITIONAL INFORMATION ON THE OFFEROR

The following information on the Offeror has been extracted from Appendix 4 of the Offer Document and set out below.

“APPENDIX 4 – ADDITIONAL INFORMATION ON THE OFFEROR

1. DIRECTORS

Based on a search conducted at the Accounting and Corporate Regulatory Authority of Singapore on the Latest Practicable Date, the names, addresses and descriptions of the directors of the Offeror as at the Latest Practicable Date are set out below.

Name	Address	Description
Mr Luong Andy	<i>c/o 23 Changi North Crescent, Changi North Industrial Estate, Singapore 499616</i>	<i>Chairman and Chief Executive Officer</i>
Mr Loh Meng Chong, Stanley	<i>c/o 23 Changi North Crescent, Changi North Industrial Estate, Singapore 499616</i>	<i>Executive Director</i>
Mr Chay Yiowmin	<i>c/o 23 Changi North Crescent, Changi North Industrial Estate, Singapore 499616</i>	<i>Lead Independent Director</i>
Ms Gn Jong Yuh Gwendolyn	<i>c/o 23 Changi North Crescent, Changi North Industrial Estate, Singapore 499616</i>	<i>Independent Director</i>
Datuk Phang Ah Tong	<i>c/o 23 Changi North Crescent, Changi North Industrial Estate, Singapore 499616</i>	<i>Independent Director</i>

2. SHARE CAPITAL

Based on a search conducted at the Accounting and Corporate Regulatory Authority of Singapore on the Latest Practicable Date, the Offeror has an issued and paid-up share capital of S\$136,623,354.77 comprising 536,429,579 ordinary shares.

3. FINANCIAL INFORMATION

Set out below is certain financial information extracted from the audited consolidated financial statements of the Offeror and its subsidiaries for financial years ended 31 December 2016 (“FY2016”), 31 December 2017 (“FY2017”) and 31 December 2018 (“FY2018”) respectively and the unaudited consolidated quarterly financial statements of the Offeror and its subsidiaries for the financial period ended 31 March 2019. The audited consolidated financial statements of the Offeror for FY2016, FY2017 and FY2018, and the unaudited consolidated quarterly financial statements of the Offeror and its subsidiaries for the financial period ended 31 March 2019 are available for inspection at the registered office of the Offeror at 23 Changi North Crescent, Changi North Industrial Estate, Singapore 499616, during normal business hours for the period for which the Offer and the Warrants Offer remain open for acceptance.

APPENDIX C – ADDITIONAL INFORMATION ON THE OFFEROR

3.1 Income Statements

	Financial year ended 31 December 2016 (Audited) (S\$'000)	Financial year ended 31 December 2017 (Audited) (S\$'000)	Financial year ended 31 December 2018 (Audited) (S\$'000)	First quarter ended 31 March 2019 (Unaudited) (S\$'000)
Turnover	104,204	162,498	127,939	28,602
Exceptional items	–	–	–	–
Net profit before tax	24,737	55,238	45,506	7,370
Net profit after tax	22,591	51,715	42,653	6,820
Non-controlling interest	–	(322)	(418)	(229)
Net earnings per share⁽¹⁾ (cents)	4.21	9.70	8.03	1.31
Net dividends per share⁽²⁾ (cents)	6.00	6.00	5.50	–

3.2 Statement of Assets and Liabilities as at 31 December 2018 and 31 March 2019

	As at 31 December 2018 (Audited) (S\$'000)	As at 31 March 2019 (Unaudited) (S\$'000)
Assets		
Non-current assets	170,515	174,699
Current assets	104,513	111,353
Total assets	275,028	286,052
Liabilities and Equity		
Non-current liabilities	6,430	10,348
Current liabilities	38,137	38,122
Total equity	230,461	237,582
Total liabilities and equity	275,028	286,052

Notes:

- (1) “**Net earnings per share**” represents the net profit divided by the weighted average number of shares. The earnings per share for the financial year ended 31 December 2016 was computed based on the number of ordinary shares issued after the issuance of bonus shares of 107,285,632 which was completed on 6 November 2017.
- (2) “**Net dividends per share**” represents actual dividend paid during the year divided by the weighted average number of shares.

APPENDIX C – ADDITIONAL INFORMATION ON THE OFFEROR

4. MATERIAL CHANGES IN FINANCIAL POSITION

As at the Latest Practicable Date, save as disclosed in this Offer Document and save for information on the Offeror and its subsidiaries which is publicly available (including the last unaudited consolidated quarterly financial statements of the Offeror and its subsidiaries for the financial period ended 31 March 2019 which was released by the Offeror on SGXNET on 15 May 2019, other announcements released by the Offeror on the SGX-ST) and as may be announced by the Offeror from time to time, and save for the Offeror making and financing the Offer and the Warrants Offer, there have not been any material changes in the financial position of the Offeror since 31 December 2018, being the date of the last audited consolidated financial statements of the Offeror laid before its shareholders in general meeting.

The latest released financial results of the Offeror and the annual report of the Offeror for the financial year ended 31 December 2018 are available on the website of the SGX-ST at www.sgx.com.

5. CHANGES IN ACCOUNTING POLICIES

There have been no significant changes in the accounting policies of the Offeror since 31 December 2018, being the date of the last published audited accounts of the Offeror, which will cause the figures disclosed in this Offer Document not to be comparable to a material extent.

6. REGISTERED OFFICE

The registered office of the Offeror is at 23 Changi North Crescent, Changi North Industrial Estate, Singapore 499616.”

**APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE GROUP FOR FY2018**

The audited consolidated financial statements of the Group for FY2018 which are set out below have been reproduced from the Company's annual report for FY2018, and were not specifically prepared for inclusion in this Circular.

A copy of the annual report of the Company for FY2018 is available for inspection at the registered address of the Company at 16 Seletar Aerospace Crescent, Singapore 797567, during normal business hours until the Closing Date.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

DIRECTORS' STATEMENT

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

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

1 DIRECTORS

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

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

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

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

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

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

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

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

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

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

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

DIRECTORS' STATEMENT

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 comprises the following members:

Kong Chee Keong	(Chairman and Independent Director)
Wong Gang	(Lead Independent Director)
Chung Chi-Te	(Independent Director)

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

- (i) reviewed the overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls;
- (ii) reviewed the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- (iii) reviewed the half yearly financial information and the consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended December 31, 2018 as well as the independent auditor's report thereon;
- (iv) reviewed the effectiveness of the Company's key internal controls, including financial, operational, compliance controls and information technology controls and risk management systems via reviews carried out by the internal auditors;
- (v) met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee;
- (vi) reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- (vii) reviewed the cost effectiveness and the independence and objectivity of the external auditor;
- (viii) reviewed the nature and extent of non-audit services provided by the external auditor;
- (ix) recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;
- (x) reported actions and minutes of the Audit Committee to the Board of Directors with such recommendations as the Audit Committee considered appropriate; and
- (xi) reviewed the interested person transactions as defined in Chapter 9 of the Listing Manual of the Singapore Exchange ("SGX-ST").

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

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

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

DIRECTORS' STATEMENT

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

6 AUDITORS

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

ON BEHALF OF THE DIRECTORS

.....
Andy Luong

.....
Zee Hoong Huay

March 26, 2019

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

INDEPENDENT AUDITOR’S REPORT

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matter

Our audit performed and responses thereon

Impairment review of goodwill

Goodwill arises from the Group’s acquisition of Dolphin Engineering Pte Ltd (“DEPL”), JEP Precision Engineering Pte Ltd (“JEPS”) and JEP Industrades Pte Ltd (“JEPI”). As of December 31, 2018, the carrying amount of the Group’s goodwill is \$17,542,000.

Goodwill is required to be tested annually for impairment or more frequently if there are indications that goodwill might be impaired.

Value-in-use is estimated based on management’s forecast of future cash flows discounted to present value using the pre-tax discount rate. Significant estimates and assumptions such as discount rate and terminal growth rate are required in determining value-in-use.

The key assumptions of the impairment test and the sensitivity of changes in these assumptions to the risk of impairment are disclosed in Note 12 to the financial statements.

Our audit procedures focused on evaluating and challenging the key assumptions used by management in their impairment review of goodwill.

We performed the following procedures:

- Obtained and reviewed management’s impairment assessment of goodwill by evaluating and challenging assumptions such as revenue growth rates and gross margins;
- Engaged valuation specialist to review key assumptions such as the discount rate and the terminal growth rate used by the management in their impairment assessment;
- Performed an independent review of the appropriateness of the cash-generating units used by management; and
- Performed sensitivity analysis on key assumptions.

We considered the adequacy of the disclosures in the consolidated financial statements in respect of the impairment review of goodwill.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

INDEPENDENT AUDITOR'S REPORT

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

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

Report on Other Legal and Regulatory Requirements

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

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

Deloitte & Touche LLP

Public Accountants and
Chartered Accountants
Singapore

March 26, 2019

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

STATEMENTS OF FINANCIAL POSITION

December 31, 2018

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

See accompanying notes to financial statements.

**APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE GROUP FOR FY2018**

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

Year ended December 31, 2018

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

* Denotes less than \$1,000.

See accompanying notes to financial statements.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2018

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

* Denotes less than \$1,000.

**APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE GROUP FOR FY2018**

STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2018

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

See accompanying notes to financial statements.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2018

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

Note A

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

* Denotes less than \$1,000.

See accompanying notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2018

1 GENERAL

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for *share-based payment* transactions that are within the scope of SFRS(I) 2 *Share-based Payment*, leasing transactions that are within the scope of SFRS(I) 1-17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

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

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

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

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

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

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

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

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)s). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

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

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

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

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

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in SFRS(I) 2 *Share-based Payment* at the acquisition date; and

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

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

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

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

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

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

Financial assets

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

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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.

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

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financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Foreign exchange gains and losses

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

Impairment of financial assets

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

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

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

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

Significant increase in credit risk

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

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

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

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

Despite the foregoing, 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

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business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of “investment grade” as per globally understood definition.

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

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

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

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, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

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.

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

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

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

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

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

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

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

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

Financial guarantee contracts

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

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

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

Foreign exchange gains and losses

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

Derecognition of financial liabilities

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

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

The Group as lessor

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

The Group as lessee

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

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

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

NON-CURRENT ASSETS HELD FOR SALE – Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Sale of goods
- Rendering of services
- Rental income

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

Sale of goods

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

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

Rendering of services

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

Rental income

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates

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prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

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

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

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

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

Dismantlement, removal or restoration costs for property, plant and equipment (Note 11)

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

(b) *Key sources of estimation uncertainty*

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

Impairment review of property, plant and equipment

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

Useful lives of property, plant and equipment

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

Impairment review of goodwill

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

Allowance for inventories

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

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4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) *Categories of financial instruments*

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

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

(b) *Financial risk management policies and objectives*

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

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

(i) Foreign exchange risk management

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

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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:

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

	<u>Company</u>					
	<u>Liabilities</u>			<u>Assets</u>		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
USD	–	–	–	37	977	7

Foreign currency sensitivity

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

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

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

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

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December 31, 2018

(ii) Interest rate risk management

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

Interest rate sensitivity

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

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

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

(iii) Credit risk management

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

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

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

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

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

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

	Note	External credit rating	Internal credit rating	12-month or Lifetime ECL	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000
Group							
<u>December 31, 2018</u>							
Trade receivables	7	n.a	(i)	Lifetime ECL (simplified approach)	19,882	(64)	19,818
Other receivables	7	n.a	Performing	12-month ECL	1,620	– <u>(64)</u>	1,620
<u>December 31, 2017</u>							
Trade receivables	7	n.a	(i)	Lifetime ECL (simplified approach)	20,672	(54)	20,618
Other receivables	7	n.a	Performing	12-month ECL	1,900	– <u>(54)</u>	1,900
<u>January 1, 2017</u>							
Trade receivables	7	n.a	(i)	Lifetime ECL (simplified approach)	17,688	(64)	17,624
Other receivables	7	n.a	Performing	12-month ECL	664	– <u>(64)</u>	664
Company							
<u>December 31, 2018</u>							
Trade receivables	7	n.a	n.a.	Lifetime ECL (simplified approach)	–	–	–
Other receivables	7	n.a	n.a	12-month ECL	–	–	–
Amount due from subsidiaries	8	n.a	n.a.	12-month ECL	–	–	–
<u>December 31, 2017</u>							
Trade receivables	7	n.a	n.a.	Lifetime ECL (simplified approach)	–	–	–
Other receivables	7	n.a	Performing	12-month ECL	6	–	6
Amount due from subsidiaries	8	n.a	Performing	12-month ECL	6,700	–	6,700
<u>January 1, 2017</u>							
Trade receivables	7	n.a	n.a.	Lifetime ECL (simplified approach)	–	–	–
Other receivables	7	n.a	Performing	12-month ECL	–	–	–
Amount due from subsidiaries	8	n.a	Performing	12-month ECL	6,663	–	6,663

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

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

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

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

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

* People's Republic of China includes Hong Kong.

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

Denotes less than 1%.

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

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

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(iv) Liquidity risk management

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

Liquidity and interest risk analyses

Non-derivative financial assets

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

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

Non-derivative financial liabilities

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

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

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

(v) Fair value of financial assets and financial liabilities

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

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

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

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

Financial instruments measured at fair value

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

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

(c) Capital management policies and objectives

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

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

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

5 RELATED PARTY TRANSACTIONS

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

Significant related party transactions as follows:

	Group	
	December 31, 2018	December 31, 2017
	\$'000	\$'000
<u>Subsidiary of the non-controlling shareholder ⁽¹⁾</u>		
Sale of goods	5,067	6,729
Purchases of goods	–	228
<u>Related parties ⁽²⁾</u>		
Sale of goods	739	–
Purchases of goods	140	–

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

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

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Compensation of directors and key management personnel

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

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

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

6 CASH AND BANK BALANCES

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

7 TRADE AND OTHER RECEIVABLES

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

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December 31, 2018

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

Trade receivables

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

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

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

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

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

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December 31, 2018

The table below is an analysis of trade receivables:

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

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

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

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

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

Other receivables

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

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

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

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8 AMOUNT DUE FROM SUBSIDIARIES

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

Note A

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

Note B

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

Amount due from subsidiaries

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

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

9 INVENTORIES

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

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December 31, 2018

Movement in the allowance for inventory:

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

10 ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

For the financial years ended from December 31, 2013 to 2017, the assets and liabilities related to JEPT were presented in the consolidated statements of financial position as “Assets of disposal group classified as held for sale” and “Liabilities directly associated with disposal group classified as held for sale”. The liquidation process of JEPT was completed on October 24, 2018 and JEPT ceased to be a subsidiary of the Company.

Statements of financial position disclosures

The major classes of assets and liabilities of JEPT classified as held for sale prior to the disposal on October 24, 2018 were as follows:

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

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11 PROPERTY, PLANT AND EQUIPMENT

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

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

Leased property, plant and equipment

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

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

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

Security

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

12 INTANGIBLE ASSETS

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

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NOTES TO FINANCIAL STATEMENTS

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(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:

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

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

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

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

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

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

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

(b) Customer relationship

JEP Precision Engineering Pte Ltd

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

JEP Industrades Pte Ltd

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

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13 SUBSIDIARIES

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

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

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

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

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

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

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

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

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

Non-controlling interests

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

Summarised statement of financial position

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

Summarised statement of profit or loss and other comprehensive income

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

Summarised statement of cash flows

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

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14 BANK LOANS

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

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

Note A

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

Terms and conditions of outstanding borrowings are as follows:

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

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

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

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

- (a) A 4-year term loan was granted to a subsidiary in 2016. The secured term loan granted to the subsidiary is repayable by 16 quarterly instalments of amount \$196,000 each.
- (b) A term loan was granted to a subsidiary in 2015 for the construction of Seletar Aerospace Park building. The secured term loan granted to the subsidiary is repayable over 83 fixed monthly principal instalments of \$98,000 and a final principal instalment of \$11,862,000.
- (c) A 3-year term loan was granted to a subsidiary in 2018. The secured term loan granted to the subsidiary is repayable over 36 monthly instalments over a period of 3 years.
- (d) A 10-year term loan was granted to a subsidiary in 2015. The secured term loan granted to the subsidiary is repayable over 119 monthly principal instalments of \$22,200 each and a final fixed principal instalment of \$1,358,200.
- (e) The 15-year secured term loan granted to a subsidiary in 2014 is repayable over 180 monthly instalments over a period of 15 years.
- (f) The secured 5-year construction loan granted to a subsidiary by a bank in 2015 is repayable over 47 monthly principal instalments of \$20,000 each and a final lump sum of \$1,043,000 was repaid during the year.
- (g) The factored receivables is repayable up to January 31, 2019 (December 31, 2017 : February 23, 2018; January 1, 2017 : January 20, 2017).
- (h) The secured trust receipts granted to a subsidiary by a bank is repayable on various dates between January 10, 2019 (December 31, 2017 : January 2, 2018; January 1, 2017 : January 3, 2017), being the earliest date and May 28, 2019 (December 31, 2017 : June 4, 2018; January 1, 2017 : May 23, 2017), being the latest date.

Secured term loans

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

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

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Secured bank facilities

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

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

Reconciliation of liabilities arising from financing activities

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

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

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

⁽ⁱ⁾ The cash flows make up the net amount of proceeds and repayments of borrowings and finance leases in the statement of cash flows.

⁽ⁱⁱ⁾ Purchase of property, plant and equipment by means of finance leases.

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15 TRADE AND OTHER PAYABLES

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

Deferred income

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

As at January 1, 2017, deferred income relates to the sale and leaseback transaction for leasehold factory building located at 44 and 46 Changi South Street 1 carried out in the financial year 2010 entered by the subsidiary, JEP Precision Engineering Pte Ltd, where sales proceeds over fair value is amortised over the lease term of seven years.

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16 AMOUNT DUE TO SUBSIDIARIES

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

Note A

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

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

17 FINANCE LEASES

Finance lease liabilities are payable as follows:

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

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

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

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

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18 CONTINGENT CONSIDERATION AND PROVISION

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

Note A

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

- (a) Additional cash consideration for each financial year 2016, 2017 and 2018 shall be based on the actual net profit after tax (“NPAT”) for the relevant financial year based on the audited financial statements, up to a cumulative maximum amount of \$4,000,000 for the three financial years, provided, inter alia, that the Company shall first receive from JEPI an aggregate of \$1,000,000 in dividends before any additional cash consideration is paid to the previous owners of JEPI; and
- (b) The additional cash consideration shall be paid no later than 1 month after the relevant audited financial statements of JEPI for the relevant financial year have been issued.
- (c) The determination of the fair value is based on discounted cash flows. The key assumption applied is the timing of JEPI meeting the performance target.

Note B

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

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19 DEFERRED TAX

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

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

Company

Balance as at January 1, 2017	–	–	–	(357)	(357)
Charged to profit or loss	2	–	–	195	197
Balance as at December 31, 2017	2	–	–	(162)	(160)
Charged to profit or loss	–	–	–	69	69
Balance as at December 31, 2018	2	–	–	(93)	(91)

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

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

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20 SHARE CAPITAL

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

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

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

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

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

Issue of ordinary shares

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

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

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

21 RESERVES

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

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

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Warrants reserve

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

Capital reserve

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

Translation reserve

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

22 REVENUE

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

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

23 OTHER OPERATING INCOME

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

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24 FINANCE COSTS

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

25 INCOME TAX

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

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

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

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

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

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

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26 PROFIT FOR THE YEAR

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

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

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

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

27 DIVIDENDS

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

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28 EARNINGS PER SHARE

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

Diluted earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computation for the financial year ended December 31:

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

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

29 CAPITAL COMMITMENTS

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

30 OPERATING LEASE COMMITMENTS

The Group as lessee

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

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

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

Operating lease payments represent rentals payable by the Group for certain of its rental of office premises, factory space

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and office equipment. Leases are negotiated for an average term of 3 to 30 years (2017 : 2 to 30 years) with an option to renew the lease at market rate.

The Group as lessor

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

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

31 CORPORATE GUARANTEES

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

32 SEGMENT INFORMATION

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

1. The precision machining segment is a provider of precision machining services for aerospace, oil and gas, electronics and automotive industry.
2. The trading and other segment is a provider of machine sales and customised cutting tools for our customers.
3. The equipment manufacturing segment is a provider of large format precision engineering and equipment fabrication service.

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

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

Allocation basis and transfer pricing

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

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

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

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(a) By business

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

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

(b) Geographical information

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

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

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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:

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

* People's Republic of China includes Hong Kong.

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

(c) Reconciliation of segments total assets and total liabilities

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

Information about major customers

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

33 ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK

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

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

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

Management has elected the following transition exemption:

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

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

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

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

34 STANDARDS ISSUED BUT NOT EFFECTIVE

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

- SFRS(I) 16 *Leases*¹

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

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

SFRS(I) 16 *Leases*

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

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

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

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

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35 RECLASSIFICATIONS AND COMPARATIVE FIGURES

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

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

The material reclassifications were as follows:

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

APPENDIX E – EXTRACTS OF THE COMPANY’S CONSTITUTION

The provisions in the Constitution relating to rights of Shareholders in respect of capital, dividends and voting are reproduced below.

All capitalised terms used in the following extracts shall have the same meanings ascribed to them in the Constitution and/or the Companies Act, a copy of which is available for inspection at the registered office of the Company at 16 Seletar Aerospace Crescent, Singapore 797567 during normal business hours until the Closing Date.

A. RIGHTS IN RESPECT OF CAPITAL

ISSUE OF SHARES

3. Subject to the Act and these presents, no shares may be issued by the Directors without the prior approval of the Company in General Meeting but subject thereto and to Article 7, and to any special rights attached to any shares for the time being issued, the Directors may allot and issue shares or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration and at such time and subject or not to the payment of any part of the amount thereof in cash as the Directors may think fit, and any shares may be issued with such preferential, deferred, qualified or special rights, privileges or conditions as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors, Provided always that:
 - (a) (subject to any direction to the contrary that may be given by the Company in General Meeting) any issue of shares for cash to members holding shares of any class shall be offered to such members in proportion as nearly as may be to the number of shares of such class then held by them and the provisions of the second sentence of Article 7(A) with such adaptations as are necessary shall apply;
 - (b) the rights attaching to shares of a class other than ordinary shares shall be expressed in the resolution creating the same; and
 - (c) any other issue of shares, the aggregate of which would exceed the limits referred to in Article 7(B), shall be subject to the approval of the Company in General Meeting.
4.
 - (A) In the event of preference shares being issued, the total number of issued preference shares shall not at any time exceed the total number of issued ordinary shares and preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance sheets and attending General Meetings of the Company, and preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding-up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrear.
 - (B) The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares already issued.

APPENDIX E – EXTRACTS OF THE COMPANY’S CONSTITUTION

VARIATION OF RIGHTS

5. (A) Whenever the share capital of the Company is divided into different classes of shares, subject to the provisions of the Act, preference capital other than redeemable preference capital may be repaid and the special rights attached to any class may be varied or abrogated either with the consent in writing of the holders who represent at least three-quarters of the total voting rights of the issued shares of that class or by a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and may be so repaid, varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate General Meeting all the provisions of these presents relating to General Meetings of the Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum shall be two persons at least holding or representing by proxy at least one-third of the total voting rights of the issued shares of that class and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him, Provided always that where the necessary majority for such a Special Resolution is not obtained at such General Meeting, consent in writing if obtained from the holders who represent at least three-quarters of the total voting rights of the issued shares of that class concerned within two months of such General Meeting shall be as valid and effectual as a Special Resolution passed at such General Meeting. The foregoing provisions of this Article shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.
- (B) The special rights attached to any class of shares having preferential rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects *pari passu* therewith but in no respect in priority thereto.

ALTERATION OF SHARE CAPITAL

6. The Company may in General Meeting from time to time by Ordinary Resolution increase its capital by the allotment and issue of new shares.
7. (A) Subject to the Statutes or the bye-laws or listing rules of the securities exchange upon which shares in the Company are listed, or any direction to the contrary that may be given by the Company in General Meeting, all new shares shall before issue be offered to such persons as at the date of the offer are entitled to receive notices from the Company of General Meetings in proportion, as nearly as the circumstances admit, to the number of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Article 7(A). Subject to the terms and conditions of any application for shares, the Directors shall allot shares applied for within 10 Market Days of the closing date (or such other period as may be approved by the Singapore Exchange) of any such application.

APPENDIX E – EXTRACTS OF THE COMPANY’S CONSTITUTION

(B) The Company may by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to:-

- (i) (a) issue shares in the capital of the Company (“shares”) whether by way of rights, bonus or otherwise; and/or
- (b) 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) warrants, debentures or other instruments convertible into shares; and
- (ii) (notwithstanding the authority conferred by the Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the Ordinary Resolution was in force,

provided that:

- (1) the aggregate number of shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution) shall be subject to such limits and manner of calculation as may be prescribed by the Singapore Exchange;
- (2) in exercising the authority conferred by the Ordinary Resolution, the Company shall comply with the provisions of the listing manual of the Singapore Exchange for the time being in force (unless such compliance is waived by the Singapore Exchange) and these presents; and
- (3) (unless revoked or varied by the Company in General Meeting) the authority conferred by the Ordinary Resolution shall not continue in force beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution, or the date by which such Annual General Meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Act (whichever is the earliest).

8. The Company may by Ordinary Resolution:

- (a) consolidate and divide all or any of its shares;
- (b) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person or which have been forfeited and diminish the amount of its share capital by the number of the shares so cancelled;
- (c) sub-divide its shares, or any of them, in accordance with the Statutes and the bye-laws or listing rules of the securities exchange upon which shares in the Company are listed and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights, or be subject to any such restrictions, as the Company has power to attach to unissued or new shares; and
- (d) subject to the provisions of the Act, convert any class of shares into any other class of shares.

APPENDIX E – EXTRACTS OF THE COMPANY’S CONSTITUTION

9. (A) The Company may reduce its share capital or any reserve in any manner and with and subject to any incident authorised and consent required by law.
- (B) The Company may, subject to and in accordance with the Statutes and the bye-laws and listing rules of the Singapore Exchange purchase or otherwise acquire shares in the issued share capital of the Company on such terms and in such manner as the Company may from time to time think fit and in the manner prescribed by the Statutes. If required by the Statutes, any share which is so purchased or acquired by the Company, unless held as Treasury Shares in accordance with the Statutes, shall be deemed to be cancelled immediately on purchase or acquisition by the Company. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold or deal with any such share (including Treasury Shares) which is so purchased or acquired by it in accordance with the Statutes.
- (C) Shares purchased or otherwise acquired by the Company may be held as Treasury Shares in accordance with the provisions of these presents and the Act.
- (D) Where the shares purchased or otherwise acquired are held as Treasury Shares by the Company, the Company shall be entered in the Register of Members as the member holding the Treasury Shares.
- (E) The Company shall not exercise any right in respect of the Treasury Shares other than as provided by the Act. Subject thereto, the Company may hold or deal with its Treasury Shares in the manner authorised by, or prescribed pursuant to, the Act.

SHARES

10. Except as required by law, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or compelled in any way to recognise any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by these presents or by law otherwise provided) any other right in respect of any share, except an absolute right to the entirety thereof in the person (other than the Depository (or its nominee as the case may be)) entered in the Register of Members as the registered holder thereof or (as the case may be) the person whose name is entered in the Depository Register in respect of that share.
11. Without prejudice to any special rights previously conferred on the holders of any shares or class of shares for the time being issued, any share in the Company may be issued with such preferred, deferred or other special rights, or subject to such restrictions, whether as regards dividend, return of capital, voting or otherwise, as the Company may from time to time by Ordinary Resolution determine (or, in the absence of any such determination, as the Directors may determine) and subject to the provisions of the Act, the Company may issue preference shares which are, or at the option of the Company are liable, to be redeemed.
12. Subject to the provisions of these presents and of the Act relating to authority, pre-emption rights and otherwise and of any resolution of the Company in General Meeting passed pursuant thereto, all unissued shares shall be at the disposal of the Directors and they may allot (with or without conferring a right of renunciation), grant options over or otherwise dispose of them to such persons, at such times and on such terms as they think proper.
13. The Company may exercise the powers of paying commissions or brokerage on any issue of shares at such rate or amount and in such manner as the Directors may deem fit. Such commissions or brokerage may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other.

APPENDIX E – EXTRACTS OF THE COMPANY’S CONSTITUTION

14. Subject to the terms and conditions of any application for shares, the Directors shall allot shares applied for within 10 Market Days of the closing date (or such other period as may be approved by any securities exchange upon which shares in the Company are listed) of any such application. The Directors may, at any time after the allotment of any share but before any person has been entered in the Register of Members as the holder or (as the case may be) before that share is entered against the name of a Depositor in the Depository Register, recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit to impose.

SHARE CERTIFICATES

15. Every share certificate shall be issued under the Seal and shall specify the number and class of shares to which it relates and the amount paid and the amount (if any) unpaid thereon and shall bear the autographic or facsimile signatures of one Director and the Secretary or a second Director or some other person appointed by the Directors. The facsimile signatures may be reproduced by mechanical, electronic or other method approved by the Directors. No certificate shall be issued representing shares of more than one class.
16. (A) The Company shall not be bound to register more than three persons as the registered holders of a share except in the case of executors or trustees of the estate of a deceased member.
- (B) In the case of a share registered jointly in the names of several persons, the Company shall not be bound to issue more than one certificate therefore and delivery of a certificate to any one of the registered joint holders shall be sufficient delivery to all.
17. Subject to the payment of all or any part of the stamp duty payable (if any) on each share certificate prior to the delivery thereof which the Directors in their absolute discretion may require, every person whose name is entered as a member in the Register of Members shall be entitled to receive, within 10 Market Days (or such other period as may be approved by any securities exchange upon which shares in the Company are listed), of the closing date of any application for shares or, as the case may be, the date of lodgment of a registrable transfer, one certificate for all his shares of any one class or several certificates in reasonable denominations each for a part of the shares so allotted or transferred. Where such a member transfers part only of the shares comprised in a certificate or where such a member requires the Company to cancel any certificate or certificates and issue new certificates for the purpose of subdividing his holding in a different manner, the old certificate or certificates shall be cancelled and a new certificate or certificates for the balance of such shares issued in lieu thereof and such member shall pay all or any part of the stamp duty payable (if any) on each share certificate prior to the delivery thereof which the Directors in their absolute discretion may require and a maximum fee of S\$2 for each new certificate or such other fee as the Directors may from time to time determine having regard to any limitation thereof as may be prescribed by any securities exchange upon which shares in the Company are listed.
18. (A) Any two or more certificates representing shares of any one class held by any person whose name is entered in the Register of Members may at his request be cancelled and a single new certificate for such shares issued in lieu without charge.
- (B) If any person whose name is entered in the Register of Members shall surrender for cancellation a share certificate representing shares held by him and request the Company to issue in lieu two or more share certificates representing such shares in such proportions as he may specify, the Directors may, if they think fit, comply with such request. Such person shall (unless such fee is waived by the Directors) pay a

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maximum fee of S\$2 for each share certificate issued in lieu of a share certificate surrendered for cancellation or such other fee as the Directors may from time to time determine having regard to any limitation thereof as may be prescribed by any securities exchange upon which shares in the Company are listed.

- (C) In the case of shares registered jointly in the names of several persons any such request may be made by any one of the registered joint holders.
19. Subject to the provisions of the Act, if any share certificate shall be defaced, worn out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a letter of indemnity (if required) being given by the shareholder, transferee, person entitled, purchaser, member firm or member company of any securities exchange upon which shares in the Company are listed shall require, and (in case of defacement or wearing out) on delivery up of the old certificate and in any case on payment of such sum not exceeding S\$2 as the Directors may from time to time require together with the amount of the proper duty with which such share certificate is chargeable under any law for the time being in force relating to stamps. In the case of destruction, loss or theft, a shareholder or person entitled to whom such renewed certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction or loss.

CALLS ON SHARES

20. The Directors may from time to time make calls upon the members in respect of any moneys unpaid on their shares but subject always to the terms of issue of such shares. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed and may be made payable by instalments.
21. Each member shall (subject to receiving at least 14 days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof. A call may be revoked or postponed as the Directors may determine.
22. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding ten per cent. per annum) as the Directors determine but the Directors shall be at liberty in any case or cases to waive payment of such interest wholly or in part.
23. Any sum which by the terms of issue of a share becomes payable upon allotment or at any fixed date shall for all purposes of these presents be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable. In case of non-payment, all relevant provisions of these presents as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.
24. The Directors may on the issue of shares differentiate between the holders as to the amount of calls to be paid and the times of payment.
25. The Directors may if they think fit receive from any member willing to advance the same, all or any part of the moneys uncalled and unpaid upon the shares held by him and such payment in advance of calls shall extinguish pro tanto the liability upon the shares in respect of which it is made and upon the money so received (until and to the extent that the same would but for such advance become payable) the Company may pay interest at such rate (not exceeding eight per cent. per annum) as the member paying such sum and the

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Directors may agree. Capital paid on shares in advance of calls shall not while carrying interest confer a right to participate in profits.

FORFEITURE AND LIEN

26. If a member fails to pay in full any call or instalment of a call on the due date for payment thereof, the Directors may at any time thereafter serve a notice on him requiring payment of so much of the call or instalment as is unpaid together with any interest which may have accrued thereon and any expenses incurred by the Company by reason of such non-payment.
27. The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment in accordance therewith the shares on which the call has been made will be liable to be forfeited.
28. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest and expenses due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited share and not actually paid before forfeiture. The Directors may accept a surrender of any share liable to be forfeited hereunder.
29. A share so forfeited or surrendered shall become the property of the company and may be sold, re- allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto or to any other person upon such terms and in such manner as the Directors shall think fit and at any time before a sale, re-allotment or disposition the forfeiture or surrender may be cancelled on such terms as the Directors think fit. The Directors may, if necessary, authorise some person to transfer or effect the transfer of a forfeited or surrendered share to any such other person as aforesaid.
30. A member whose shares have been forfeited or surrendered shall cease to be a member in respect of the shares but shall notwithstanding the forfeiture or surrender remain liable to pay to the Company all moneys which at the date of forfeiture or surrender were presently payable by him to the Company in respect of the shares with interest thereon at eight per cent. per annum (or such lower rate as the Directors may determine) from the date of forfeiture or surrender until payment and the Directors may at their absolute discretion enforce payment without any allowance for the value of the shares at that time of forfeiture or surrender or waive payment in whole or in part.
31. The Company shall have a first and paramount lien on every share (not being a fully paid share) in the name of each Member (whether solely or jointly with others) and on the dividends declared or payable in respect thereof for all unpaid calls and instalments due on any such share and interest and expenses thereon but such lien shall only be upon the specific shares in respect of which such calls or instalments are due and unpaid and to such amounts as the Company may be called upon by law to pay in respect of the shares of the member or deceased member. The Directors may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt wholly or partially from the provisions of this Article.
32. The Company may sell in such manner as the Directors think fit any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of 14 days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell in default shall have been given to the holder for the time being of the share or the person entitled thereto by reason of his death or bankruptcy.

APPENDIX E – EXTRACTS OF THE COMPANY'S CONSTITUTION

33. The residue of such sale after payment of the unpaid calls and accrued interest and expenses shall be paid to the person whose shares have been forfeited or to his executors, administrators or assigns, as he may direct. For the purpose of giving effect to any such sale the Directors may authorise some person to transfer or effect the transfer of the shares sold to the purchaser.
34. A statutory declaration in writing that the declarant is a Director or the Secretary of the Company and that a share has been duly forfeited or surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. Such declaration and the receipt of the Company for the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together (where the same be required) with the share certificate delivered to a purchaser (or where the purchaser is a Depositor, to the Depository (or its nominee as the case may be)) or allottee thereof shall (subject to the execution of a transfer if the same be required) constitute good title to the share and the share shall be registered in the name of the person to whom the share is sold, re-allotted or disposed of or, where such person is a Depositor, the Company shall procure that his name be entered in the Depository Register in respect of the share so sold, re-allotted or disposed of. Such person shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, surrender, sale, re-allotment or disposal of the share.

TRANSFER OF SHARES

35. All transfers of the legal title in shares may be effected by the registered holders thereof by transfer in writing in the form for the time being approved by any securities exchange upon which shares in the Company are listed or in any other form acceptable to the Directors. The instrument of transfer of any share shall be signed by or on behalf of both the transferor and the transferee and be witnessed, Provided that an instrument of transfer in respect of which the transferee is the Depository (or its nominee, as the case may be) shall be effective although not signed or witnessed by or on behalf of the Depository (or its nominee, as the case may be). The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect thereof.
36. The Register of Members may be closed at such times and for such period as the Directors may from time to time determine, Provided always that such Register shall not be closed for more than 30 days in any year, Provided always that the Company shall give prior notice of such closure as may be required to any securities exchange upon which shares in the Company are listed, stating the period and purpose or purposes for which the closure is made.
37. (A) There shall be no restriction on the transfer of fully paid-up shares (except where required by law or the rules and/or bye-laws governing any securities exchange upon which shares in the Company are listed) but the Directors may, in their sole discretion, decline to register any transfer of shares upon which the Company has a lien and in the case of shares not fully paid-up may refuse to register a transfer to a transferee of whom they do not approve, Provided always that in the event of the Directors refusing to register a transfer of shares, they shall within 10 Market Days beginning with the date on which the application for a transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Act.
- (B) The Directors may in their sole discretion refuse to register any instrument of transfer of shares unless:-
- (a) all or any part of the stamp duty (if any) payable on each share certificate and

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such fee not exceeding S\$2 as the Directors may from time to time in accordance with the provisions of these presents, is paid to the Company in respect thereof;

- (b) the instrument of transfer is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by the certificates of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do;
 - (c) the instrument of transfer is in respect of only one class of shares; and
 - (d) the amount of the proper duty with which each share certificate to be issued in consequence of the registration of such transfer is chargeable under any law for the time being in force relating to stamps is tendered.
38. If the Directors refuse to register a transfer of any shares, they shall within 10 Market Days after the date on which the transfer was lodged with the Company (or such period of time as may be prescribed by the bye-laws or listing rules of the securities exchange upon which shares in the Company are listed) send to the transferor and the transferee written notice of the refusal stating the precise reasons for the refusal as required by the Act.
39. All instruments of transfer which are registered may be retained by the Company.
40. There shall be paid to the Company in respect of the registration of any instrument of transfer or probate or letters of administration or certificate of marriage or death or stop notice or power of attorney or other document relating to or affecting the title to any shares or otherwise for making any entry in the Register of Members affecting the title to any shares such fee not exceeding S\$2 as the Directors may from time to time require or prescribe.
41. The Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six years from the date of registration thereof and all dividend mandates and notifications of change of address at any time after the expiration of six years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of six years from the date of the cancellation thereof and it shall conclusively be presumed in favour of the Company that every entry in the Register of Members purporting to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and every share certificate so destroyed was a valid and effective certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company; Provided always that:-
- (a) the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;
 - (b) nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstances which would not attach to the Company in the absence of this Article; and
 - (c) references herein to the destruction of any document include references to the disposal thereof in any manner.

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TRANSMISSION OF SHARES

42. (A) In the case of the death of a member whose name is entered in the Register of Members, the survivors or survivor where the deceased was a joint holder, and the executors or administrators of the deceased where he was a sole or only surviving holder, shall be the only person(s) recognised by the Company as having any title to his interest in the shares.
- (B) In the case of the death of a member who is a Depositor, the survivors or survivor where the deceased is a joint holder, and the executors or administrators of the deceased where he was a sole or only surviving holder and where such executors or administrators are entered in the Depository Register in respect of any shares of the deceased member, shall be the only person(s) recognised by the Company as having any title to his interest in the shares.
- (C) Nothing in this Article shall release the estate of a deceased holder (whether sole or joint) from any liability in respect of any share held by him.
43. Any person becoming entitled to the legal title in a share in consequence of the death or bankruptcy of a person whose name is entered in the Register of Members may (subject as hereinafter provided) upon supplying to the Company such evidence as the Directors may reasonably require to show his legal title to the share either be registered himself as holder of the share upon giving to the Company notice in writing of such desire or transfer such share to some other person. All the limitations, restrictions and provisions of these presents relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the person whose name is entered in the Register of Members had not occurred and the notice or transfer were a transfer executed by such person.
44. Save as otherwise provided by or in accordance with these presents, a person becoming entitled to a share pursuant to Article 42(A) or (B) or Article 43 (upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share) shall be entitled to the same dividends and other advantages as those to which he would be entitled if he were the member in respect of the share except that he shall not be entitled in respect thereof (except with the authority of the Directors) to exercise any right conferred by membership in relation to meetings of the Company until he shall have been registered as a member in the Register of Members or his name shall have been entered in the Depository Register in respect of the share.

STOCK

45. The Company may from time to time by Ordinary Resolution convert any paid-up shares into stock and may from time to time by like resolution reconvert any stock into paid-up shares.
46. The holders of stock may transfer the same or any part thereof in the same manner and subject to the same Articles as and subject to which the shares from which the stock arose might previously to conversion have been transferred (or as near thereto as circumstances admit) but no stock shall be transferable except in such units as the Directors may from time to time determine.
47. The holders of stock shall, according to the number of stock units held by them, have the same rights, privileges and advantages as regards dividend, return of capital, voting and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except as regards participation in the profits or assets of the Company) shall be conferred by any number of stock units which would not, if existing in shares, have conferred

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such privilege or advantage; and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted.

B. RIGHTS IN RESPECT OF VOTING

GENERAL MEETINGS

48. An Annual General Meeting shall be held once in every year, at such time (within a period of not more than 15 months after the holding of the last preceding Annual General Meeting) and place as may be determined by the Directors. All other General Meetings shall be called Extraordinary General Meetings.
49. The Directors may whenever they think fit, and shall on requisition in accordance with the Act, proceed with proper expedition to convene an Extraordinary General Meeting.

NOTICE OF GENERAL MEETINGS

50. Any General Meeting at which it is proposed to pass a Special Resolution or (save as provided by the Act) a resolution of which special notice has been given to the Company shall be called by 21 days’ notice in writing at the least and an Annual General Meeting and any other Extraordinary General Meeting by 14 days’ notice in writing at the least. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the meeting is to be held and shall be given in the manner hereinafter mentioned to all members other than such as are not under the provisions of these presents entitled to receive such notices from the Company; Provided that a General Meeting, notwithstanding that it has been called by a shorter notice than that specified above, shall be deemed to have been duly called if it is so agreed:
- (a) in the case of an Annual General Meeting by all the members entitled to attend and vote thereat; and
 - (b) in the case of an Extraordinary General Meeting by a majority in number of the members having a right to attend and vote thereat, being a majority together holding not less than 95 per cent. of the total voting rights of all the members having a right to vote at that meeting.

Provided also that the accidental omission to give notice to or the non-receipt of notice by any person entitled thereto shall not invalidate the proceedings at any General Meeting. At least 14 days’ notice of any General Meeting shall be given by advertisement in the daily press and in writing to any Stock Exchange upon which shares in the Company may be listed. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business.

51. (A) Every notice calling a General Meeting shall specify the place and the day and hour of the meeting, and there shall appear with reasonable prominence in every such notice a statement that a member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him and that a proxy need not be a member of the Company.
- (B) In the case of an Annual General Meeting, the notice shall also specify the meeting as such.
- (C) In the case of any General Meeting at which business other than routine business is to be transacted, the notice shall specify the general nature of such business; and if any

APPENDIX E – EXTRACTS OF THE COMPANY’S CONSTITUTION

resolution is to be proposed as a Special Resolution, the notice shall contain a statement to that effect.

52. Routine business shall mean and include only business transacted at an Annual General Meeting of the following classes, that is to say:
- (a) declaring dividends;
 - (b) receiving and adopting the accounts, the reports of the Directors and Auditors and other documents required to be attached or annexed to the accounts;
 - (c) appointing or re-appointing Directors to fill vacancies arising at the meeting on retirement whether by rotation or otherwise;
 - (d) re-appointing the retiring Auditors (unless they were last appointed otherwise than by the Company in General Meeting);
 - (e) fixing the remuneration of the Auditors or determining the manner in which such remuneration is to be fixed; and
 - (f) fixing the remuneration of the Directors proposed to be paid under Article 79.

PROCEEDINGS AT GENERAL MEETINGS

53. Any notice of a General Meeting to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution on the Company in respect of such special business.
54. The Chairman of the Board of Directors, failing whom the Deputy Chairman, shall preside as chairman at a General Meeting. If there be no such Chairman or Deputy Chairman, or if at any meeting neither be present within five minutes after the time appointed for holding the meeting and willing to act, the Directors present shall choose one of their number (or, if no Director be present or if all the Directors present decline to take the chair, the members present shall choose one of their number) to be chairman of the meeting.
55. No business other than the appointment of a chairman shall be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Save as herein otherwise provided, the quorum at any General Meeting shall be two or more members present in person or by proxy, Provided that (a) a proxy representing more than one member shall only count as one member for the purpose of determining the quorum and (b) where a member is represented by more than one proxy such proxies shall count as only one member for the purpose of determining the quorum.
56. If within 30 minutes from the time appointed for a General Meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, the meeting, if convened on the requisition of members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week (or if that day is a public holiday then to the next business day following that public holiday) at the same time and place or such other day, time or place as the Directors may by not less than 10 days’ notice appoint. At the adjourned meeting any one or more members present in person or by proxy shall be a quorum.
57. The chairman of any General Meeting at which a quorum is present may with the consent of the meeting (and shall if so directed by the meeting) adjourn the meeting from time to time (or *sine die*) and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from

APPENDIX E – EXTRACTS OF THE COMPANY'S CONSTITUTION

which the adjournment took place. Where a meeting is adjourned *sine die*, the time and place for the adjourned meeting shall be fixed by the Directors. When a meeting is adjourned for 30 days or more or *sine die*, not less than 7 days' notice of the adjourned meeting shall be given in like manner as in the case of the original meeting.

58. Save as hereinbefore expressly provided, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.
59. If an amendment shall be proposed to any resolution under consideration but shall in good faith be ruled out of order by the chairman of the meeting, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling. In the case of a resolution duly proposed as a Special Resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon.
60. At any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:
- (a) the chairman of the meeting; or
 - (b) not less than five members having the right to vote at the meeting; or
 - (c) a member or members having the right to vote at the meeting representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
 - (d) a member or members having the right to vote at the meeting and holding not less than one-tenth of the total sum paid-up on all the shares of the Company conferring that right (excluding Treasury Shares)

Provided always that no poll shall be demanded on the choice of a chairman or on a question of adjournment.

61. A demand for a poll may be withdrawn only with the approval of the meeting. Unless a poll is required, a declaration by the chairman of the meeting that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded for or against such resolution. If a poll is required, it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the chairman of the meeting may direct and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The chairman of the meeting may (and if so directed by the meeting shall) appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.
62. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote.
63. A poll demanded on any question shall be taken either immediately or at such subsequent time (not being more than 30 days from the date of the meeting) and place as the chairman may direct. No notice need be given of a poll not taken immediately. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the question on which the poll has been demanded.

APPENDIX E – EXTRACTS OF THE COMPANY’S CONSTITUTION

VOTES OF MEMBERS

64. Each member who is a holder of ordinary shares in the capital of the Company shall be entitled to be present at any General Meeting. Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company, each member entitled to vote may vote in person or by proxy. On a show of hands, every member who is present in person or by proxy shall have one vote (provided that in the case of a member who is represented by two proxies, only one of the two proxies as determined by that member or, failing such determination, by the Chairman of the meeting (or by a person authorised by him) in his sole discretion shall be entitled to vote on a show of hands) and on a poll, every member who is present in person or by proxy shall have one vote for every share which he holds or represents. For the purpose of determining the number of votes which a member, being a Depositor, or his proxy may cast at any General Meeting on a poll, the reference to shares held or represented shall, in relation to shares of that Depositor, be the number of shares entered against his name in the Depository Register as at 48 hours before the time of the relevant General Meeting as certified by the Depository (or its nominee, as the case may be) to the Company.
65. In the case of joint holders of a share, any one of such persons may vote, and be reckoned in quorum at any General Meeting, either personally or by proxy or by attorney or in the case of a corporation by a representative as if he were solely entitled thereto, but if more than one of such joint holders is so present at any meeting, then the person present whose name stands first in the Register of Members or (as the case may be) the Depository Register in respect of the share shall alone be entitled to vote in respect thereof.
66. Where in Singapore or elsewhere a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any member on the ground (however formulated) of mental disorder, the Directors may in their absolute discretion, upon or subject to production of such evidence of the appointment as the Directors may require, permit such receiver or other person on behalf of such member to vote in person or by proxy at any General Meeting or to exercise any other right conferred by membership in relation to meetings of the Company.
67. No member shall, unless the Directors otherwise determine, be entitled in respect of shares held by him to vote at a General Meeting either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company if any call or other sum presently payable by him to the Company in respect of such shares remains unpaid.
68. No objection shall be raised as to the admissibility of any vote except at the meeting or adjourned meeting at which the vote objected to is or may be given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the chairman of the meeting whose decision shall be final and conclusive.
69. On a poll, votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.
70. (A) A member may appoint not more than two proxies to attend and vote at the same General Meeting, Provided that if the member is a Depositor, the Company shall be entitled and bound:
- (a) to reject any instrument of proxy lodged if the Depositor is not shown to have any shares entered against his name in the Depository Register as at 48 hours before the time of the relevant General Meeting as certified by the Depository (or its nominee, as the case may be) to the Company; and

APPENDIX E – EXTRACTS OF THE COMPANY’S CONSTITUTION

- (b) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll a number which is the number of shares entered against the name of that Depositor in the Depository Register as at 48 hours before the time of the relevant General Meeting as certified by the Depository (or its nominee, as the case may be) to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.
 - (B) The Company shall be entitled and bound, in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instructions (if any) given by the notes (if any) set out in the instrument of proxy.
 - (C) In any case where a form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
 - (D) A proxy need not be a member of the Company.
71. (A) An instrument appointing a proxy shall be in writing in any usual or common form or in any other form which the Directors may approve and:
- (a) in the case of an individual, shall be signed by the appointor or his attorney; and
 - (b) in the case of a corporation, shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation.
- (B) The signature on such instrument need not be witnessed. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter of power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to the next following Article, failing which the instrument may be treated as invalid.
72. An instrument appointing a proxy must be left at such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting (or, if no place is so specified, at the Office) not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used, and in default shall not be treated as valid. The instrument shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates; Provided that an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not be required again to be delivered for the purposes of any subsequent meeting to which it relates.
73. An instrument appointing a proxy shall be deemed to include the right to demand or join in demanding a poll, to move any resolution or amendment thereto and to speak at the meeting.
74. A vote cast by proxy shall not be invalidated by the previous death or insanity of the principal or by the revocation of the appointment of the proxy or of the authority under which the appointment was made, Provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company at the Office at least one hour before the commencement of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll at which the vote is cast.

APPENDIX E – EXTRACTS OF THE COMPANY’S CONSTITUTION

75. Subject to these presents and the Statutes, the Board may, at its own sole discretion, approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow members who are unable to vote in person at any General Meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile.

CORPORATIONS ACTING BY REPRESENTATIVES

76. Any corporation which is a member of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the Company. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of the Company and such corporation shall for the purposes of these presents be deemed to be present in person at any such meeting if a person so authorised is present thereat.

C. RIGHTS IN RESPECT OF DIVIDENDS

RESERVES

120. The Directors may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper which, the discretion of the Directors, shall be applicable for any purpose to which the profits of the Company may properly be applied and pending such application may either be employed in the business of the Company or be invested. The Directors may divide the reserve into such special funds as they think fit and may consolidate into one fund and special funds or any parts of any special funds into which the reserve may have been divided. The Directors may also, without placing the same to reserve, carry forward any profits. In carrying sums to reserve and in applying the same the Directors shall comply with the provisions of the Act.

DIVIDENDS

121. The Company may by Ordinary Resolution declare dividends but no such dividend shall exceed the amount recommended by the Directors. No dividends may be paid, unless otherwise provided in the Statutes, to the Company in respect of Treasury Shares.
122. If and so far as in the opinion of the Directors the profits of the Company justify such payments, the Directors may declare and pay the fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof and may also from time to time declare and pay interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit.
123. Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, and except as otherwise permitted under the Statutes:
- (a) all dividends in respect of shares must be paid in proportion to the number of shares held by a member but where shares are partly paid all dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and
 - (b) all dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which dividend is paid.

APPENDIX E – EXTRACTS OF THE COMPANY’S CONSTITUTION

For the purpose of this Article, no amount paid on a share in advance of calls shall be treated as paid on the share.

124. No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Act.
125. No dividend or other moneys payable on or in respect of a share shall bear interest as against the Company.
126. (A) The Directors may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.
- (B) The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a member, or which any person is under those provisions entitled to transfer, until such person shall become a member in respect of such shares or shall transfer the same.
- (C) A payment by the Company to the Depository (or its nominee, as the case may be) of any dividend or other moneys payable to a Depositor shall, to the extent of the payment made, discharge the Company from any liability in respect of that payment. If the Depository (or its nominee, as the case may be) returns any such dividend or moneys to the Company, the relevant Depositor shall not have any right or claim in respect of such dividend or moneys against the Company if a period of six years has lapsed from the date on which such dividend or moneys are first payable.
127. The waiver in whole or in part of any dividend on any share by any document (whether or not under seal) shall be effective only if such document is signed by the shareholder (or the person entitled to the share in consequence of the death or bankruptcy of the holder) and delivered to the Company and if or to the extent that the same is accepted as such or acted upon by the Company.
128. The Company may upon the recommendation of the Directors by Ordinary Resolution direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company) and the Directors shall give effect to such resolution. Where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional certificates, may fix the value for distribution of such specific assets or any part thereof, may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.
129. Any dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address appearing in the Register of Members or (as the case may be) the Depository Register of a member or person entitled thereto (or, if two or more persons are registered in the Register of Members or (as the case may be) entered in the Depository Register as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons) or to such person at such address as such member or person or persons may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the

APPENDIX E – EXTRACTS OF THE COMPANY’S CONSTITUTION

money represented thereby. Notwithstanding the foregoing provisions of this Article and the provisions of Article 131, the payment by the Company to the Depository (or its nominee, as the case may be) of any dividend payable to a Depositor shall, to the extent of the payment made to the Depository (or its nominee, as the case may be), discharge the Company from any liability to the Depositor in respect of that payment.

130. If two or more persons are registered in the Register of Members (as the case may be) the Depository Register as joint holders of any share, or are entitled jointly to a share in consequence of the death or bankruptcy of the holder, any one of them may give effectual receipts for any dividend or other moneys payable or property distributable on or in respect of the share.
131. Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in General Meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares in the Register of Members or (as the case may be) the Depository Register at the close of business on a particular date and thereupon the dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights *inter se* in respect of such dividend of transferors and transferees of any such shares.

CAPITALISATION OF PROFITS AND RESERVES

132. The Directors may, with the sanction of an Ordinary Resolution of the Company (including, without limitation, an Ordinary Resolution passed pursuant to Article 7(B), capitalise any undistributable reserve) or any sum standing to the credit of profit and loss account by appropriating such sum to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided) in proportion to their then holdings of shares and applying such sum on their behalf in paying up in full unissued shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, unissued shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid. The Directors may do all acts and things considered necessary or expedient to give effect to any such capitalisation, with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the members concerned). The Directors may authorise any person to enter on behalf of all the members interested into an agreement with the Company providing for any such capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.
133. In addition and without prejudice to the power to capitalize profits and other moneys provided for by Article 132, the Directors shall have power to capitalize any undivided profits or other moneys of the Company not required for the payment or provision of any dividend on any shares entitled to cumulative or non-cumulative preferential dividends (including profits or other moneys carried and standing to any reserve or reserves) and to apply such profits or other moneys in paying up in full unissued shares on terms that such shares shall, upon issue, be held by or for the benefit of participants of any share incentive or option scheme or plan implemented by the Company and approved by the shareholders in General Meeting in such manner and on such terms as the Directors shall think fit.

APPENDIX F – VALUATION REPORT



Consolidated Valuation Report

on

JEP Holdings Limited and its subsidiaries

Real Estate Component

and

Precision Metal Working Machinery

FOR

JEP Holdings Limited

BY:

Hilco Appraisal Singapore Pte Ltd
In association with
United Valuers Pte Ltd

APPENDIX F – VALUATION REPORT

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APPENDIX F – VALUATION REPORT

EXECUTIVE SUMMARY

For:	The Board of Directors of JEP Holdings Limited
Valuation of:	Real Estate and Precision Metal Working Machinery
Valuation Report Date:	May 28, 2019
Effective Date:	As at 31 December 2018
Open Market Value: <i>for Property</i>	S\$ 43,000,000 (16 Seletar Aerospace Crescent, Singapore 797567)
	S\$ 10,000,000 (2 Loyang Way 4, Singapore 507098)
Market Value: <i>for Machinery:</i>	S\$ 18,800,000 (Precision Metal Working Machinery)
Definition of Market Value:	“is an opinion expressed in terms of money, at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts, as of a specific date. “

This summary should be read in conjunction with the remainder of the Valuation Report and must not be relied upon in isolation.

APPENDIX F – VALUATION REPORT



SUMMARY

JEP Holdings Limited

Property Value:

- No: 16 Seletar Aerospace Crescent, Singapore 797567
S\$ 43,000,000
(Forty-Three Million Singapore Dollars)
- No: 2 Loyang Way 4, Singapore 507098
S\$ 10,000,000
(Ten Million Singapore Dollars)

Precision Metal Working Machinery Value:

Machinery location:

- No: 16 Seletar Aerospace Crescent, Singapore 797567
 - No: 8 Buroh Street # 01-16, Surface Engineering Hub, Singapore 627563
 - No: 2 Loyang Way 4, Singapore 507098.
- S\$18,800,000
(Eighteen Million Eight Hundred Thousand Singapore Dollars)

Total for JEP Holdings Limited and its subsidiaries **Real Estate Component and Precision Metal Working Machinery**

S\$ 71,800,000
(Seventy-One Million Eight Hundred Thousand Singapore Dollars)

APPENDIX F – VALUATION REPORT



Our Reference: 2092/05/19/HBK/UV

Date: May 28, 2019

The Board of Directors
JEP Holdings Limited
16 Seletar Aerospace Crescent
Singapore 797567

Dear Sirs,

This Consolidated Summary Report for JEP Holdings Limited comprising of Real Estate component and Precision Metal Working Machinery.

Thank you for engaging the services of Hilco Appraisal Singapore Pte Ltd (“Hilco”). Hilco is working together with United Valuers Pte Ltd to establish the Open Market Value of the Real Estate Component and Precision Metal Working Machinery for JEP Holdings Limited and its subsidiaries. We confirm that we have carried out inspections, made relevant enquiries and investigations and obtained such further information, as we consider necessary for the purpose of providing our opinion of the retrospective Open Market Value of Real Estate Component and Precision Metal Working Machinery as at 31 December 2018.

VALUATION OBJECTIVES

The purpose of this valuation is to provide client with the documentation on the potential value necessary for the purpose of the mandatory conditional cash offer for the shares of JEP Holdings Limited and unconditional cash offer for the warrants of JEP Holdings Limited by UMS Holdings Limited.

This report is to be read with in conjunction with the Valuation Report for the properties situated at 16 Seletar Aerospace Crescent, Singapore 797567 and 2 Loyang Way 4, Singapore 507098, and the Valuation Report for the Precision Metal Working Machinery.

APPENDIX F – VALUATION REPORT

DEFINITIONS OF VALUE

The basis of Current Open Market Value for the Real Estate Component and Current Market Value for the Precision Metal Working Machinery are as follows.

Current Open Market Value (Real Estate Component)

This valuation is the valuer's opinion of the Current Open Market Value, which would be defined as intended to mean "the best price" at which an interest in a property might reasonably be expected to be sold at the date of valuation, assuming; -

- a willing seller, willing buyer
- no account is to be taken of any additional bid by a purchaser with "special interest"
- that prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of market for the proper marketing of the interest, for the negotiation and agreement of price and terms for the completion of the sale; and
- that the price reflects the state of the market and other circumstances as at the date of valuation.

Market Value (Precision Metal Working Machinery)

- is an opinion expressed in terms of money, at which the Precision Metal Working Machinery would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts, as of a specific date.

EFFECTIVE DATE OF VALUATION

The effective date of this valuation is retrospective at 31 December 2018. Inspection was carried out on May 22, 2019 to May 23, 2019.

APPENDIX F – VALUATION REPORT

OPINION OF VALUE

We have inspected the property on May 22, 2019 to May 23, 2019. Taking into consideration all data that we have obtained and provided by the JEP Holdings Limited and its subsidiaries. Subject to the assumptions and limiting conditions set forth in the report, it is our professional judgment that the total value of the Real Estate component and the Precision Metal Working Machinery in total is:

S\$ 71,800,000.00

(Seventy-One Million Eight Hundred Thousand Singapore Dollars)

APPENDIX F – VALUATION REPORT

PREMISE OF THE VALUATION AND VALUATION ASSUMPTIONS

The purpose of the current valuation exercise is to provide the client with the intended use of the report on the potential value necessary for the purpose of the mandatory conditional cash offer for the shares of JEP Holdings Limited and unconditional cash offer for the warrants of JEP Holdings Limited by UMS Holdings Limited, and, as agreed through the Terms of Engagement, the Valuation Basis is the Open Market Value of the Real Estate Component and Precision Metal Working Machinery as at 31 December 2018.

This consolidated report is to be read in conjunction with the report on the Real Estate Valuation and the Precision Metal Working Machinery Valuation.

Very truly yours,

A handwritten signature in black ink is written over a circular stamp. The stamp contains the text "HILCO APPRAISAL SINGAPORE PTE LTD" around the perimeter and "HILCO APPRAISAL" in the center. The signature is a cursive-style name that appears to be "Hilco Appraisal".

Hilco Appraisal Singapore Pte Ltd
enclosures

APPENDIX F – VALUATION REPORT

VALUATION ASSUMPTIONS

- 1.1 This appraisal report has been made with the following general assumptions and limiting conditions.
- 1.2 It is assumed that all of the personal property included in the appraisal is owned by the company appraised. Hilco Appraisal Singapore Pte Ltd & their associates; United Valuers Pte Ltd (“HILCO & UV”) has relied upon management to identify any equipment that is leased or owned by parties unrelated to the appraisal.
- 1.3 The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy. Every reasonable attempt has been made to verify such information.
- 1.4 It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.
- 1.5 The value estimates submitted are based upon the definition of value stated in the body of the report.
- 1.6 Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of that party and, in any event, only with proper written qualification and only in its entirety.
- 1.7 “HILCO & UV” reserves the right to recall all copies of this report to correct any error or omission.
- 1.8 The appraiser, by reason of this appraisal, is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been made previously.
- 1.9 Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.
- 1.10 The maximum liability of “HILCO & UV” for the breach of any obligation in connection with this engagement or the Report, and for any and all damages of any type or nature (whether in contract or in tort, and whether compensatory, consequential or punitive in nature) sustained or claimed by The Company(ies) or any other person or entity in connection with this engagement or the Report, shall be limited to the fee actually received by “HILCO & UV” under the engagement letter. In no event or circumstance shall HILCO & UV have any liability to The Company(ies) or any other person or entity in excess of the fee actually paid to and received by “HILCO & UV” under the engagement letter, except in the case of gross negligence on the part of “HILCO & UV”

Respectfully submitted

APPENDIX F – VALUATION REPORT



Co. Registration No. 201017462M

100 Jalan Sultan #02-12
Sultan Plaza Singapore 199001
Tel: 31572266 | 63539022 Fax: 63580890
Web: www.unitedvaluers.com
Email: enquiry@unitedvaluers.com

Your Ref: JEP Holdings Ltd

28 May 2019

The Board of Directors
JEP Holdings Ltd
16 Seletar Aerospace Crescent
Singapore 797567

Dear Sirs,

FORMAL VALUATION OF PROPERTY AT 16 SELETAR AEROSPACE CRESCENT SINGAPORE 797567

We are instructed by Hilco Appraisal (S) Pte Ltd to advise on the retrospective open market value of the above-mentioned property as at 31 December 2018 on behalf of JEP Holdings Ltd. We have inspected the subject property on 23 May 2019 and are pleased to submit our report and valuation hereunder.

-
- A large, light grey watermark of the United Valuers logo is visible in the background of the text.
- 1.0 Purpose of Report
 - 2.0 Subject Property
 - 3.0 Planning Provision
 - 4.0 Location and Locality
 - 5.0 Description of Subject Property
 - 6.0 Basis and Method of Valuation
 - 7.0 Valuation

Annexures : *Photographs*
 Location Plan
 Site Plan
 Floor Plans
 Limiting Conditions




1.0 PURPOSE OF REPORT

We have been instructed by Hilco Appraisal (S) Pte Ltd to prepare this valuation report for the purpose of determining the retrospective open market value of the subject property free from all encumbrances as at 31 December 2018 for the purpose of the mandatory conditional cash offer for the shares of JEP Holdings Ltd and unconditional cash offer for the warrants of JEP Holdings Ltd by UMS Holdings Limited.

We, United Valuers Pte Ltd hereby consent to, and confirm that we have not withdrawn our consent to, the issue of the circular with the inclusion therein of our report to the circular and/or letter(s) and/or certificate(s) and/or opinion(s) (where applicable) and reference to our name in the form and context in which they respectively appear in the circular and to be used in public documents for inspection.

2.0 SUBJECT PROPERTY

(According to JTC Lease Documents and Client)



Address	:	16 Seletar Aerospace Crescent Singapore 797567
Type	:	A Part 1-storey / Part 4-storey single user industrial building
Legal Description	:	MK20 – 4831K
Tenure	:	Leasehold 30 Years Wef 1 February 2015
Land Area	:	18,502.1 sq m (or 199,155 sqft)
Floor Area	:	18,502.1 sqm (or 199,155 sqft) <i>or thereabout,</i> <i>Subject to final survey.</i>
Land Rent	:	S\$23,162.78/- per month <i>(Inclusive of 7% GST)</i>
Annual Value	:	S\$3,683,000/- (Year 2019)
Age of Building	:	Circa 2016's
Occupancy Status	:	Owner Occupied



3.0 PLANNING PROVISION

Based on 2014 Master Plan, the subject property is sited onland zoned as “Business 2”. Official Master Plan Zoning, Road and Drainage Interpretation Plans have not been applied for.

4.0 LOCATION AND LOCALITY

Neighbourhood : The immediate neighbourhood is predominantly industrial buildings.

Public Transport : Available along Seletar Aerospace Drive.

Prominent Developments : Rolls-Royce Singapore, JTC Aviation One and Two, Airbus Asia Training Centre, Singapore Youth Flying Club, Seletar Country Club, Seletar Airport, among others.

Overall Comments : Close proximity to Tampines Expressway (TPE) and Seletar Expressway (SLE).

5.0 DESCRIPTION OF SUBJECT PROPERTY

Description : The subject plot of land is quadrilateral in shape. It is bounded by wire mesh/brickwall fencing complete with an automatic sliding entrance gate. The land is generally flat and is at road access level. Ingress and egress to the subject property is via Seletar Aerospace Crescent.

Construction : Reinforced concrete structure with brick in-fill walls, reinforced concrete floor, metal louvre façade, reinforced concrete flatroof and metal deck roof with insulation and waterproofing system generally.

APPENDIX F – VALUATION REPORT



- Accommodations : **1stStorey**
Lift lobby and reception area / meeting rooms / general office areas with partitioned office rooms and meeting rooms / document room / pantry / quality control office / stores / general production areas / toilets / clean rooms / incoming/outgoing holding area / staff rest room / calibration room
- 2ndStorey**
Lift lobby / production area / toilets / training room / office rooms
- 3rdStorey**
Lift lobby / production area / toilets / general office area / meeting rooms / office rooms / server room / document room / pantry / corporate office area / board room
- 4thStorey**
Lift lobby / chiller room / gym / toilets / rest area / changing room / roof terrace
- Finishes : *Floors* Carpet / homogeneous tiles / epoxy finish / cement screed / granite
- Walls* Emulsion paint / homogeneous tiles / partitioned boards / glass panels
- Ceilings* Emulsion paint / false ceiling / downlights / cove lights / ceiling boards / metal roofing sheets with insulation
- Fixtures and Fittings : Aluminium framed windows, glass doors, timber doors, roller shutters, feature wall, ducted / split unit air-conditioning systems, pipe-in music, fixed cabinets, high and low pantry cabinets with sink, locker, vanity top, mirror, built-in fish tank, etc.

APPENDIX F – VALUATION REPORT



- Other Improvements : Overhead cranes (1 tonne and 5 tonnes), pillar crane, passenger lift, cargo lift, modern fire-protection and security system, surveillance camera system, surface carparking lots, automatic entrance barriers, guard house, water fountain, water tank, loading and unloading bay, bin centre, staircases, cooling tower, etc.
- Floor Loading : 1st Storey - 25kN/sm
2nd Storey - 15kN/sm
3rd Storey - 5kN/sm
4th Storey - 5kN/sm
- Services / Facilities : All main Public Utilities and Telecommunication services are connected.
- Overall Comments : As at the date of inspection, the subject property was in a good state of internal and external repairs and maintenance.



6.0 BASIS AND METHOD OF VALUATION

Our valuation is our opinion of the current open market value, which we would define as intended to mean "the best price" at which an interest in a property might reasonably be expected to be sold at the date of valuation, assuming:-

- a. a willing seller, willing buyer;
- b. no account is to be taken of any additional bid by a purchaser with a "special interest";
- c. that prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the negotiation and agreement of price and terms for the completion of the sale; and
- d. that the price reflects the state of the market and other circumstances as at the date of valuation.



For the purpose of this report, we had considered the Direct Comparison Approach with the Income Capitalisation Approach as check and reference.

In the Direct Comparison Approach, sales and listings of similar properties in the vicinity and elsewhere are used as guides to value after relevant valuation adjustments are made for differences in location, usage, land area, floor area, improvement works, JTC remaining lease, JTC ground rental, market conditions, date of sale, etc.

In the Income Capitalisation Approach to value, we had based on the current fair and reasonable rental values of similar properties in similar neighbourhoods, subject to the relevant valuation adjustments and deductions for outgoings such as property tax, cost of maintenance/ repairs, JTC land rent and future vacancy allowances. The resultant nett income is then capitalised over the unexpired lease term using an appropriate capitalisation rate according to current market condition.

7.0 VALUATION

Having considered the above, the prevailing market conditions and other relevant valuation factors, we are of the considered opinion that the retrospective open market value of the subject property free from all encumbrances as at 31 December 2018 for purpose of the mandatory conditional cash offer for the shares of JEP Holdings Ltd and unconditional cash offer for the warrants of JEP Holdings Ltd by UMS Holdings Limited is ***S\$43,000,000/- (Singapore Dollars Forty Three Million Only)***.

This Valuation Report is issued subject to the Limiting Conditions as attached.

Yours faithfully
For and on behalf of
UNITED VALUERS PTE LTD

A handwritten signature in black ink, appearing to read "Teo Beng Hock".

Teo Beng Hock
Licensed Appraiser
AD041-20099516J

Enc.

APPENDIX F – VALUATION REPORT



LIMITING CONDITIONS

This valuation is prepared in accordance with the Valuation Standards and Guidelines published by the Singapore Institute of Surveyors and Valuers.

Our responsibility in connection with this valuation report is limited to our client or person to whom this report is addressed and to that client only. We disclaim all responsibility and accept no liability to any other person(s) or party should this report be used by any such person(s) or party or for any.

Any action, claim or proceedings arising out of the engagement of services shall be brought against the Firm with whom the Client has engaged and not against any employee, director or sub-contractor of the Firm involved directly or indirectly in the delivery of the Services.

Any liability arising from the Valuer's negligence (if any) in connection with this engagement shall be limited to the amount of fees received for this engagement.

The report is considered invalid if there is non-payment of the valuation fees. We shall not be responsible and accept no liability of the report if payment is not received within 30 days from the date of report.

Each valuation is current as at the Valuation Date only. The value assessed may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value. We also do not assume any responsibility or accept liability where this valuation is relied upon after the expiration of three months from the Valuation Date.

The values assessed in this report for the subject property and any allocation of values between parts of the property applies strictly on the terms of and for the purpose of the valuation stated in the report and may not be used for any other purpose.

Where it is stated in the report that information has been supplied to us by another party, this information is believed to be reliable and accurate and we accept no responsibility if this information should later prove not to be so.

We may adopt assumptions in the valuation being carried out as some matters cannot be calculated accurately or fall outside the scope of our expertise. The risk that any of the assumptions adopted in our valuation may be incorrect should be taken into account. While all reasonable care is taken, we does not warrant or represent that the assumptions on which this valuation is based are accurate or correct.

Neither the whole nor any part of this report nor any reference to it may be included in any document, circular or statement nor published in any way without our prior written approval of the form and context in which it may appear.

While due care is taken in the course of inspection to note serious building defects, no structural survey has been made and no guarantee is given that the building is free from rot, termite, pest infestation of other hidden defects. We have also not made any tests to the building services (e.g. air-conditioning, fire-fighting systems, lifts, escalators, plumbing and lighting etc.) and these services are presumed to be in good working order.

APPENDIX F – VALUATION REPORT



Our valuation assumes that the title(s) is (are) in good order and marketable, free from any liens, mortgages, encumbrances, restrictions and other legal impediments. We accept no responsibility for investigations into title(s), searches, legal requisitions, legal validity of title or any charges, claims, liabilities registered against the title(s). The client is advised to consult his solicitors on any matter concerning the title(s).

We have not conducted a land survey to verify the land boundaries and site areas and whether all developments and improvements are within such boundaries. We have assumed, unless otherwise stated, that all developments and improvements are within the boundaries of such land parcel as described in this report and the land parcel is fully owned by the property owner.

Any plans or map included in this report are meant for identification purposes and to assist the reader in visualizing the subject property. We have not made any survey of the property and assume no responsibility in connection with such matters.

Unless otherwise instructed, we do not carry out requisition with the various public authorities to confirm that the property is not adversely affected by any public schemes such as road improvements, drainage proposal, etc.

Our valuation presumes that the subject property, as currently used, is in compliance with the existing land use zoning and is not in contravention of any planning rules or regulations.

Our valuation is prepared on the basis that the premises and any works (e.g. alterations and additions) thereto comply with all relevant statutory regulations. It is assumed that they have been, or will be issued with a statutory completion by the Building Authority.

Our valuation assumes that all development charges and maintenance/service/conservancy charges, if any, whether outstanding or payable as at the date of valuation, have already been fully paid.

Our valuation further assumes that, as at the date of valuation, there are no outstanding liabilities or charges attached to the property (ies).

In the event that we are instructed to provide a valuation based on kerb-side inspection and/or without the extent of information normally available, our valuation will be dependent on the adequacy and accuracy of the information supplied and/or the assumptions made. Should the information prove to be incorrect or inadequate, the accuracy of the valuation may be affected and we shall not be held responsible for the inaccuracy of the valuation.

We shall not be required to give testimony or to appear in court for any other tribunal or to any government agency by reason of this valuation report or with reference to the property in question unless prior arrangements have been made and we be properly reimbursed.

APPENDIX F – VALUATION REPORT



Co. Registration No. 201017462M

100 Jalan Sultan #02-12
Sultan Plaza Singapore 199001
Tel: 31572266 | 63539022 Fax: 63580890
Web: www.unitedvaluers.com
Email: enquiry@unitedvaluers.com

Your Ref: JEP Holdings

28 May 2019

The Board of Directors
JEP Holdings Ltd
16 Seletar Aerospace Crescent
Singapore 797567

Dear Sirs,

FORMAL VALUATION OF PROPERTY AT 2 LOYANG WAY 4 SINGAPORE 507098

We are instructed by Hilco Appraisal (S) Pte Ltd to advise on the retrospective open market value of the above-mentioned property as at 31 December 2018 on behalf of JEP Holdings Ltd. We have inspected the subject property on 23 May 2019 and are pleased to submit our report and valuation hereunder.

-
- A large, light grey watermark logo for United Valuers is visible in the background, featuring a stylized city skyline and the company name.
- 1.0 Purpose of Report
 - 2.0 Subject Property
 - 3.0 Planning Provision
 - 4.0 Location and Locality
 - 5.0 Description of Subjet Property
 - 6.0 Basis and Method of Valuation
 - 7.0 Valuation

Annexures : *Photographs*
 Location Plan
 Site Plan
 Limiting Conditions



1.0 PURPOSE OF REPORT

We have been instructed by Hilco Appraisal (S) Pte Ltd to prepare this valuation report for the purpose of determining the retrospective open market value of the subject property free from all encumbrances as at 31 December 2018 for the purpose of the mandatory conditional cash offer for the shares of JEP Holdings Ltd and unconditional cash offer for the warrants of JEP Holdings Ltd by UMS Holdings Limited.

We, United Valuers Pte Ltd hereby consent to, and confirm that we have not withdrawn our consent to, the issue of the circular with the inclusion therein of our report to the circular and/or letter(s) and/or certificate(s) and/or opinion(s) (where applicable) and reference to our name in the form and context in which they respectively appear in the circular and to be used in public documents for inspection.

2.0 SUBJECT PROPERTY

(According to JTC Lease Documents & Client)

Address	:	2 Loyang Way 4 Singapore 507098
Type	:	A Part 2-storey / Part 4-storey Factory with workers' dormitory
Legal Description	:	MK31 – 2619P & MK31 – 4880M
Tenure	:	MK31 – 2619P 30 Years wef 1 st June 2007 MK31 – 4880M 23 Years 10 Months wef 1 st August 2013
Land Area	:	MK31 – 2619P 5,017.5 sq m MK31 – 4880M 1,216.1 sq m Total 6,233.6 sqm (or 67,098 sq ft)
Floor Area	:	6,206.93 sq m (or 66,811 sq ft) <i>or thereabout, subject to final survey.</i>
Land Rent	:	S\$12,945.87/- per month <i>(Inclusive of 7% GST)</i>



Annual Value : S\$1,365,000/- (Year 2019)

Age of Buildings : Circa 2000's

Occupancy Status ; Partially tenanted

3.0 PLANNING PROVISION

Based on 2014 Master Plan, the subject property is sited on land zoned as "Business 2". Official Master Plan Zoning, Road and Drainage Interpretation Plans have not been applied for.

4.0 LOCATION AND LOCALITY

Neighbourhood : The immediate neighbourhood is predominantly industrial estates & developments.

City Services : Available within the vicinity.

Public Transport : Available along Loyang Way & Loyang Avenue. The subject property is some distance from Pasir Ris MRT Station.

Prominent Developments : Changi Logistics Centre, Krislite Building, Loyang Industrial Estate, Loyang Enterprise Building, SIA Supplies Centre, Loyang Offshore Supply Base, SKP Industrial Buildings, etc.

Overall Comments : Close proximity to Tampines Expressway (TPE) & Pan-Island Expressway (PIE).



5.0 DESCRIPTION OF SUBJECT PROPERTY

Description	:	The subject plot of land is quadrilateral in shape. It is bounded by wire mesh / brickwall fencing complete with an mild steel main gate. The land is generally flat and is at road access level. Entry to subject property is via Loyang Way 4.
Construction	:	Reinforced concrete structure with brick in-fill walls, reinforced concrete floor and concrete and / or metal roof.
Accommodations (2-Storey Factory Building)	:	1st Storey Main lobby / reception area / general production areas & offices / pantry area / changing room / store / toilets 2nd Storey General office areas & rooms / conference room / storage area / pantry / toilets
(4-Storey Factory Building)	:	1st Storey Lift lobby / general production areas & offices / pantry area / toilets 2nd Storey Lift lobby / assembly areas / toilets 3rd Storey Lift lobby / workers' dormitory rooms / laundry area / central kitchen / recreational room / common baths & toilets 4th Storey Lift lobby / workers' dormitory rooms / laundry area / central kitchen / recreational room / common baths & toilets

APPENDIX F – VALUATION REPORT



- Finishes : *Floors* Carpet / homogeneous tiles / epoxy / cement screed
- Walls* Emulsion paint / homogeneous tiles / ceramic tiles / partitioned boards / glass panels
- Ceilings* Emulsion paint / false ceiling with lights / ceiling boards / metal roofing sheets with insulation
- Fixtures & Fittings : Mild steel main gate, aluminium framed windows & grilles, glass doors, timber doors, timber glass doors, roller shutters, cassette / split unit air-conditioning systems, ceiling / wall fans, ventilation fans, stove counters, exhaust hood, cabinets, vanity tops, guard house, etc.
- Other Improvements : Over head cranes facility, passenger lift, surveillance camera system, surface car & bikes parking lots, auto entrance barriers, loading and unloading bay, etc.
- Services / Facilities : All main Public Utilities and Telecommunication services are connected.
- Overall Comments : As at the date of inspection, the subject property was in an good state of internal & external repairs and maintenance.



6.0 BASIS AND METHOD OF VALUATION

Our valuation is our opinion of the current open market value, which we would define as intended to mean "the best price" at which an interest in a property might reasonably be expected to be sold at the date of valuation, assuming:-

- a. a willing seller, willing buyer;
- b. no account is to be taken of any additional bid by a purchaser with a "special interest";
- c. that prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the negotiation and agreement of price and terms for the completion of the sale; and
- d. that the price reflects the state of the market and other circumstances at the date of valuation.

For the purpose of this report, we had considered the Direct Comparison Approach with the Income Capitalisation Approach as check and reference.

In the Direct Comparison Approach, sales and listings of similar properties in the vicinity and elsewhere are used as guides to value after relevant valuation adjustments are made for differences in location, usage, land area, floor area, improvement works, JTC remaining lease, JTC ground rental, market conditions, date of sale, etc.

In the Income Capitalisation Approach to value, we had based on the current fair and reasonable rental values of similar properties in similar neighbourhoods, subject to the relevant valuation adjustments and deductions for outgoings such as property tax, cost of maintenance/ repairs, JTC land rent and future vacancy allowances. The resultant nett income is then capitalised over the unexpired lease term using an appropriate capitalisation rate according to current market condition.



7.0 VALUATION

Having considered the above, the prevailing market conditions and other relevant valuation factors, we are of the considered opinion that the retrospective open market value of the subject property free from all encumbrances as at 31 December 2018 for purpose of the mandatory conditional cash offer for the shares of JEP Holdings Ltd and unconditional cash offer for the warrants of JEP Holdings Ltd by UMS Holdings Limited is ***S\$10,000,000/- Singapore Dollars Ten Million Only.***

This Valuation Report is issued subject to the Limiting Conditions as attached.

Yours faithfully
for and on behalf of
UNITED VALUERS PTE LTD

A handwritten signature in black ink, appearing to read "Teo Beng Hock", written over a horizontal line.

Teo Beng Hock
Licensed Appraiser
AD041-20099516J

Enc.



APPENDIX F – VALUATION REPORT



LIMITING CONDITIONS

This valuation is prepared in accordance with the Valuation Standards and Guidelines published by the Singapore Institute of Surveyors and Valuers.

Our responsibility in connection with this valuation report is limited to our client or person to whom this report is addressed and to that client only. We disclaim all responsibility and accept no liability to any other person(s) or party should this report be used by any such person(s) or party or for any.

Any action, claim or proceedings arising out of the engagement of services shall be brought against the Firm with whom the Client has engaged and not against any employee, director or sub-contractor of the Firm involved directly or indirectly in the delivery of the Services.

Any liability arising from the Valuer's negligence (if any) in connection with this engagement shall be limited to the amount of fees received for this engagement.

The report is considered invalid if there is non-payment of the valuation fees. We shall not be responsible and accept no liability of the report if payment is not received within 30 days from the date of report.

Each valuation is current as at the Valuation Date only. The value assessed may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value. We also do not assume any responsibility or accept liability where this valuation is relied upon after the expiration of three months from the Valuation Date.

The values assessed in this report for the subject property and any allocation of values between parts of the property applies strictly on the terms of and for the purpose of the valuation stated in the report and may not be used for any other purpose.

Where it is stated in the report that information has been supplied to us by another party, this information is believed to be reliable and accurate and we accept no responsibility if this information should later prove not to be so.

We may adopt assumptions in the valuation being carried out as some matters cannot be calculated accurately or fall outside the scope of our expertise. The risk that any of the assumptions adopted in our valuation may be incorrect should be taken into account. While all reasonable care is taken, we does not warrant or represent that the assumptions on which this valuation is based are accurate or correct.

Neither the whole nor any part of this report nor any reference to it may be included in any document, circular or statement nor published in any way without our prior written approval of the form and context in which it may appear.

While due care is taken in the course of inspection to note serious building defects, no structural survey has been made and no guarantee is given that the building is free from rot, termite, pest infestation of other hidden defects. We have also not made any tests to the building services (e.g. air-conditioning, fire-fighting systems, lifts, escalators, plumbing and lighting etc.) and these services are presumed to be in good working order.

APPENDIX F – VALUATION REPORT



Our valuation assumes that the title(s) is(are) in good order and marketable, free from any liens, mortgages, encumbrances, restrictions and other legal impediments. We accept no responsibility for investigations into title(s), searches, legal requisitions, legal validity of title or any charges, claims, liabilities registered against the title(s). The client is advised to consult his solicitors on any matter concerning the title(s).

We have not conducted a land survey to verify the land boundaries and site areas and whether all developments and improvements are within such boundaries. We have assumed, unless otherwise stated, that all developments and improvements are within the boundaries of such land parcel as described in this report and the land parcel is fully owned by the property owner.

Any plans or map included in this report are meant for identification purposes and to assist the reader in visualizing the subject property. We have not made any survey of the property and assume no responsibility in connection with such matters.

Unless otherwise instructed, we do not carry out requisition with the various public authorities to confirm that the property is not adversely affected by any public schemes such as road improvements, drainage proposal, etc.

Our valuation presumes that the subject property, as currently used, is in compliance with the existing land use zoning and is not in contravention of any planning rules or regulations.

Our valuation is prepared on the basis that the premises and any works (e.g. alterations and additions) thereto comply with all relevant statutory regulations. It is assumed that they have been, or will be issued with a statutory completion by the Building Authority.

Our valuation assumes that all development charges and maintenance/service/conservancy charges, if any, whether outstanding or payable as at the date of valuation, have already been fully paid.

Our valuation further assumes that, as at the date of valuation, there are no outstanding liabilities or charges attached to the property(ies).

In the event that we are instructed to provide a valuation based on kerb-side inspection and/or without the extent of information normally available, our valuation will be dependent on the adequacy and accuracy of the information supplied and/or the assumptions made. Should the information prove to be incorrect or inadequate, the accuracy of the valuation may be affected and we shall not be held responsible for the inaccuracy of the valuation.

We shall not be required to give testimony or to appear in court for any other tribunal or to any government agency by reason of this valuation report or with reference to the property in question unless prior arrangements have been made and we be properly reimbursed.

APPENDIX F – VALUATION REPORT

 **Hilco Global.**
Business Asset Valuation Services
Hilco Appraisal Singapore Pte Ltd

OUR REF 2092/05/19/HBK

VALUATION

of

Precision Metal Working Machinery

belonging to

JEP Holdings Limited and its subsidiaries

16 Seletar Aerospace Crescent
Singapore 797567

Hilco Appraisal Singapore Pte Ltd
No 1 Commonwealth Lane, #04-29, One Commonwealth, Singapore 149544 Tel +65 6325 3188 Fax +65 62205262
www.hilcoglobal.com

 **Hilco Global.**

APPENDIX F – VALUATION REPORT



VALUATION SUMMARY

JEP Holdings Limited
16 Seletar Aerospace Crescent
Singapore 797567

Precision Metal Working Machinery

Market Value (S\$)
as at
31 December 2018

D a t e o f V a l u a t i o n : May 28, 2019

JEP Holdings Limited
16 Seletar Aerospace Crescent
Singapore 797567

Precision Metal Working Machinery belonging to:
JEP Holdings Limited and its subsidiaries

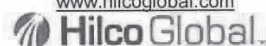
• JEP Precision Engineering Pte Ltd	}	18,800,000
• DOLPHIN Engineering Pte Ltd		
• JEP Industrades Pte Ltd		

(Machinery listing on page 6 of this report)

Total S\$ 18,800,000

Last Date of Inspection: May 23, 2019

Hilco Appraisal Singapore Pte Ltd
No 1 Commonwealth Lane, #04-29, One Commonwealth, Singapore 149544 Tel +65 6325 3188 Fax +65 62205262
www.hilcoglobal.com



APPENDIX F – VALUATION REPORT



May 28, 2019

The Board of Directors
JEP Holdings Limited
16 Seletar Aerospace Crescent
Singapore 797567

Dear Sirs,

Re: Appraisal – Precision Metal Working Machinery

Thank you for your instructions. Hilco Appraisal Singapore Pte Ltd (“Hilco”) is pleased to submit the following appraisal report.

On May 22, 2019 to May 23, 2019, Hilco Appraisal Singapore Pte Ltd personnel inspected the Precision Metal Working Machinery belonging of JEP Holdings Limited, located at 16 Seletar Aerospace Crescent, Singapore 797567. The inspection was conducted to gather data relative to the Precision Metal Working Machinery.

The effective date of the appraisal is retrospective at December 31, 2018. Subject to the assumptions and limiting conditions set forth in an addendum to this report, it is our professional judgment that, as of the effective date as detailed in this report, the equipment has an estimated

Market Value:

Eighteen Million Eight Hundred Thousand SGD
S\$18,800,000.00

APPENDIX F – VALUATION REPORT

Appraisal – JEP Holdings Limited

(Precision Metal Working Machinery belonging to JEP Holdings Limited and its subsidiaries)

May 28, 2019

The narrative appraisal report that follows sets forth the identification of the equipment appraised, pertinent facts relative to the data considered, the reasoning leading to the conclusions, the results of the investigation and analysis, and the assumptions and limiting conditions.

It has been a pleasure being of service to you.

Very truly yours,

A handwritten signature in black ink is written over a circular stamp. The stamp contains the text "HILCO APPRAISAL SINGAPORE PTE LTD" around the perimeter. The signature itself appears to be "Hilco APPRAISAL" followed by a long horizontal line.

Hilco Appraisal Singapore Pte Ltd
enclosures

APPENDIX F – VALUATION REPORT

Appraisal – JEP Holdings Limited

(Precision Metal Working Machinery belonging to JEP Holdings Limited and its subsidiaries)

May 28, 2019

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Assumptions and Limiting Conditions

Photographs

APPENDIX F – VALUATION REPORT

Identification of the Assets

The Precision Metal Working Machinery appraised in this report was inspected at 3 locations; (JEP Holdings Limited's subsidiaries); 16 Seletar Aerospace Crescent, Singapore 797567, 8 Buroh Street # 01-16, Surface Engineering Hub, Singapore 627563 and 2 Loyang Way 4, Singapore 507098. Details of the location for these machineries are mentioned in the asset listings on page 6 of this report.

Purpose of the Appraisal and Definition(s) of Value

The purpose of the appraisal is to gather data relevant to the assets and provide an evaluation that estimates the Market Value. Hilco defines Market Value as follows:

Market Value

“is an opinion expressed in terms of money, at which the Precision Metal Working Machinery would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts, as of a specific date. “

Use of the Appraisal

Hilco has been instructed to conduct the appraisal of the assets by JEP Holdings Limited (“Client”), The intended use of the report is to provide the client with the documentation on the potential value necessary for the purpose of the mandatory conditional cash offer for the shares of JEP Holdings Limited and unconditional cash offer for the warrants of JEP Holdings Limited by UMS Holdings Limited.

Consent

We, Hilco Appraisal Singapore Pte Ltd hereby consent to, and confirm that we have not withdrawn our consent to, the issue of the circular with the inclusion therein of our report to the circular and/or letter(s) and/or certificate(s) and/or opinion(s) (where applicable) and reference to our name in the form and context in which they respectively appear in the circular and to be used in public documents for inspection.”

Effective Date of the Appraisal

The effective date of the appraisal is retrospective at December 31, 2018. Inspection was carried out on May 22, 2019 to May 23, 2019.

APPENDIX F – VALUATION REPORT

Methodology

There are three basic valuation methods that are used to derive an indication of the value of the assets. These methods include the cost approach, sales comparison approach, and income approach to value.

Cost Approach

“A set of procedures in which an appraiser derives a value indication by estimating the current cost to reproduce or replace the personal property, deducting for all accrued depreciation.”

Sales Comparison Approach

“A set of procedures in which an appraiser derives a value indication by comparing the personal property being appraised to similar assets that have been sold recently, applying appropriate units of comparison, and making adjustments based on the elements of comparison to the sale prices of the comparable.”

Income Capitalization Approach

“A set of procedures in which an appraiser derives a value indication for income-producing personal property by converting anticipated benefits into value. This conversion is accomplished either by: (1) capitalizing a single year's income expectancy or an annual average of several years' income expectancies at a market derived capitalization rate or capitalization rate that reflects a specified income pattern, return on investment, and change in value of the investment; or (2) discounting the annual cash flows for the holding period and the reversion at a specified yield rate.”

The cost approach was the primary basis upon which the assets was appraised. In these instances, the sales comparison was given some consideration.

The income approach was not utilized. This approach gives consideration to income-generating criteria and is very limited in its application to the appraisal of machinery & equipment on a piecemeal basis. This is due to the difficulty in determining what portion of the total income and expense stream of a given plant would be attributable to a specific piece of equipment. This type of analysis is outside the scope of this appraisal.

APPENDIX F – VALUATION REPORT

Extent of the Data Collection Process

On May 22, 2019 to May 23, 2019 Hilco Appraisal Singapore Pte Ltd personnel inspected the Precision Metal Working Machinery. A variety of data relating to the Precision Metal Working Machinery was requested and gathered during the inspection and, in some cases, additional information was subsequently requested.

The appraisal does not include an evaluation of the raw materials, work-in-process, or finished goods inventories. The value of purchased repair parts or replacement parts has not been considered. No product line-dedicated tooling or computer software is evaluated in this report.

The evaluation included the overall condition and quality of these assets were also considered. Research may have included but was not limited to Hilco Appraisal Services database, conversations with original equipment manufacturers, manufacturers' representatives, used machinery and equipment dealers, auctioneers and liquidators, and other knowledgeable industry sources. Supply and demand factors, the overall condition of the market, and the number of potential purchasers in the market for similar assets were discussed.

Statement of Ownership

Hilco Appraisal Singapore Pte Ltd is providing an appraisal of only the Precision Metal Working Machinery that is of interest to JEP Holdings Limited.

It is recommended that any parties considering a secured interest in these assets independently confirm the ownership interest and determine what potential impact any encumbrances may have on their marketability and ultimate value.

APPENDIX F – VALUATION REPORT

General Condition of the Assets

Based on our observed conditions of the Precision Metal Working Machinery, it seems that they are in good working condition based on the representation by the management, they comply with both preventive and predictive maintenance schedule. General observed condition of each machine will be indicated on the asset listings on page 6 of this Valuation Report.

Any condition statements that appear in the summary listing of these assets are based on general observations only. It is important to note that these observations are the result of visual inspections only, and that it is impossible to judge the condition of the assets without relying on the accuracy of the representations made by Management.

Environmental Considerations

No allowance has been made nor has any consideration been given to the impact, if any, of environmental or safety issues that would have an effect on the salability and/or use of the equipment. Furthermore, compliance or non-compliance with regulatory agencies that may have jurisdiction in these areas has not been considered.

It should be clearly understood that Hilco Appraisal Singapore Pte Ltd is not an environmental consulting firm and is not qualified to test for hazardous substances or conditions. Furthermore, Hilco Appraisal Singapore Pte Ltd is not qualified to identify or evaluate occupational safety hazards. It is recommended that any parties with an interest in the assets contract with a qualified consulting firm to conduct any studies deemed necessary to ensure that any issues are properly addressed.

APPENDIX F – VALUATION REPORT

Certification of Value

It is hereby certified that:

- the statements of fact contained in this report are true and correct.
- the analyses, opinions, and conclusions set forth in this report are limited only by the assumptions and limiting conditions (imposed by the terms of the assignment or by the undersigned) set forth by this report, and are our personal, unbiased, professional analyses, opinions, and conclusions.
- Hilco has no present or contemplated future interest in the property nor any personal interest or bias in the subject matter or the parties involved.
- the engagement of Hilco in this assignment was not contingent upon developing or reporting predetermined results.
- neither the appraisal assignment nor the amount of the fee is contingent upon developing or reporting a predetermined value, requested minimum value, a direction in the value that favors the cause of the client, a specific valuation, the approval of a loan, the amount of the value estimates or attainment of a stipulated result, nor is our compensation contingent upon an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- the appraiser(s) disclaim knowledge as to the appraised asset(s) operability, historical performance, and/or the existence of any hidden, latent, or undisclosed defects.
- any statement(s) of condition are the result of visual inspection only and should not be construed as an opinion of operability or utility.
- no person or persons other than the valuers prepared the analysis, conclusions, and opinions, or provided significant professional assistance.
- unless otherwise stated, Hilco has made an inspection of the personal property that is the subject of this report.

Should you have any questions regarding the foregoing value estimates or require any further information, please contact the valuers.

Respectfully submitted,

APPENDIX F – VALUATION REPORT

Valuation
JEP Holdings Limited
 16 Seletar Aerospace Crescent
 Singapore 767567

Precision Metal Working Machinery

Belonging to

JEP Holdings Limited and its subsidiaries

<u>Item#</u>	<u>ID Tag</u>	<u>Description</u>	<u>YOM</u>	<u>Model</u>	<u>Serial nos</u>	<u>Location</u>	<u>Condition</u>	<u>Photo</u>	<u>Cost as at Dec.31, 2018 (SGD)</u>	<u>NBV as at Dec.31, 2018 (SGD)</u>	<u>Market Value as at Dec.31, 2018 (SGD)</u>
1	HM-9	MAZAK Horizontal Machining Center	2016	MEGA 8800	275198	A	good working condition	1,2	663,646	576,081	570,735
2	HM-10	MAZAK Horizontal Machining Center	2016	MEGA 8800	275200	A	good working condition	3,4	663,646	576,081	570,735
3	HM-11	MAZAK Horizontal Machining Center	2016	MEGA 8800	275199	A	good working condition	5,6	663,646	576,081	570,735
4	HM-18	MAZAK Horizontal Machining Center	2016	MEGA 8800	275201	A	good working condition	7,8	663,646	576,081	570,735
5	HM-22	MAZAK Horizontal Machining Center	2013	MEGA 8800	246189	A	good working condition	9,10	687,012	424,612	480,908
6	FMS-1	MAZAK Multiple Stocker Type FMS	2016	PALLETECH HIGH RISE SYSTEM	801484	A	good working condition	11,12	713,269	619,157	613,411
7	FMS-2	MAZAK Multiple Stocker Type FMS	2016	PALLETECH HIGH RISE SYSTEM	801485	A	good working condition	13,14	935,121	811,737	804,204

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<u>8</u>	HM-23	MAZAK Horizontal Machining Center	2013	HORIZONTAL CENTER NEXUS 8800-II	250608	A	good working condition	15,16	596,197	372,623	417,337
<u>9</u>	HM-25	MAZAK Horizontal Machining Center	2013	HORIZONTAL CENTER NEXUS 8800-II	250609	A	good working condition	17,18	596,197	372,623	417,337
<u>10</u>	HM-21	MAZAK Horizontal Machining Center	2013	HORIZONTAL CENTER NEXUS 8800-II	246190	A	good working condition	19,20	596,197	368,483	417,337
<u>11</u>	HM-5	MAZAK Horizontal Machining Center	2011	HORIZONTAL CENTER NEXUS 8800-II	227229	A	good working condition	21,22	724,837	295,887	434,902
<u>12</u>	HM-24	MAZAK Horizontal Machining Center	2011	HORIZONTAL CENTER NEXUS 8800-II	227228	A	good working condition	23,24	724,837	295,887	434,902
<u>13</u>	HM-20	MAZAK Horizontal Machining Center	2012	HORIZONTAL CENTER NEXUS 10800-II	238885	A	good working condition	25,26	1,063,050	509,378	690,982
<u>14</u>	HM-19	MAZAK Horizontal Machining Center	2012	HORIZONTAL CENTER NEXUS 10800-II	238884	A	good working condition	27,28	1,042,217	477,683	677,441
<u>15</u>	HM-1	MAZAK Horizontal Machining Center	2011	FH-12800	227053	A	good working condition	29,30	1,342,400	568,656	805,440

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<u>16</u>	VTL-1	YOU JI CNC Vertical Turning Lathe	2018	VTL2000ATC	1VTL200TX05753	A	good working condition	31,32	650,777	641,739	650,777
<u>17</u>	M-10	MAZAK Bridge Type Machining Center	2017	FJV-60/80	283186	A	good working condition	33,34	384,800	347,392	357,864
<u>18</u>		MAZAK Bridge Type Machining Center (belonging to DOLPHIN Engineering Pte Ltd)	2017	FJV-60/80	285783	A	good working condition	35,36	387,775	323,146	360,630
<u>19</u>	T-10	MAZAK Horizontal CNC Lathe	2015	SLANT TURN NEXUS 550 (30000U)	261890	A	good working condition	37,38	462,165	359,462	369,732
<u>20</u>	T-9	MAZAK Horizontal CNC Lathe	2013	SLANT TURN NEXUS 550 (30000U)	253208	A	good working condition	39,40	409,849	276,079	286,894
<u>21</u>	TM-6	MAZAK Horizontal Y-Axis Control NC Lathe (Turning Center)	2012	INTEGREX i-300 (15000U)	237361	A	good working condition	41,42	639,318	293,021	415,556
<u>22</u>	TM-8	MAZAK Horizontal Y-Axis Control NC Lathe (Turning Center)	2016	INTEGREX i-300 (15000U)	277612	A	good working condition	43,44	487,420	423,108	419,181
<u>23</u>	VRX-5	MAZAK Vertical Machining Center (Turning Center)	2015	VARIAXIS i-800T	262688	A	good working condition	45,46	536,025	439,243	428,820
<u>24</u>	VRX-4	MAZAK Vertical CNC Lathe	2013	VARIAXIS 630-5X II T	247896	A	good working condition	47,48	454,785	274,766	318,349
<u>25</u>		ICHI SEIKI VISION WIDE Double Column Machining Center (belonging to DOLPHIN Engineering Pte Ltd)	2017	SF-6127 VISION WIDE	SF-0439	A	good working condition	49,50	577,422	417,027	537,002

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<u>26</u>		PALMARY CNC Cylindrical Grinder (belonging to JEP Industrades Pte Ltd)	2015	OCD-65150	GN6515002	A	good working condition	51,52	352,363	261,825	281,890
<u>27</u>		FANUC Robotic System for Robodrill, R-30iB Controller (s/n E17632966) (yellow color)	2017	A05B-2611-B330	PR6094-01	A	good working condition	53,54,55	279,900	219,255	251,100
<u>28</u>		YASKAWA Robotic System, Controller (s/n S61U55-2-1-M) for MAZAK X730 (blue color)	2017	ERER-MH00050-A00	PR5969-01	A	good working condition	56,57,58	287,500	225,208	258,750
<u>29</u>	MT-8	MAZAK Vertical CNC Lathe	2012	INTEGREX e-1060V/8 II	237362	A	good working condition	59,60	1,316,268	603,290	855,574
<u>30</u>	MT-7	MAZAK Vertical CNC Lathe	2012	INTEGREX e-1060V/8 II	237363	A	good working condition	61,62	1,316,268	603,290	855,574
<u>31</u>	MT-9	MAZAK Vertical Machining Center	2016	VORTEX i-800V/8	275202	A	good working condition	63,64	777,525	674,935	668,671
<u>32</u>	CMM-9	HEXAGON (CMM) Coordinate Measuring Machine	2016	GLOBAL VANTAGE 15.30.10	8316136CA	A	good working condition	65,66	298,878	249,065	257,035
<u>33</u>		Class 6 Clean Room (66m2) + Class 7 Clean Room (75m2)	2018			A	good working condition	67,68,69	333,090	308,802	333,090
<u>34</u>		OEE Monitoring & Analysis System	2017			A	good working condition	No photos	318,000	249,100	295,740
<u>35</u>		STARVISION CNC Double Column Machining Center (belonging to DOLPHIN Engineering Pte Ltd)	2016	LG3223	158	C	good working condition	70,71	365,075	202,819	295,710

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<u>36</u>		PRATIC 6m Profile Machining Center (belonging to DOLPHIN Engineering Pte Ltd)	2018	PC4D-CNC6000	PC 3189	C	good working condition	72,73	389,610	389,610	389,610
<u>37</u>		LEADER Multi-Function Moving Column Machining Center	2018	RH4-35	RH20180701	C	good working condition	74,75	226,075	210,376	226,075
<u>38</u>	SEH2	SYNERSYS SEH Chemical Tanks & Line Processes and DI Water System (Chemical Plating Line) consisting of 14 processes/treatments	2015			B	good working condition	76,77	903,020	645,910	659,204
<u>39</u>	SEH1	ROSLER Dry Blasting Pressure Special Machine VR Automatic Shot Peening Machine	2015	GRENAILLEUSE Type: C2X1SP2	91482	B	good working condition	78,79	714,190	530,683	571,352
Total (SGD)									24,544,016	16,590,201	18,821,321
Rounded to the nearest Hundred Thousand											18,800,000

JEP Holdings Limited, Precision Metal Working Machinery location at its subsidiary:
Location A: JEP Precision Engineering Pte Ltd, 16 Seletar Aerospace Crescent, Singapore 797567
Location B: JEP Precision Engineering Pte Ltd, 8 Buroh Street # 01-16, Surface Engineering Hub, Singapore 627563
Location C: DOLPHIN Engineering Pte Ltd, 2 Loyang Way 4, Singapore 507098

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ADDENDA

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Assumptions and Limiting Conditions

This appraisal report has been made with the following general assumptions and limiting conditions.

- The personal property is appraised free and clear of any or all liens or encumbrances unless otherwise stated. Title to the property is assumed to be good and marketable unless otherwise indicated.
- It is assumed that all of the personal property included in the appraisal is owned by the company appraised. Hilco has relied upon management to identify any equipment that is leased or owned by parties unrelated to the appraisal.
- The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy. Every reasonable attempt has been made to verify such information.
- It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.
- The value estimates submitted are based upon the definition of value stated in the body of the report.
- Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of that party and, in any event, only with proper written qualification and only in its entirety.
- Hilco Appraisal Singapore Pte Ltd reserves the right to recall all copies of this report to correct any error or omission.
- The appraiser, by reason of this appraisal, is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been made previously.
- Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.
- The maximum liability of Hilco for the breach of any obligation in connection with this engagement or the Report, and for any and all damages of any type or nature (whether in contract or in tort, and whether compensatory, consequential or punitive in nature) sustained or claimed by The Company(ies) or any other person or entity in connection with this engagement or the Report, shall be limited to the fee actually received by Hilco under the engagement letter. In no event or circumstance shall Hilco have any liability to The Company(ies) or any other person or entity in excess of the fee actually paid to and received by Hilco under the engagement letter, except in the case of gross negligence on the part of Hilco
- This report is considered invalid if there is non-payment of the valuation fee. We shall not be responsible and accept no liability of the report if payment is not received within 30 days from the date of report.