

CIRCULAR DATED 19 MAY 2021

THIS CIRCULAR (AS DEFINED HEREIN) IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) OF JEP HOLDINGS LTD. AND THE ADVICE OF W CAPITAL MARKETS PTE. LTD. TO THE INDEPENDENT DIRECTORS. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

This Circular is issued by JEP Holdings Ltd. (the "**Company**"). 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, accountant, solicitor, tax adviser or other professional adviser immediately.

If you have sold or transferred all your issued and paid-up ordinary shares in the capital of the Company, you should immediately forward this Circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Company has opted for electronic dissemination of this Circular. Please note that no printed copies of this Circular will be despatched to Shareholders. Only printed copies of the notice regarding the electronic dissemination of this Circular will be despatched to Shareholders.

This Circular has been prepared by the Company and its contents have been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. (the "**Sponsor**") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalyst. 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. Lay Shi Wei (Registered Professional) (Mailing Address: 6 Raffles Quay, #24-02, Singapore 048580 and E-mail: sponsor@rhtgoc.com).



JEP HOLDINGS LTD.

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

CIRCULAR TO SHAREHOLDERS

in relation to the

MANDATORY UNCONDITIONAL CASH OFFER

by

UOB KAY HIAN PRIVATE LIMITED

(Company Registration No. 197000447W)
(Incorporated in the Republic of Singapore)

for and on behalf of

UMS Holdings Limited

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

for all the issued ordinary shares in the capital of the Company other than those already owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with the Offeror

Independent Financial Adviser to the Independent Directors



W CAPITAL MARKETS PTE. LTD.

(Company Registration No. 201813207E)
(Incorporated in the Republic of Singapore)

SHAREHOLDERS (AS DEFINED HEREIN) SHOULD NOTE THAT THE OFFER DOCUMENT (AS DEFINED HEREIN) STATES THAT ACCEPTANCES SHOULD BE RECEIVED BY THE CLOSE OF THE OFFER AT 5.30 P.M. (SINGAPORE TIME) ON 2 JUNE 2021. THE OFFEROR (AS DEFINED HEREIN) DOES NOT INTEND TO EXTEND THE OFFER BEYOND 5.30 P.M. (SINGAPORE TIME) ON 2 JUNE 2021 OR TO REVISE THE OFFER PRICE (AS DEFINED HEREIN).

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DEFINITIONS

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

“Annual Report FY2020”	:	Annual report of the Group containing the audited consolidated financial statements of the Group for FY2020
“Acquisition”	:	Shall have the meaning ascribed to it in Section 1.1 of this Circular
"Board"	:	The board of Directors as at the Latest Practicable Date
"Business Day"	:	A day other than Saturday, Sunday or a public holiday on which commercial banks are open for business in Singapore
“Catalist”	:	The sponsor-supervised listing platform of the SGX-ST
“Catalist Rules”	:	The SGX-ST Listing Manual Section B: Rules of Catalist in force as at the Latest Practicable Date
"Circular"	:	This circular to Shareholders dated 19 May 2021 in relation to the Offer enclosing, inter alia, the IFA Letter
“CNC Machines”	:	Shall have the meaning ascribed to it in paragraph 14 of Appendix 2 to this Circular
"Closing Date"	:	5.30 p.m. on 2 June 2021
"Code"	:	The Singapore Code on Take-overs and Mergers
"Companies Act"	:	The Companies Act (Chapter 50 of Singapore Statutes), as amended or modified from time to time
"Company Securities"	:	(a) Shares; (b) securities which carry voting rights in the Company; or (c) Convertible Securities, Warrants, Options (including any options granted under any employee share scheme of the Company) or Derivatives in respect of (a) or (b)
“Completion”	:	Shall have the meaning ascribed to it in Section 1.1 of this Circular
“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
"Convertible Securities"	:	Securities convertible or exchangeable into new shares or existing shares
"Constitution"	:	The constitution of the Company, as amended, modified or supplemented from time to time
"CPF Agent Banks"	:	Agent banks included under the CPFIS
"CPFIS"	:	CPF Investment Scheme

"CPFIS Investors"	:	Investors who have purchased Shares using their CPF contributions pursuant to the CPFIS
"Derivatives"	:	Includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security or securities
"Directors"	:	The directors of the Company (including the Independent Directors) as at the Latest Practicable Date, and " Director " means any one of them
"FAA"	:	Form of Acceptance and Authorisation for Shares in respect of the Offer, applicable to Depositors whose Shares are deposited with CDP and which forms part of the Offer Document
"FAT"	:	Form of Acceptance and Transfer for Shares in respect of the Offer, applicable to Shareholders whose Shares are registered in their own names in the Register and are not deposited with CDP and which forms part of the Offer Document
"FY2018"	:	Financial year ended 31 December 2018
"FY2019"	:	Financial year ended 31 December 2019
"FY2020"	:	Financial year ended 31 December 2020
"Group"	:	The Company and its subsidiaries
"IFA Letter"	:	The letter dated 19 May 2021 from the IFA to the Independent Directors in respect of the Offer as set out in Appendix 1 to this Circular
"Independent Directors"	:	The Directors who are considered independent for the purposes of the Offer, being Mr. Zee Hoong Huay, Mr. Wong Gang, Mr. Kong Chee Keong, and Ms Lee Sook Wai, Irene
"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: <ul style="list-style-type: none"> (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
"Interested Person Transactions"	:	Shall have the meaning ascribed to it in paragraph 14 of Appendix 2 to this Circular
"Irrevocable Undertaking"	:	Shall have the meaning ascribed to it in the Offer Document
"Latest Practicable Date"	:	7 May 2021, being the latest practicable date prior to the dissemination of this Circular
"Offer"	:	The mandatory unconditional cash offer made by UOB Kay Hian Private Limited, for and on behalf of the Offeror, to acquire all the Offer Shares on the terms and subject to the conditions set out in the Offer Document, the FAA and the FAT, as such offer may be amended, extended or revised from time to time by or on behalf of the Offeror
"Offer Announcement"	:	The announcement in connection with the Offer released by UOB Kay Hian Private Limited, for and on behalf of the Offeror, on the Offer Announcement Date
"Offer Announcement Date"	:	21 April 2021, being the date of the Offer Announcement
"Offer Document"	:	The offer document dated 5 May 2021, including the FAA and FAT, and any other document which may be issued by UOB Kay Hian Private Limited, for and on behalf of the Offeror, to amend, revise, supplement or update the document(s) from time to time
"Offer Price"	:	S\$0.20 in cash for each Share
"Offer Shares"	:	The Shares other than any Shares held in treasury and those Shares owned, controlled or agreed to be acquired by the Offeror as at the date of the Offer
"Offeror Group"	:	The Offeror and its subsidiaries
"Offeror Securities"	:	(a) shares of the Offeror; (b) securities which carry substantially the same rights as any shares of the Offeror; or (c) Convertible Securities, Warrants, Options or Derivatives in respect of (a) or (b)
"Options"	:	Options to subscribe for or purchase new Shares or existing Shares
"Overseas Shareholders"	:	Shall have the meaning ascribed to it in Section 14 of this Circular
"Proposed Acquisition"	:	Shall have the meaning ascribed to it in paragraph 14 of Appendix 2 to this Circular

"Register"	:	The register of holders of the Shares, as maintained by the Registrar
"S\$" and "cents"	:	Singapore dollars and cents, respectively, being the lawful currency of Singapore
"Securities Account"	:	The securities account maintained by a Depositor with CDP but does not include a securities sub-account
"SFA"	:	The Securities and Futures Act (Chapter 289 of Singapore Statutes)
"Shareholders"	:	Holders of Shares (other than CDP), including persons whose Shares are deposited with CDP or who have purchased Offer Shares on the SGX-ST
"Shares"	:	Issued and paid-up ordinary shares in the capital of the Company
"SRS"	:	Supplementary Retirement Scheme
"SRS Agent Banks"	:	Agent banks included under the SRS
"SRS Investors"	:	Investors who have purchased Shares pursuant to the SRS
"Subject Property"	:	The property/machinery situated at 16 Seletar Aerospace Crescent, Singapore 797567, 8 Buroh Street #01-05 & #01-16, Surface Engineering Hub, Singapore 627563, and 2 Loyang Way 4, Singapore 507098
"Substantial Shareholder"	:	A person who has an interest in not less than five per cent. (5%) of the total number of issued voting Shares
"Valuation Reports"	:	The valuation reports prepared by the Independent Valuers in respect of the Subject Property as set out in Appendix 6 to this Circular
"Warrants"	:	Rights to subscribe for or purchase new Shares or existing Shares
"%" or "per cent."	:	Per centum or percentage

COMPANIES/ORGANISATIONS

"Auditor"	:	Moore Stephens LLP, being the auditor of the Company
"CDP"	:	The Central Depository (Pte) Limited
"Company"	:	JEP Holdings Ltd.
"CPF"	:	The Central Provident Fund
"Group"	:	The Company and its subsidiaries
"Independent Valuers"	:	Hilco Appraisal Singapore Pte Ltd and United Valuers Pte. Ltd.
"Offeror"	:	UMS Holdings Limited

"Registrar"	:	Boardroom Corporate & Advisory Services Pte. Ltd., in its capacity as the share registrar of the Company
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"SIC"	:	Securities Industry Council of Singapore
"Sponsor"	:	RHT Capital Pte. Ltd.
"UOBKH"	:	UOB Kay Hian Private Limited
"W Capital Markets" or "IFA"	:	W Capital Markets Pte. Ltd., the independent financial adviser to the Independent Directors in respect of the Offer

Unless otherwise defined, the term "**acting in concert**" shall have the meaning ascribed to it in the Code.

The terms "**Depositor**" and "**Depository Register**" shall have the meanings ascribed to them in Section 81 SF of the SFA.

The terms "**subsidiary**" and "**related corporation**" shall have the meanings ascribed to them respectively in Section 5 and Section 6 of the Companies Act.

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

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

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing one gender shall include the other gender. References to persons shall, where applicable, include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the Catalist Rules or the Code or any statutory or regulatory modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the Companies Act, the Catalist Rules or the Code or any statutory or regulatory modification thereof, as the case may be, unless the context otherwise requires.

Any reference to a time of day and date in this Circular is reference to Singapore time and date respectively, unless otherwise stated.

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

Any reference in this Circular to the total number of issued Shares is a reference to 413,944,721 Shares (excluding treasury shares) as at the Latest Practicable Date, unless otherwise stated.

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 in italics, and capitalised terms used within these reproduced statements bear the same meanings as ascribed to them in the Offer Document, the IFA Letter and the Constitution respectively.

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", "estimate", "believe", "intend", "project", "plan", "potential", "strategy", "forecast", "possible", "probable" and similar expressions or future or conditional verbs such as "if", "will", "would", "should", "could", "may" or "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 as at the Latest Practicable Date. Such forward-looking statements are not guarantees of future results, performance, events or achievements and involve known and unknown risks and uncertainties. Accordingly, actual results or outcomes may differ materially from those described in such forward-looking statements. Given the risks and uncertainties involved, Shareholders and investors should not place undue reliance on such forward-looking statements, and neither the Company nor W Capital Markets guarantees any future performance or event or assumes any obligation to update publicly or revise any forward-looking statement, subject to compliance with all applicable laws and regulations and/or rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

SUMMARY TIMETABLE

Date of dissemination of the Offer Document : 5 May 2021

Date of dissemination of this Circular : 19 May 2021

Closing Date : 5.30 p.m. on 2 June 2021

Settlement of consideration for valid acceptances of the Offer : In respect of acceptances of the Offer which are complete and valid in all respects and in accordance with the instructions stated in, inter alia, the Offer Document, within seven (7) Business Days of the date of such receipt.

Please refer to paragraph 2 of Appendix 1 to the Offer Document for further information.

LETTER TO SHAREHOLDERS

JEP HOLDINGS LTD.

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

Board of 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*)
Ms. Lee Sook Wai, Irene (*Lead Independent Director*)

Registered Office:

16 Seletar Aerospace
Crescent, Singapore 797567

19 May 2021

To: The Shareholders

Dear Sir/Madam

MANDATORY UNCONDITIONAL CASH OFFER BY UOBKH, for and on behalf of THE OFFEROR, FOR THE OFFER SHARES

1. INTRODUCTION

1.1 OFFER ANNOUNCEMENT

On 21 April 2021, UOBKH announced, for and behalf of the Offeror, that the Offeror has on 21 April 2021 acquired 54,229,355 Shares in the capital of the Company from Mr. Zee Hoong Huay at S\$0.20 per Share ("**Acquisition**"), representing approximately 13.10% of the total number of issued and paid-up Shares of the Company.

The aggregate consideration for the Acquisition was S\$10,845,871 (based on S\$0.20 per Share) and was arrived at on a willing-buyer and willing-seller basis taking into account, amongst others, the prevailing market price of the Shares. Completion of the Acquisition ("**Completion**") took place on 21 April 2021.

Pursuant to Completion, the Offeror owns in aggregate 222,646,325 issued and paid-up Shares, representing approximately 53.79% of the total number of issued and paid-up Shares.

In accordance with Section 139 of the SFA and Rule 14.1 of the Code, and subject to the terms and conditions set out in the Offer Document, pursuant to Completion, the Offeror is required to make a mandatory unconditional cash offer for the Offer Shares.

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

1.2 OFFER DOCUMENT

Shareholders should have by now received a copy of the Offer Document, as announced by UOBKH, for and on behalf of the Offeror, which has been despatched on 5 May 2021, setting out, *inter alia*, the terms and conditions of the Offer. The principal terms and conditions of the Offer are set out in Sections 2 to 3 of, and Appendix 1 to, the Offer Document. Shareholders are urged to read the terms and conditions of the Offer set out 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 INDEPENDENT FINANCIAL ADVISOR

W Capital Markets has been appointed as the independent financial adviser to the Independent Directors in respect of the Offer.

1.4 PURPOSE OF CIRCULAR

The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Offer, and to set out the recommendation of the Independent Directors and the advice of W Capital Markets to the Independent Directors in respect of the Offer.

Shareholders should read the Offer Document, this Circular and the IFA Letter set out in Appendix 1 to this Circular carefully and consider the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors in respect of the Offer before deciding whether to accept or reject the Offer.

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

The Company has appointed Bird & Bird ATMD LLP as the legal adviser to the Company as to Singapore law in relation to the Offer.

2. THE OFFER

2.1 OFFER TERMS

The Offer is made by the Offeror on the principal terms set out in Section 2 of the Offer Document, 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\$0.20 in cash.

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, preemption 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.*

- 2.4. **Adjustments for Distribution.** *Without prejudice to the generality of the foregoing, the Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distribution, the Record Date for which falls on or after the Offer Announcement Date. In the event of any such Distribution, the Offer Price payable to an Accepting Shareholder shall be reduced by an amount which is equal to the amount of such Distribution as follows, depending on when the settlement date in respect of the Offer Shares tendered in acceptance of the Offer (the “Offer Settlement Date”) falls:*
- (a) *if the Offer Settlement Date falls on or before the Record Date, the Offeror will pay the relevant Accepting Shareholders the unadjusted Offer Price for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Shares from the Company; and*
 - (b) *if the Offer Settlement Date falls after the Record Date, the Offer Price payable for such Offer Shares tendered in acceptance shall be reduced by an amount which is equal to the Distribution in respect of such Offer Shares, as the Offeror will not receive such Distribution from the Company.*
- 2.5. **Offer Unconditional.** *Pursuant to the completion of the Acquisition, the Offeror holds more than 50% of the voting rights attributable to the Shares (excluding any Shares held in treasury). Accordingly, the Offer will not be subject to any conditions and will be unconditional in all respects.”*

2.2 WARRANTY

Section 3 of the Offer Document sets out the warranty in connection with the Offer, the extract of which is 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.

“3. WARRANTY FOR THE OFFER

A Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to unconditionally and irrevocably represent and warrant that he sells such Offer Shares, 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.”

2.3 DETAILS OF THE OFFER

The duration of the Offer is set out in Appendix 1 to the Offer Document, 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.

“1. DURATION OF THE OFFER

- 1.1. **Closing Date.** *The Offer is open for acceptance by Shareholders for at least twenty-eight (28) days from the Electronic 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 will close at 5.30 p.m. (Singapore time) on 2 June 2021. The Offeror does not intend to extend the Offer beyond 5.30 p.m. (Singapore time) on 2 June 2021 and the Offer will not be open for acceptances beyond 5.30 p.m. on 2 June 2021 (Singapore time). The Offeror does not intend to revise the terms of the Offer, save that the Offeror reserves the right to revise the terms of the Offer in accordance with the Code if a competitive situation arises.

Accordingly, notice is hereby given that the Offer will not be extended, revised or be open for acceptance beyond 5.30 p.m. (Singapore time) on 2 June 2021, save that such notice shall not be capable of being enforced in a competitive situation.

- 1.2. **Revision.** Pursuant to Rule 20.1 of the Code, the Offer, if revised, will remain open for acceptance for a period of at least 14 days from the date of despatch of the written notification of the revision to Shareholders. In any case, where the terms are revised, the benefit of the Offer (as so revised) will be made available to each of the Shareholders, including those who have previously accepted the Offer. The Offeror does not intend to revise the Offer Price or any other terms of the Offer.”

The Offer is made subject to the terms and conditions as set out in the Offer Document. Appendix 1 to the Offer Document contains, *inter alia*, further details on: (i) the duration of the Offer; (ii) the settlement of the consideration for the Offer; (iii) the requirements relating to the announcement of the level of acceptances of the Offer; and (iv) the right of withdrawal of acceptances of the Offer.

2.4 PROCEDURES FOR ACCEPTANCE

The procedures for acceptance of the Offer are set out in Appendix 2 to the Offer Document, 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.

“1. DEPOSITORS

- 1.1. **Depositors whose Securities Accounts are credited with Offer Shares.** If you have Offer Shares standing to the credit of the “Free Balance” your Securities Account, you should receive the Notification together with the FAA. If you do not receive the FAA, please contact CDP’s Customer Service Hotline at +65 6535 7511 during their operating hours or email CDP at asksgx@sgx.com. Electronic copies of the FAA may also be obtained on the website of the SGX-ST at www.sgx.com.

Acceptance. If you wish to accept the Offer in respect of all or any of your Offer Shares, you should:

- (a) complete the FAA in accordance with this Offer Document and the instructions printed on the FAA. In particular, you must state in **Part C** of the FAA the number of Offer Shares in respect of which you wish to accept the Offer.
- (i) If you:
- (1) do not specify such number; or
- (2) specify a number which exceeds the number of Offer Shares standing to the credit of the “Free Balance” of your Securities

Account 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,

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;

(ii) If Paragraph 1.1(a)(i)(2) above applies and at the time of verification by CDP of the FAA on the Date of Receipt, there are outstanding settlement instructions with CDP to receive further Shares into the "Free Balance" of your Securities Account ("**Unsettled Buy Position**"), and the Unsettled Buy Position settles such that the Offer Shares in the Unsettled Buy Position 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 Offer Shares inserted in Part A of the FAA or the relevant section of the electronic form of the FAA which have not yet been accepted pursuant to Paragraph 1.1(a)(i)(2), or the number of Settled Shares, whichever is less;

(b) if you are submitting the FAA in physical form, sign the FAA in accordance with this **Appendix 2** and the instructions printed on the FAA; and

(c) submit the duly completed and signed FAA:

(i) **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; or

(ii) **in electronic form**, via SGX's Investor Portal at investors.sgx.com,

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

If you have sold or transferred all your Offer Shares held through CDP, you need not forward this Offer Document and the 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.

If you are a Depository Agent, you may accept the Offer via Electronic Acceptance. CDP has been authorised by the Offeror to receive Electronic Acceptances on its behalf and such Electronic Acceptances must be submitted not later than 5.30 p.m. (Singapore time) on the Closing Date. Such 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 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 the Notification together with the FAA. If you do not receive the FAA, please contact CDP's Customer Service Hotline at +65 6535 7511 during their operating hours or email CDP at asksgx@sgx.com. Electronic copies of the FAA may also be obtained on the website of the SGX-ST at www.sgx.com.

Acceptance. 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 this **Appendix 2** and the instructions printed on the FAA; and
- (b) submit the duly completed and signed FAA:
 - (i) **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,
 - (ii) **in electronic form**, via SGX's Investor Portal at investors.sgx.com,

in each case so as to arrive 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 which is enclosed with the FAA, which are not pre-paid for posting. It is your responsibility to affix adequate postage on the said envelope.

- 1.3. **Rejection.** If upon receipt by CDP, on behalf of the Offeror, of the FAA, it is established that such Offer Shares have not been or will not be, credited to the "Free Balance" of your Securities Account (as, for example, where you sell or have sold such Offer Shares), your acceptance is liable to be rejected. None of the Offeror, UOBKH, or CDP accepts any responsibility or liability in relation to such a rejection, including the consequences thereof.

If you purchase Offer Shares on the SGX-ST on a date close to the Closing Date, your acceptance in respect of such Offer Shares is liable to be rejected if the "Free Balance" of your Securities Account is not credited with such Offer Shares by 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), unless Paragraph 1.1(a)(i)(2) read together with Paragraph 1.1(a)(ii) of this Appendix 2 applies. If the Unsettled Buy Position 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, UOBKH 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 have purchased additional Offer Shares on the SGX-ST which are in the process of being credited to your Securities Account, you may accept the Offer in respect of the Offer Shares standing to the credit of the "Free Balance" of your Securities Account and may accept the Offer in respect of the additional Offer Shares purchased which are in the process of being credited to your Securities Account only **AFTER** the "Free Balance" of your Securities Account has been credited with such number of Offer Shares.

- 1.5. **FAAs received on Saturday, Sunday and public holidays.** For the avoidance of doubt, FAAs received by CDP on a Saturday, Sunday or public holiday in Singapore will only be processed and validated on the next Business Day.

1.6. **General.** No acknowledgement will be given by CDP for submissions of the FAA. All communications, notices, documents and payments to be delivered or sent to you will be sent by ordinary post at your own risk to your mailing address as it appears in the records of CDP. For reasons of confidentiality, CDP will not entertain telephone enquiries relating to the number of Offer Shares credited to 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. **Notification.** If you have accepted the Offer in accordance with the provisions contained in this Offer Document and the FAA, 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 which will be credited directly into your designated bank account for Singapore Dollars via CDP's Direct Crediting Service ("**DCS**") on the payment date as soon as practicable, within seven (7) Business Days after the receipt of acceptances of the Offer which are complete and valid in all respects and which are received by 5.30 p.m. (Singapore time) on the Closing Date.

In the event you are not subscribed to CDP's DCS, any monies to be paid shall be credited to your Cash Ledger and subject to the same terms and conditions as Cash Distributions under the CDP Operation of Securities Account with the Depository Terms and Conditions (Cash Ledger and Cash Distribution are as defined therein).

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 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 the Notification together with the FAT. If you do not receive a FAT, you may obtain a copy, upon production of satisfactory evidence that you are a Shareholder, from the Registrar, at its office located at **50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623**. Electronic copies of the FAT may also be obtained on the website of the SGX-ST at www.sgx.com.

If you wish to accept the Offer in respect of all or any of your Offer Shares, 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*

- (ii) 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;

- (iii) where such Offer Shares are not registered in your name, a transfer form, duly executed by the person in whose name such share certificate(s) is/are registered and stamped, with the particulars of the transferee left blank (to be completed by the Offeror, or any person nominated in writing by the Offeror or a person authorised by either); and

- (iv) 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 which is not pre-paid for posting. 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).

- 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. **FATs received on Saturday, Sunday and public holidays.** For the avoidance of doubt, FATs received by the Offeror and/or the Registrar on a Saturday, Sunday or public holiday in Singapore will only be processed and validated on the next Business Day.
- 2.4. **Payment.** If you have accepted the Offer in accordance with the provisions contained in this Offer Document and the FAT, payment will be sent to you (or your designated agent or, in the case of joint Accepting Shareholders 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.

3. GENERAL

- 3.1. **Disclaimer and Discretion.** The Offeror, UOBKH, 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, UOBKH, the Registrar and/or CDP accepts any responsibility or liability for such a decision (including the consequences thereof). The Offeror and UOBKH 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 UOBKH.
- 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 Electronic 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, the Offeror and/or the Registrar 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 Shareholders 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, UOBKH, CDP and/or the Registrar, to the Offeror, UOBKH, CDP and/or the Registrar, as the case may be, shall be conclusive evidence in favour of the Offeror, UOBKH, 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, UOBKH, 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, UOBKH 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.”*

2.5 CLOSING DATE

The Offer Document states that the Offer will remain open for acceptance by the Shareholders for at least 28 days after the date of despatch of the Offer Document, unless the Offer is withdrawn with the consent of the SIC in which event every person shall be released from any obligation incurred thereunder.

Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 2 June 2021, being the Closing Date. Notice has been given by the Offeror that the Offer will not be extended, revised or be open for acceptance beyond 5.30 p.m. (Singapore time) on 2 June 2021, save that such notice shall not be capable of being enforced in a competitive situation.

3. INFORMATION ON THE OFFEROR

3.1 THE OFFEROR

Section 8 of the Offer Document sets out certain information on 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.

“8. INFORMATION ON THE OFFEROR

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 Latest Practicable Date, 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 222,646,325 Shares, representing approximately 53.79% of the entire issued and paid up share capital of the Company;*
- (b) Mr Luong Andy has a deemed interest in 20.44% of the issued and paid up share capital of the Offeror and is therefore, deemed to be interested in all the Shares held by the Offeror; and*
- (c) Mr Luong Andy has a direct interest in 1,150,000 Shares and deemed interest in 222,646,325 Shares. Please refer to **Appendix 5** for details of Mr Luong Andy’s interests in the Company.”*

3.2 FURTHER INFORMATION

Additional information on the Offeror extracted from Appendix 3 to the Offer Document is set out in **Appendix 3** to this Circular.

4. IRREVOCABLE UNDERTAKING

4.1 IRREVOCABLE UNDERTAKING TO ACCEPT THE OFFER

Section 7 of the Offer Document sets out certain information relating to the Irrevocable Undertaking received by 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.

“7. IRREVOCABLE UNDERTAKING

7.1. **Irrevocable Undertaking.** *As at the Offer Announcement Date, the Offeror has received an irrevocable undertaking from Mr Luong Andy to reject, and procure his*

associates to reject, the Offer in respect of 1,150,000 Shares (comprising approximately 0.28% of the total number of issued Shares), such undertaking being valid until the close of the Offer (“**Irrevocable Undertaking**”).

7.2. **No Other Undertakings.** Save for the Irrevocable Undertaking and based on the latest information available to the Offeror, as at the Latest Practicable Date, neither the Offeror nor its Concert Group has received any undertakings from any other party to accept or reject the Offer.”

5. **RATIONALE FOR THE OFFER AND THE OFFEROR’S INTENTIONS RELATING TO THE COMPANY**

The full text of the rationale for the Offer and the Offeror's intentions for the Company has been extracted from Section 10 of the Offer Document, 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. **Shareholders are advised to read the extracts below carefully and note the Offeror's future plans for the Company.**

“10. RATIONALE FOR THE OFFER 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 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 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.”

6. **COMPULSORY ACQUISITION AND LISTING STATUS**

Section 11 of the Offer Document sets out the intentions of the Offeror relating to the listing status of the Company and compulsory acquisition, 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. **Shareholders are advised to read the extract below carefully.**

“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 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 carrying out a compliance placement exercise after completion of the Offer."

Shareholders and investors are to note that where the Offeror decides not to maintain the listing status of the Company on the SGX-ST after the Company loses its public float, the SGX-ST may consider whether to grant a waiver of compliance imposed on a voluntary delisting under Rule 1307 of the Catalist Rules.

If the waiver is not granted and the Company wishes to undertake a voluntary delisting, it will need to do so in accordance with Rule 1307 of the Catalist Rules. In the event the Company is unable to meet the conditions for a voluntary delisting, the Company will be obliged to comply with the Catalist Rules, including the requirement to restore its public float (through private placement or otherwise).

Shareholders and investors should note there is the risk that the Company may be subject to prolonged suspension should the free float be lost but the requisite conditions for a delisting are not met.

7. FINANCIAL EVALUATION 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. Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document.

“12. FINANCIAL ASPECTS OF THE OFFER		
<i>The Offer Price represents the following premiums to the historical transacted prices of the Shares on the SGX-ST over various periods:</i>		
Description	Benchmark Price⁽¹⁾⁽²⁾ (S\$)	Premium over / (Discount to) Benchmark Price⁽³⁾
<i>Last traded price per share as quoted on the SGX-ST on the Last Trading Day</i>	<i>0.200</i>	<i>0.0%</i>
<i>VWAP per Share for the one (1)-month period up to and including the Last Trading Day</i>	<i>0.199</i>	<i>0.7%</i>
<i>VWAP per Share for the three (3)-month period up to and including the Last Trading Day</i>	<i>0.197</i>	<i>1.7%</i>
<i>VWAP per Share for the six (6)-month period up to and including the Last Trading Day</i>	<i>0.197</i>	<i>1.7%</i>
<i>VWAP per Share for the twelve (12)-month period up to and including the Last Trading Day</i>	<i>0.199</i>	<i>0.7%</i>
Notes:		
<i>(1) Based on data extracted from Bloomberg L.P..</i>		
<i>(2) Figures rounded to the nearest three (3) decimal places.</i>		
<i>(3) Percentages rounded to the nearest one (1) decimal place.”</i>		

8. DISCLOSURES

Section 13 of the Offer Document sets out certain information relating to the disclosure of shareholdings and dealings, 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.

“13. DISCLOSURES

13.1. **Offeror and its Concert Group.** *As at the Latest Practicable Date, save as disclosed in Appendix 5, 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 commitment (other than the Irrevocable Undertaking) from any party to accept or reject the Offer 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.”*

9. 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. Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document.

“14. CONFIRMATION OF FINANCIAL RESOURCES

UOBKH, as financial adviser to the Offeror in connection with the Offer, confirms that sufficient financial resources are available to the Offeror to satisfy in full, all acceptances of the Offer by Shareholders in cash on the basis of the Offer Price.”

10. DIRECTORS' INTERESTS

Details of the Directors including, *inter alia*, the Directors' direct and deemed interests in the Shares and the Offeror Securities as at the Latest Practicable Date are set out in **Appendix 2** to this Circular.

11. ADVICE AND RECOMMENDATION IN RELATION TO THE OFFER

11.1 INDEPENDENCE OF DIRECTORS

Mr. Luong Andy (being a director of both the Offeror and the Company and having provided an Irrevocable Undertaking in respect of his Shares) faces, or may reasonably be perceived to face, an irreconcilable conflict of interest, that would render it inappropriate for him to make a recommendation on the Offer to Shareholders.

The SIC has ruled, *inter alia*, on 5 May 2021 that Mr. Luong Andy is exempted from the requirement to make a recommendation to Shareholders in respect of the Offer. However, Mr. Luong Andy must still assume responsibility for the accuracy of facts stated or opinions expressed in documents and advertisements issued by, or on behalf of, the Company in connection with the Offer.

All the Independent Directors are considered independent for the purposes of making a recommendation to Shareholders in relation to the Offer.

11.2 THE INDEPENDENT FINANCIAL ADVISER AND THE IFA LETTER

W Capital Markets Pte. Ltd. has been appointed as the independent financial adviser to the Independent Directors in respect of the Offer.

Shareholders should read and consider carefully the advice of W Capital Markets to the Independent Directors in respect of the Offer as set out in the IFA Letter and the recommendation of the Independent Directors in their entirety before deciding whether to accept or reject the Offer. The IFA Letter is reproduced in **Appendix 1** to this Circular.

11.3 ADVICE OF THE IFA TO THE INDEPENDENT DIRECTORS ON THE OFFER

Based on W Capital Markets' evaluation and assessment of the financial terms of the Offer, W Capital Markets has made its recommendation in respect of the Offer as set out in Section 9 of the IFA Letter and reproduced in italics below. The opinion and advice set out below should be considered and read by Shareholders in conjunction with, and in the context of, the full text of the IFA Letter.

Shareholders should read the following extract in conjunction with, and in the context of, the full text of the IFA Letter. Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the IFA Letter.

“9. OUR OPINION AND RECOMMENDATION TO THE INDEPENDENT DIRECTORS

In arriving at our recommendation in respect of the Offer to the Independent Directors, we have taken into account a range of factors which we consider, based on available information as at the Latest Practicable Date, to be pertinent and have significant bearing on our assessment of the Offer. Accordingly, it is important that this IFA Letter, in particular, all the considerations and information we have taken into account, be read in its entirety.

In determining the fairness of the Offer, we have considered, inter alia, the following pertinent factors:

- (a) *The Offer Price to NAV per Share and the premium of the Offer Price to NAV per Share as at 31 December 2020 are 1.4 times and 37.3% respectively;*

- (b) *The Offer Price to NTA per Share and the premium of the Offer Price to NTA per Share as at 31 December 2020 are 1.7 times and 69.0% respectively;*
- (c) *The Offer Price to RNAV per Share and the discount of the Offer Price to RNAV per Share as at 31 December 2020 are 0.9 times and 5.5% respectively;*
- (d) *the premium to NAV as implied by the Offer Price of approximately 37.3% is higher than the average premiums to NAV as implied by the closing price of the Shares for the periods of 1-year, 6-month, 3-month and 1-month prior to the Offer Announcement Date and up to the Last Trading Day;*
- (e) *In comparison with the earnings-based trading multiples of the Selected Comparable Companies and based on the Offer Price:*
- *The EV/TTM EBITDA multiple of the Group of 12.7 times is within the range of EV/TTM EBITDA ratios of the Selected Comparable Companies of between 3.9 times and 15.0 times, and above the mean and median EV/TTM EBITDA ratios of 8.8 times and 6.8 times respectively; and*
 - *The TTM P/E multiple of the Group of 13.9 times is within the range of the TTM P/E ratios of the Selected Comparable Companies of between 8.9 times and 34.6 times, but below the mean and median TTM P/E ratios of 17.6 times and 16.0 times respectively; and*
- (f) *The Offer Price represents a premium of approximately 11.7% to the mean price targets of the brokers covering the Company's Shares.*

*In view of the above, we are of the opinion that the Offer is **FAIR**.*

In determining the reasonableness of the Offer, we have considered, inter alia, the following pertinent factors:

- (a) *The Offer Price is at a premium of approximately 0.7%, 1.7%, 1.3% and 0.7% to the VWAP of the Shares for the 1-month, 3-month, 6-month and 12-month periods prior to the Last Trading Day respectively;*
- (b) *The Shares are thinly traded during the Relevant Period prior to the Offer Announcement Date. Trading liquidity of the Shares during the 12-month period up to and including the Last Trading Day has been low with an average daily trading volume of between approximately 149,300 Shares and 302,500 Shares representing between 0.084% and 0.169% of the free float of the Company;*
- (c) *The P/NAV as implied by the Offer Price of 1.4 times is within the range of P/NAV of the Selected Comparable Companies of 1.0 times to 4.9 times, albeit below the mean and median P/NAV of the Selected Comparable Companies;*
- (d) *The P/NTA as implied by the Offer Price of 1.7 times is within the range of P/NTA of the Selected Comparable Companies of 1.0 times to 6.1 times, albeit below the mean and median P/NTA of the Selected Comparable Companies;*
- (e) *The P/NAV and P/NTA as implied by the Offer Price of 1.4 times and 1.7 times respectively, is within the range of the P/NAV of the Precedent Non-Privatisation Transactions (excluding statistical outliers) of 0.3 times to 2.1*

times, and above the mean and median P/NAV of the Precedent Non-Privatisation Transactions of 0.9 times and 0.9 times;

- (f) The P/RNAV as implied by the Offer Price of approximately 0.9 times is within the range of the P/NAV of the Precedent Non-Privatisation Transactions (excluding statistical outliers) of 0.3 times and 2.1 times, and is the same as the mean and median P/NAV of the Precedent Non-Privatisation Transactions of 0.9 times and 0.9 times respectively;
- (g) The premium of the Offer Price to the VWAP of the Shares for the Last Trading Day, 1-month, 3-month, 6-month, 12-month is within the range of the premiums for the Precedent Non-Privatisation Transactions although it is below the mean and the median premium for the Precedent Non-Privatisation Transactions for the respective periods;
- (h) The Company had, in its latest results announcement dated 25 February 2021, disclosed that the Group expects its aerospace-focused precision machining segment to continue facing strong headwinds in the near term. Re-opening of country borders to international travellers is slower than expected. The recent emergence of Covid-19 virus variants has deterred countries' authorities to lift their restriction measures prematurely; and
- (i) As at the Latest Practicable Date, UMS Holdings Limited is the single largest controlling Shareholder with a 54.41% shareholding interest in the Company. It is therefore highly unlikely that there will be a competing offer from any third party.

In view of the above, we are of the opinion that the Offer is **REASONABLE**.

Having regard to the foregoing considerations set out in this IFA Letter and information available to us as at the Latest Practicable Date and subject to the qualifications made herein, we are of the opinion that the financial terms of the Offer are FAIR AND REASONABLE. On balance of the above factors, we advise the Independent Directors to recommend that Shareholders ACCEPT the Offer, unless Shareholders are able to obtain a price higher than the Offer Price on the open market, after taking into account the brokerage and related costs in connection with open market transactions.

Our opinion is addressed to the Independent Directors for their benefit and for the purpose of their consideration of the Offer. The recommendation made by the Independent Directors to the Shareholders in relation to the Offer shall remain the responsibility of the Independent Directors.

In rendering our opinion and providing our recommendation, we did not have regard to the specific objectives, financial situation, tax position, risk profile or unique needs and constraints of any individual Shareholder and we neither assume any responsibility for, nor hold ourselves as advisers to any person other than the Independent Directors. As different Shareholders would have different investment profiles and objectives, we recommend that any Shareholder who may require specific advice in relation to his/her investment portfolio or objectives should consult his/her stock broker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately and not to rely upon our opinion as the sole basis for deciding whether or not to accept the Offer."

Shareholders should read and consider carefully the key considerations relied upon by W Capital Markets in arriving at its advice to the Independent Directors in conjunction with, and in the context of, the full text of the IFA Letter.

11.4 RECOMMENDATION OF THE INDEPENDENT DIRECTORS

The Independent Directors, having considered carefully the terms of the Offer and the opinion and advice given by W Capital Markets to the Independent Directors in the IFA Letter, **concur** with the advice of W Capital Markets in respect of the Offer. Accordingly, the Independent Directors recommend as follows:

- (i) **Shareholders should ACCEPT the Offer.**
- (ii) **Shareholders who wish to realise their investments in the Company can also choose to sell their Shares in the open market if they can obtain a price higher than the Offer Price (after taking into account the brokerage and related costs in connection with open market transactions). If the Shareholders are considering selling their Shares in the open market, they should be aware of the low liquidity of the Shares.**

Shareholders are advised to read the terms and conditions of the Offer Document carefully. Shareholders are advised to read the full text of the IFA Letter set out in **Appendix 1** to this Circular and other relevant information set out in this Circular carefully before deciding whether to accept or reject the Offer. Shareholders should note that W Capital Markets' advice to the Independent Directors in respect of the Offer should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept or reject the Offer.

Shareholders should note that there is no assurance that the market prices and trading volume of the Shares will be maintained at current levels prevailing as at the Latest Practicable Date after the close of the Offer, and that trading of the Shares is subject to, *inter alia*, the performance and prospects of the Company, prevailing economic conditions, economic outlook and stock market conditions and sentiments. Accordingly, the advice by W Capital Markets to the Independent Directors in respect of the Offer does not and cannot take into account the future trading activities or patterns or price levels that may be established beyond the Latest Practicable Date.

In preparing the above advice and giving the above recommendation, W Capital Markets and the Independent Directors have not had regard to any general or specific investment objectives, financial situations, tax positions, risk profiles or particular needs and constraints or other particular circumstances of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, the Independent Directors recommend that any individual Shareholder who may require specific advice with regard to his Shares, should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other appropriate professional adviser immediately.

12. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders may accept the Offer in respect of all or any part of their holdings of Shares. Shareholders who wish to accept the Offer must do so not later than **5.30 p.m. (Singapore time) on 2 June 2021**. There are different procedures for acceptance for Depositors whose Securities Accounts are or will be credited with Shares and for Shareholders who hold Shares which are not deposited with CDP. Shareholders who wish to accept the Offer should take note of the "Procedures for Acceptance of the Offer" set out in Appendix 2 to the Offer Document and in the accompanying FAA and/or FAT.

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) or the Registrar (in respect of the 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.

Shareholders who do not wish to accept the Offer need not take any further action in respect of the Offer Document and the FAA and/or FAT which have been sent to them.

13. **INFORMATION PERTAINING TO CPFIS INVESTORS AND 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. Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document.

"16. INFORMATION RELATING TO CPFIS INVESTORS AND SRS INVESTORS

CPFIS Investors and SRS Investors should receive further information on how to accept the 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 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. 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"

14. **OVERSEAS SHAREHOLDERS**

Shareholders and Depositors holding Shares through CDP, whose addresses are outside Singapore as shown in the Register or in the Depository Register (as the case may be) (each, an "**Overseas Shareholder**") should refer to Section 15 of the Offer Document 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.

"15. OVERSEAS SHAREHOLDERS

15.1. Overseas Jurisdictions

This Offer Document does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any security, nor is it a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in this Offer Document in any jurisdiction in contravention of applicable law.

*The release, publication or distribution of this Offer Document, the Notification, the Acceptance Forms and any other formal documentation in relation to the Offer (collectively, "**Offer Documentation**") in certain jurisdictions may be restricted by law and therefore persons in any such jurisdictions into which the Offer Documentation are released, published or distributed should inform themselves about and observe such restrictions.*

*Copies of the Offer Documentation are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any jurisdiction where the making of or the acceptance of the Offer would violate the laws of that jurisdiction ("**Restricted Jurisdiction**") and will not be capable of acceptance by any such use, instrumentality or facility within any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees)*

must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.

The Offer (unless otherwise determined by the Offeror and permitted by applicable law and regulation) will not be made, directly or indirectly, in or into, or by the use of mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities.

15.2. **Overseas Shareholders**

The availability of the Offer to Shareholders whose addresses are outside Singapore as shown in the Register or in the Depository Register (as the case may be) (each, an “**Overseas Shareholder**”) may be affected by the laws of the relevant overseas jurisdictions in which they are located. Accordingly, Overseas Shareholders should inform themselves of, and observe, any applicable requirements in the relevant overseas jurisdictions.

For the avoidance of doubt, the Offer will be open to all Shareholders, including those to whom this Offer Document and the relevant Acceptance Forms may not be sent.

It is the responsibility of Overseas Shareholders who wish to accept the Offer to (a) request for the Offer Documentation, or (b) satisfy themselves as to the full observance of the laws of the relevant overseas jurisdiction 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 and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholders shall be liable for any such taxes, imposts, duties or other requisite payments payable and the Offeror, its related corporations, UOBKH, CDP, the Registrar and any person acting on their behalf shall be fully indemnified and held harmless by such Overseas Shareholders for any such taxes, imposts, duties or other requisite payments as the Offeror, its related corporations, UOBKH, CDP, the Registrar and/or any person acting on their behalf may be required to pay. In (a) requesting for the Offer Documentation, or (b) accepting the Offer, each Overseas Shareholder represents and warrants to the Offeror and UOBKH 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 or legal requirements.

Any Overseas Shareholder who is in doubt about his position should consult his professional adviser in the relevant overseas jurisdiction.

15.3. **Copies of the Offer Document.** Where there are potential restrictions on sending the Offer Documentation to any overseas jurisdiction, the Offeror and UOBKH each reserves the right not to send these documents to Overseas Shareholders in such overseas jurisdictions. Subject to compliance with applicable laws, any affected Overseas Shareholder may, nonetheless, attend in person and obtain a copy of the Offer Documentation during normal business hours and up to the Closing Date, from (i) the CDP (if he is a Depositor) by contacting CDP’s Customer Service Hotline at +65 6535 7511 during their operating hours or emailing CDP at asksgx@sgx.com for instructions on how to obtain a copy of such documents, or (ii) the office of the Registrar, Boardroom Corporate & Advisory Services Pte Ltd (if such Shareholder holds Offer Shares in scrip form), at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 or the telephone number +65 6536 5355. Alternatively, an Overseas Shareholder may, subject to compliance with applicable laws, write to

the Offeror (i) through CDP (if he is a Depositor) at Robinson Road Post Office, P.O. Box 1984, Singapore 903934, or (ii) the Registrar (if he holds the Offer Shares in scrip form) at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 to request for the Offer Documentation 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.

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

Due to potential restrictions on sending this Circular to overseas jurisdictions, this Circular has not been and will not be sent to any Overseas Shareholder who has not provided, and will not provide, the Company with an address within Singapore at which notices or documents may be served upon him. Any affected Overseas Shareholder may nonetheless (subject to compliance with applicable laws) download electronic copies of this Circular from the SGXNET announcement page of the Company at the following URL: <https://www.sgx.com/securities/company-announcements?value=JEP%20HOLDINGS%20LTD.&type=company&pagesize=20>.

In downloading this Circular and any related documents, each of the Overseas Shareholders represents and warrants to the Company that each of them is in full observance of the laws of the relevant jurisdiction in that connection, and that each of them is in full compliance with all necessary formalities or legal requirements.

15. DIRECTORS' RESPONSIBILITY STATEMENT

Save for: (a) **Appendices 1, 3 and 6** to this Circular; (b) information extracted from the Offer Document; and (c) information relating to the Offeror and the parties acting in concert with the Offeror, the Directors (including those who have delegated detailed supervision of this Circular) have taken all reasonable care to ensure that the facts stated in this Circular are fair and accurate, and that no material facts have been omitted from this Circular, the omission of which would render any statement in this Circular misleading, and they jointly and severally accept responsibility accordingly.

Where any information in this Circular has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, from the Offer Document) or obtained from the Offeror, the sole responsibility of the Directors has been to ensure, through reasonable enquiries, that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Circular.

The recommendation of the Independent Directors to Shareholders set out in Section 11.4 of this Circular is the sole responsibility of the Independent Directors.

In respect of **Appendices 1 and 6** to this Circular, the sole responsibility of the Directors has been to ensure that the facts stated therein with respect to the Group are, to the best of their knowledge and belief, fair and accurate in all material respects.

16. ADDITIONAL INFORMATION

The attention of the Shareholders is also drawn to the Appendices which form part of this Circular.

Yours faithfully,

For and on behalf of the Board of
JEP Holdings Ltd.

Wong Gang
Lead Independent Director

**APPENDIX 1 – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS
IN RELATION TO THE OFFER**



W CAPITAL MARKETS PTE. LTD.
Incorporated in the Republic of Singapore)
(Company Registration Number: 201813207E)
65 Chulia Street
#43-01 OCBC Centre
Singapore 049513

19 May 2021

The Directors of JEP Holdings Ltd. who are deemed independent for the purposes of the Offer

Mr Zee Hoong Huay	Executive Director
Mr Wong Gang	Lead Independent Director
Mr Kong Chee Keong	Independent Director
Ms Lee Sook Wai, Irene	Independent Director

Dear Sir/Mdm,

**MANDATORY UNCONDITIONAL CASH OFFER BY UMS HOLDINGS LIMITED (“OFFEROR”) FOR
JEP HOLDINGS LTD.**

Unless otherwise defined or the context otherwise requires, all capitalised terms defined in the circular dated 19 May 2021 (“Circular”) issued by JEP Holdings Ltd. (the “Company”, and together with its subsidiaries, the “Group”) shall have the same meanings herein.

1. INTRODUCTION

On 21 April 2021 (“**Offer Announcement Date**”), UOB Kay Hian Private Limited (“**UOBKH**”), for and on behalf of the Offeror, announced that the Offeror has on 21 April 2021, acquired 54,229,355 ordinary shares (“**Shares**”) in the capital of the Company from Zee Hoong Huay (“**Vendor**”) at S\$0.20 per Share (“**Acquisition**”), representing approximately 13.10% of the total number of issued and paid-up Shares of the Company. The aggregate consideration for the Acquisition was S\$10,845,871 (based on S\$0.20 per Share). Completion of the Acquisition (“**Completion**”) took place on 21 April 2021.

Pursuant to the Completion, the Offeror owns in aggregate 222,646,325 issued and paid-up Shares, representing approximately 53.79% of the total number of issued and paid-up Shares. In accordance with the 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 issued by UOBKH for and on behalf of the Offeror (“**Offer Document**”), the Offeror has made a mandatory unconditional cash offer (the “**Offer**”) for all the remaining issued and paid-up ordinary shares (the “**Shares**”) in the capital of the Company (excluding treasury shares) (“**Offer Shares**”).

On 5 May 2021, the Offeror announced the notification of electronic dissemination of the Offer Document and related documents dated 5 May 2021 issued by the Offeror, setting out, *inter-alia*, the address and instructions for the electronic retrieval of the Offer Document containing the terms and conditions of the Offer.

In connection with the Offer, W Capital Markets Pte. Ltd. ("**W Capital Markets**") has been appointed by the Company as the Independent Financial Adviser ("**IFA**") to advise the directors of the Company who are considered to be independent in respect of the Offer ("**Independent Directors**") and who will be making a recommendation to the Shareholders in relation to the Offer ("**Recommendation**"). This letter ("**IFA Letter**") is addressed to the Independent Directors and sets out, *inter alia*, our views and assessment on the financial terms of the Offer and our opinion thereon, and forms part of the Circular to be despatched to Shareholders in relation to the Offer.

2. TERMS OF REFERENCE

We have been appointed to advise the Independent Directors in relation to the Offer. We have confined our evaluation to the financial terms of the Offer and we are not required to evaluate or comment on the commercial risks and/or merits (if any) of the Offer or the future prospects of the Company, and we have not made such evaluations or comments. Such evaluations or comments, if any, remain the responsibility of the Directors and management ("**Management**") of the Company 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 as set out in this IFA Letter.

We have not been instructed or authorised to solicit, and we have not solicited, any indication of interest from any third party with respect to any other proposals for transactions similar to or in lieu of the Offer. In this regard, we are not addressing the relative merits of the Offer as compared to any alternative transaction previously considered by the Company or which otherwise may have been available to the Company currently or in the future.

In the course of our evaluation, we have held discussions with the Management and/or their professional advisers and have examined and relied to a considerable extent on publicly available information collated by us as well as information provided and representations made to us, both written and verbal, by the Directors, the Management and/or the professional advisers of the Company, including information contained in the Circular. We have not independently verified such information or representations, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of such information or representations. We have relied on the assurance of the Directors (including any who may have delegated detailed supervision of the preparation of the Circular) who jointly and severally accept responsibility for the accuracy of the information given in the Circular (save for (a) this IFA Letter; (b) the Valuation Reports; (c) the information extracted from the Offer Announcement and the Offer Document; and (d) the information relating to the Offeror) and had confirmed that they have taken all reasonable care to ensure that the facts stated in the Circular are accurate and that no material facts in relation to the Company and its subsidiaries in the context of the Offer have been omitted from the Circular. Whilst care has been exercised in reviewing the information on which we have relied on, we have not independently verified the information but nevertheless have made such reasonable enquiries and exercised our judgment on the reasonable use of such information, and have found no reason to doubt the reliability of the information.

We have not made any independent appraisal of the assets and liabilities of the Group nor have we evaluated the solvency of the Group. As such, we have relied on the disclosures and representations made by the Company on the values of the assets and liabilities and profitability of the Group and 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 relied on the independent valuation reports (the "**Valuation Reports**") prepared for the purpose of the Offer, provided by United Valuers Pte Ltd in respect of the Properties ("**Properties Valuation Report**") and Hilco Appraisal Singapore Pte Ltd in respect of the machinery ("**Machinery Valuation Report**") (collectively, the "**Independent Valuers**"), in relation to our financial assessment of the Offer in Section 9 of this IFA Letter. We are not experts in the evaluation or appraisal of the assets or liabilities concerned and we have placed sole reliance on these Valuation Reports for such asset appraisals and have not independently verified the contents thereof. By its very nature, valuation work will be subjective and dependent on the

exercise of the Independent Valuer's judgement. In particular, we do not assume any responsibility for the valuations contained in the Valuation Reports.

Our views as set out in this IFA Letter are based upon the prevailing market, economic, industry and other conditions (if applicable) as well as information and representations provided to us by the Company and its representatives, as at the Latest Practicable Date (or "LPD"). Such conditions may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should take note of any announcement relevant to their consideration of the Offer, which may be released or published by or on behalf of the Company or the Offeror after the Latest Practicable Date.

Our opinion is limited to the fairness and reasonableness, from a financial point of view of the Offer and our terms of reference do not require us to evaluate or comment on the commercial rationale for the Offer, and/or associated risk and merits. We have not received or relied on any financial projections or forecasts in respect of the Company, the Group, or any part or division of any of the foregoing and our terms of reference do not require us to comment or express an opinion on the financial impact or potential impact on current or future financial performance or prospects or earnings potential of the Company and/or the Group arising from the Offer or otherwise (including without limitation any implications or uncertainties arising from the COVID-19 pandemic).

Our terms of reference also do not require us to evaluate or comment on the merits of the statements or opinion stated in any research reports on the Company and/or the Group, including any other reports issued by any other party. We have accordingly not made such evaluation or comments, although we may draw upon their views to the extent deemed necessary or appropriate by us in arriving at our opinion as set out in this IFA Letter.

In rendering our opinion, we have not had regard to any general or specific investment objectives, financial situation, tax position, risk profile, tax status or positions or particular needs and constraints or other particular circumstances of any Shareholder and do not assume any responsibility for, nor hold ourselves out as advisers to, any person other than the Independent Directors. As each Shareholder would have different investment objectives and profiles, the Independent Directors may wish to advise any Shareholder who may require specific advice in relation to his specific investment portfolio to consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other appropriate professional advisers.

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

We have prepared this IFA Letter for the use by the Independent Directors in connection with their consideration of the Offer and their advice and recommendation to the Shareholders in respect thereof. The recommendations made to the Shareholders in relation to the Offer remain the responsibility of the Independent Directors.

Our opinion in relation to the Offer should be considered in the context of the entirety of this IFA Letter and the Circular.

3. THE OFFER

The following paragraphs have been extracted from Section 2 of the Offer Document and are set out in italics. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. Shareholders are advised to read the entire Offer Document including relevant sections, as extracted below, carefully.

“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\$0.20 in cash.

2.3 **Rights and Encumbrances.** *The 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.*

2.4 **Adjustments for Distributions.** *Without prejudice to the generality of the foregoing, the Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distribution, the Record Date for which falls on or after the Offer Announcement Date. In the event of any such Distribution, the Offer Price payable to an Accepting Shareholder shall be reduced by an amount which is equal to the amount of such Distribution as follows, depending on when the settlement date in respect of the Offer Shares tendered in acceptance of the Offer (the “Offer Settlement Date”) falls:*

- (a) *if the Offer Settlement Date falls on or before the Record Date, the Offeror will pay the relevant Accepting Shareholders the unadjusted Offer Price for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Shares from the Company; and*
- (b) *if the Offer Settlement Date falls after the Record Date, the Offer Price payable for such Offer Shares tendered in acceptance shall be reduced by an amount which is equal to the Distribution in respect of such Offer Shares, as the Offeror will not receive such Distribution from the Company.*

2.5 **Offer Unconditional.** *Pursuant to the completion of the Acquisition, the Offeror holds more than 50% of the voting rights attributable to the Shares (excluding any Shares held in treasury). Accordingly, the Offer will not be subject to any conditions and will be unconditional in all respects.”*

4. INFORMATION ON THE OFFEROR

The following paragraphs have been extracted from Section 8 of the Offer Document and are set out in italics. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. Shareholders are advised to read the entire Offer Document including relevant sections, as extracted below, carefully.

“8. INFORMATION ON THE OFFEROR

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 Latest Practicable Date, 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 222,646,325 Shares, representing approximately 53.79% of the entire issued and paid-up share capital of the Company;*
- (b) *Mr Luong Andy has a deemed interest in 20.44% of the issued and paid-up share capital of the Offeror and is therefore, deemed to be interested in all the Shares held by the Offeror; and*
- (c) *Mr Luong Andy has a direct interest in 1,150,000 Shares and deemed interest in 222,646,325 Shares. Please refer to **Appendix 5** for details of Mr Luong Andy's interests in the Company."*

Further details on the Offeror are set out in Appendix 3 to the Offer Document.

5. INFORMATION ON THE COMPANY

The Company is a public company limited by shares and was incorporated in Singapore on 12 March 1994. Its Shares have been listed on the Catalist of the SGX-ST since 11 October 2004. The key businesses of the Company and its subsidiaries include (i) ultra high precision machining, (ii) precision machining services, (iii) system integration and modular assembly, and (iv) large format precision engineering and fabrication services.

As at the Latest Practicable Date, the directors of the Company are:-

- (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); and
- (e) Ms Lee Sook Wai, Irene (Independent Director).

As at the Latest Practicable Date, the Company has only one class of shares in issue, being 413,944,721 ordinary Shares in the capital of the Company.

6. IRREVOCABLE UNDERTAKING

As at the Offer Announcement Date, the Offeror has received an irrevocable undertaking from Mr Luong Andy to reject, and procure his associates to reject, the Offer in respect of 1,150,000 Shares (comprising approximately 0.28% of the total number of issued Shares), such undertaking being valid until the close of the Offer ("**Irrevocable Undertaking**"). Save for the Irrevocable Undertaking and based on the latest information available to the Offeror, neither the Offeror nor its Concert Group has received any undertakings from any other party to accept or reject the Offer.

7. RATIONALE FOR THE OFFER AND THE OFFEROR'S INTENTION FOR THE COMPANY

The full text of the rationale for the Offer and the Offeror's intention in relation to the Company are set out in Section 10 of the Offer Document. Shareholders are advised to read the entire Offer Document including the relevant section, as extracted below, carefully.

The rationale for the Offer and the Offeror's intentions for the Company is reproduced below for your reference.

"10. RATIONALE FOR THE OFFER 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 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 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."

8. LISTING STATUS AND COMPULSORY ACQUISITION

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 carrying out a compliance placement exercise after completion of the Offer.

9. ASSESSMENT OF THE FINANCIAL TERMS OF THE OFFER

In the course of our evaluation of the financial terms of the Offer, we have given due consideration to, *inter alia*, the following key factors which, in our opinion, have a significant bearing on our assessment:

- (a) Historical financial performance and position of the Group;
- (b) Analysis of the Group's net asset value ("**NAV**") per Share, net tangible asset value ("**NTA**") per Share, and revalued net asset value ("**RNAV**") per Share;
- (c) Historical Share price performance and trading liquidity;
- (d) Valuation ratios of selected listed companies broadly comparable to the Group;
- (e) Precedent non-privatisation transactions in Singapore;
- (f) Brokers' price target for the Shares; and
- (g) Other relevant considerations.

The following is a brief description of the valuation ratios used in our evaluation of the Offer Price:

Valuation Ratio	Description
Price-to-earnings ratio ("P/E")	<p>The P/E, or earnings multiple, illustrates the ratio of a company's market capitalisation relative to its historical consolidated net profit attributable to shareholders. The P/E is an earnings-based valuation methodology.</p> <p>The P/E multiple is affected by, <i>inter alia</i>, the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and amortisation of intangible assets.</p>
Enterprise value to EBITDA ("EV/EBITDA") ratio	<p>EV refers to enterprise value which is the sum of a company's market capitalisation, preferred equity, minority interests, short-term and long-term debts (inclusive of finance leases), less its cash and cash equivalents.</p> <p>EBITDA refers to the consolidated earnings before interest, taxes, depreciation and amortisation expenses, inclusive of the share of associates' and joint ventures' income.</p> <p>The EV/EBITDA ratio illustrates the ratio of the market value of an entity relative to its pre-tax operating cashflow, without regard to its capital structure and provides an indication of current market valuation relative to operating performance.</p>
Price-to-NAV ratio ("P/NAV")	<p>P/NAV illustrates the market value of an entity in relation to its NAV. P/NAV shows the extent to which the value of each share is backed by assets and represents an asset-based relative valuation methodology.</p> <p>This asset-based approach of valuing a company or group is based on the aggregate value of all the assets of the company in their existing condition, after deducting the sum of all liabilities of the company and minorities' interests. The P/NAV approach is meaningful as it shows the extent to which the value of each share is backed by both tangible and intangible assets and would be relevant in the event that the company or group decides to realise or convert the use of all or most of its assets. The asset-based approach in valuing a company may provide an estimate of the value of a company or group assuming the hypothetical sale of all its assets (including any intangible assets including but not limited to goodwill, trademarks and brand names) in an orderly manner or over a reasonable period of time and at the aggregate value of the assets used in the computation of the NAV, the proceeds of which are used to settle the liabilities, minority interest and obligation of the company or group with the balance to be distributed to its shareholders.</p>
Price-to-NTA ratio ("P/NTA")	<p>P/NTA illustrates the market value of an entity in relation to its NTA. P/NTA shows the extent to which the value of each share is backed by tangible assets and represents an asset-based relative valuation methodology.</p> <p>An NTA-based approach is useful to illustrate the extent that the value of each share is backed by tangible assets, and would be more relevant in the case where the group were to change the nature of its business or realise or convert the use of all or most of its assets. The NTA-based valuation approach may provide an estimate of the value of a company or group assuming the hypothetical sale of all its assets over a reasonable period of time at the aggregate value of the assets</p>

Valuation Ratio	Description
	used in the computation of the NTA, with the balance to be distributed to its shareholders after the settlement of all the liabilities and obligations of the company or group.
Price-to-RNAV ratio ("P/RNAV")	P/RNAV illustrates the extent that the value of each share is backed by assets, taking into account their market or realisable values which have been revalued. RNAV is typically used to revalue property-related assets that are held by property investors and developers, which may be carried in the accounts at either historical cost or on a revalued basis, depending on the relevant accounting standards adopted.

8.1 Historical financial performance and position of the Group

A summary of the consolidated income statement, consolidated statement of financial position and consolidated statement of cash flows of the Group for the last three (3) financial years ("FY") ended 31 December 2018, 2019 and 2020 are set out below. The following summary financial information should be read in conjunction with the full text of the Company's annual report for FY2018, FY2019 and FY2020 and the results announcements in respect of the relevant financial periods including the notes/commentaries thereto.

Consolidated Income Statement

(S\$'000)	FY2018 Audited	FY2019 Audited	FY2020 Audited
Revenue	85,865	88,962	73,284
Cost of sales	(73,274)	(73,269)	(62,392)
Gross profit	12,591	15,693	10,892
Other operating income	1,165	960	5,221
Selling and distribution expenses	(2,094)	(2,133)	(1,950)
Administrative expenses	(6,270)	(5,495)	(5,381)
Other operating expenses	(680)	(289)	(6,618)
Finance costs	(1,531)	(1,816)	(1,134)
Profit before tax	3,181	6,920	1,030
Income tax expense	(886)	(402)	(812)
Profit for the year	2,295	6,518	218
Profit attributable to:			
Owners of the Company	2,193	6,518	218
Non-controlling interests	102	-	-
	2,295	6,518	218

Source: Company's annual reports for FY2019 and FY2020

Review of operating results

FY2018 vs FY2019

The Group recorded a revenue of S\$89.0 million in FY2019, representing an increase of S\$3.1 million or 3.6% from S\$85.9 million in FY2018. This was mainly due to higher revenue from precision manufacturing segment of S\$10.4 million which were offset by lower sales from equipment manufacturing segment of S\$1.3 million and trading and others segment of S\$6.0 million.

Cost of sales for FY2019 and FY2018 were relatively the same with S\$73.3 million for each financial year despite the increase in revenue due to an initiative carried out to move some labour-intensive work to low operation cost region, effect of cost controlling initiatives and lesser provision of stock obsolescence in FY2019 compared to FY2018. As a result, gross profit increased from S\$12.6 million in FY2018 to S\$15.7 million in FY2019.

Other operating income decreased by S\$0.2 million from S\$1.2 million in FY2018 to S\$1.0 million in FY2019 due to lower income generated from government grants and scrap income in FY2019.

Selling and distribution expenses were relatively the same with S\$2.1 million for each financial year. Administrative expenses decreased by S\$0.8 million from S\$6.3 million in FY2018 to S\$5.5 million in FY2019, mainly attributed to the absence of one-time expenses of retirement packages of S\$0.5 million paid to the former executive chairman in FY2018.

Other operating expenses decreased by S\$0.4 million from S\$0.7 million in FY2018 to S\$0.3 million in FY2019 due to lower foreign exchange loss which primarily attributed to borrowings and lease liabilities denominated in United States Dollar (“USD”) and Japanese Yen (“Yen”).

Finance costs increased by S\$0.3 million from S\$1.5 million in FY2018 to S\$1.8 million in FY2019, mainly due to one-time break funding cost of S\$0.1 million in relation to the full settlement of hire purchases and term loan before maturity and recognition of S\$0.2 million interest in relation to an adoption of new accounting standards SFRS(I) 16: Leases.

Income tax expense decreased by S\$0.5 million from S\$0.9 million in FY2018 to S\$0.4 million in FY2019 mainly due to tax expenses arising from the origination and reversal of temporary differences and recognition of tax credit arising from Productivity and Innovation Credit Scheme.

As a result of the above, net profit after tax (attributable to owners of the Company) increased by S\$4.3 million or 170.8% from S\$2.4 million in FY2018 to S\$6.5 million in FY2019.

FY2019 vs FY2020

The Group recorded a revenue of S\$73.3 million in FY2020, representing a decrease of S\$15.7 million or 17.6% from S\$89.0 million in FY2019. This was mainly due to lower revenue of S\$18.5 million from precision manufacturing segment (whose main revenue is derived from the aviation industry) solely due to the impact of Covid-19 pandemic, lower revenue from the trading and others segment of S\$4.0 million, and partially offset by higher revenue of S\$6.8 million from the equipment manufacturing segment.

Cost of sales decreased by S\$10.9 million or 14.8% from S\$73.3 million in FY2019 to S\$62.4 million in FY2020 in line with the lower sales recorded for FY2020. Some immediate cost saving measures have been implemented at the second half of FY2020 to mitigate the impact of some manufacturing expenses which did not vary at the same degree as revenue. As a result, gross profit decreased from S\$15.7 million in FY2019 to S\$10.9 million in FY2020.

Other operating income increased by S\$4.2 million from S\$1.0 million in FY2019 to S\$5.2 million in FY2020 as a result of receiving total grant amount of S\$4.0 million in relation to the Covid-19 support funds from government agencies and a gain on disposal of property, plant and equipment of S\$0.5 million.

Selling and distribution expenses decreased slightly by S\$0.1 million from S\$2.1 million in FY2019 to S\$2.0 million in FY2020. Administrative expenses marginally decreased by S\$0.1 million from S\$5.5 million in FY2019 to S\$5.4 million in FY2020.

Other operating expenses increased by S\$6.3 million from S\$0.3 million in FY2019 to S\$6.6 million in FY2020 mainly due to S\$6.3 million impairment loss on goodwill in relation to the aviation business unit. In accordance with Singapore Financial Reporting Standards (International) SFRS(I) 1-36 Impairment of Assets, an impairment loss shall be recognised for the identified cash-generating unit if, and only if, the recoverable amount of the identified unit is less than the carrying amount of the unit.

Finance costs decreased by S\$0.7 million from S\$1.8 million in FY2019 to S\$1.1 million in FY2020 mainly due to lesser borrowings made during the financial year.

Income tax expense increased by S\$0.4 million from S\$0.4 million in FY2019 to S\$0.8 million in FY2020 mainly due to tax expenses arising from the origination and reversal of temporary differences.

As a result of the above, net profit after tax (attributable to owners of the Company) decreased by S\$6.3 million or 96.9% from S\$6.5 million in FY2019 to S\$0.2 million in FY2020. In this regard, we noted that if we excluded the goodwill impairment of S\$6.25 million and the gain on disposal of property, plant and equipment of S\$0.53 million, the net profit after tax for FY2020 would have been approximately S\$5.94 million (“**Adjusted FY2020 NPAT**”).

Consolidated Statement of Financial Position

(S\$'000)	As at 31 December 2020 Audited
Current assets	
Cash and bank balances	15,950
Trade and other receivables	15,498
Inventories	13,293
	44,741
Non-current assets	
Property, plant and equipment	50,836
Intangible assets	11,292
Deferred tax assets	2
	62,130
Total assets	106,871
Current liabilities	
Bank loans	2,373
Trade and other payables	7,610
Current tax liabilities	1
Lease liabilities	1,245
	11,229
Non-current liabilities	
Bank loans	25,786
Lease liabilities	7,148
Deferred tax liabilities	2,419
	35,353
Total liabilities	46,582
Total equity	60,289
Total liabilities and equity	106,871
Net asset value (“NAV”) of the Group	60,289
Net tangible assets (“NTA”) of the Group	48,997
Number of shares (thousands)	413,945
NAV per Share (cents)	14.6
NTA per Share (cents)	11.8

Source: Company’s annual report for FY2020

Major assets and liabilities

As at 31 December 2020, the total assets of the Group amounted to S\$106.9 million comprising current assets of S\$44.7 million and non-current assets of S\$62.1 million, representing 41.9% and 58.1% of total assets respectively.

Current assets as at 31 December 2020 comprised mainly (i) cash and bank balances of S\$16.0 million, (ii) trade and other receivables of S\$15.5 million and (iii) inventories of S\$13.3 million, representing 15.0%, 14.5% and 12.4% of total assets respectively. Non-current assets as at 31 December 2020 comprised mainly property, plant and equipment of S\$50.8 million and intangible assets of S\$11.3 million, representing 47.5% and 10.6% of total assets respectively.

As at 31 December 2020, the total liabilities of the Group amounted to S\$46.6 million comprising current liabilities of S\$11.2 million and non-current liabilities of S\$35.4 million, representing 24.0% and 76.0% of total liabilities respectively.

Current liabilities as at 31 December 2020 comprised mainly (i) trade and other payables of S\$7.6 million (ii) bank loans of S\$2.4 million and (iii) lease liabilities of S\$1.2 million, representing 16.3%, 5.1% and 2.6% of total liabilities respectively. Non-current liabilities as at 31 December 2020 comprised mainly (i) bank loans of S\$25.8 million (ii) lease liabilities of S\$7.2 million and (iii) deferred tax liabilities of S\$2.4 million, representing 55.4%, 15.4% and 5.2% of total liabilities respectively.

Consolidated Statement of Cash Flows

(S\$'000)	FY2018	FY2019	FY2020
Net cash generated from operating activities	10,129	17,328	10,875
Net cash used in investing activities	(7,198)	(504)	(1,488)
Net cash used in financing activities	(4,624)	(9,422)	(5,391)
Net increase / (decrease) in cash and cash equivalents	(1,693)	7,402	3,996
Cash and cash equivalents at end of year	4,541	11,943	15,950

Source: Company's annual reports for FY2019 and FY2020

For FY2018, FY2019 and FY2020, the Group recorded net cash generated from operating activities of S\$10.1 million, S\$17.3 million and S\$10.9 million respectively.

In respect of FY2020:

- (a) The Group recorded net cash generated from operating activities of approximately S\$10.9 million mainly due to (i) profit before tax of S\$1.0 million; (ii) adjustments for non-cash items of S\$14.3 million (iii) changes in working capital items of S\$3.3 million, (iv) net interest paid of S\$1.1 million;
- (b) The Group recorded net cash used in investing activities of S\$1.5 million due to purchase of property, plant and equipment of S\$2.2 million partially offset by proceeds from disposal of property, plant and equipment of S\$0.7 million;
- (c) The Group recorded net cash used in financing activities of S\$5.4 million due mainly to (i) repayment of term loans, trade financial loans, lease liabilities of S\$4.8 million, S\$4.3 million and S\$2.5 million respectively (ii) net payments of factoring loans of S\$0.7 million, which was partially offset by proceeds from drawn-down of term loans and trade financing loans of S\$5.0 million and S\$1.8 million respectively; and
- (d) Taking into account (i) the net increase in cash and cash equivalents of S\$4.0 million and (ii) the cash and bank balances at the beginning of FY2020 of approximately S\$11.9 million and (iii) the effect of exchange rate fluctuations on cash held of S\$0.01 million, the Group's cash and cash equivalents amounted to approximately S\$16.0 million as at 31 December 2020.

8.2 Analysis of the Group's NAV per Share, NTA per Share and RNAV per Share

Shareholders should note that the analysis based on the NAV and NTA of the Group only provides an estimate of the value of the Group based on a hypothetical scenario involving the sale of all its assets in an orderly manner over a reasonable period of time and does not take into account or consideration other variables such as the hypothetical sale of assets in a non-orderly manner or over a short period of time, time value of money, market conditions, legal and professional fees, liquidation costs, contractual obligations, regulatory requirements and availability of potential buyers, all of which could theoretically lower the NAV or NTA that can be realised.

8.2.1 NAV and NTA of the Group

The Group's audited consolidated statement of financial position as at 31 December 2020 comprised mainly the following:

	Audited as at 31 December 2020 (S\$'000)	As a percentage of total assets (%)
<u>Non-current assets</u>		
Property, plant and equipment comprising		
- leasehold land and buildings located at (i) 16 Selatar Aerospace Crescent Singapore 797567; and (ii) 2 Loyang Way 4 Singapore 507098	29,715	
- machinery and equipment	17,673	
- electrical installations and renovations, furniture, fittings and office equipment, computers, motor vehicles and asset under construction	3,448	
	50,836	47.6
Intangible assets	11,292	10.5
- comprising mainly goodwill on consolidation and customer relationship		
Other non-current assets (including deferred tax assets)	2	0.0
<u>Current assets</u>		
Trade and other receivables	15,498	14.5
Inventories	13,293	12.4
Cash and bank balances	15,950	15.0
Total assets	106,871	100.0
Total liabilities	46,582	
Total equity	60,289	
NAV	60,289	
NTA	48,997	
NAV per Share (S\$)⁽¹⁾	0.15	
NTA per Share (S\$)⁽¹⁾	0.12	
Offer Price (S\$)	0.20	
P/NAV as implied by the Offer Price (times)	1.4	
Premium to NAV per Share as implied by the Offer Price (%)	37.3	
P/NTA as implied by the Offer Price (times)	1.7	
Premium to NTA per Share as implied by the Offer Price (%)	69.0	

Source: Company's annual report for FY2020

Notes:

- (1) Based on 413,944,721 ordinary Shares (excluding treasury shares) as at 31 December 2020. Per Share value is rounded to the nearest two (2) decimal places.

The P/NAV as implied by the Offer Price of approximately 1.4 times implies that the Offer Price is at a premium of approximately 37.3% to the NAV per Share as at 31 December 2020.

The P/NTA as implied by the Offer Price of approximately 1.7 times implies that the Offer Price is at a premium of approximately 69.0% to the NTA per Share as at 31 December 2020.

We have also computed the historical P/NAV (based on the Group's trailing NAV per Share as announced by the Company for that applicable periods and the daily closing price of the Shares for the relevant periods) for the periods of 1-year, 6-month, 3-month and 1-month (the "**Relevant Period**") prior to the announcement date up to 20 April 2021 (the "**Last Trading Day**") being the last trading day prior to the date of the Offer Announcement.

The following chart shows the premium to NAV as implied by the closing price of the Shares for the Relevant Period and the premium to NAV as implied by the Offer Price.



Source: Bloomberg L.P.

	Premium to NAV		
	Average	Minimum	Maximum
Periods up to and including the Last Trading Day			
1-year	25.7%	3.1%	40.8%
6-month	27.4%	3.1%	40.8%
3-month	31.7%	25.0%	40.8%
1-month	30.7%	25.7%	40.8%

Source: Bloomberg L.P.

We note that the Shares had consistently traded on the SGX-ST at a premium to the NAV per Share during the Relevant Period. The average premium ranged from 25.7% for the 1-year period prior to the Last Trading Day to 31.7% for the 3-month period prior to the Last Trading Day. The minimum premium ranged from a premium of 3.1% for the 1-year period prior to the Last Trading Day to a premium of 25.7% for the 1-month period prior to the Last Trading Day. The maximum premium during the Relevant Period was 40.8%.

In comparison, the premium to NAV as implied by the Offer Price of approximately 37.3% is higher than the average premiums to NAV as implied by the closing price of the Shares for the

periods of 1-year, 6-month, 3-month and 1-month prior to the Offer Announcement Date and up to the Last Trading Day.

8.2.2 RNAV of the Group

In our evaluation of the financial terms of the Offer, we have also considered whether there are any assets which may be revalued at an amount that is materially different from their net book value as at 31 December 2020.

In connection with the Offer, the Group had commissioned the Independent Valuers to carry out an independent market valuation of the leasehold land and buildings and the bulk of the machinery and equipment (collectively “**Revalued Assets**”) as at 31 December 2020.

Leasehold land and buildings

United Valuers had defined the current open market value of the leasehold land and buildings 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 as stated in their valuation reports.

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 net income is then capitalised over the unexpired lease term using an appropriate capitalisation rate according to current market condition.

United Valuers had determined the total current market value of the leasehold properties to be S\$52 million as at 31 December 2020. The corresponding total net book value of these leasehold properties is S\$23.5 million as at 31 December 2020, thus resulting in a revaluation surplus of S\$28.5 million. The potential tax liabilities arising from the revaluation surplus amounts to approximately S\$1.95 million. However, the potential tax liabilities would not crystallise if the Company does not sell the leasehold properties. As at the Latest Practicable Date, the Company intends to retain these properties for its own use and has no plans to sell the leasehold properties, so accordingly, the aforesaid tax liabilities is not expected to crystallise.

Machinery and equipment

With respect to the Group’s machinery and equipment, the Group has engaged the services of Hilco Appraisal, a business asset valuation services firm, to carry out an assessment of the market valuations of the precision metal working machinery of the Group with an aggregate net book value of S\$14.1 million as at 31 December 2020. There are in total of 42 units of these machineries, representing 79.7% of the carrying amount of the machinery and equipment of the Group as at 31 December 2020.

Hilco Appraisal had defined market value of the assets being valued as:

“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.”

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 Appraisal 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 Appraisal had determined the total market value of the 42 units of machineries to be approximately S\$15.1 million as at 31 December 2020. The corresponding total net book value of these machineries is approximately S\$14.1 million as at 31 December 2020, thus resulting in a revaluation surplus of approximately S\$1.0 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. The potential tax liabilities arising from the above revaluation surplus amounts to approximately S\$0.16 million. However, the potential tax liabilities would not crystallise if the Company does not sell the machinery. As at the Latest Practicable Date, the Company intends to retain these machinery for its existing operations and has no plans to sell these machinery, so accordingly, the aforesaid tax liabilities is not expected to crystallise.

We set out below a summary of the revaluation surplus arising from the market valuation of the machinery and equipment and the buildings on leasehold land as at their respective valuation dates below:

	Net book value as at 31 December 2020 (S\$'000)	Valuation as at 31 December 2020 (S\$'000)	Revaluation surplus (S\$'000)
<u>Leasehold land and buildings</u>			
16 Seletar Aerospace Crescent, Singapore 797567	17,662	42,000	24,338
2 Loyang Way 4 Singapore 507098	5,858	10,000	4,142
	23,520	52,000	28,480
<u>Machinery and equipment</u>			
Precision metal working machinery	14,141	15,122	981
Total revaluation surplus			29,461
Less: Potential tax liability			(2,113)
Net revaluation surplus			27,348

In view of the market valuation of the machinery and equipment and buildings on leasehold land (collectively the “**Revalued Assets**”), we have assessed the RNAV of the Group by adjusting for the potential revaluation surpluses from the Revalued Assets. We have also considered potential tax liabilities arising from the revaluation surplus which may affect the RNAV, as provided by the Management, for the purpose of evaluating the Offer Price.

We set out below the summary of adjustments which are made to the audited NAV as at 31 December 2020 to determine the RNAV as at 31 December 2020.

Revalued Assets	Audited as at 31 December 2020 (S\$'000)
NAV attributable to owners of the Company	60,289
Add: Revaluation surplus of leasehold land and buildings	28,480
Less: Potential tax liabilities	(1,656)
Add: Revaluation surplus of machinery and equipment	981
Less: Potential tax liabilities	(163)
Net revaluation surplus on Revalued Assets	27,348
RNAV of the Group	87,637
RNAV per Share (S\$)⁽¹⁾	0.21
P/RNAV as implied by the Offer Price (times)	0.94
(Discount) to RNAV as implied by the Offer Price (%)	(5.5)

Note:

- (1) Based on 413,944,721 ordinary Shares (excluding treasury shares) as at 31 December 2020. Per Share value is rounded to the nearest two (2) decimal places.

We note that the RNAV is higher compared to the audited NAV of the Group as at 31 December 2020 taking into account the net revaluation surplus on the Revalued Assets. The Offer Price represents a slight discount to RNAV of 5.5% compared to a premium to NAV of 37.3%.

Shareholders should note that the analysis on RNAV provides an estimate of the value of the Group assuming a hypothetical sale of assets of the Group as at the Latest Practicable Date obtained by application of ‘as is’ valuation estimates. This approach implicitly assumes that the properties, may be disposed of by the Company at a price determined by the independent valuations, on a willing buyer and a willing seller basis in an arms-length transaction with a third party. However, such a hypothetical scenario is assumed to be made without considering factors such as, *inter alia*, time value of money, market conditions, professional fees, liquidation costs, contractual obligations, any other regulatory requirements and availability of potential buyers, which may in theory, affect the RNAV that can be realised.

Save for the above and as disclosed in the audited financial statements of the Group as at 31 December 2020, the announcements released by the Company on the SGXNET and the Circular, the Directors and the Management have confirmed to us that as at the Latest Practicable Date, to the best of their knowledge and belief that:

- (a) there are no material events that have or will likely have a material impact to the financial position of the Group since 31 December 2020;
- (b) save for the revaluation of the machinery and equipment, and buildings on leasehold land there are no material differences between the realisable value of the Group’s assets and their respective book values as at 31 December 2020 which would have a material impact on the audited NAV of the Group;
- (c) other than that already provided for or disclosed in the Group’s financial statements as at 31 December 2020, 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;

- (d) there is 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;
- (e) there are no other intangible assets which ought to be disclosed in the statement of financial position of the Group in accordance with the SFRS and which have not been so disclosed and where such intangible assets would have had a material impact on the overall financial position of the Group; and
- (f) there are no material acquisitions and disposals of assets by the Group between 31 December 2020 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 changes in the nature of the Group's business.

8.3 Historical share price performance and trading liquidity

We have compared the Offer Price to the historical share price of the Shares for the 1-year period prior to the Offer Announcement Date and up to the last trading day prior to the date of the Offer Announcement, being 20 April 2021 (“**Last Trading Day**”) and for the period from the Offer Announcement Date up to the Latest Practicable Date.

We set out below a chart showing the closing prices of the Shares and the number of Shares traded on a daily basis during the period commencing from 21 April 2020 and up to the Latest Practicable Date (“**Period Under Review**”)



Source: Bloomberg L.P.

In addition to the share price / trading volume chart, we have tabulated below selected statistics on the share price and trading liquidity of the Shares for the Period Under Review and the period after the Offer Announcement Date up to the Latest Practicable Date:

Reference Period	VWAP (S\$) ⁽¹⁾	Premium/ (discount) of Offer Price to VWAP (%) ⁽²⁾	Highest closing price (S\$) ⁽¹⁾	Lowest closing price (S\$) ⁽¹⁾	Average daily trading volume (⁰⁰⁰) ⁽²⁾⁽³⁾	Average daily trading volume as a percentage of free float (%) ⁽¹⁾⁽⁴⁾
<u>Period up to and including the Offer Announcement Date</u>						
12-month	0.199	0.7	0.215	0.161	302.5	0.169
6-month	0.197	1.7	0.205	0.161	193.2	0.108
3-month	0.198	1.3	0.205	0.182	149.4	0.084
1-month	0.199	0.7	0.205	0.183	149.3	0.084
Last Trading Day	0.200 ⁽⁵⁾	0.0	0.200	0.200	246.6	0.138
Offer Announcement Date	0.220 ⁽⁵⁾	(9.1)	0.220	0.220	27,479.5	15.374
<u>Periods after the Offer Announcement Date</u>						
Period after the Offer Announcement Date to the Latest Practicable Date	0.199	0.0	0.200	0.199	1,676.0	0.938
Latest Practicable Date	0.199 ⁽⁵⁾	0.0	0.1999	0.199	493.2	0.276

Source: Bloomberg L.P.

Notes:

- (1) Rounded to the nearest three (3) decimal places.
- (2) Rounded to the nearest one (1) decimal place.
- (3) The average daily trading volume of the Shares is calculated based on the total volume of Shares traded during the period divided by the number of market days during that period.
- (4) Based on the Company's annual report for FY2020, the number of Shares held in the hands of the public was approximately 178.7 million Shares being approximately 43.2% of the issued shares of the Company.
- (5) Refers to the closing price of the Shares on the respective days.

Based on the above, we note the following:

- (a) The Offer Price is at a premium of approximately 0.7%, 1.7%, 1.3% and 0.7% to the VWAP of the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to the Offer Announcement Date respectively;
- (b) The Offer Price is the same as the closing price of the Shares on the Last Trading Day;
- (c) The Offer Price is at a discount of 9.1% to the closing price of the Shares on the Offer Announcement Date;
- (d) The Offer Price at S\$0.200 is near the high end of the range of closing prices of the Shares for the 1-month, 3-month, 6-month and 12-month periods up to and including the Last Trading Day prior to the Offer Announcement Date;
- (e) The Offer Price is almost the same as the VWAP of the Shares for the period after the Offer Announcement Date to the Latest Practicable Date. The daily closing prices of the Shares during this period did not go above the Offer Price; and
- (f) The Offer Price is almost the same as the closing price of the Shares on the Latest Practicable Date.

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

- (a) Trading liquidity of the Shares during the 12-month period up to and including the Last Trading Day has been low with an average daily trading volume of between

approximately 149,300 Shares and 302,500 Shares representing between 0.084% and 0.169% of the free float of the Company;

- (b) Trading liquidity of the Shares rose significantly on the Offer Announcement Date with a daily volume of 27.5 million Shares traded. We noted that the Shares were not halted prior to the Offer Announcement which was released after the close of the market on the Offer Announcement Date. Hence, it was possible that the Share price had gone up due to speculation of the Offer; and
- (c) For the period after the Offer Announcement Date to the Latest Practicable Date, trading liquidity of the Shares increased to an average daily trading volume of approximately 1.7 million Shares, representing approximately 0.9% of the Company's free float, as compared to the average daily trading volume of approximately 302,500 Shares for the 12-month period up to and including the Last Trading Day.

Based on the above, it appears likely that the market price and the trading volume of the Shares have been supported by the Offer subsequent to the Offer Announcement Date. Shareholders should note that there is no assurance that the market price and trading volume of the Shares will be maintained at the level prevailing as at the Latest Practicable Date after the close of the Offer. **Shareholders are advised that the past trading performance of the Shares should not, in any way, be relied upon as an indication or promise of its future trading performance.**

8.4 Valuation ratios of selected listed companies broadly comparable to the Group

Based on the annual report of the Company for FY2020 and our discussion with Management, we note that the Group mainly operates in precision machinery and engineering services.

For the purpose of our evaluation of the financial terms of the Offer, we have considered comparing the valuation ratios of the Group, such as P/E ratio, EV/EBITDA ratio, P/NAV ratio and P/NTA ratio, to those of the Comparable Companies (as defined below).

In our selection of the Comparable Companies, we have made reference to selected companies listed on the SGX-ST and the Bursa Malaysia Securities Berhad ("**Bursa Securities**") which we consider to be broadly comparable to the principal business of the Group, that is, listed companies that are engaged in precision machinery and engineering services ("**Selected Comparable Companies**").

We wish to highlight that the Selected Comparable Companies are not exhaustive and we recognise that there is may not be any listed company or group which may be considered identical to the Group in terms of, *inter alia*, composition of business, business activities, size and scale of operations, risk profile, geographical spread of business, operating and financial leverage, accounting policies, track record, financial performance and future prospects, liquidity and market capitalisation. In addition, we wish to highlight that the list of Selected Comparable Companies is by no means exhaustive. As such, any comparison made herein is necessarily limited and serves only as an illustrative guide and any conclusion drawn from the comparison may not necessarily reflect the perceived or implied market valuation (as the case may be) of the Group as at the Latest Practicable Date.

The Independent Directors should note that the prices at which shares trade include factors other than historical financial performance, and some of these, *inter alia*, include prospects real or perceived of the financial performance, the historical share price performance, the demand/supply conditions of the shares, the relative liquidity of the shares, the relative sentiments of the market for the shares, as well as the market capitalisation.

Company	Stock Exchange	Business Description (as extracted from Bloomberg)	Market Capitalisation as at the LPD (\$ million)
UMS Holdings Ltd	Singapore	UMS Holdings Limited provides equipment manufacturing and engineering services to Original Equipment Manufacturers (OEMs) of semiconductors and related products. The Company manufactures high precision components and complex electromechanical assembly and final testing services. UMS supports the electronic, machine tools and oil and gas industries.	720.1
AEM Holdings Ltd	Singapore	AEM Holdings Ltd. operates as a holding company. The Company, through its subsidiaries, designs, develops, and manufactures precision engineering products for electronics, life sciences, instruments, and aerospace industries. AEM Holdings serves customers worldwide.	1,004.5
Spindex Industries Ltd	Singapore	Spindex Industries Limited manufactures, imports, exports, and deals mechanical, electrical, and electronic parts. The Company also manufactures and trades precision machine parts, plastic molds and injections, and other related plastic and engineering materials.	138.4
Grand Venture Technology Ltd	Singapore	Grand Venture Technology Pte. Ltd. manufactures fabricated metal products. The Company 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 Technology serves customers in Singapore.	180.4
Frencken Group Ltd	Singapore	Frencken Group Limited designs, develops, and produces complex and advanced modules and systems, based on precision mechanics, hardware and software.	614.9
Sam Engineering & Equipment M Bhd	Malaysia	Sam Engineering & Equipment (M) Bhd manufactures production equipment and aerospace products. The Company 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.	285.7

Source: Bloomberg L.P.

The valuation ratios of the Selected Comparable Companies as at the Latest Practicable Date are set out below:

Companies	Last Financial Year End	EV/TTM EBITDA (times)	TTM P/E ⁽¹⁾ (times)	P/NAV ^{(1) (2)} (times)	P/NTA ^{(1) (3)} (times)
UMS Holdings Ltd	December	14.3	19.7	2.9	4.2
AEM Holdings Ltd	December	7.2	10.3	4.8	6.1
Spindex Industries Ltd	June	3.9	8.9	1.0	1.0
Grand Venture Technology Ltd	December	15.0	34.6	4.9	5.2
Frencken Group Ltd	December	6.3	14.4	1.8	1.9
Sam Engineering & Equipment M Bhd	March	5.9	17.6	1.5	1.5
High		15.0	34.6	4.9	6.1
Low		3.9	8.9	1.0	1.0
Mean		8.8	17.6	2.8	3.3
Median		6.8	16.0	2.4	3.1

Companies	Last Financial Year End	EV/TTM EBITDA (times)	TTM P/E ⁽¹⁾ (times)	P/NAV ^{(1) (2)} (times)	P/NTA ^{(1) (3)} (times)
Company as implied by Offer Price		12.7	13.9 ⁽⁴⁾	1.4	1.7

Source: Bloomberg L.P.,

Notes:

- (1) Based on the closing price as at the Latest Practicable Date.
- (2) Based on the NAV as set out in the latest available published financial statements of the Selected Comparable Companies as at the Latest Practicable Date.
- (3) Based on the NTA as set out in the latest available published financial statements of the Selected Comparable Companies as at the Latest Practicable Date.
- (4) Computed based on the Adjusted FY2020 NPAT.

Based on the above, we note that:

- (a) The EV/TTM EBITDA (trailing twelve-month EBITDA) of the Group (as implied by the Offer Price) of 12.7 times is within the range of EV/TTM EBITDA ratios of the Selected Comparable Companies of between 3.9 times and 15.0 times, and above the mean and median EV/TTM EBITDA ratios of 8.8 times and 6.8 times respectively.
- (b) The TTM P/E (trailing twelve-month earnings) of the Group (as implied by the Offer Price) and the Adjusted FY2020 NPAT of 13.9 times is within the range of the TTM P/E ratios of the Selected Comparable Companies of between 8.9 times and 34.6 times, but below the mean and median TTM P/E ratios of 17.6 times and 16.0 times respectively.
- (c) The P/NAV of the Group (as implied by the Offer Price) of 1.4 times is within the range of P/NAV of the Selected Comparable Companies of between 1.0 times and 4.9 times, but below the mean and median P/NAV of 2.8 times and 2.4 times respectively.
- (d) The P/NTA of the Group (as implied by the Offer Price) of 1.7 times is within the range of P/NTA of the Selected Comparable Companies of between 1.0 times and 6.1 times, but below the mean and median P/NAV of 3.3 times and 3.1 times respectively.

The comparison of the valuation ratios between the Group and the Selected Comparable Companies should also be considered in the context that as at the Offer Announcement Date, the Offeror and its concert parties already own, in aggregate, a controlling shareholding interest of approximately 53.79% of the total number of issued Shares of the Company.

8.5 Precedent non-privatisation transactions in Singapore

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

In assessing the reasonableness of the Offer Price, we have also compared the valuation multiples 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 2018 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 (“**Precedent Non-Privatisation Transactions**”).

In making the comparison herein, we wish to highlight that the companies in the Precedent Non-Privatisation Transactions are not exhaustive and there is no listed company or group which may be considered identical to the Group in terms of, *inter alia*, composition of business, business activities, size and scale of operations, risk profile, geographical spread of business, operating

and financial leverage, accounting policies, track record, financial performance and future prospects, liquidity and market capitalisation. Likewise, they involve shares of companies which are quoted, listed and tradeable on the stock exchange. As the Company has, *inter-alia*, more than one segment of business and percentage of its revenue or earnings or EBITDA or assets deployed for its various business segments may differ from the companies whose transactions are reflected in the Precedent Non-Privatisation Transactions, the relative weightage as accorded by us may differ from that as assigned by investors or Shareholders, for the valuation of each of the different business segments. Accordingly, the analysis will be limited and purely for illustrative purpose only.

We wish to highlight that other than the criteria mentioned above, the premium or discount that an offeror pays in any particular Precedent Non-Privatisation Transaction varies in different specific circumstances depending on, *inter alia*, factors such as 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, existence of intangibles and branding or "internal goodwill or intangible assets", the availability of substantial cash reserves, the liquidity in the trading of the target company's shares, the presence of competing bids for the target company and the existing and desired level of control in the target company.

The premium or discount of offer price and the valuation multiples of the Precedent Non-Privatisation Transactions are set out below.

Date of announcement	Target	Premium/(Discount) of Offer Price over/to ⁽¹⁾					Offer price to NAV/NTA ⁽²⁾ (times)
		Last transacted price (%)	1-month VWAP (%)	3-month VWAP (%)	6-month VWAP (%)	12-month VWAP (%)	
8-Jan-18	TIH Limited ⁽³⁾⁽⁴⁾	4.6	11.8	17.3	20.5	16.8	0.9 ⁽⁵⁾
26-Jul-18	CH Offshore Ltd.	0.0	(11.0)	(11.6)	(21.7) ⁽¹⁶⁾	(33.7)	0.6 ⁽⁶⁾
22-Aug-18	Chew's Group Limited ⁽⁷⁾	26.2	30.9	33.4	37.7	35.9	1.2 ⁽⁸⁾
6-Dec-18	Sunrise Shares Holdings Ltd Thakral	21.4	30.8	36.0	14.9	(64.4)	0.3 ⁽⁹⁾
4-Mar-19	Corporation Limited	11.1	17.1	18.1	18.0	14.6	0.5 ⁽¹⁰⁾
21-Mar-19	Sevak Limited ⁽¹¹⁾	5.9	9.3	9.8	18.7	24.6	1.1 ⁽¹²⁾
3-Apr-19	Ying Li International Real Estate Limited	0.7	5.7	10.5	17.8	18.2	0.3 ⁽¹³⁾
26-Aug-19	ISEC Healthcare Ltd ⁽¹⁴⁾	5.9	11.3	15.1	19.9	22.6	7.7 ⁽¹⁵⁾⁽¹⁶⁾
20-Sep-19	DLF Holdings Limited	(56.2)	(54.4)	(54.4) ⁽¹⁶⁾	(56.2) ⁽¹⁶⁾	(51.9)	18.6 ⁽¹⁶⁾⁽¹⁷⁾
1-Jun-20	Axington Inc.	43.4	40.1	41.3	78.6	205.2 ⁽¹⁶⁾	1.3 ⁽¹⁸⁾
16-Nov-20	Blumont Group Ltd.	(80.0) ⁽¹⁶⁾	(79.4) ⁽¹⁶⁾	(80.6) ⁽¹⁶⁾	(80.0) ⁽¹⁶⁾	(82.1)	1.1 ⁽¹⁹⁾
17-Nov-20	Lum Chang Holdings Limited	8.6	8.6	8.7	8.8	10.3	0.5 ⁽²⁰⁾
20-Feb-21	Transit-Mixed Concrete Ltd.	75.0	85.9	88.9	75.0 ⁽¹⁶⁾	77.7	0.9 ⁽²¹⁾
15-Mar-21	Procurri Corporation Limited	23.7	24.4	17.1	18.0	17.1	2.1 ⁽²²⁾
High		75.0	85.9	88.9	78.6	77.7	2.1
Low		(56.2)	(54.4)	(11.6)	8.8	(82.1)	0.3
Mean		13.1	16.2	23.7	25.3	0.4	0.9
Median		8.6	11.8	17.2	18.4	16.8	0.9
21-Apr-21	Company (as implied by the Offer Price)	0.0	0.7	1.3	1.7	0.7	1.4⁽²³⁾ 1.7⁽²⁴⁾ 0.9⁽²⁵⁾

Source: Bloomberg L.P. and circulars in relation to the Precedent Non-Privatisation Transactions

Notes:

- (1) Market premia / (discounts) calculated relative to the last transaction prices and the 1-month, 3-month, 6-month and 12-month VWAPs of the respective target companies prior to the respective announcements.
- (2) Based on the P/NTA or P/NAV per share (as the case may be), as published in the respective circulars in relation to the Precedent Non-Privatisation Transactions.
- (3) The offer price of S\$0.570 for each offer share comprised (a) S\$0.125 paid in cash, and (b) S\$0.445 paid by the issue of 2.25% offeror notes due 3 years from the close of the offer.
- (4) On 22 March 2017, TIH Limited announced in response to queries from the SGX-ST in relation to its unusual price movements that it was aware of ongoing discussions of a potential transaction involving a change of control in TIH Limited. The voluntary unconditional offer for the issued shares of TIH Limited was announced on 8 January 2018. The market premia in the table above were computed based on the share prices for the period(s) prior to and including 17 March 2017, being the last undisturbed trading date.
- (5) Based on the best case NAV per share of TIH Limited as at 30 September 2017 with assumptions as set out in the circular.
- (6) Based on the revalued NAV per share of CH Offshore Ltd. as at 30 June 2018.
- (7) On 8 June 2018, Chew's Group Limited ("**Chew's Group**") announced ("**Termsheet Announcement**") that it had been informed by its controlling shareholder, Fenghe Investment Holding Pte. Ltd. ("**Fenghe**"), that Fenghe had entered into a non-legally binding term sheet with a potential third-party purchaser for the proposed acquisition by the purchaser from Fenghe 57,580,341 ordinary shares of Chew's Group, representing approximately 68.14% of the issued share capital of Chew's Group, at a price of S\$0.2107 per sale share. The market premium in the table above were computed based on the share prices for the period(s) prior to and including 8 June 2018, being the last undisturbed trading date.

Chew's Group had on 21 March 2018 and 26 September 2018 declared a special one-tier tax exempt dividend of S\$0.35 per share and a one-tier tax exempt interim dividend of S\$0.10 per share respectively, which were paid on 10 May 2018 and 12 October 2018 respectively. In connection therewith, the share prices of Chew's Group in the table above had been adjusted to exclude the effects of the dividends on the share prices of Chew's Group. Accordingly, the VWAPs of Chew's Group had been weighted based on the average traded prices (as adjusted for the dividends) and traded volumes of the shares during the relevant trading days for each of the respective periods prior to the Termsheet Announcement.

- (8) Based on the adjusted NAV per share of Chew's Group Limited as at 31 March 2018.
- (9) Based on the NAV per share of Sunrise Shares Holding Ltd. as at 30 June 2018.
- (10) 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.
- (11) On 1 February 2019, Sevak Limited announced the intention of its controlling shareholder, Smart Co. Holding Pte. Ltd., to make a possible partial offer for approximately 51% of the issued shares of Sevak Limited. The voluntary conditional cash partial offer for the shares in Sevak Limited was subsequently announced on 21 March 2019. The market premia in the table above were computed based on the share prices for the period(s) prior to and including 1 February 2019, being the last undisturbed trading date.
- (12) Based on the NTA per share of Sevak Limited as at 31 December 2018.
- (13) Based on the revalued NAV per share of Ying Li International Real Estate Limited as at 31 December 2018.
- (14) On 2 July 2019, ISEC Healthcare Ltd. ("**ISEC**") released a holding announcement ("**ISEC Holding Announcement**") to inform its shareholders that some of the shareholders were at an advanced stage of negotiations with a third-party purchaser for the sale of part of their shares of ISEC and that based on the proposed terms, the potential transaction if completed, is likely to lead to an offer for the shares of ISEC. The market premia in the table above were computed based on the share prices for the period(s) prior to and including 28 June 2019, being the last undisturbed trading date.
- (15) Based on the unaudited NTA per share of ISEC Healthcare Ltd as at 30 September 2019.
- (16) Excluded as statistical outlier.
- (17) Based on the revalued NAV per share of DLF Holdings Limited as at 30 June 2019.
- (18) Based on the adjusted NAV per share of Axington Inc. as at 31 December 2019.
- (19) Based on the revalued NAV per share of Blumont Group Ltd. as at 30 June 2020.
- (20) Based on the revalued NAV per share of Lum Chang Holdings as at 30 June 2020.
- (21) Based on the NAV per share of Transit-Mixed Concrete Ltd as at 31 August 2020.

- (22) Based on the NAV per share of Procurri Corporation Limited as at 31 December 2020.
- (23) Based on the NAV per share of the Company as at 31 December 2020.
- (24) Based on the NTA per share of the Company as at 31 December 2020.
- (25) Based on the RNAV per share of the Company as at 31 December 2020.

Based on the above, we note the following:

- (a) The premium of 0.0% implied by the Offer Price over the VWAP of the Shares for the Last Trading Day is within the range of the (discount) / premium for the Precedent Non-Privatisation Transactions of between (56.2)% and 75.0%, but below the mean and median premia of 13.1% and 8.6% respectively;
- (b) The premium of 0.7% implied by the Offer Price over the VWAP of the Shares for the 1-month period prior to the Offer Announcement Date is within the range of the (discount) / premium for the Precedent Non-Privatisation Transactions of between (54.4)% and 85.9%, but below the mean and median premia of 16.2% and 11.8% respectively;
- (c) The premium of 1.3% implied by the Offer Price over the VWAP of the Shares for the 3-month period prior to the Offer Announcement Date is within the range of the (discount) / premium for the Precedent Non-Privatisation Transactions of between (11.6)% and 88.9%, but below the mean and median premia of 23.7% and 17.2% respectively;
- (d) The premium of 1.7% implied by the Offer Price over the VWAP of the Shares for the 6-month period prior to the Offer Announcement Date is within the range of the premium for the Precedent Non-Privatisation Transactions of between 8.8% and 78.6%, but below the mean and median premia of 25.3% and 18.4% respectively;
- (e) The premium of 0.7% implied by the Offer Price over the VWAP of the Share for the 12-month period prior to the Offer Announcement Date is within the range of the (discount) / premium for the Precedent Non-Privatisation Transactions of between (82.1)% and 77.7%, but below than the mean and median premium of 0.4% and 16.8% respectively;
- (f) The P/NAV and P/NTA as implied by the Offer Price of approximately 1.4 times and 1.7 times respectively, is within the range of the P/NAV of the Precedent Non-Privatisation Transactions (excluding statistical outliers) of 0.3 times and 2.1 times, and above the mean and median P/NAV of the Precedent Non-Privatisation Transactions of 0.9 times and 0.9 times respectively; and
- (g) The P/RNAV as implied by the Offer Price of approximately 0.9 times is within the range of the P/NAV of the Precedent Non-Privatisation Transactions (excluding statistical outliers) of 0.3 times and 2.1 times, and is the same as the mean and median P/NAV of the Precedent Non-Privatisation Transactions of 0.9 times and 0.9 times respectively.

8.6 Brokers' price target for the Shares

We have compiled the following research reports by brokers in relation to the Shares within the past one year from Bloomberg L.P.

Broker	Date	Recommendation	Target Share Price (S\$)
Phillip Capital	21 Aug 20	Reduce	0.158
Premium of Offer Price to Target Price			26.6%
UOB Kay Hian	26 Oct 20	Buy	0.200
Premium of Offer Price to Target Price			0.0%
Mean Target Price			0.179
Premium of Offer Price to Mean Target Price			11.7%

Source: Bloomberg L. P.

Based on the above, we note the following:

- (a) The Offer Price represents a premium of 26.6% of the Target Share Price estimated by Phillip Capital as at 21 August 2020, prior to the Offer Announcement Date; and
- (b) The Offer Price represents a premium of 0.0% of the Target Share Price estimated by UOB Kay Hian as at 26 October 2020, prior to the Offer Announcement Date.

We wish to highlight that the above broker research report universe may not be exhaustive and price targets for the Shares and other statements and opinions contained in the reports within the universe used represent the individual views of the broker research analyst based on the circumstances (including, inter alia, market, economic, industry and monetary conditions as well as market sentiment and investor perceptions regarding the future prospects of the Company) prevailing at the date of the publication of the respective broker research reports. The opinions of the brokers may change over time as a result of, among other things, changes in market conditions, the Company's market development and the emergence of new information relevant to the Company. As such, the above price targets may not be an accurate prediction of future market prices of the Shares.

Any recommendation or price targets expressed in such broker research reports represent the individual views of the respective brokers only.

8.7 Other Relevant Considerations

8.7.1 Outlook of the Group

The Company had made the following comments in relation to its business outlook in its unaudited results announcement for FY2020 dated 25 February 2021:

"The Group expects its aerospace-focused precision machining segment to continue face strong head winds in the near term. Re-opening of country borders to international travellers is slower than expected. The recent emergence of Covid-19 virus variants has deterred countries' authorities to lift their restriction measures prematurely. During the pandemic, amidst the unprecedented challenges to the global supply chain, many of our strategic customers were forced to revamp their supply chain strategies. The Group has proven track record in its past collaborations with our strategic customers. We are pleased to report that the Group has been selected by some of its customers as a strategic vendor moving forward. The Group has commenced first article inspections ("FAI") in relation to many new complex and high value added parts. We expect these low volume FAI to turn into volume production within the next 1 to 2 years.

For equipment manufacturing segment, the Group is expected to achieve some positive growth and is actively diversifying its customer portfolios to mitigate concentration risk.

In line with the Group's direction to move most of its non-critical manufacturing activities to region with lower operational cost, the Group purchased a plot of land in Penang from the Malaysian authorities in November 2020 to set up a new factory. The new factory is expected to be completed in Q2 of year 2022 and reach full operating capacity by 2024."

8.7.2 No revision of terms and likelihood of competing offers is remote

The Offeror has stated in the Offer Document that it does not intend to revise the Offer Price or any other terms of the Offer save that the Offeror reserves the right to revise the terms of the Offer in accordance with the Code if a competitive situation arises. As at the Latest Practicable Date, UMS Holdings Limited is the single largest controlling Shareholder with a 54.41% 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. Therefore, the likelihood of a competing offer in this case is remote.

8.7.3 Listing status and Compulsory Acquisition

The Offeror is making the 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 but not limited to carrying out a compulsory acquisition after the completion of the Offer 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.

8.7.4 Offeror's Intentions for the Group

The directors of the Offeror are of the view that the Offer 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 Company and its subsidiaries, (b) re-deploy the Company Group's fixed assets; or (c) discontinue the employment of the employees of the Company 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.

8.7.5 Intentions of Directors in respect of the Offer

As set out in Appendix 2 to the Circular, the following Directors who have direct or deemed interests in the Shares have informed the Company of their intentions in respect of the Offer, as follows:

- (a) Mr. Zee Hoong Huay intends to accept the Offer in respect of the 7,319,300 Shares directly held by him;
- (b) The estate of Ms. Lee Pui Rong, the spouse of Mr. Zee Hoong Huay, has also informed the Company that it intends to accept the Offer in respect of 4,075,500 Shares held by it; and
- (c) Mr. Luong Andy, having given the Irrevocable Undertaking, intends to reject procure his associates to reject, the Offer in respect of 1,150,000 Shares (comprising approximately 0.28% of the total number of issued and paid-up Shares), such undertaking being valid until the close of the Offer.

9. OUR OPINION AND RECOMMENDATION TO THE INDEPENDENT DIRECTORS

In arriving at our recommendation in respect of the Offer to the Independent Directors, we have taken into account a range of factors which we consider, based on available information as at the Latest Practicable Date, to be pertinent and have significant bearing on our assessment of the Offer. Accordingly, it is important that this IFA Letter, in particular, all the considerations and information we have taken into account, be read in its entirety.

In determining the fairness of the Offer, we have considered, *inter alia*, the following pertinent factors:

- (a) The Offer Price to NAV per Share and the premium of the Offer Price to NAV per Share as at 31 December 2020 are 1.4 times and 37.3% respectively;

- (b) The Offer Price to NTA per Share and the premium of the Offer Price to NTA per Share as at 31 December 2020 are 1.7 times and 69.0% respectively;
- (c) The Offer Price to RNAV per Share and the discount of the Offer Price to RNAV per Share as at 31 December 2020 are 0.9 times and 5.5% respectively;
- (d) the premium to NAV as implied by the Offer Price of approximately 37.3% is higher than the average premiums to NAV as implied by the closing price of the Shares for the periods of 1-year, 6-month, 3-month and 1-month prior to the Offer Announcement Date and up to the Last Trading Day;
- (e) In comparison with the earnings-based trading multiples of the Selected Comparable Companies and based on the Offer Price:
 - The EV/TTM EBITDA multiple of the Group of 12.7 times is within the range of EV/TTM EBITDA ratios of the Selected Comparable Companies of between 3.9 times and 15.0 times, and above the mean and median EV/TTM EBITDA ratios of 8.8 times and 6.8 times respectively; and
 - The TTM P/E multiple of the Group of 13.9 times is within the range of the TTM P/E ratios of the Selected Comparable Companies of between 8.9 times and 34.6 times, but below the mean and median TTM P/E ratios of 17.6 times and 16.0 times respectively; and
- (f) The Offer Price represents a premium of approximately 11.7% to the mean price targets of the brokers covering the Company's Shares.

In view of the above, we are of the opinion that the Offer is **FAIR**.

In determining the reasonableness of the Offer, we have considered, *inter alia*, the following pertinent factors:

- (a) The Offer Price is at a premium of approximately 0.7%, 1.7%, 1.3% and 0.7% to the VWAP of the Shares for the 1-month, 3-month, 6-month and 12-month periods prior to the Last Trading Day respectively;
- (b) The Shares are thinly traded during the Relevant Period prior to the Offer Announcement Date. Trading liquidity of the Shares during the 12-month period up to and including the Last Trading Day has been low with an average daily trading volume of between approximately 149,300 Shares and 302,500 Shares representing between 0.084% and 0.169% of the free float of the Company;
- (c) The P/NAV as implied by the Offer Price of 1.4 times is within the range of P/NAV of the Selected Comparable Companies of 1.0 times to 4.9 times, albeit below the mean and median P/NAV of the Selected Comparable Companies;
- (d) The P/NTA as implied by the Offer Price of 1.7 times is within the range of P/NTA of the Selected Comparable Companies of 1.0 times to 6.1 times, albeit below the mean and median P/NTA of the Selected Comparable Companies;
- (e) The P/NAV and P/NTA as implied by the Offer Price of 1.4 times and 1.7 times respectively, is within the range of the P/NAV of the Precedent Non-Privatisation Transactions (excluding statistical outliers) of 0.3 times to 2.1 times, and above the mean and median P/NAV of the Precedent Non-Privatisation Transactions of 0.9 times and 0.9 times;
- (f) The P/RNAV as implied by the Offer Price of approximately 0.9 times is within the range of the P/NAV of the Precedent Non-Privatisation Transactions (excluding statistical outliers) of 0.3 times and 2.1 times, and is the same as the mean and median P/NAV of the Precedent Non-Privatisation Transactions of 0.9 times and 0.9 times respectively;

- (g) The premium of the Offer Price to the VWAP of the Shares for the Last Trading Day, 1-month, 3-month, 6-month, 12-month is within the range of the premias for the Precedent Non-Privatisation Transactions although it is below the mean and the median premia for the Precedent Non-Privatisation Transactions for the respective periods;
- (h) The Company had, in its latest results announcement dated 25 February 2021, disclosed that the Group expects its aerospace-focused precision machining segment to continue facing strong head winds in the near term. Re-opening of country borders to international travellers is slower than expected. The recent emergence of Covid-19 virus variants has deterred countries' authorities to lift their restriction measures prematurely; and
- (i) As at the Latest Practicable Date, UMS Holdings Limited is the single largest controlling Shareholder with a 54.41% shareholding interest in the Company. It is therefore highly unlikely that there will be a competing offer from any third party.

In view of the above, we are of the opinion that the Offer is **REASONABLE**.

Having regard to the foregoing considerations set out in this IFA Letter and information available to us as at the Latest Practicable Date and subject to the qualifications made herein, we are of the opinion that the financial terms of the Offer are FAIR AND REASONABLE. On balance of the above factors, we advise the Independent Directors to recommend that Shareholders ACCEPT the Offer, unless Shareholders are able to obtain a price higher than the Offer Price on the open market, after taking into account the brokerage and related costs in connection with open market transactions.

Our opinion is addressed to the Independent Directors for their benefit and for the purpose of their consideration of the Offer. The recommendation made by the Independent Directors to the Shareholders in relation to the Offer shall remain the responsibility of the Independent Directors.

In rendering our opinion and providing our recommendation, we did not have regard to the specific objectives, financial situation, tax position, risk profile or unique needs and constraints of any individual Shareholder and we neither assume any responsibility for, nor hold ourselves as advisers to any person other than the Independent Directors. As different Shareholders would have different investment profiles and objectives, we recommend that any Shareholder who may require specific advice in relation to his/her investment portfolio or objectives should consult his/her stock broker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately and not to rely upon our opinion as the sole basis for deciding whether or not to accept the Offer.

Whilst a copy of this IFA Letter may be reproduced in the Circular, neither the Company, the Independent Directors, nor any other persons may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purpose at any time and in any manner without our prior written consent in each specific case, except for the purpose of the Offer.

This IFA 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
W Capital Markets Pte. Ltd.

Foo Say Nam
Partner
Head of Advisory

Sheila Ong
Senior Vice President
Corporate Finance

APPENDIX 2

ADDITIONAL GENERAL INFORMATION

1. **DIRECTORS**

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

Name	Address	Description
Mr. Andy Luong	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
Ms. Lee Sook Wai, Irene	c/o 16 Seletar Aerospace Crescent, Singapore 797567	Independent Director

2. **REGISTERED OFFICE**

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

3. **PRINCIPAL ACTIVITIES**

The Company is a public company limited by shares and was incorporated in Singapore on 12 March 1994. Its Shares have been listed on the Catalist of the SGX-ST since 11 October 2004. The principal activities of the Company are that of investment holding and the provision of management services to its subsidiaries. The key businesses of the Company and its subsidiaries include (i) ultra high precision machining, (ii) precision machining services, (iii) system integration and modular assembly, and (iv) large format precision engineering and fabrication services. In addition, the Company also has shareholding interests in certain subsidiaries which are not and/or have not been undertaking significant business activities.

4. **SHARE CAPITAL**

4.1 **Issued Capital**

As at the Latest Practicable Date, the Company has one class of shares, being ordinary shares. As at the Latest Practicable Date, the total issued and paid-up share capital of the Company is approximately S\$52,309,074.12 comprising 413,944,721 Shares (excluding treasury shares). The Company does not hold any treasury shares as at the Latest Practicable Date. The issued Shares are quoted and listed on the Catalist of the SGX-ST.

As at the Latest Practicable Date, the Company has not issued any Shares since the end of FY2020.

4.2 **Rights in Respect of Capital, Dividends and Voting**

The rights of Shareholders in respect of capital, dividends and voting are contained in the Constitution of the Company, which is available for inspection at the registered address of the Company at 16 Seletar Aerospace Crescent, Singapore 797567 during normal business hours for the period during which the Offer remains open for acceptance. For ease of

reference, selected texts of the Constitution of the Company relating to the same have been extracted and reproduced in **Appendix 5** to this Circular. Capitalised terms and expressions not defined in the extracts have the meaning ascribed to them in the Constitution and/or the Companies Act.

5. COMPANY CONVERTIBLE SECURITIES

As at the Latest Practicable Date, the Company does not have any outstanding Convertible Securities of the Company.

6. DISCLOSURE OF INTERESTS

6.1 Interests of the Company in Offeror Securities

As at the Latest Practicable Date, neither the Company nor its subsidiaries have any direct or indirect interests in Offeror Securities.

6.2 Dealings in Offeror Securities by the Company

Neither the Company nor its subsidiaries have dealt in Offeror Securities during the period commencing six (6) months prior to 21 April 2021, being the Offer Announcement Date, and ending on the Latest Practicable Date.

6.3 Interests of the Directors in Offeror Securities

Save as disclosed below and in this Circular, as at the Latest Practicable Date, none of the Directors have any direct or indirect interests in Offeror Securities:

Name	Direct Interest as at the Latest Practicable Date		Deemed Interest as at the Latest Practicable Date	
	No. of Shares	(%)⁽¹⁾	No. of Shares	(%)⁽¹⁾
Mr. Luong Andy	-	-	109,023,750 ⁽²⁾	20.44
Mr. Zee Hoong Huay	50,000 ⁽³⁾	0.01	5,838,000 ⁽⁴⁾	1.09

Notes:

- (1) Based on 533,429,579 Offeror Securities (excluding treasury shares) as at the Latest Practicable Date, and rounded to the nearest two decimal places.
- (2) Mr. Luong Andy is deemed interested in 63,115,471 Offeror Securities registered in the name of UOB Kay Hian Private Limited, 14,120,823 Offeror Securities registered in the name of The 71 Trust (held through UOB Kay Hian Private Limited), 18,700,000 Offeror Securities registered in the name of Raffles Nominees (Pte) Limited, and 13,087,456 Offeror Securities registered in the name of his wife, Mrs. Lee Luong Sylvia S Y.
- (3) Mr. Zee Hoong Huay acquired 50,000 Offeror Securities on 26 November 2020 via transactions on the market.
- (4) Mr. Zee Hoong Huay is deemed interested in 2,742,700 Offeror Securities registered in the name of DBS Nominees Pte. Ltd., 2,914,300 Offeror Securities registered in the name of Phillip Securities Pte. Ltd. and 181,000 Offeror Securities registered in the estate of his spouse, Ms. Lee Pui Rong, through a Grant of Probate issued by the court.

6.4 Dealings in Offeror Securities by the Directors

Save as disclosed below, none of the Directors have dealt in Offeror Securities during the period commencing six (6) months prior to 21 April 2021 being the Offer Announcement Date, and ending on the Latest Practicable Date:

- (a) on 26 November 2020, Zee Hoong Huay acquired 50,000 Offeror Securities via transactions on the market at a price of S\$1.03 per Offeror Security;

- (b) on 15 January 2021, Mr Zee Hoong Huay disposed 100,000 Offeror Securities via transactions on the market at a price of S\$1.22 per Offeror Security;
- (c) on 19 January 2021, Mr Zee Hoong Huay disposed 300,000 and 100,000 Offeror Securities via transactions on the market at the prices of S\$1.22 and S\$1.25 per Offeror Security, respectively;
- (d) on 20 January 2021, Mr Zee Hoong Huay disposed 100,000 Offeror Securities via transactions on the market at a price of S\$1.24 per Offeror Security;
- (e) on 22 January 2021, Mr Zee Hoong Huay disposed 200,000 Offeror Securities via transactions on the market at a price of S\$1.305 per Offeror Security;
- (f) on 27 January 2021, Mr Zee Hoong Huay disposed 100,000 Offeror Securities via transactions on the market at a price of S\$1.38 per Offeror Security;
- (g) on 4 February 2021, Mr Zee Hoong Huay disposed 100,000 Offeror Securities via transactions on the market at a price of S\$1.38 per Offeror Security;
- (h) on 5 February 2021, Mr Zee Hoong Huay disposed 200,000 Offeror Securities via transactions on the market at a price of S\$1.40 per Offeror Security;
- (i) on 9 February 2021, Mr Zee Hoong Huay acquired 300,000 Offeror Securities via transactions on the market at a price of S\$1.38 per Offeror Security;
- (j) on 9 February 2021, Mr Zee Hoong Huay disposed 150,000 and 200,000 Offeror Securities via transactions on the market at the prices of S\$1.39 and S\$1.40 per Offeror Security, respectively;
- (k) on 17 February 2021, Mr Zee Hoong Huay disposed 200,000 Offeror Securities via transactions on the market at a price of S\$1.38 per Offeror Security;
- (l) on 18 February 2021, Mr Zee Hoong Huay disposed 300,000 Offeror Securities via transactions on the market at a price of S\$1.40 per Offeror Security;
- (m) on 24 February 2021, Mr Zee Hoong Huay disposed 200,000 Offeror Securities via transactions on the market at a price of S\$1.24 per Offeror Security;
- (n) on 1 March 2021, Mr Zee Hoong Huay disposed 100,000 Offeror Securities via transactions on the market at a price of S\$1.27 per Offeror Security;
- (o) on 2 March 2021, Mr Kong Chee Keong acquired 43,800 Offeror Securities via transactions on the market at a price of S\$1.144 per Offeror Security;
- (p) on 8 March 2021, Mr Zee Hoong Huay acquired 100,000 Offeror Securities via transactions on the market at a price of S\$1.06 per Offeror Security;
- (q) on 11 March 2021, Mr Zee Hoong Huay disposed 100,000 Offeror Securities via transactions on the market at a price of S\$1.09 per Offeror Security;
- (r) on 15 March 2021, Mr Zee Hoong Huay disposed 100,000 Offeror Securities via transactions on the market at a price of S\$1.14 per Offeror Security;
- (s) on 26 March 2021, Mr Kong Chee Keong disposed 43,800 Offeror Securities via transactions on the market at a price of S\$1.266 per Offeror Security;
- (t) on 1 April 2021, Mr. Luong Andy transferred 13,087,456 Offeror Securities to his wife, Mrs. Lee Luong Sylvia S Y;

- (u) on 14 April 2021, Mr Zee Hoong Huay acquired 300,000 Offeror Securities via transactions on the market at a price of S\$1.35 per Offeror Security;
- (v) on 19 April 2021, Mr Zee Hoong Huay acquired 200,000 Offeror Securities via transactions on the market at a price of S\$1.35 per Offeror Security;
- (w) on 23 April 2021, Mr Zee Hoong Huay acquired 200,000 Offeror Securities via transactions on the market at a price of S\$1.33 per Offeror Security;
- (x) on 26 April 2021, Mr Zee Hoong Huay acquired 100,000 Offeror Securities via transactions on the market at a price of S\$1.35 per Offeror Security;
- (y) on 4 May 2021, Mr Zee Hoong Huay acquired 100,000 Offeror Securities via transactions on the market at a price of S\$1.38 per Offeror Security;
- (z) on 5 May 2021, Mr Zee Hoong Huay acquired 200,000 Offeror Securities via transactions on the market at a price of S\$1.36 per Offeror Security;
- (aa) on 5 May 2021, Mr Zee Hoong Huay acquired 200,000 Offeror Securities via transactions on the market at a price of S\$1.35 per Offeror Security;
- (bb) on 5 May 2021, Mr Zee Hoong Huay acquired 471,000 Offeror Securities via transactions on the market at a price of S\$1.34 per Offeror Security;
- (cc) on 5 May 2021, Mr Zee Hoong Huay acquired 300,000 Offeror Securities via transactions on the market at a price of S\$1.33 per Offeror Security; and
- (dd) On 6 May 2021, Mr Zee Hoong Huay acquired 200,000 Offeror Securities via transactions on the market at a price of S\$1.34 per Offeror Security.

6.5 Interests of the Directors in Shares and Convertible Securities of the Company

Save as disclosed below, as at the Latest Practicable Date, none of the Directors have an interest, direct or indirect, in the Shares or Convertible Securities of the Company.

Name	Direct Interest as at the Latest Practicable Date		Deemed Interest as at the Latest Practicable Date	
	No. of Shares	(%) ⁽¹⁾	No. of Shares	(%)
Mr. Luong Andy	1,150,000	0.28	225,206,925 ⁽²⁾	54.41
Mr. Zee Hoong Huay	7,319,300	1.77	4,075,500 ⁽³⁾	0.98

Notes:

- (1) Based on 413,944,721 Shares as at the Latest Practicable Date, and rounded to the nearest two decimal places.
- (2) Mr. Luong Andy is deemed interested in 225,206,925 Shares held by the Offeror, through his 20.44% shareholding interests in the issued share capital of the Offeror.
- (3) Mr. Zee Hoong Huay is deemed interested in 4,075,500 Shares registered held by the estate of his spouse, Ms. Lee Pui Rong, through a Grant of Probate issued by the court.

6.6 Dealings in Shares and Convertible Securities of the Company by the Directors

Save for the Acquisition and as disclosed below, none of the Directors have dealt in the Shares or Convertible Securities of the Company during the period commencing six (6) months prior to 21 April 2021, being the Offer Announcement Date, and ending on the Latest Practicable Date:

- (a) on 19 November 2020, Mr. Zee Hoong Huay disposed 300,000 Shares and 100,000 Shares via transactions on the market at a price of S\$0.20 per Share and S\$0.205 per Shares respectively;

- (b) on 23 November 2020, Mr. Zee Hoong Huay disposed 13,600 Shares via transactions on the market at a price of S\$0.20 per Share;
- (c) on 24 November 2020, Mr. Zee Hoong Huay acquired 100,000 Shares via transactions on the market at a price of S\$0.20 per Share;
- (d) on 1 December 2020, Mr. Zee Hoong Huay acquired 93,800 Shares via transactions on the market at a price of S\$0.196 per Share;
- (e) on 2 December 2020, Mr. Zee Hoong Huay acquired 50,000 Shares via transactions on the market at a price of S\$0.197 per Share;
- (f) on 3 December 2020, Mr. Zee Hoong Huay acquired 50,000 Shares via transactions on the market at a price of S\$0.197 per Share;
- (g) on 4 December 2020, Mr. Zee Hoong Huay acquired 125,000 Shares via transactions on the market at a price of S\$0.196 per Share;
- (h) on 8 December 2020, Mr. Zee Hoong Huay acquired 5,700 Shares via transactions on the market at a price of S\$0.198 per Share;
- (i) on 9 December 2020, Mr. Zee Hoong Huay acquired 65,000 Shares via transactions on the market at a price of S\$0.196 per Share;
- (j) on 11 December 2020, Mr. Zee Hoong Huay acquired 100,000 Shares via transactions on the market at a price of S\$0.195 per Share;
- (k) on 24 December 2020, Mr. Zee Hoong Huay acquired 4,200 Shares via transactions on the market at a price of S\$0.193 per Share; and
- (l) on 8 March 2021, Mr. Zee Hoong Huay acquired 197,000 Shares via transactions on the market at a price of S\$0.182 per Share.

6.7 Interests of the IFA in Shares and Convertible Securities of the Company

None of the IFA, its related corporations or funds whose investments are managed by the IFA or its related corporations on a discretionary basis, own or control any Shares or Convertible Securities of the Company as at the Latest Practicable Date.

6.8 Dealings in Shares and Company Convertible Securities by the IFA

None of the IFA, its related corporations or funds whose investments are managed by the IFA or its related corporations on a discretionary basis, have dealt for value in the Shares or Convertible Securities of the Company during the period commencing six (6) months prior to 21 April 2021, being the Offer Announcement Date, and ending on the Latest Practicable Date.

6.9 Accepting or Rejecting the Offer

The following Directors who have direct or deemed interests in the Shares have informed the Company of their intentions in respect of the Offer, as follows:

- (a) Mr. Zee Hoong Huay intends to accept the Offer in respect of the 7,319,300 Shares directly held by him;
- (b) The estate of Ms. Lee Pui Rong, the spouse of Mr. Zee Hoong Huay, has also informed the Company that it intends to accept the Offer in respect of 4,075,500 Shares held by it; and

- (c) Mr. Luong Andy, having given the Irrevocable Undertaking, intends to reject procure his associates to reject, the Offer in respect of 1,150,000 Shares (comprising approximately 0.28% of the total number of issued and paid-up Shares), such undertaking being valid until the close of the Offer.

7. OTHER DISCLOSURES

7.1 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.

7.2 No Payment or Benefit to Directors

As at the Latest Practicable Date, it is not proposed, in connection with the Offer, that any payment or other benefit be made or given to any Director or to any director of any other 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.

7.3 No Agreement Conditional Upon Outcome of the Offer

As at the Latest Practicable Date, save for the Irrevocable Undertaking, 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.

7.4 Material Contracts Entered Into by the Offeror

As at the Latest Practicable Date, save for the Irrevocable Undertaking, there are no material contracts entered into by the Offeror in which any Director has a material personal interest, whether direct or indirect.

8. FINANCIAL INFORMATION OF THE GROUP

A summary of the financial information of the Group for FY2018, FY2019 and FY2020 (based on the audited consolidated financial statements for each of FY2018, FY2019 and FY2020) is set out below.

A summary of the financial information of the Group as set out in this Paragraph 8 is extracted from, and should be read together with, the annual reports and relevant financial statements, copies of which are available on the SGX-ST website at www.sgx.com or for inspection at the registered address of the Company at 16 Seletar Aerospace Crescent, Singapore 797567 during normal business hours for the period during which the Offer remains open for acceptance.

- (i) Consolidated Statements of Comprehensive Income

	Audited FY2018 S\$'000	Audited FY2019 S\$'000	Audited FY2020 S\$'000
Revenue	85,865	88,962	73,284

Cost of sales	(73,274)	(73,269)	(62,392)
Gross profit	12,591	15,693	10,892
Other operating income	1,165	960	5,221
Selling and distribution expenses	(2,094)	(2,133)	(1,950)
Administrative expenses	(6,270)	(5,495)	(5,381)
Other operating expenses	(680)	(289)	(6,618)
Finance expenses	(1,531)	(1,816)	(1,134)
Profit before tax	3,181	6,920	1,030
Income tax expense	(886)	(402)	(812)
Profit for the year	2,295	6,518	218
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Currency translation differences	194	-	11
Total comprehensive income for the year	2,489	6,518	229
Profit attributable to:			
Owners of the Company	2,193	6,518	218
Non-controlling interests	102	-	-
	2,295	6,518	218
Total comprehensive income attributable to:			
Owners of the Company	2,387	6,518	229
Non-controlling interests	102	-	-
	2,489	6,518	229
Earnings per share (expressed in cents)			
Basic	0.578	1.610	0.053
Diluted	0.530	1.574	0.053

(ii) Statements of Financial Position

	Audited FY2018 S\$'000	Audited FY2019 S\$'000	Audited FY2020 S\$'000
ASSETS			
Current assets			
Cash and bank balances	4,541	11,943	15,950
Trade and other receivables	22,713	20,914	15,498
Inventories	15,741	15,005	13,293
Assets of disposal group classified as held for sale	-	68	-
Total current assets	<u>42,995</u>	<u>47,930</u>	<u>44,741</u>
Non-current assets			
Property, plant and equipment	51,185	53,941	50,836
Intangible assets	17,869	17,746	11,292
Deferred tax assets	91	8	2
Total non-current assets	<u>69,145</u>	<u>71,695</u>	<u>62,130</u>
Total assets	<u>112,140</u>	<u>119,625</u>	<u>106,871</u>
LIABILITIES AND EQUITY			
Current liabilities			
Bank loans	11,105	5,808	2,373
Trade and other payables	15,487	17,278	7,610
Current tax liabilities	-	-	1
Finance leases	2,003	-	-
Lease liabilities	-	1,508	1,245
Total current liabilities	<u>28,595</u>	<u>24,594</u>	<u>11,229</u>
Non-current liabilities			
Bank loans	25,551	25,260	25,786
Finance leases	4,572	-	-
Lease liabilities	-	8,097	7,148
Deferred tax liabilities	1,295	1,614	2,419

Total non-current liabilities	31,418	34,971	35,353
Capital and reserves			
Share capital	47,811	49,226	49,226
Warrants reserve	219	-	-
Capital reserve	553	772	772
Translation reserve	-	-	11
Retained earnings	3,544	10,062	10,280
Total equity	52,127	60,060	60,289
Total liabilities and equity	112,140	119,625	106,871

The above summary should be read together with the Annual Report FY2020, and the audited consolidated statements of financial position of the Group for FY2020 and the related notes thereto, which is set out in **Appendix 4** to this Circular.

9. MATERIAL CHANGES IN FINANCIAL POSITION

Save as disclosed in the audited consolidated financial statements of the Group for FY2020, and any other information on the Group which is publicly available (including but not limited to that contained in the Annual Report FY2020 and the announcements released by the Group on the SGX-ST), there have been no material changes to the financial position of the Company since 31 December 2020, being the date of the last audited accounts of the Company laid before the Shareholders in general meeting.

10. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Group are disclosed in pages A4-17 to A4-34 of the audited consolidated financial statements of the Group for FY2020, which are reproduced in **Appendix 4** to this Circular.

Save as disclosed in this Circular and publicly available information on the Group (including but not limited to that contained in the Annual Report FY2020, the audited financial statements of the Group for FY2020 and the announcements released by the Group on the SGX-ST), 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.

11. CHANGES IN ACCOUNTING POLICIES

As detailed in Note 2 to the audited consolidated financial statements of the Group (which are reproduced in **Appendix 4** to this Circular), the Group has adopted the new and revised standards, amendments and interpretations issued by IASB and the IFRIC of the IASB that are mandatory for application for the financial year.

The following standards that have been issued and are relevant to the Group and company but not yet effective at the date of authorisation of the Group's financial statements (which are reproduced in Appendix 4 of this Circular):

		Effective for annual financial periods beginning on or after
SFRS(I) 16	<i>Amendments to SFRS(I) 16 Leases – Covid-19 Related Rent Concessions</i>	1 June 2020
SFRS(I) 1-16	<i>Amendments to SFRS(I) 1-16, Property, Plant and Equipment – Proceeds before Intended Use</i>	1 January 2022
SFRS(I) 1-37	<i>Amendments to SFRS(I) 1-37, Provisions – Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
SFRS(I) 3	<i>Amendments to SFRS(I) 3, Business Combinations – Reference to the Conceptual Framework</i>	1 January 2022
SFRS(I) 1-1	<i>Amendments to SFRS(I) 1-1, Classification of Liabilities as Current or Non-current</i>	1 January 2023

As at the Latest Practicable Date, save as disclosed in this Circular and publicly available information on the Group (including but not limited to that contained in the Annual Report FY2020, the audited consolidated financial statements of the Group for FY2020 and the announcements released by the Group on the SGX-ST), the Group has applied the same accounting policies and methods of computation as with those in the audited financial statements of the Group for FY2019 and as at the Latest Practicable Date, there are no changes in the accounting policies of the Group which will cause the financial statements of the Group not to be comparable to a material extent.

12. **MATERIAL CHANGE IN INFORMATION**

Save as disclosed in this Circular and save for the information relating to the Company and the Offer that is publicly available, there has been no material change in the information previously published by or on behalf of the Company during the period commencing from the Offer Announcement Date and ending on the Latest Practicable Date.

13. **VALUATION**

The Company has commissioned independent valuation of the Subject Property. As disclosed in the Valuation Reports, the basis of valuation is fair market value. Copies of the Valuation Reports are set out in **Appendix 6** to this Circular. The Valuation Reports in respect of the Subject Property are available for inspection at the registered address of the Company at 16 Seletar Aerospace Crescent, Singapore 797567.

Under Rule 26.3 of the Code, the Company is required, *inter alia*, to make an assessment of any potential tax liability which would arise if the Subject Property, which is the subject of a valuation given in connection with the Offer, was to be sold at the amount of the valuation. Based on the Valuation Reports, the potential tax liabilities that may be incurred by the Company on the hypothetical disposal of the Subject Property on an “as is” basis is estimated at approximately S\$2.1 million.

As at the Latest Practicable Date, the Company has no current plans to dispose of its interests in the Subject Property unless the need arises.

14. **MATERIAL CONTRACTS**

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 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 Catalist Rules.

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 Catalist Rules, to enter in the ordinary course of business into any of the mandated 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.

Subsequently, the Company sought and obtained Shareholders’ approval at the annual general meetings convened on 22 June 2020 and 22 April 2021 for the renewal of the general mandate.

The general mandate applies to the following categories of transactions with the Offeror Group:

(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 Offeror 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 FY2020, the value of such Interested Person Transactions amounted to S\$4,814,364. From 1 January 2021 until the Latest Practicable Date, the value of such Interested Person Transactions amounted to S\$1,284,054.

Further, on 26 March 2019, the Company announced that the Group proposes to purchase an aggregate of up to 16 units of computer numerical control machines (“**CNC Machines**”) from the Offeror Group for an aggregate consideration of not more than S\$4.36 million (the “**Proposed Acquisition**”).

The Proposed Acquisition constituted (i) an Interested Person Transaction as defined under Chapter 9 of the Catalist Rules, which value exceeds five per cent. (5%) of the latest audited net tangible assets of the Group; and (ii) a discloseable transaction under Chapter 10 of the Catalist Rules.

The Company sought and obtained Shareholders’ approval at the same extraordinary general meeting convened on 23 April 2019 for the approval of the Proposed Acquisition. Pursuant to the Proposed Acquisition, the Company acquired ten (10) units of CNC Machines from the Offeror Group for a total consideration of S\$2,111,500, with the last acquisition being on 3 June 2020. From 22 June 2020 until the Latest Practicable Date, there have been no further acquisitions pursuant to the Proposed Acquisition.

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.

15. 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 Group taken as a whole; and
- (b) save as disclosed above, the Directors are not aware of any litigation, claim, arbitration or other proceedings pending or threatened against the Company or any of its subsidiaries or of any facts likely to give rise to any proceedings which might materially or adversely affect the financial position of the Group taken as a whole.

16. GENERAL

16.1 Costs and Expenses

All expenses and costs incurred by the Company in relation to the Offer will be borne by the Company.

16.2 Consent of the IFA

W Capital Markets Pte. Ltd. has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the IFA Letter which is set out in **Appendix 1** to this Circular and all references to its name in the form and context in which they appear in this Circular.

16.3 Consent of the Registrar

Boardroom Corporate & Advisory Services Pte. Ltd. has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all the references to its name in the form and context in which they appear in this Circular.

16.4 Consent of the Independent Valuers

Hilco Appraisal Singapore Pte Ltd and United Valuers Pte. Ltd. have given and have not withdrawn their written consent to the issue of this Circular with the inclusion of the Valuation Reports which are set out in **Appendix 6** to this Circular and all references to their name in the form and context in which they appear in this Circular.

16.5 Consent of the Auditors

Moore Stephens LLP has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the audited consolidated financial statements of the Group for FY2020, which are set out in **Appendix 4** to this Circular and all references to its name in the form and context in which they appear in this Circular.

17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered address of the Company at 16 Seletar Aerospace Crescent, Singapore 797567, during normal business hours from the date of this Circular up to and included the date of the Closing Date:

- (i) the Constitution of the Company;
- (ii) the Annual Report FY2020;
- (iii) the annual reports of the Group for FY2018 and FY2019;
- (iv) the Offer Announcement;
- (v) the Offer Document;
- (vi) the IFA Letter, as set out in **Appendix 1** to this Circular;
- (vii) the audited consolidated financial statements of the Group for FY2020, as set out in **Appendix 4** to this Circular;
- (viii) the Valuation Reports in respect of the Subject Property, as set out in **Appendix 6** to this Circular; and
- (ix) the letters of consent referred to in **Paragraph 16** above.

APPENDIX 3

INFORMATION ON THE OFFEROR

The following information on the Offeror has been extracted from Appendix 3 to the Offer Document and set out below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

“1. **DIRECTORS**

Based on a search conducted at the Accounting and Corporate Regulatory Authority of Singapore, as at 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	c/o 23 Changi North Crescent, Changi North Industrial Estate, Singapore 499616	Chairman and Chief Executive Officer
Mr Loh Meng Chong, Stanley	c/o 23 Changi North Crescent, Changi North Industrial Estate, Singapore 499616	Executive Director
Mr Chay Yiowmin	c/o 23 Changi North Crescent, Changi North Industrial Estate, Singapore 499616	Lead Independent Director
Ms Gn Jong Yuh Gwendolyn	c/o 23 Changi North Crescent, Changi North Industrial Estate, Singapore 499616	Independent Director
Datuk Phang Ah Tong	c/o 23 Changi North Crescent, Changi North Industrial Estate, Singapore 499616	Independent Director

2. **SHARE CAPITAL**

Based on a search conducted at the Accounting and Corporate Regulatory Authority of Singapore, as at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of approximately S\$136,623,355 comprising 533,429,579 ordinary shares (excluding treasury 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 FY2018, FY2019 and FY2020 respectively. The audited financial statements of the Offeror for FY2018, FY2019 and FY2020 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 remain open for acceptance.

3.1. **Income Statements**

	Year ended 31 December 2018 (Audited) (In S\$'000)	Year ended 31 December 2019 (Audited) (In S\$'000)	Year ended 31 December 2020 (Audited) (In S\$'000)
Turnover	127,939	131,912	164,438
Exceptional items	–	–	–
Net profit before tax	45,506	35,455	38,894
Net profit after tax	42,653	33,214	36,293
Attributable to:			
- Owners of the Offeror	43,071	33,556	36,471
- Minority interest	(418)	(342)	(178)
Net earnings per share⁽¹⁾	8.03 cents	6.26 cents	6.83 cents
Net dividends per share⁽²⁾	4.50 cents	3.99 cents	3.50 cents

3.2. Statement of Assets and Liabilities as at 31 December 2020

	As at 31 December 2020 (Audited) (In S\$'000)
Assets	
Non-current assets	178,335
Current assets	131,202
Total assets	309,537
Liabilities and Equity	
Non-current liabilities	10,404
Current liabilities	46,184
Shareholders' equity	252,949
Total liabilities and equity	309,537

Notes:

- (1) "Net earnings per share" represents the net profit attributable to the owners of the Offeror divided by the weighted average number of shares.
- (2) "Net dividends per share" represents dividend declared for the year divided by the weighted average number of shares.

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 audited financial statements of the Offeror and its subsidiaries for the financial year ended 31 December 2020, the annual report of the Offeror as well as other announcements released by the Offeror on the SGX-ST) and as may be announced by the Offeror from time to time and the Offeror making and financing the Offer, there have not been any material changes in the financial position of the Offeror since 31 December 2020, 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 2020 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 2020, 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 4

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2020

The audited consolidated financial statements of the Group for FY2020 which are set out below have been reproduced from the Company's Annual Report FY2020 and were not specifically prepared for inclusion in this Circular.

All capitalised terms used in the notes to the audited consolidated financial statements of the Group for FY2020 set out below shall have the same meanings given to them in the Annual Report FY2020.

A copy of the Annual Report FY2020 is available for inspection at the registered address of the Company at 16 Seletar Aerospace Crescent, Singapore 797567 during normal business hours for the period during which the Offer remains open for acceptance.

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 31 December 2020.

In the opinion of the directors:

- (a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 Directors

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

Andy Luong
 Zee Hoong Huay
 Wong Gang
 Kong Chee Keong
 Lee Sook Wai, Irene

2 Arrangements to Enable Directors to Acquire Benefits by Means of the Acquisition of Shares and Debentures

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

3 Directors' Interests in Shares, Debentures and Warrants

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

Names of directors and companies in which interests are held

	Shareholdings registered in name of director			Shareholdings in which director is deemed to have an interest		
	As at 1 January 2020	As at 31 December 2020	As at 21 January 2021	As at 1 January 2020	As at 31 December 2020	As at 21 January 2021
<u>The Company</u>						
Andy Luong						
- Ordinary shares	1,150,000	1,150,000	1,150,000	160,149,170	168,416,970	168,416,970
Zee Hoong Huay						
- Ordinary shares	55,353,855	57,667,655	57,667,655	7,759,500	7,759,500	7,759,500

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.

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)
Lee Sook Wai, Irene	(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 and statement of changes in equity of the Company for the financial year ended 31 December 2020 as well as the independent auditor's report thereon;
- (iv) reviewed the effectiveness of the Group's key internal controls, including financial, operational, compliance controls and information technology controls and risk management systems via reviews carried out by the internal auditors;
- (v) met with the internal and external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee;
- (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").

DIRECTORS' STATEMENT

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

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

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

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

6 Auditors

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

On behalf of the Board of Directors

.....
ANDY LUONG

.....
ZEE HOONG HUAY

22 March 2021

INDEPENDENT AUDITORS' 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 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, 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 31 December 2020 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.

INDEPENDENT AUDITORS' REPORT

Key Audit Matter	Our audit performed and responses thereon
<p>Impairment review of goodwill</p> <p>We refer to Note 2(i), Note 3(b) and Note 14(a) to the consolidated financial statements.</p> <p>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 31 December 2020, the carrying amount of the Group's goodwill is S\$11,292,000.</p> <p>Impairment loss of S\$6,250,000 was recognised during the current financial year.</p> <p>The Group is required to perform an impairment test on goodwill of the cash generating unit ("CGU") by comparing its carrying amount with its recoverable amount as at the current year end. The recoverable amount is determined based on value in use calculations which includes discounted cash flow projections of the CGU to which the goodwill is allocated to.</p> <p>The impairment test involves significant judgement in determining the allocation of goodwill to the relevant CGU and in estimating the underlying assumptions to be applied in the discounted cash flow projections. The recoverable amounts are highly sensitive to key assumptions applied in respect of gross margin, the long term growth rate and discount rate. A small change in the assumptions can have a significant impact to the estimation of the recoverable amounts.</p>	<p>Our response</p> <p>We designed and performed the following key procedures, among others:</p> <ul style="list-style-type: none"> – Conducted a detailed discussion with the Group's key management and finance key personnel and reviewed the impairment assessment process over the determination of the relevant cash generating units and estimates for forecasted revenues, growth rates, profit margin, tax rates and discount rates. – Challenged management's estimates applied in the value-in-use models based on our knowledge of the Group's business activities and trends, and compared them against historical forecasts and performance, management plans and industry benchmarks. – Evaluated the Group's planned strategies around revenue growth and cost controls and the sensitivity analysis of the possible increase or decrease in the estimated growth rates and discount rates used in the value-in-use models. <p>Our findings</p> <p>We concluded that the identification of cash generating units was appropriate.</p> <p>Based on the procedures performed, we found the estimated future cash flows and the rates used to be reasonable.</p> <p>Based on our procedures, we noted that management's analysis and assessment, including sensitivity analysis, on the recoverability of goodwill can be supported.</p> <p>Furthermore, we evaluated the adequacy of the Group's disclosures regarding the impairment testing of goodwill. We found the disclosures included in Note 14(a) to the consolidated financial statements to be appropriate in describing the impairment assessment performed in relation to goodwill.</p>

INDEPENDENT AUDITORS' REPORT

Key Audit Matter	Our audit performed and responses thereon
<p>Valuation of Inventories</p> <p>We refer to Note 2(g), Note 3(b) and Note 11 to the consolidated financial statements.</p> <p>The carrying value of inventories amounted to S\$13,293,000 which accounted for 12% of the Group's total assets as at 31 December 2020.</p> <p>Inventories are carried in the consolidated financial statements at the lower of cost and net realisable value. The Group writes down the cost of inventories whenever the net realisable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.</p>	<p>Our response</p> <p>We focused on this area because of the high degree of management judgement required in determining the allowance for inventory obsolescence and the net realisable value of the inventories.</p> <p>We designed and performed the following key procedures, among others:</p> <ul style="list-style-type: none"> – Evaluated the appropriateness of the Group's accounting policies on the valuation of its inventories. – Checked and analysed the ageing of the inventories. – Tested the unit cost of the inventories. – Evaluated and tested management's assessment of inventories to state them at the lower of cost and net realisable value. – Reviewed management's assessment of the allowance for inventory obsolescence, taking into consideration inventory ageing, physical condition of the inventories, past and expected future sales. <p>Our findings</p> <p>We found the Group's inventories are recorded in accordance with the Group's accounting policies and management's assessment of inventory obsolescence is reasonable.</p>

Other Information

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

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

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

INDEPENDENT AUDITORS' REPORT

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.

INDEPENDENT AUDITORS' REPORT

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Neo Keng Jin.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
22 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2020

	Note	Group	
		2020	2019
		S\$'000	S\$'000
Revenue	4	73,284	88,962
Cost of sales		(62,392)	(73,269)
Gross profit		10,892	15,693
Other operating income	5	5,221	960
Selling and distribution expenses		(1,950)	(2,133)
Administrative expenses		(5,381)	(5,495)
Other operating expenses		(6,618)	(289)
Finance costs	6	(1,134)	(1,816)
Profit before tax		1,030	6,920
Income tax expense	7	(812)	(402)
Profit for the year attributable to owners of the Company	8	218	6,518
Other comprehensive income attributable to owners of the Company			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Currency translation differences		11	–
Total comprehensive income for the year attributable to owners of the Company		229	6,518
Earnings per share (expressed in cents)			
Basic	24	0.053	1.610
Diluted	24	0.053	1.574

STATEMENTS OF FINANCIAL POSITION

For the financial year ended 31 December 2020

	Note	Group		Company	
		2020	2019	2020	2019
		S\$'000	S\$'000	S\$'000	S\$'000
ASSETS					
Current assets					
Cash and bank balances	9	15,950	11,943	465	388
Trade and other receivables	10	15,498	20,914	30	11
Inventories	11	13,293	15,005	–	–
		44,741	47,862	495	399
Assets of disposal group classified as held for sale	12	–	68	–	–
Total current assets		44,741	47,930	495	399
Non-current assets					
Property, plant and equipment	13	50,836	53,941	21	42
Intangible assets	14	11,292	17,746	–	–
Subsidiaries	15	–	–	67,320	64,040
Deferred tax assets	16	2	8	2	8
Total non-current assets		62,130	71,695	67,343	64,090
Total assets		106,871	119,625	67,838	64,489
LIABILITIES AND EQUITY					
Current liabilities					
Bank loans	17	2,373	5,808	–	–
Trade and other payables	18	7,610	17,278	595	862
Amount due to subsidiaries	19	–	–	1,864	–
Current tax liabilities		1	–	–	–
Lease liabilities	20	1,245	1,508	–	–
Total current liabilities		11,229	24,594	2,459	862
Non-current liabilities					
Bank loans	17	25,786	25,260	–	–
Lease liabilities	20	7,148	8,097	–	–
Deferred tax liabilities	16	2,419	1,614	–	–
Total non-current liabilities		35,353	34,971	–	–

STATEMENTS OF FINANCIAL POSITION

For the financial year ended 31 December 2020

	Note	Group		Company	
		2020	2019	2020	2019
		S\$'000	S\$'000	S\$'000	S\$'000
LIABILITIES AND EQUITY					
Capital and reserves					
Share capital	21	49,226	49,226	49,226	49,226
Capital reserve	22	772	772	870	870
Translation reserve	22	11	–	–	–
Retained earnings		10,280	10,062	15,283	13,531
Total equity		60,289	60,060	65,379	63,627
Total liabilities and equity		106,871	119,625	67,838	64,489

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

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

	Share Capital	Warrants Reserve	Capital Reserve	Retained Earnings	Total
Note	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group					
Balance as at 1 January 2019	47,811	219	553	3,544	52,127
Total comprehensive income for the year					
Profit for the year	–	–	–	6,518	6,518
Total	–	–	–	6,518	6,518
Transactions with owners, recognised directly in equity					
Issue of new ordinary shares	22	1,415	(219)	219	–
Total		1,415	(219)	219	–
Balance as at 31 December 2019	49,226	–	772	10,062	60,060

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

	Note	Share Capital	Capital Reserve	Retained Earnings	Total	
		S\$'000	S\$'000	S\$'000	S\$'000	
Company						
Balance as at 1 January 2020		49,226	870	13,531	63,627	
Total comprehensive income for the year						
Profit for the year		–	–	1,752	1,752	
Total		–	–	1,752	1,752	
Balance as at 31 December 2020		49,226	870	15,283	65,379	
	Note	Share Capital	Warrants Reserve	Capital Reserve	Retained Earnings	Total
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Company						
Balance as at 1 January 2019		47,811	219	651	12,140	60,821
Total comprehensive income for the year						
Profit for the year		–	–	–	1,391	1,391
Total		–	–	–	1,391	1,391
Transactions with owners, recognised directly in equity						
Issue of new ordinary shares	21	1,415	(219)	219	–	1,415
Total		1,415	(219)	219	–	1,415
Balance as at 31 December 2019		49,226	–	870	13,531	63,627

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2020

	Group	
	2020	2019
	S\$'000	S\$'000
Operating activities		
Profit before income tax	1,030	6,920
Adjustments for:		
Provision for (reversal of) impairment loss recognised on trade receivables	119	(9)
Depreciation of property, plant and equipment	6,063	6,457
Amortisation of intangible assets	204	123
Impairment loss on goodwill	6,250	–
Gain on disposal of property, plant and equipment	(528)	(71)
Property, plant and equipment written off	251	15
Unrealised exchange loss (gain)	175	(19)
Provision for inventory obsolescence	627	310
Impairment loss on asset held for sale	–	73
Gain on re-measurement of lease liabilities	(15)	–
Interest income	(22)	(2)
Interest expense	1,134	1,816
Operating cash flows before movements in working capital	15,288	15,613
Inventories	1,085	425
Trade and other receivables	5,314	1,219
Trade and other payables	(9,700)	1,885
Cash generated from operations	11,987	19,142
Interest paid	(1,134)	(1,816)
Interest received	22	2
Income tax (refund) paid	(*)	*
Net cash generated from operating activities	10,875	17,328
Investing activities		
Purchase of property, plant and equipment (Note A)	(2,151)	(972)
Proceeds from disposal of property, plant and equipment (Note B)	663	468
Net cash used in investing activities	(1,488)	(504)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2020

	Group	
	2020	2019
	S\$'000	S\$'000
Financing activities		
Proceeds from issue of ordinary shares	–	1,415
Repayment of lease liabilities	(2,451)	(5,222)
Proceeds from term loans	5,000	3,400
Repayments of term loans	(4,784)	(3,705)
Proceeds from trade financing loans	1,806	2,447
Repayments of trade financing loans	(4,253)	(7,619)
Net repayments of factoring loans	(709)	(138)
Net cash used in financing activities	(5,391)	(9,422)
Net increase in cash and bank balances	3,996	7,402
Effect of exchange rate changes	11	*
Cash and bank balances at beginning of year	11,943	4,541
Cash and bank balances at end of year (Note 9)	15,950	11,943

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

	Group	
	2020	2019
	S\$'000	S\$'000
Note A		
Purchase of property, plant and equipment		
Total additions (Note 13)	3,276	2,591
(Less): Acquired under lease liabilities	(1,253)	(1,581)
Movement in liability owing to supplier of property, plant and equipment	71	(86)
Movement in downpayment to supplier of property, plant and equipment	57	48
Net cash outflow in the financial year	2,151	972

Note B

Proceed from disposal of property, plant and equipment		
Total net book value of disposal (Note 13)	67	57
Add: Gain on disposal of property, plant and equipment	528	71
Total sales proceeds	595	128
Movement in receivables arising from disposal of property, plant and equipment	–	489
Add (less): Carrying value of assets held for sale (Note 12)	68	(141)
Others	–	(8)
Net cash inflow in the financial year	663	468

* Denotes less than S\$1,000.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

1 General

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

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

The principal activities of the subsidiaries are disclosed in Note 15 to the consolidated financial statements.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2020 were approved and authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

2 Summary of Significant Accounting Policies

(a) Basis of Accounting

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 Share-based Payment, leasing transactions that are within the scope of SFRS(I) 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 Inventories or value in use in SFRS(I) 1-36 Impairment of Assets.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

On 1 January 2020, the Group has adopted the new and revised SFRS(I) and SFRS(I) Interpretations (“SFRS(I) INTs”) that are mandatory for application for the financial year. The adoption of these new and revised SFRS(I) and SFRS(I) INTs did not result in substantial changes to the Group’s accounting policies and had no material effect on the amounts reported for the current or prior financial years.

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

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

		Effective for annual financial periods beginning on or after
SFRS(I) 16	<i>Amendments to SFRS(I) 16 Leases – Covid-19 Related Rent Concessions</i>	1 June 2020
SFRS(I) 1-16	<i>Amendments to SFRS(I) 1-16, Property, Plant and Equipment – Proceeds before Intended Use</i>	1 January 2022
SFRS(I) 1-37	<i>Amendments to SFRS(I) 1-37, Provisions – Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
SFRS(I) 3	<i>Amendments to SFRS(I) 3, Business Combinations – Reference to the Conceptual Framework</i>	1 January 2022
SFRS(I) 1-1	<i>Amendments to SFRS(I) 1-1, Classification of Liabilities as Current or Non-current</i>	1 January 2023

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

(b) Basis of Consolidation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

(c) Business Combinations

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

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

Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

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

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

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

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in SFRS(I) 2 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 *Non-Current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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.

(d) Financial Instruments

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

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

Financial Assets

Classification of financial assets

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

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

Foreign exchange gains and losses

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

Impairment of financial assets

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

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

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

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Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. Refer to Note 10 for details of the Group's assessment.

Significant increase in credit risk

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

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

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

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

Despite the 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 business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group mainly transacts with high credit quality counterparties which are considered to have low credit risk for the purpose of impairment assessment.

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.

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Definition of default

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

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

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

Credit-impaired financial assets

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

- Significant financial difficulty of the issuer or the borrower; or
- A breach of contract, such as a default or past due event; or
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- It is becoming probable that the borrower will enter bankruptcy or 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. 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 the financial year ended 31 December 2020

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.

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Financial liabilities

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

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

Financial guarantee contracts

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

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

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

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the “other operating income” (Note 5) or “other operating expenses” line item in profit or loss (Note 8) 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.

(e) Leases

The Group as lessor

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

Lessor – operating leases

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

NOTES TO THE FINANCIAL STATEMENTS

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The Group as lessee

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

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

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

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

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

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

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

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

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

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

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

Short-term lease and lease of low-value assets

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

(f) 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.

(g) Inventories

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

(h) Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

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

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

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

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

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

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

(i) Goodwill

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

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

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

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

(j) Intangible Assets

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

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

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

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(k) Impairment of Tangible and Intangible Assets Excluding Goodwill

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

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

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

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

(l) Provisions

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

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

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

(m) Government Grants

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

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

NOTES TO THE FINANCIAL STATEMENTS

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(n) Revenue Recognition

The Group recognises revenue from the following major sources:

- Sale of goods.
- Rendering of services.
- Rental income.

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

Sale of goods

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

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

Rendering of services

Revenue from precision engineering works and equipment fabrication services is recognised at a point in time when services are completed.

Rental income

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

(o) Interest Income

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

(p) Dividend Income

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

(q) Management Fee

Management fee is recognised when services are rendered.

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(r) **Borrowing Costs**

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

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

(s) **Retirement Benefit Costs**

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

(t) **Employee Leave Entitlement**

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

(u) **Income Tax**

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

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

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

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

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

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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.

(v) Foreign Currency Transactions and Translation

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

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

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

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

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

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For the financial year ended 31 December 2020

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

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

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

Cash and bank balances in the consolidated statement of cash flows comprise cash on hand and bank balances that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(x) Related Parties

A related party is defined as follows:

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

- a. A person or a close member of that person’s family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b. An entity is related to a reporting entity if any of the following conditions applies:
 - i. the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - ii. one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - iii. both entities are joint ventures of the same third party;
 - iv. one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - v. the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
 - vi. the entity is controlled or jointly controlled by a person identified in (a);
 - vii. a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
 - viii. the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

(a) Critical Judgements in Applying the Group's Accounting Policies

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

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

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

(b) Key Sources of Estimation Uncertainty

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

Impairment review of property, plant and equipment

Where there are indications of impairment of its assets, the management estimates the recoverable amounts of these assets to determine the extent of the impairment loss, if any. The recoverable amounts of these assets are determined based on the higher of fair value less cost to sell and value-in-use. The carrying amounts of the property, plant and equipment of the Group and the Company at the end of the reporting period are disclosed in Note 13 to the consolidated 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 13 to the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

Impairment review of goodwill

Goodwill arises from the Group's acquisition of Dolphin Engineering Pte. Ltd. ("DEPL"), JEP Precision Engineering Pte. Ltd. ("JEPS") and JEP Industrades Pte. Ltd. ("JEPI"). Goodwill is required to be tested annually for impairment or more frequently if there are indications that goodwill might be impaired. Value-in-use is estimated based on management's forecast of future cash flows discounted to present value using a discount rate. Significant estimates and assumptions such as discount rate and terminal growth rate are required in determining value-in-use. The key assumptions of the impairment test, the sensitivity of changes in these assumptions to the risk of impairment and the carrying amount of the goodwill and impairment loss at the end of the reporting period are disclosed in Note 14(a) to the consolidated financial statements.

Allowance for inventories

Management reviews the aging analysis of inventories at the end of each reporting period, and makes allowance for inventory items that are identified as obsolete and slow-moving, which have a market price that is lower than its carrying amount. Management estimates the net realisable value for finished goods based primarily on the latest selling prices and current market conditions. The carrying amounts of inventories for the Group is disclosed in Note 11 to the consolidated financial statements.

4 Revenue

The Group derives its revenue from the transfer of goods and services at a point in time in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable segment under Note 29.

	Group	
	2020	2019
	S\$'000	S\$'000
<u>Segment revenue</u>		
Precision machining	43,079	61,568
Trading and others	8,271	12,302
Equipment manufacturing	21,934	15,092
	<u>73,284</u>	<u>88,962</u>

5 Other Operating Income

	Group	
	2020	2019
	S\$'000	S\$'000
Gain on disposal of property, plant and equipment	528	71
Government grants	3,996	181
Sales of scrap waste metal	47	14
Dormitory occupancy fee	414	414
Rental income	39	60
Interest income	22	2
Gain on re-measurement of lease liabilities	15	–
Engineering services	156	184
Others	4	34
	<u>5,221</u>	<u>960</u>

Government grants mainly pertain to one-off Jobs Support Scheme and Covid-19 Relief grants received from relevant government agencies amounting to S\$3,788,000.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

6 Finance Costs

	Group	
	2020	2019
	S\$'000	S\$'000
Interest expense:		
- bank term loans	819	1,308
- lease liabilities	314	507
- bank overdraft	1	1
	1,134	1,816

7 Income Tax

	Group	
	2020	2019
	S\$'000	S\$'000
Current tax expense	1	-
Under (Over) provision for deferred tax in prior years	179	(169)
Deferred tax	632	571
Deferred tax charged to profit or loss (Note 16)	811	402
Income tax expense for the year	812	402

Domestic income tax is calculated at 17% (2019: 17%) of the estimated assessable profit for the year.

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

	Group	
	2020	2019
	S\$'000	S\$'000
Profit before tax	1,030	6,920
Income tax expense at statutory rate	175	1,176
Effect of expenses that are not deductible for tax purpose*	1,465	297
Effect of tax exempt income*	(704)	(140)
Effect of tax incentives	(303)	(774)
Under (Over) provision for deferred tax in prior years	179	(169)
Others	-	12
Total income tax charge	812	402

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

Subject to the agreement by the tax authorities, at the end of the reporting period, the Group has unutilised tax losses of S\$21,000 (2019: S\$47,000) available for offset against future profits. A deferred tax asset of S\$2,000 (2019: S\$8,000) has been recognised in respect of temporarily deductibles expenses timing difference and tax losses.

The realisation of the future income tax benefits from tax losses carry forward is available for an unlimited future period subject to the conditions imposed by the tax regulations.

8 Profit for the Year

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

	Group	
	2020	2019
	S\$'000	S\$'000
Provision for (reversal of) impairment loss recognised on trade receivables (Note 10)	119	(9)
Amortisation of intangible assets (Note 14)	204	123
Impairment loss on goodwill	6,250	–
Depreciation of property, plant and equipment (Note 13)	6,063	6,457
Property, plant and equipment written off (Note 13)	251	15
Foreign exchange loss	368	289
Gain on disposal of property, plant and equipment	(528)	(71)
Provision for inventory obsolescence (Note 11)	627	310
Impairment loss on asset held for sale (Note 12)	–	73
Directors' fees:		
- of the Company	149	147
Employee benefits expense (including directors' remuneration)		
- salaries, bonus and other staff benefits	12,741	15,243
- employer's contribution to Central Provident Fund	1,027	1,065
	13,768	16,308
Audit fees paid/payable to:		
- auditors of the Company	100	100
- other auditors	1	–

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

	Group	
	2020	2019
	S\$'000	S\$'000
Employee benefit costs charged to:		
- Cost of sales	9,377	11,620
- Selling and distribution expenses	1,463	1,531
- Administrative expenses	2,928	3,157
	13,768	16,308

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

9 Cash and Bank Balances

	Group		Company	
	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000
Cash on hand	9	10	3	3
Cash at banks & its equivalent	15,941	11,933	462	385
Cash and bank balances	15,950	11,943	465	388

10 Trade and Other Receivables

	Group		Company	
	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000
Trade receivables:				
- related parties	365	79	-	-
- outside parties	13,636	18,997	-	-
	14,001	19,076	-	-
Less: Loss allowance	(174)	(55)	-	-
Net trade receivables	13,827	19,021	-	-
<u>Other receivables</u>				
Deposits	170	144	-	-
Advance payment to suppliers	379	71	7	-
Downpayment to suppliers of property, plant and equipment	115	58	-	-
Prepayments	271	226	15	11
GST input tax	177	980	-	-
Recoverable from customers	44	-	-	-
Government grants	477	139	8	-
Other receivables	38	275	-	-
	1,671	1,893	30	11
Total trade and other receivables	15,498	20,914	30	11

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

Trade receivables

The general credit period on sale of goods is 30 to 150 days (2019: 30 to 150 days). No interest is charged on the overdue trade receivables. The Group assesses the potential customer's credit quality and determines credit limits to be allowed before accepting any new customer. Credit limits granted to customers are reviewed regularly.

Trade receivables amounting to S\$702,000 were assigned to secure the factoring loan facilities as at 31 December 2019 (Note 17).

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. None of the trade receivables that have been written off is subject to enforcement activities.

The Group has performed a risk profile of trade receivables based on the Group's credit risk grading framework, and has determined that the trade receivables are subject to immaterial credit loss, other than specific debts past due more than 90 days.

The table below is an analysis of trade receivables:

	Group					Total
	Trade receivables - days past due					
<u>31 December 2020</u>	Not past due	<30 days	31 to 60 days	61 to 90 days	More than 90 days	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Estimated total gross carrying amount at default	11,298	1,495	856	171	181	14,001
Lifetime ECL	–	–	–	–	(174)	(174)
						<u>13,827</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

31 December 2019	Group					Total
	Trade receivables - days past due					
	Not past due	<30 days	31 to 60 days	61 to 90 days	More than 90 days	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Estimated total gross carrying amount at default	15,091	2,624	686	242	433	19,076
Lifetime ECL	–	–	–	–	(55)	(55)
						<u>19,021</u>

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

	Group	
	2020	2019
	S\$'000	S\$'000
Balance as at 1 January	55	64
Provision for (reversal of) loss allowance recognised on trade receivables (Note 8)	119	(9)
Balance as at 31 December	<u>174</u>	<u>55</u>

Other receivables

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

11 Inventories

	Group	
	2020	2019
	S\$'000	S\$'000
Raw materials	2,644	2,490
Work-in-progress	5,525	7,571
Finished goods	6,019	4,602
Consumables	1,136	1,157
Goods-in-transit	675	1,264
	<u>15,999</u>	<u>17,084</u>
Less: Allowance for inventory	(2,706)	(2,079)
	<u>13,293</u>	<u>15,005</u>
Cost of inventories included in cost of sales	<u>62,392</u>	<u>73,269</u>

Movement in the allowance for inventory:

	Allowance for inventory	
	2020	2019
	S\$'000	S\$'000
<u>Group</u>		
Balance as at 1 January	2,079	1,769
Increase in allowance recognised in profit or loss (Note 8)	627	310
Balance as at 31 December	<u>2,706</u>	<u>2,079</u>

12 Assets of Disposal Group Classified as Held for Sale

On 14 October 2019, the management resolved to dispose of its ageing equipment and the disposal was completed in February 2020.

The proceeds of disposal were lower than the net carrying amount of the relevant assets and impairment loss of S\$73,000 has been recognised on the classification of these equipment as held for sale in the financial year ended 31 December 2019.

Statements of financial position disclosures

The net carrying amount of equipment at the end of the reporting period is as follows:

	Group	
	2020	2019
	S\$'000	S\$'000
Net carrying amount of assets	–	141
Impairment loss on assets held for sale (Note 8)	–	(73)
Balance as at 31 December	<u>–</u>	<u>68</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

13 Property, Plant and Equipment

	Buildings on leasehold land	Leasehold land ⁽¹⁾	Machinery and equipment ⁽¹⁾	Electrical installations and renovations	Furniture, fittings and office equipment ⁽¹⁾	Computers	Motor vehicles ⁽¹⁾	Asset under construction	Total
Group	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<u>Cost:</u>									
At 1 January 2020	29,125	6,560	56,143	3,631	1,074	1,672	603	–	98,808
Additions	–	302	1,726	10	23	64	57	1,094	3,276
Disposals	–	–	(3,297)	–	(13)	–	(214)	–	(3,524)
Written off	–	–	(388)	–	–	(52)	–	–	(440)
At 31 December 2020	29,125	6,862	54,184	3,641	1,084	1,684	446	1,094	98,120

Accumulated depreciation:

At 1 January 2020	4,401	395	36,106	1,453	635	1,425	452	–	44,867
Depreciation for the year	1,089	387	3,788	356	182	196	65	–	6,063
Disposals	–	–	(3,246)	–	(8)	–	(203)	–	(3,457)
Written off	–	–	(137)	–	–	(52)	–	–	(189)
At 31 December 2020	5,490	782	36,511	1,809	809	1,569	314	–	47,284

Carrying amount:

At 31 December 2020	23,635	6,080	17,673	1,832	275	115	132	1,094	50,836
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	Buildings on leasehold land	Leasehold land ⁽¹⁾	Machinery and equipment ⁽¹⁾	Electrical installations and renovations	Furniture, fittings and office equipment ⁽¹⁾	Computers	Motor vehicles ⁽¹⁾	Total
Group	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<u>Cost:</u>								
At 1 January 2019	29,125	–	54,299	3,658	927	1,624	588	90,221
Adoption of SFRS(I) 16	–	6,560	–	–	134	–	–	6,694
Additions	–	–	2,396	25	27	87	56	2,591
Disposals	–	–	(536)	–	(8)	–	(41)	(585)
Written off	–	–	(16)	(52)	(6)	(39)	–	(113)
At 31 December 2019	29,125	6,560	56,143	3,631	1,074	1,672	603	98,808

Accumulated depreciation:

At 1 January 2019	3,311	–	32,552	1,094	453	1,205	421	39,036
Depreciation for the year	1,090	395	4,051	399	192	259	71	6,457
Disposals	–	–	(484)	–	(4)	–	(40)	(528)
Written off	–	–	(13)	(40)	(6)	(39)	–	(98)
At 31 December 2019	4,401	395	36,106	1,453	635	1,425	452	44,867

Carrying amount:

At 31 December 2019	24,724	6,165	20,037	2,178	439	247	151	53,941
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⁽¹⁾ Right-of-use assets arising from leasehold land, office equipment, machinery and equipment and motor vehicles are recognised in accordance with SFRS(I) 16 Leases. Please refer to Note 20 for more information.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

<u>Company</u>	Furniture, fittings and office equipment	Computers	Total
	S\$'000	S\$'000	S\$'000
<u>Cost:</u>			
At 1 January 2019	5	64	69
Additions	27	3	30
At 31 December 2019	32	67	99
Additions	–	–	–
At 31 December 2020	32	67	99
<u>Accumulated depreciation:</u>			
At 1 January 2019	5	43	48
Depreciation for the year	2	7	9
At 31 December 2019	7	50	57
Depreciation for the year	6	15	21
At 31 December 2020	13	65	78
<u>Carrying amount:</u>			
At 31 December 2020	19	2	21
At 31 December 2019	25	17	42
<u>Right-of-use assets</u>			

Right-of-use of assets acquired under leasing arrangements are presented together with the owned assets of the same class. The details of such leased assets are disclosed in Note 20.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

Leased property, plant and equipment

As at 31 December 2020, the net carrying amount of machinery and equipment and motor vehicles acquired under lease liabilities of the Group amounted to S\$5,428,000 (2019: S\$5,180,000) and S\$42,000 (2019: S\$82,000) respectively.

As at 31 December 2020, the buildings on leasehold land comprise:

Location	Description	Tenure	Carrying amount	
			2020	2019
			S\$'000	S\$'000
No. 16 Seletar Aerospace Crescent Singapore 797567	Leasehold land with an erected 4-storey single-user industrial development factory	30 years commencing 1 February 2015	17,662	18,395
No. 2 Loyang Way 4 Singapore 507098	Leasehold land with an erected single-storey factory with a mezzanine level and a single-storey rear extension	30 years commencing 1 June 2007	3,365	3,569
	Leasehold land with an erected 4-storey factory building with provision of secondary workers' dormitory	23 years 10 months commencing 1 August 2013	2,608	2,760
			23,635	24,724

Security

As at 31 December 2020, the Group's factory buildings and machinery with carrying amounts of S\$23,635,000 (2019: S\$24,724,000) and NIL (2019: S\$4,378,000) respectively are pledged as security to certain banking facilities granted to the Group (Note 17).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

14 Intangible Assets

<u>Group</u>	Goodwill on consolidation	Customer relationship	Total
	S\$'000	S\$'000	S\$'000
<u>Cost:</u>			
Balance as at 1 January 2019, 31 December 2019 and 31 December 2020	18,812	12,915	31,727
<u>Accumulated amortisation:</u>			
At 1 January 2019	–	12,588	12,588
Amortisation for the year	–	123	123
At 31 December 2019	–	12,711	12,711
Amortisation for the year	–	204	204
At 31 December 2020	–	12,915	12,915
<u>Impairment:</u>			
Balance as at 1 January 2019 and 31 December 2019	1,270	–	1,270
Impairment for the year	6,250	–	6,250
Balance as at 31 December 2020	7,520	–	7,520
<u>Carrying amount:</u>			
Balance as at 31 December 2020	11,292	–	11,292
Balance as at 31 December 2019	17,542	204	17,746

(a) Goodwill on consolidation

Impairment tests for goodwill

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

	Group	
	2020	2019
	S\$'000	S\$'000
Precision machining - JEPS	5,200	11,450
Trading and others - JEPI	814	814
Equipment manufacturing - DEPL	5,278	5,278
	11,292	17,542

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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 post-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Selling prices and direct costs are expected to remain consistent with the current financial year, except for inflationary adjustments.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and thereafter budget a perpetual growth rate of 1% - 2% (2019: 2%). This rate does not exceed the average long term growth rate for the relevant markets.

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

	Gross margin		Discount rate	
	2020	2019	2020	2019
<u>Group</u>				
Precision machining - JEPS	8%	13%	11.58%	9.63%
Trading and others - JEPI	20%	20%	10.57%	9.92%
Equipment manufacturing - DEPL	25%	21%	10.52%	10.01%

As at 31 December 2020, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amounts to be below the carrying amounts of the CGUs.

(b) Customer relationship

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

15 Subsidiaries

	Company	
	2020	2019
	S\$'000	S\$'000
Unquoted equity investments, at cost	67,320	64,040

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

Name of subsidiary	Country of incorporation (or residence)	Proportion of ownership Interest and voting rights held by the Group		Principal activities	Cost of investment		
		2020	2019		2020	2019	
		%	%			S\$'000	S\$'000
<u>Held by the Company</u>							
JEP Precision Engineering Pte. Ltd. ⁽¹⁾	Singapore	100	100	Precision engineering works for parts used mainly in the aerospace, oil and gas industries, and other general engineering and machinery works.	42,870	42,870	
JEP Industrades Pte. Ltd. ⁽¹⁾	Singapore	100	100	Manufacturer, importers and exporters, traders, agents, repairs of precision machineries, carbide cutting tools, hardware, industrial equipment and engineering works.	7,236	7,236	
Dolphin Engineering Pte. Ltd. ⁽¹⁾	Singapore	100	100	Large format precision engineering and equipment fabrication service.	13,934	13,934	
Dolphin Manufacturing Solutions Sdn. Bhd. ⁽²⁾	Malaysia	100	100	Steel structure fabrication and high precision machining for Aerospace, Semiconductor and Oil and Gas industries.	3,280	*	
					67,320	64,040	

⁽¹⁾ Audited by Moore Stephens LLP, Singapore.

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

* Denotes less than S\$1,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

16 Deferred Tax Assets and Deferred Tax Liabilities

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

	Accelerated tax depreciation	Fair value adjustment on acquisitions of subsidiaries	Others	Tax losses	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<u>Group</u>					
Balance as at 1 January 2019	1,355	122	(180)	(93)	1,204
Charged to profit or loss (Note 7)	915	(86)	(512)	85	402
Balance as at 31 December 2019	2,270	36	(692)	(8)	1,606
Charged to profit or loss (Note 7)	1,132	(36)	(293)	8	811
Balance as at 31 December 2020	3,402	–	(985)	–	2,417

Company

Balance as at 1 January 2019	2	–	–	(93)	(91)
Charged to profit or loss	(2)	–	–	85	83
Balance as at 31 December 2019	–	–	–	(8)	(8)
Charged to profit or loss	2	–	(4)	8	6
Balance as at 31 December 2020	2	–	(4)	–	(2)

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

	Group		Company	
	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000
Deferred tax liabilities	2,419	1,614	–	–
Deferred tax assets	(2)	(8)	(2)	(8)
	2,417	1,606	(2)	(8)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

17 Bank Loans

	Group	
	2020	2019
	S\$'000	S\$'000
Secured – at amortised cost:		
– Term loans	28,159	27,944
– Accounts receivable factoring (Note A)	–	702
– Trust receipts	–	2,422
	28,159	31,068
Less: Amount due for settlement within 12 months (shown under current liabilities)	(2,373)	(5,808)
Amount due for settlement after 12 months	25,786	25,260

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

Note A

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

Terms and conditions of outstanding borrowings are as follows:

	Currency	Nominal interest rate	31 December 2020		31 December 2019	
			Principal amount	Carrying amount	Principal amount	Carrying amount
Group		%	S\$'000	S\$'000	S\$'000	S\$'000
<u>Secured</u>						
5-year temporary bridging loan	SGD	2.00%	5,000	5,000	–	–
Seletar Aerospace Park (SAP) term loan	SGD	COF ¹ +1.75%	20,000	16,567	20,000	17,743
4-year term loan II	SGD	Flat 1.80%	–	–	3,400	2,935
10-year term loan	SGD	COF ¹ +1.50%	4,000	2,512	4,000	2,779
15-year term loan	SGD	COF ¹ +1.50%	6,400	4,080	6,400	4,487
Accounts receivable factoring	USD	COF ¹ +1.50%	–	–	702	702
Trust receipts	USD	COF ¹ +1.50%	–	–	2,120	2,120
Trust receipts	EUR	COF ¹ +1.50%	–	–	302	302
			35,400	28,159	36,924	31,068

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

	Group	
	2020	2019
5-year temporary bridging loan	2.00%	–
SAP term loan	2.16%	3.53%
4-year term loan II	–	3.45%
10-year term loan	1.92%	3.27%
15-year term loan	1.92%	3.34%
Accounts receivable factoring	–	3.64%
Trust receipts	–	3.39%

- (a) A 5-year temporary bridging loan was granted to a subsidiary in 2020. The secured term loan granted to the subsidiary is repayable over 48 monthly instalments starting from the 13th month from the drawdown date of 30 July 2020. The first monthly instalment is on 30 August 2021.
- (b) A term loan was granted to a subsidiary in 2015 for the construction of Seletar Aerospace Park building. The secured term loan granted to the subsidiary is repayable over 83 fixed monthly principal instalments of S\$98,000 and a final principal instalment of S\$11,862,000.
- (c) A 4-year term loan II was granted to a subsidiary in 2019. The secured term loan granted to the subsidiary is repayable over 48 monthly instalments over a period of 4 years. Early full repayment of the secured term loan was made during the current financial year.
- (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 S\$22,200 each and a final fixed principal instalment of S\$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) There was no factored receivables arrangement made as at 31 December 2020. The factored receivables as at 31 December 2019 was repaid during the current financial year.
- (g) There was no trust receipt arrangement made as at 31 December 2020. The trust receipt as at 31 December 2019 was repaid during the current financial year.

Secured term loans

The SAP term loan, 10-year and 15-year secured term loans are secured over buildings on leasehold land with carrying amount of S\$23,635,000 (2019: S\$24,724,000).

Secured bank facilities

The accounts receivable factoring, trust receipts and certain term and bridging loans are secured by a corporate guarantee provided by the Company (Note 28).

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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.

	1 January 2020	Financing cash flows ⁽ⁱ⁾	Non-cash changes		31 December 2020	
			Purchase of property, plant and equipment ⁽ⁱⁱ⁾	Foreign exchange movement		Gain on re-measurement of lease liabilities
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
Bank loans (Note 17)	31,068	(2,940)	–	31	–	28,159
Lease liabilities (Notes 20)	9,605	(2,451)	1,253	1	(15)	8,393
	40,673	(5,391)	1,253	32	(15)	36,552

	1 January 2019	Financing cash flows ⁽ⁱ⁾	Non-cash changes		31 December 2019	
			Purchase of property, plant and equipment ⁽ⁱⁱ⁾	Foreign exchange movement		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
Bank loans (Note 17)	36,656	(5,615)	–	27	–	31,068
Lease liabilities (Notes 20)	13,269	(5,222)	1,581	(23)	–	9,605
	49,925	(10,837)	1,581	4	–	40,673

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

⁽ⁱⁱ⁾ Purchase of property, plant and equipment by means of leasing arrangement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

18 Trade and Other Payables

	Group		Company	
	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Trade payables</u>				
Related party	–	680	–	–
Outside parties	3,700	10,948	–	–
	3,700	11,628	–	–
<u>Other payables</u>				
Outside parties	543	805	6	6
Liability owing to suppliers of property, plant and equipment	108	179	409	–
Accrued personnel costs	1,927	3,279	87	674
Other accrued operating expenses	861	879	–	89
Accruals for purchases	93	163	–	–
GST output tax	129	123	18	18
Deposits received	174	147	–	–
Provision for directors' fees	75	75	75	75
	3,910	5,650	595	862
	7,610	17,278	595	862

19 Amount due to Subsidiaries

	Company	
	2020	2019
	S\$'000	S\$'000
Amount due to subsidiaries	1,864	–

Amount due to subsidiaries is non-trade and unsecured.

Included in amount due to subsidiaries is an amount of S\$1,773,000 which is subject to an interest rate of 1.91% per annum and is repayable in May 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

20 Lease Liabilities

The Group as Lessee

(a) Nature of the Group's leasing activities

The Group has entered into leases contract for its leasehold land, machinery and equipment, office equipment and motor vehicles. The Group has the option to terminate the leases contract but is unlikely to exercise the option. The leases contract does not include the option to extend the lease term. These right-of-use assets are recognised within property, plant and equipment (Note 13).

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

	2020	2019
	S\$'000	S\$'000
Machinery and equipment	1,344	1,581

The addition of right-of-use machinery and equipment was financed by lease liabilities amounting to S\$1,253,000 and cash amounting to S\$91,000.

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

	2020	2019
	S\$'000	S\$'000
Leasehold land	6,080	6,165
Office equipment	69	97
Machinery and equipment	5,428	5,180
Motor vehicles	42	82
	<u>11,619</u>	<u>11,524</u>

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

	2020	2019
	S\$'000	S\$'000
Leasehold land	387	395
Office equipment	39	37
Machinery and equipment	783	697
Motor vehicles	40	45
	<u>1,249</u>	<u>1,174</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

(e) Amounts recognised in profit or loss

	2020	2019
	S\$'000	S\$'000
Depreciation of right-of-use assets	1,249	1,174
Interest expense on lease liabilities	314	507
Gain on re-measurement of lease liabilities	(15)	–
	<u>1,548</u>	<u>1,681</u>

(f) Other disclosures

	2020	2019
	S\$'000	S\$'000
Total cash outflow for leases	<u>2,451</u>	<u>5,222</u>

(g) Carrying amount of lease liabilities

	Group		Company	
	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000
Minimum lease payments due:				
- Not later than 1 year	1,512	1,814	–	–
- Later than 1 year but within 5 years	2,996	3,782	–	–
- Later than 5 years	6,580	6,983	–	–
	<u>11,088</u>	<u>12,579</u>	–	–
Less:				
Future finance charges	(2,695)	(2,974)	–	–
Present value of financial lease liabilities	<u>8,393</u>	<u>9,605</u>	–	–

The present value of lease liabilities is analysed as follows:

	Group		Company	
	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000
Not later than 1 year	1,245	1,508	–	–
Later than 1 year but within 5 years	2,199	2,924	–	–
Later than 5 years	4,949	5,173	–	–
	<u>8,393</u>	<u>9,605</u>	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

The Group as Lessor

Nature of the Group's leasing activities

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

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

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

	2020	2019
	S\$'000	S\$'000
Less than one year	345	414
One to two years	–	345
	<u>345</u>	<u>759</u>

21 Share Capital

	2020		2019	
	No. of ordinary shares	S\$'000	No. of ordinary shares	S\$'000
Group and Company				
Issued and paid-up:				
- At the beginning of the year	413,944,721	49,226	396,256,066	47,811
- Issued for cash	–	–	17,688,655	1,415
- At the end of the year	<u>413,944,721</u>	<u>49,226</u>	<u>413,944,721</u>	<u>49,226</u>

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⁽¹⁾ new ordinary shares in the capital of the Company at S\$0.02 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 S\$0.02, exercisable during a three-year period from the date of issue. The warrants have expired on 20 December 2019 after which time, any subscription rights comprised in the Warrants which have not been exercised have lapsed and the Warrants have ceased to be valid for any purpose whatsoever.

During the prior financial year, 17,688,655⁽²⁾ warrants were exercised at S\$0.08 pursuant to the Rights cum Warrants Issue subsequent to the share consolidation and warrant adjustment exercise on 21 May 2018.

⁽¹⁾ Prior to share consolidation exercise for four (4) existing ordinary shares consolidated into one (1) ordinary share on 21 May 2018.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

22 Reserves

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

	Group		Company	
	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000
Capital reserve	772	772	–	870
Translation reserve	11	–	–	–
	<u>783</u>	<u>772</u>	<u>–</u>	<u>870</u>

Capital reserve

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

23 Dividends

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

24 Earnings Per Share

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

Diluted earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computation for the financial year ended 31 December:

	Group	
	2020	2019
Profit for the year attributable to owners of the Company	<u>S\$218,000</u>	<u>S\$6,518,000</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>413,944,721</u>	<u>404,944,665</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>413,944,721</u>	<u>414,037,505</u>
Basic earnings per share (Singapore cents)	0.053	1.610
Diluted earnings per share (Singapore cents)	<u>0.053</u>	<u>1.574</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

25 Related Party Transactions

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

Significant related party transactions as follows:

	Group	
	2020	2019
	S\$'000	S\$'000
<u>Related parties</u>		
Sale of goods	1,282	850
Purchase of goods	3,362	2,495
Purchase of machinery	170	1,942
Rental of machinery	–	199

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

Key Management Compensation

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

	Group	
	2020	2019
	S\$'000	S\$'000
Salaries, bonuses and related benefits	1,889	1,436
Defined contribution plans	84	86
	<u>1,973</u>	<u>1,522</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

26 Capital Commitments

	Group	
	2020	2019
	S\$'000	S\$'000
Commitments for the acquisition of property, plant and equipment	1,920	1,591

27 Financial Instruments

(a) Categories of financial instruments

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

	Group		Company	
	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Financial assets</u>				
At amortised cost:				
- Cash and bank balances	15,950	11,943	465	388
- Trade receivables	13,827	19,021	-	-
- Other receivables	729	558	8	-
Total	30,506	31,522	473	388
<u>Financial liabilities</u>				
At amortised cost:				
- Bank loans	28,159	31,068	-	-
- Trade and other payables	7,481	17,155	577	844
- Amount due to subsidiaries	-	-	1,864	-
- Lease liabilities	8,393	9,605	-	-
Total	44,033	57,828	2,441	844

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

(b) Financial risk management policies and objectives

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

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

(i) Foreign exchange risk management

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

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

	Group			
	Liabilities		Assets	
	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000
USD	2,322	10,640	19,589	21,108
JPY	2,132	2,666	918	2,260
CNY	17	–	226	1,781
EUR	10	485	652	702
GBP	2	–	–	–
MYR	1	–	2,202	–
	Company			
	Liabilities		Assets	
	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000
USD	–	–	76	30

NOTES TO THE FINANCIAL STATEMENTS

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Foreign currency sensitivity

The following table details the sensitivity to a 5% (2019: 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% (2019: 5%) against the functional currency of each Group entity, profit or loss will increase (decrease) by:

	Group		Company	
	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Impact arising from</u>				
USD	863	523	4	2
JPY	(61)	(20)	–	–
CNY	10	89	–	–
EUR	32	11	–	–
GBP	(*)	–	–	–
MYR	110	–	–	–

If the relevant foreign currencies weaken by 5% (2019: 5%) against the functional currency of each Group entity, the impact to the profit or loss will be vice versa.

* Denotes less than S\$1,000

(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 17.

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 31 December 2020 would increase or decrease by S\$116,000 (2019: S\$141,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

(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
Under-performing	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL - not credit-impaired
Non-performing	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery.	Amount is written off

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

NOTES TO THE FINANCIAL STATEMENTS

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

	Note	External credit rating	Internal credit rating	12-month or Lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
					S\$'000	S\$'000	S\$'000
Group							
<u>2020</u>							
Trade receivables	10	n.a	(i)	Lifetime ECL (simplified approach)	14,001	(174)	13,827
Other receivables	10	n.a	Performing	12-month ECL	729	–	729
					<u>14,730</u>	<u>(174)</u>	<u>14,556</u>
Group							
<u>2019</u>							
Trade receivables	10	n.a	(i)	Lifetime ECL (simplified approach)	19,076	(55)	19,021
Other receivables	10	n.a	Performing	12-month ECL	558	–	558
					<u>19,634</u>	<u>(55)</u>	<u>19,579</u>

- (i) For trade receivables, the Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items estimated based on historical credit loss experience based on past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Note 10 includes further details on the loss allowance for these receivables.

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.

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

	2020	2020	2019	2019
	S\$'000	% of total	S\$'000	% of total
By country:				
Singapore	5,836	42%	6,154	33%
People's Republic of China*	2,885	21%	5,392	28%
Malaysia	756	5%	813	4%
United States	2,007	14%	4,384	23%
Canada	727	5%	522	3%
Others**	1,790	13%	1,811	9%
	14,001	100%	19,076	100%

	2020	2020	2019	2019
	S\$'000	% of total	S\$'000	% of total
By industry sectors:				
Aerospace	4,814	34%	9,316	49%
Oil and gas	85	1%	526	3%
Electronics	1,701	12%	809	4%
Trading and others	2,428	17%	4,119	21%
Equipment manufacturing	4,973	36%	4,306	23%
	14,001	100%	19,076	100%

* People's Republic of China includes Hong Kong.

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

Other than 6 major customers amounting to S\$9,629,000 (2019: 4 major customers amounting to S\$10,627,000) that individually represented more than 5% of the Group's gross monetary assets, the Group does not have any significant credit risk exposure to any other single counterparty or any other group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities or if they operate within the same industry. There is no significant concentration of credit risk except for the credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

As at year end, the maximum amount the Company could be forced to settle under the financial guarantee contract in Note 28, if the full guaranteed amount is claimed by the counterparty to the guarantee is S\$30,203,000 (2019: S\$34,305,000). Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses. Management has performed an assessment and has determined that the financial guarantee contract is not subject to material loss allowance.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

(iv) Liquidity risk management

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

Liquidity and interest risk analyses

Non-derivative financial assets

The Group's non-derivative financial assets of S\$30,506,000 (2019: S\$31,522,000) are either repayable on demand or due within one year from the end of the reporting period. All the Group's non-derivative financial assets are non-interest bearing except for fixed deposit placements in a financial institution in Malaysia which are interest bearing at interest rates of 1.50% to 2.10%.

The Company's non-derivative financial assets of S\$473,000 (2019: S\$388,000) are either repayable on demand or due within one year from the end of the reporting period and non-interest bearing.

Non-derivative financial liabilities

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

	Weighted average effective interest rate	On demand or within 1 year	Within 5 years	Over 5 years	Undiscounted cash flows	Adjustment	Total
	% p.a.	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group							
<u>2020</u>							
Non-interest bearing	–	7,481	–	–	7,481	–	7,481
Lease liabilities (incremental borrowing rate)	3.47%	542	1,834	6,580	8,956	(2,606)	6,350
Lease liabilities (fixed rate)	3.17%	970	1,162	–	2,132	(89)	2,043
Fixed interest rate instruments	2.00%	600	4,664	–	5,264	(264)	5,000
Variable interest rate instruments	2.09%	2,336	20,391	1,925	24,652	(1,493)	23,159
		11,929	28,051	8,505	48,485	(4,452)	44,033

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

	Weighted average effective interest rate	On demand or within 1 year	Within 5 years	Over 5 years	Undiscounted cash flows	Adjustment	Total
	% p.a.	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group							
<u>2019</u>							
Non-interest bearing	–	17,155	–	–	17,155	–	17,155
Lease liabilities (incremental borrowing rate)	3.53%	506	1,694	6,983	9,183	(2,816)	6,367
Lease liabilities (fixed rate)	3.44%	1,308	2,088	–	3,396	(158)	3,238
Fixed interest rate instruments	3.45%	932	2,175	–	3,107	(172)	2,935
Variable interest rate instruments	3.46%	5,789	21,648	4,057	31,494	(3,361)	28,133
		25,690	27,605	11,040	64,335	(6,507)	57,828

The Company's non-derivative financial liabilities of S\$2,441,000 (2019: S\$844,000) is due within 1 year and non-interest bearing except for the amount due to subsidiaries of S\$1,773,000 as at 31 December 2020 which is subject to an interest rate of 1.91% per annum.

Fair value of financial assets and financial liabilities

The carrying amounts of cash and bank balances (Note 9), trade and other receivables (Note 10), asset of disposal group classified as held for sale (Note 12), bank loans (Note 17), trade and other payables (Note 18), amount due to subsidiaries (Note 19), and lease liabilities (Note 20) approximate their respective fair values due to the relatively short-term maturity of these financial instruments, except for bank loans (Note 17) and lease liabilities (Note 20). The fair values of the financial assets and liabilities are disclosed in the respective notes to the financial statements.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

(c) Capital management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from year 2019.

The capital structure of the Group consists of debt, which includes the bank loans and lease liabilities as disclosed in Notes 17 and 20 to the consolidated financial statements respectively and equity attributable to owners of the parent, comprising issued capital, reserves and retained earnings. The Group is required to maintain the required gearing in order to comply with covenants in loan agreements with banks and financial institutions.

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

28 Corporate Guarantees

Intra-group financial guarantee comprises a guarantee given by the Company to a bank in respect of banking and leasing facilities amounting to S\$48,778,000 (2019: S\$62,162,000) granted to its subsidiaries. The fair value of the corporate guarantees were assessed by management to be insignificant as the banking and leasing facilities were secured by property, plant and equipment.

29 Segment Information

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

- 1 The precision machining segment is a provider of precision machining services for aerospace, oil and gas, electronics and automotive industry.
- 2 The trading and other segment is a provider of machine sales and customised cutting tools for our customers.
- 3 The equipment manufacturing segment is a provider of large format precision engineering and equipment fabrication service.

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

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

Allocation basis and transfer pricing

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

The allocation of the Group assets and liabilities as well as the revenues and profits and other material reporting segments item thereon attributable to individual reporting segments is not presented.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

(a) By Business

	Precision machining		Trading and others		Equipment manufacturing		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<u>REVENUE:</u>								
Total revenue	43,207	61,594	8,848	13,147	21,934	15,093	73,989	89,834
Inter-reporting unit sales	(128)	(26)	(577)	(845)	–	(1)	(705)	(872)
External customers	43,079	61,568	8,271	12,302	21,934	15,092	73,284	88,962
Results								
Segment results	(2,043)	6,679	507	1,035	4,194	1,985	2,658	9,699
<u>Unallocated expenses:</u>								
Unallocated corporate expenses							(494)	(963)
							2,164	8,736
Finance costs							(1,134)	(1,816)
Profit before tax							1,030	6,920
Income tax expense							(812)	(402)
Net profit for the year, net of tax							218	6,518

	Precision machining		Trading and others		Equipment manufacturing		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<u>OTHER INFORMATION:</u>								
Capital expenditure	1,916	2,272	–	89	1,360	230	3,276	2,591
Depreciation of property, plant and equipment	4,780	5,166	100	95	1,183	1,196	6,063	6,457
Amortisation of intangible assets	–	–	204	123	–	–	204	123
Impairment loss on goodwill	6,250	–	–	–	–	–	6,250	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

(b) Geographical Information

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

	Revenue		Non-current assets	
	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000
Singapore	29,454	26,554	60,645	71,599
People's Republic of China*	12,805	23,062	–	–
Malaysia	4,431	3,601	1,483	88
USA	12,698	19,076	–	–
Canada	8,077	8,934	–	–
Others**	5,819	7,735	–	–
	73,284	88,962	62,128	71,687

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

	Segment assets		Segment liabilities	
	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000
Singapore	103,946	118,442	44,032	57,828
Malaysia	2,746	195	2	–
	106,692	118,637	44,034	57,828

* People's Republic of China includes Hong Kong.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

(c) Reconciliation of Segments Total Assets and Total Liabilities

	Group	
	2020	2019
	S\$'000	S\$'000
Reportable segments' assets are reconciled to total assets as follows:		
Segment assets	106,692	118,637
GST input tax	177	980
Deferred tax assets	2	8
Total assets	106,871	119,625

Reportable segments' liabilities are reconciled to total liabilities as follows:

Segment liabilities	44,034	57,828
GST output tax	129	123
Deferred tax liabilities	2,419	1,614
Total liabilities	46,582	59,565

Information about major customers

Revenue from transactions with three external customers accounted to S\$43,579,000 (2019: two external customers accounted to S\$47,900,000), where each individual external customer contributes to 10% or more of the Group's revenue.

APPENDIX 5

RELEVANT EXTRACTS FROM THE CONSTITUTION

The rights of Shareholders in respect of capital, dividends and voting as extracted and reproduced from the Constitution are reproduced below.

All capitalised terms used in the following extracts shall have the same meanings ascribed to them in the Constitution, a copy of which is available for inspection at the registered address of the Company at 16 Seletar Aerospace Crescent, Singapore 797567 during normal business hours for the period during which the Offer remains open for acceptance.

(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.

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 threequarters 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.
- (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 byelaws 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.
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.
- 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 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.

CALL 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 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.
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, reallocation 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 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.

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 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 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 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.

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
 - (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.
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.

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 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 6
VALUATION REPORTS

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

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EXECUTIVE SUMMARY

For:	The Board of Directors of JEP Holdings Limited
Valuation of:	Real Estate and Precision Metal Working Machinery
Valuation Report Date:	May 6, 2021
Effective Date:	As at 31 December 2020
Open Market Value: <i>for Property</i>	S\$ 42,000,000 (16 Seletar Aerospace Crescent, Singapore 797567)
	S\$ 10,000,000 (2 Loyang Way 4, Singapore 507098)
Market Value: <i>for Machinery</i>	S\$ 15,100,000 (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.

SUMMARY

JEP Holdings Limited

Property Value:

- No: 16 Seletar Aerospace Crescent, Singapore 797567
S\$ 42,000,000
(Forty-Two 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 #01-05 & # 01-16, Surface Engineering Hub,
Singapore 627563

S\$15,100,000
(Fifteen Million One Hundred Thousand Singapore Dollars)

Total for JEP Holdings Limited and its subsidiaries
Real Estate Components and Precision Metal Working Machinery

S\$ 67,100,000
(Sixty-Seven Million One Hundred Thousand Singapore Dollars)

Our Reference: 2255/04/2021/HBK/UV

Date: May 6, 2021

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 working in association with United Valuers Pte Ltd to establish the Current Market Value for the Real Estate Component, Market Value for the 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 you our opinion of the Current Market Value and Market Value of the subject property as at the date of valuation.

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 unconditional cash offer for the shares of JEP Holdings Limited by UMS Holdings Limited.

This report is to be read with in conjunction with the Valuation Report for the Property at 16 Seletar Aerospace Crescent, Singapore 797567 and 2 Loyang Way 4, Singapore 507098 and the Valuation Report on the Precision Metal Working Machinery.

DEFINITIONS OF VALUE

The basis of Current Open Market Value for the Real Estate Component and 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 2020. Inspection was carried out on April 26, 2021 to April 28, 2021.

OPINION OF VALUE

We have inspected the property on April 26, 2021 to April 28, 2021. 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\$ 67,100,000.00
(Sixty-Seven Million One Hundred Thousand Singapore Dollars)

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 unconditional cash offer for the shares of JEP Holdings Limited by UMS Holdings Limited, and, as agreed through the Terms of Engagement, the Valuation Basis is the Current Open Market Value for the Real Estate Component and Market Value on the Precision Metal Working Machinery.

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 blue stamp. The stamp contains the text "HILCO APPRAISAL SINGAPORE PTE LTD" around the perimeter and a small star at the bottom. The signature appears to be "Hilco Appraisal".

Hilco Appraisal Singapore Pte Ltd
enclosures

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

OUR REF 2255/04/2021/HBK

VALUATION

of

Precision Metal Working Machinery

belonging to

JEP Holdings Limited and its subsidiaries

16 Seletar Aerospace Crescent
Singapore 797567

VALUATION SUMMARY

JEP Holdings Limited
 16 Seletar Aerospace Crescent
 Singapore 797567

Precision Metal Working Machinery

Market Value (S\$)
 as at
31 December 2020

Date of Valuation: May 6, 2021

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	}	
• JEP Industrades Pte Ltd		
• DOLPHIN Engineering Pte Ltd		
		15,100,000

(Machinery listing on page 6 of this report)

Total S\$ 15,100,000

Last Date of Inspection: April 28, 2021

May 6, 2021

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 April 28, 2021, 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 and 8 Buroh Street #01-05 & #01-16, Surface Engineering Hub, Singapore 627563. 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, 2020. 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:

Fifteen Million One Hundred Thousand SGD
S\$15,100,000.00

Appraisal – JEP Holdings Limited

(Precision Metal Working Machinery belonging to JEP Holdings Limited and its subsidiaries)

May 6, 2021

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 circular blue stamp with the text "HILCO APPRAISAL SINGAPORE PTE LTD" around the perimeter and a star at the bottom. Overlaid on the stamp is a handwritten signature in black ink that reads "Hilco Appraisal".

Hilco Appraisal Singapore Pte Ltd
enclosures

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Addenda

Assumptions and Limiting Conditions

Identification of the Assets

The Precision Metal Working Machinery appraised in this report was inspected at 2 locations; (JEP Holdings Limited's subsidiaries); 16 Seletar Aerospace Crescent, Singapore 797567 and 8 Buroh Street #01-05 & #01-16, Surface Engineering Hub, Singapore 627563. 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 unconditional cash offer for the shares 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, 2020. Inspection was carried out on April 28, 2021.

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.

Extent of the Data Collection Process

On April 28, 2021 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.

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.

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,

ADDENDA

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.

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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>FA no</u>	<u>Entity</u>	<u>Description</u>	<u>YOM</u>	<u>Recorded date</u>	<u>Model</u>	<u>Serial nos</u>	<u>Location</u>	<u>Condition</u>	<u>Photo</u>	<u>Cost</u>	<u>NBV</u>	<u>Market Value</u>
											<u>as at</u>	<u>as at</u>	<u>as at</u>
											<u>Jan 1, 2021</u>	<u>Jan 1, 2021</u>	<u>Dec 31, 2020</u>
											<u>(SGD)</u>	<u>(SGD)</u>	<u>(SGD)</u>
<u>1</u>	M115/12/20	Dolphin	Mazak CNC Laser Cutting machine 3D Fabri Gear 220 3 2.5K with Mazak FX Control, c/w Standard & Optional Equipment	2020			311500	Penang	Very Good	NA	1,031,680	1,031,680	1,031,680
<u>2</u>	M74/05/17	Dolphin	ICHI SEIKI VISION WIDE Double Column Machining Center (belonging to DOLPHIN Engineering Pte Ltd)	2017	26/05/17	SF-6127 VISION WIDE	SF-0439	A	Good		577,422	224,553	336,291
<u>3</u>	M89/04/18	Dolphin	MAZAK Bridge Type Machining Center (belonging to DOLPHIN Engineering Pte Ltd)	2017	01/04/18	FJV-60/80	285783	A	Good		387,775	193,887	279,612
<u>4</u>	M103/12/18	Dolphin	PRATIC 6m Profile Machining Center (belonging to DOLPHIN Engineering Pte Ltd)	2018	20/12/18	PC4D-CNC6000	PC 3189	C	Good		389,610	259,740	275,532
<u>5</u>	FMS-1	JEP	MAZAK Multiple Stocker Type FMS	2016	30/06/17	PALLETECH HIGH RISE SYSTEM	801484	A	Good		713,269	500,279	534,096
<u>6</u>	FMS-2	JEP	MAZAK Multiple Stocker Type FMS	2016	30/06/17	PALLETECH HIGH RISE SYSTEM	801485	A	Good		935,121	655,883	700,219
<u>7</u>	MT-9	JEP	MAZAK Vertical Machining Center	2016	21/12/16	VORTEX i-800V/8	275202	A	Good		777,525	545,347	533,693
<u>8</u>	VTL-1	JEP	YOU JI CNC Vertical Turning Lathe	2018	30/09/18	VTL2000ATC	1VTL200TX05753	A	Good		650,777	533,283	527,910

<u>Item #</u>	<u>FA no</u>	<u>Entity</u>	<u>Description</u>	<u>YOM</u>	<u>Recorded date</u>	<u>Model</u>	<u>Serial nos</u>	<u>Location</u>	<u>Condition</u>	<u>Photo</u>	<u>Cost</u>	<u>NBV</u>	<u>Market Value</u>
											<u>as at</u>	<u>as at</u>	<u>as at</u>
											<u>Jan 1, 2021</u>	<u>Jan 1, 2021</u>	<u>Dec 31, 2020</u>
											<u>(SGD)</u>	<u>(SGD)</u>	<u>(SGD)</u>
<u>9</u>	HM-18	JEP	MAZAK Horizontal Machining Center	2016	13/12/16	MEGA 8800	275201	A	Good		663,646	465,474	496,938
<u>10</u>	HM-10	JEP	MAZAK Horizontal Machining Center	2016	06/12/16	MEGA 8800	275200	A	Good		663,646	465,474	496,938
<u>11</u>	HM-11	JEP	MAZAK Horizontal Machining Center	2016	06/12/16	MEGA 8800	275199	A	Good		663,646	465,474	496,938
<u>12</u>	HM-9	JEP	MAZAK Horizontal Machining Center	2016	15/11/16	MEGA 8800	275198	A	Good		663,646	465,474	496,938
<u>13</u>	VRX-5	JEP	MAZAK Vertical Machining Center (Turning Center)	2015	09/06/16	VARIAXIS i-800T	262688	A	Good		536,025	349,905	344,824
<u>14</u>	VRX-7	JEP	MAZAK Vertical Machining Center (Turning Center)	2019		Variaxis I-700T	291072	A	Good		460,000	402,508	442,086
<u>15</u>	VRX-6	JEP	MAZAK Vertical Machining Center (Turning Center)	2019		Variaxis I-700T	291071	A	Good		460,000	402,508	442,086
<u>16</u>	VRX-4	JEP	MAZAK Vertical CNC Lathe	2013	30/04/14	VARIAXIS 630-5X II T	247896	A	Good		454,785	198,968	205,922
<u>17</u>	MT-8	JEP	MAZAK Vertical CNC Lathe	2012	30/06/12	INTEGREX e-1060V/8 II	237362	A	Good		1,316,268	383,912	387,169
<u>18</u>	MT-7	JEP	MAZAK Vertical CNC Lathe	2012	30/06/12	INTEGREX e-1060V/8 II	237363	A	Good		1,316,268	383,912	387,169
<u>19</u>	HM-1	JEP	MAZAK Horizontal Machining Center	2011	15/07/11	FH-12800	227053	A	Good		1,342,400	344,922	338,448
<u>20</u>	TM-6	JEP	MAZAK Horizontal Y-Axis Control NC Lathe (Turning Center)	2012	30/06/12	INTEGREX i-300 (1500U)	237361	A	Good		639,318	186,468	188,050

<u>Item #</u>	<u>FA no</u>	<u>Entity</u>	<u>Description</u>	<u>YOM</u>	<u>Recorded date</u>	<u>Model</u>	<u>Serial nos</u>	<u>Location</u>	<u>Condition</u>	<u>Photo</u>	<u>Cost</u>	<u>NBV</u>	<u>Market Value</u>
											<u>as at</u>	<u>as at</u>	<u>as at</u>
											<u>Jan 1, 2021</u>	<u>Jan 1, 2021</u>	<u>Dec 31, 2020</u>
											<u>(SGD)</u>	<u>(SGD)</u>	<u>(SGD)</u>
<u>21</u>	TM-8	JEP	MAZAK Horizontal Y-Axis Control NC Lathe (Turning Center)	2016	21/12/16	INTEGREX i-300 (1500U)	277612	A	Good		487,420	341,871	371,799
<u>22</u>	TM-10	JEP	MAZAK CNC Turning Center	2020		INTEGREX E-500H	185922	A	Good		160,000	142,855	160,000
<u>23</u>	HM-20	JEP	MAZAK Horizontal Machining Center	2012	30/09/12	HORIZONTAL CENTER NEXUS 10800-II	238885	A	Good		1,063,050	332,204	364,802
<u>24</u>	HM-22	JEP	MAZAK Horizontal Machining Center	2013	30/06/14	MEGA 8800	246189	A	Good		687,012	310,110	311,072
<u>25</u>	HM-19	JEP	MAZAK Horizontal Machining Center	2012	30/09/12	HORIZONTAL CENTER NEXUS 10800-II	238884	A	Good		1,042,217	303,980	357,652
<u>26</u>	M-10	JEP	MAZAK Bridge Type Machining Center	2017	31/12/17	FJV-60/80	283186	A	Good		384,800	283,264	320,154
<u>27</u>	T-10	JEP	MAZAK Horizontal CNC Lathe	2015	29/10/15	SLANT TURN NEXUS 550 (3000U)	261890	A	Good		462,165	282,435	297,310
<u>28</u>	T-9	JEP	MAZAK Horizontal CNC Lathe	2013	05/11/14	SLANT TURN NEXUS 550 (3000U)	253208	A	Good		409,849	207,771	208,772
<u>29</u>	HM-23	JEP	MAZAK Horizontal Machining Center	2013	31/07/14	HORIZONTAL CENTER NEXUS 8800-II	250608	A	Good		596,197	273,257	303,695

<u>Item #</u>	<u>FA no</u>	<u>Entity</u>	<u>Description</u>	<u>YOM</u>	<u>Recorded date</u>	<u>Model</u>	<u>Serial nos</u>	<u>Location</u>	<u>Condition</u>	<u>Photo</u>	<u>Cost</u>	<u>NBV</u>	<u>Market Value</u>
											<u>as at</u>	<u>as at</u>	<u>as at</u>
											<u>Jan 1, 2021</u>	<u>Jan 1, 2021</u>	<u>Dec 31, 2020</u>
											<u>(SGD)</u>	<u>(SGD)</u>	<u>(SGD)</u>
<u>30</u>	HM-25	JEP	MAZAK Horizontal Machining Center	2013	31/07/14	HORIZONTAL CENTER NEXUS 8800-II	250609	A	Good		596,197	273,257	303,695
<u>31</u>	HM-21	JEP	MAZAK Horizontal Machining Center	2013	30/06/14	HORIZONTAL CENTER NEXUS 8800-II	246190	A	Good		596,197	269,117	303,695
<u>32</u>	HM-31	JEP	MAZAK Horizontal Machning Center	2019		HCN-4000	295529	A	Good		258,250	225,976	248,193
<u>33</u>	HM-30	JEP	MAZAK Horizontal Machning Center	2019		HCN-4000	295540	A	Good		258,250	225,976	248,193
<u>34</u>	HM-27	JEP	MAZAK Horizontal Machning Center	2019		HCN-4000	295538	A	Good		220,000	192,496	211,432
<u>35</u>	HM-28	JEP	MAZAK Horizontal Machning Center	2019		HCN-4000	295539	A	Good		220,000	192,496	211,432
<u>36</u>	NA	JEP	PALMARY CNC Cylindrical Grinder (belonging to JEP Industrades Pte Ltd)	2015	04/12/15	OCD-65150	GN6515002	A	Good		352,363	203,098	226,675
<u>37</u>	CMM-9	JEP	HEXAGON (CMM) Coordinate Measuring Machine	2016	31/12/16	GLOBAL VANTAGE 15.30.10	8316136CA	A	Good		298,878	199,252	223,800
<u>38</u>	HM-24	JEP	MAZAK Horizontal Machining Center	2011	30/11/11	HORIZONTAL CENTER NEXUS 8800-II	227228	A	Good		724,837	175,487	182,747
<u>39</u>	HM-5	JEP	MAZAK Horizontal Machining Center	2011	30/11/11	HORIZONTAL CENTER NEXUS 8800-II	227229	A	Good		724,837	175,487	182,747

Item #	FA no	Entity	Description	YOM	Recorded date	Model	Serial nos	Location	Condition	Photo	Cost	NBV	Market Value
											as at	as at	as at
											Jan 1, 2021	Jan 1, 2021	Dec 31, 2020
											(SGD)	(SGD)	(SGD)
<u>40</u>	SG-1	JEP	E-tech double sided fine grinder EDG-1000CNC	2020		EDG-1000NC	EDG20002	A	Very Good		165,673	163,371	165,637
<u>41</u>	SEH2	JEP (SEH)	SYNERSYS SEH Chemical Tanks & Line Processes and DI Water System (Chemical Plating Line) consisting of 14 processes/treatments	2015	31/08/15			B	Good		903,020	495,407	516,366
<u>42</u>	SEH1	JEP (SEH)	ROSLER Dry Blasting Pressure Special Machine VR Automatic Shot Peening Machine	2015	31/12/15	GRENAILLEUSE Type: C2X1SP2	91482	B	Good		714,190	411,651	459,438
Total (SGD)											25,968,229	14,140,468	
<i>*Rounded to the nearest Hundred Thousand</i>													<u>15,121,845</u>
													<u>15,100,000</u>

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 A: JEP Industrades 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



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

6 May 2021

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 have been instructed by Hilco Appraisal (S) Pte Ltd on behalf of JEP Holdings Ltd to advise on the retrospective open market value of the above-mentioned property as at 31 December 2020. We have inspected the subject property on 26 April 2021 and are pleased to submit our report and valuation hereunder.

- 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 2020 for the purpose of the mandatory unconditional cash offer for the shares 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	:	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 199,155sqft) <i>or thereabout, Subject to final survey.</i>
Land Rent	:	S\$23,162.78/- per month <i>(Inclusive of 7% GST)</i>
Annual Value	:	S\$3,037,000/- (Year 2021)
Age of Building	:	Circa 2016's
Occupancy Status	:	Owner Occupied

3.0 PLANNING PROVISION

Based on 2019 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 with industrial estates & developments.
- Public Transport : Available along Seletar Aerospace Drive.
- Prominent Developments : JTC Aerospace @ Seletar Aerospace Park, JTC Aviation One and Two @ Seletar Aerospace Park, Singapore Youth Flying Club, Seletar Country Club, Seletar Airport, among others.
- Overall Comments : Close proximity to Tampines Expressway (TPE) & 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 flat roof and metal deck roof with insulation and waterproofing system generally.

- Accommodations : **1st Storey**
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 / changing room / calibration room
- 2nd Storey**
Lift lobby / production area / toilets / general office area / production room / storage area
- 3rd Storey**
Lift lobby / production area / toilets / general office area / meeting rooms / office rooms / server room / document room / pantry / corporate office area / board room
- 4th Storey**
Lift lobby / chiller plant room / gym / toilets / isolation room / store / changing cum locker room / roof terrace
- Finishes : *Floors* Carpet / homogeneous tiles / epoxy finish / cement screed / laminate
- Walls* Emulsion paint / homogeneous and/or ceramic 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, fixed cabinets, high and low pantry cabinets with sink, lockers, vanity top, mirror, etc.

- 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, loading and unloading bay, bin centre, staircases, cooling tower, etc.
- Floor Loading : 1st Storey - 25kN/m²
2nd Storey - 15kN/m²
3rd Storey - 5kN/m²
4th Storey - 5kN/m²
- 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 net 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 2020 for purpose of the mandatory unconditional cash offer for the shares of JEP Holdings Ltd by UMS Holdings Limited is ***S\$42,000,000/- (Singapore Dollars Forty Two 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 dark ink, appearing to read "Teo Beng Hock", written over a horizontal line.

Teo Beng Hock
Licensed Appraiser
AD041-20099516J
B.Business (Property), MSISV, MRICS
Enc.



Photographs





Photographs

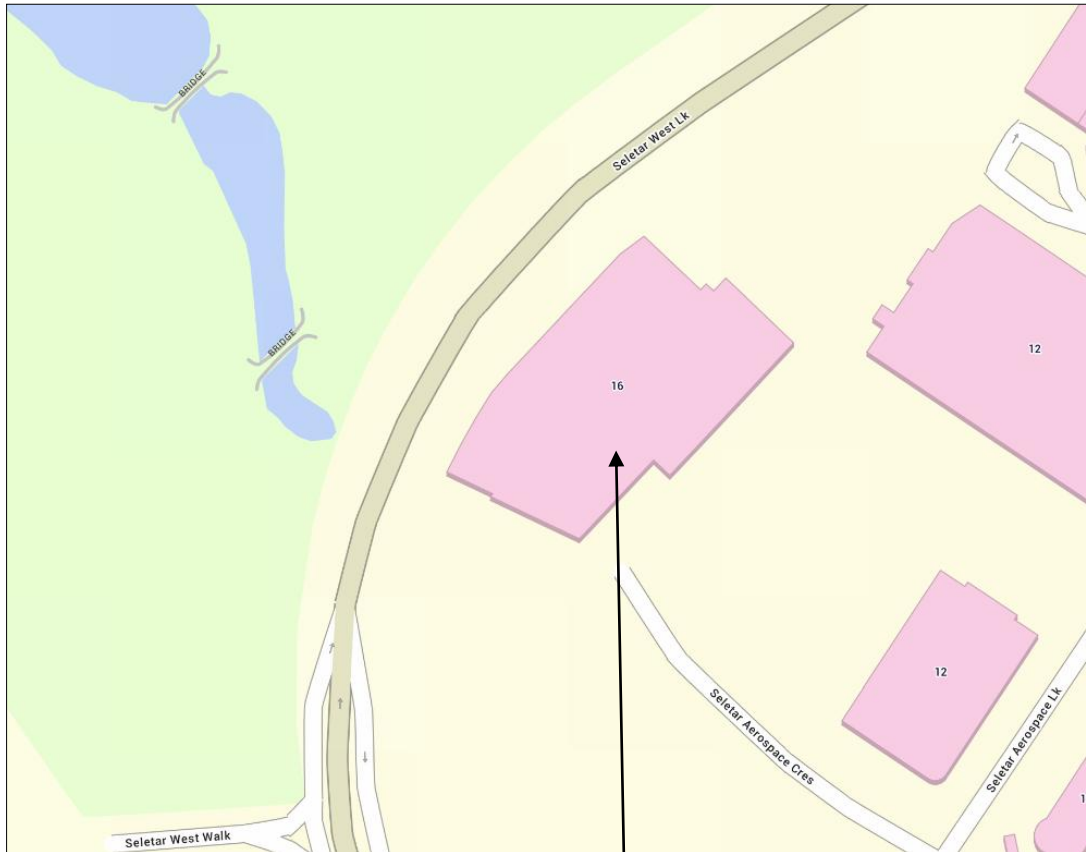




Photographs

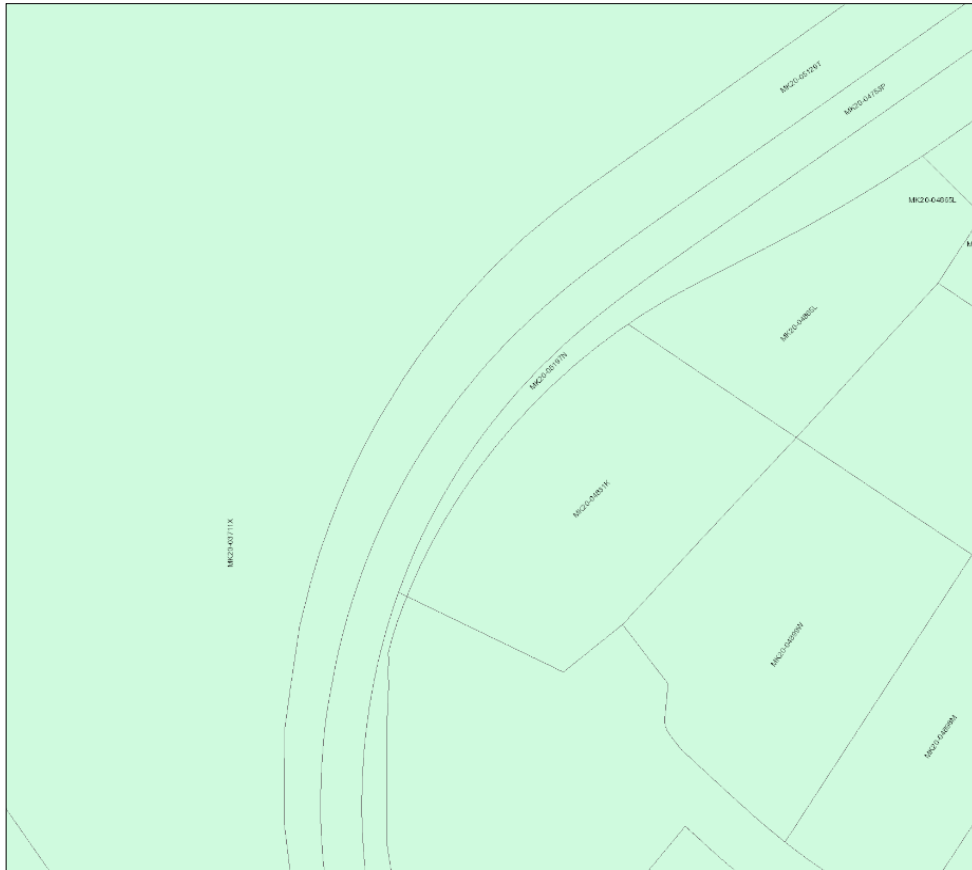


Location Plan
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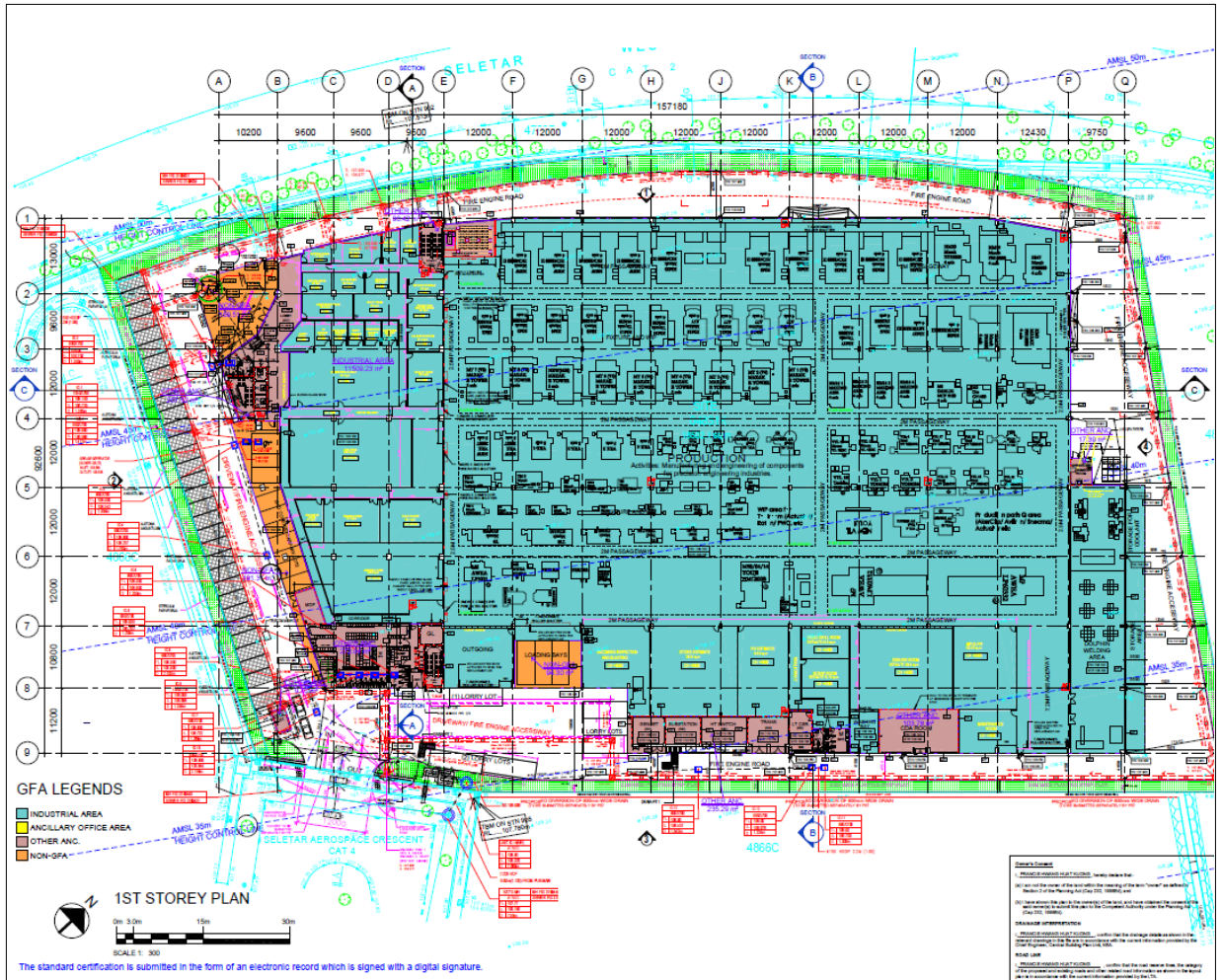


Subject
Property

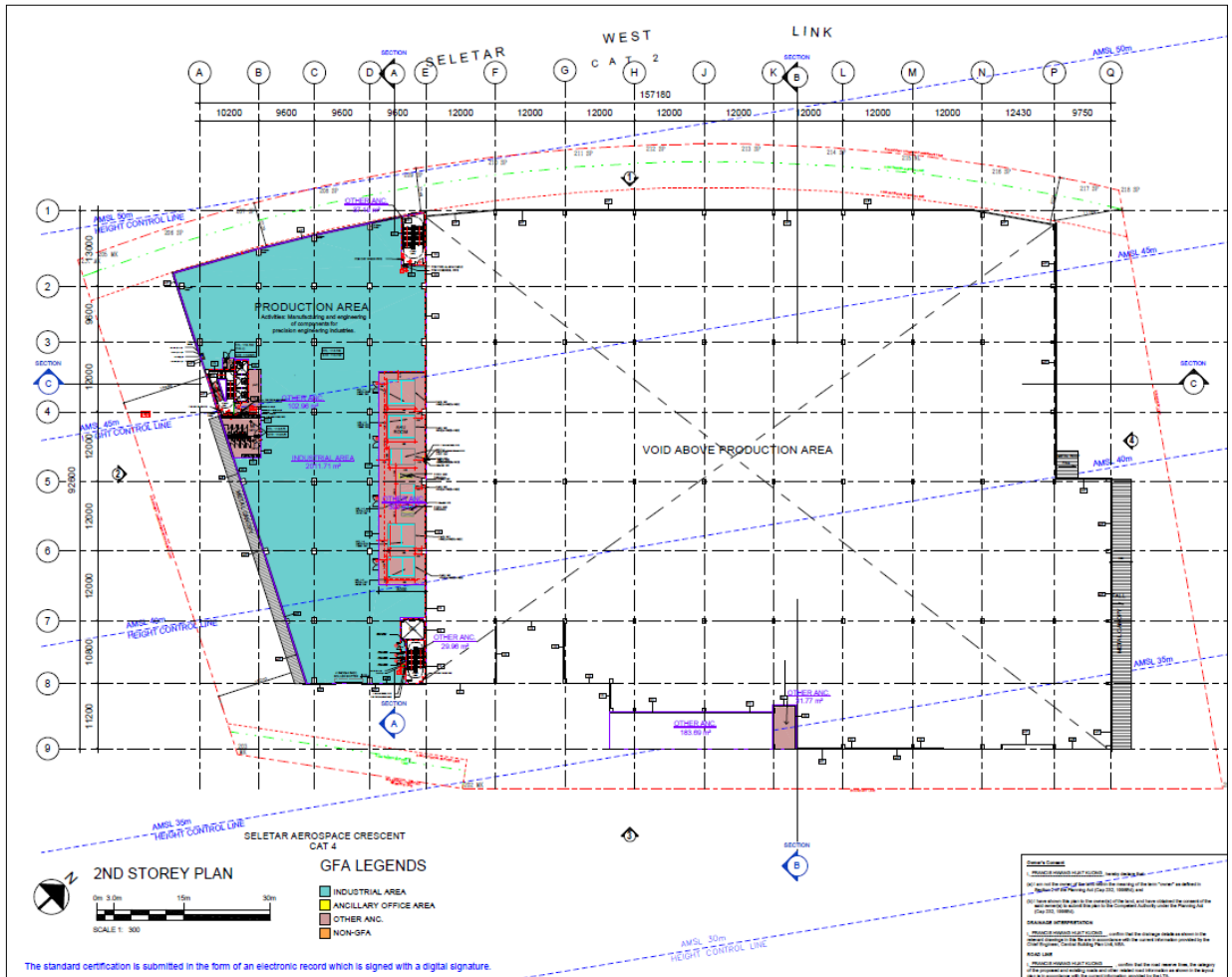
Site Plan
(Not to Scale)



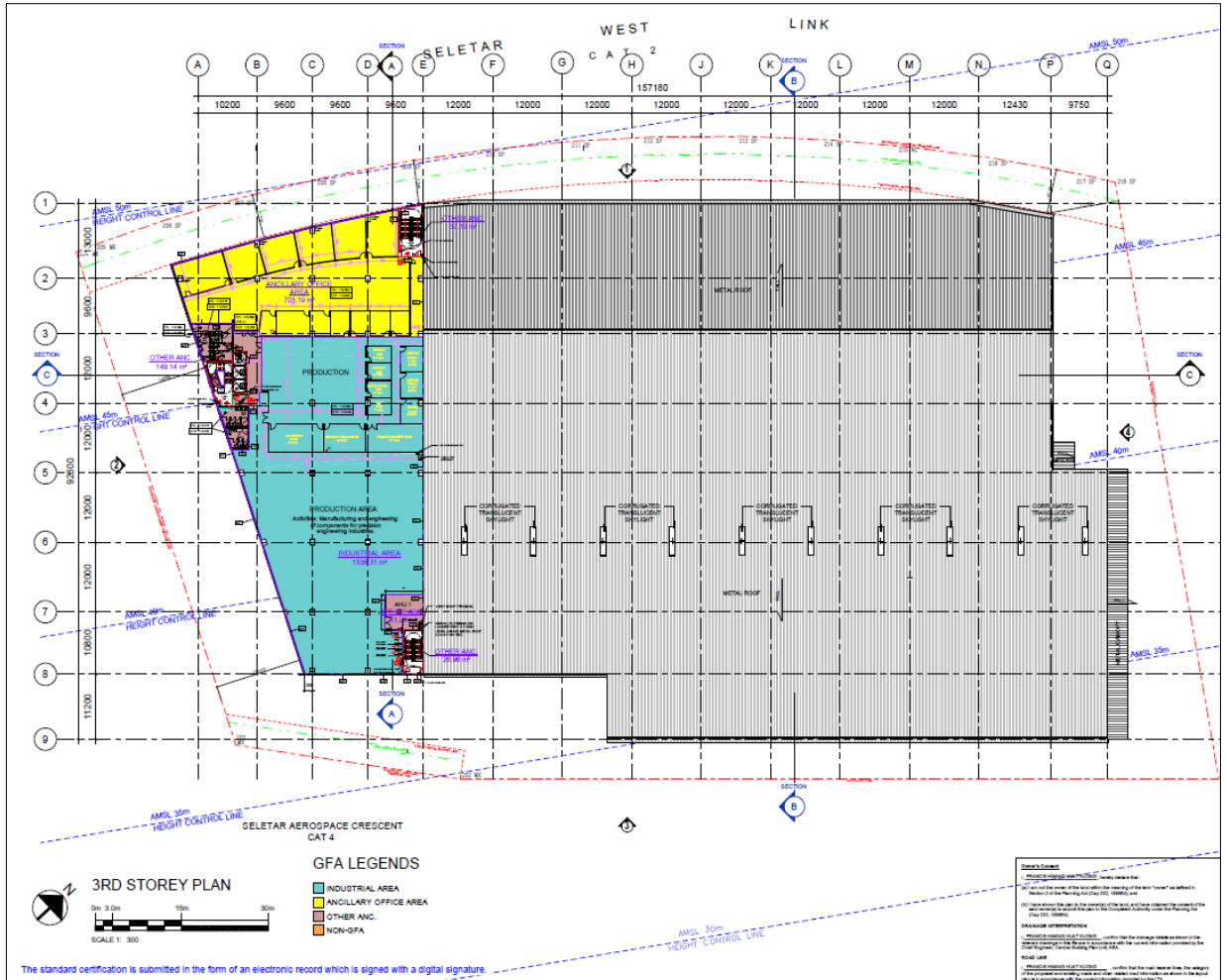
Floor Plan
(Not to Scale)



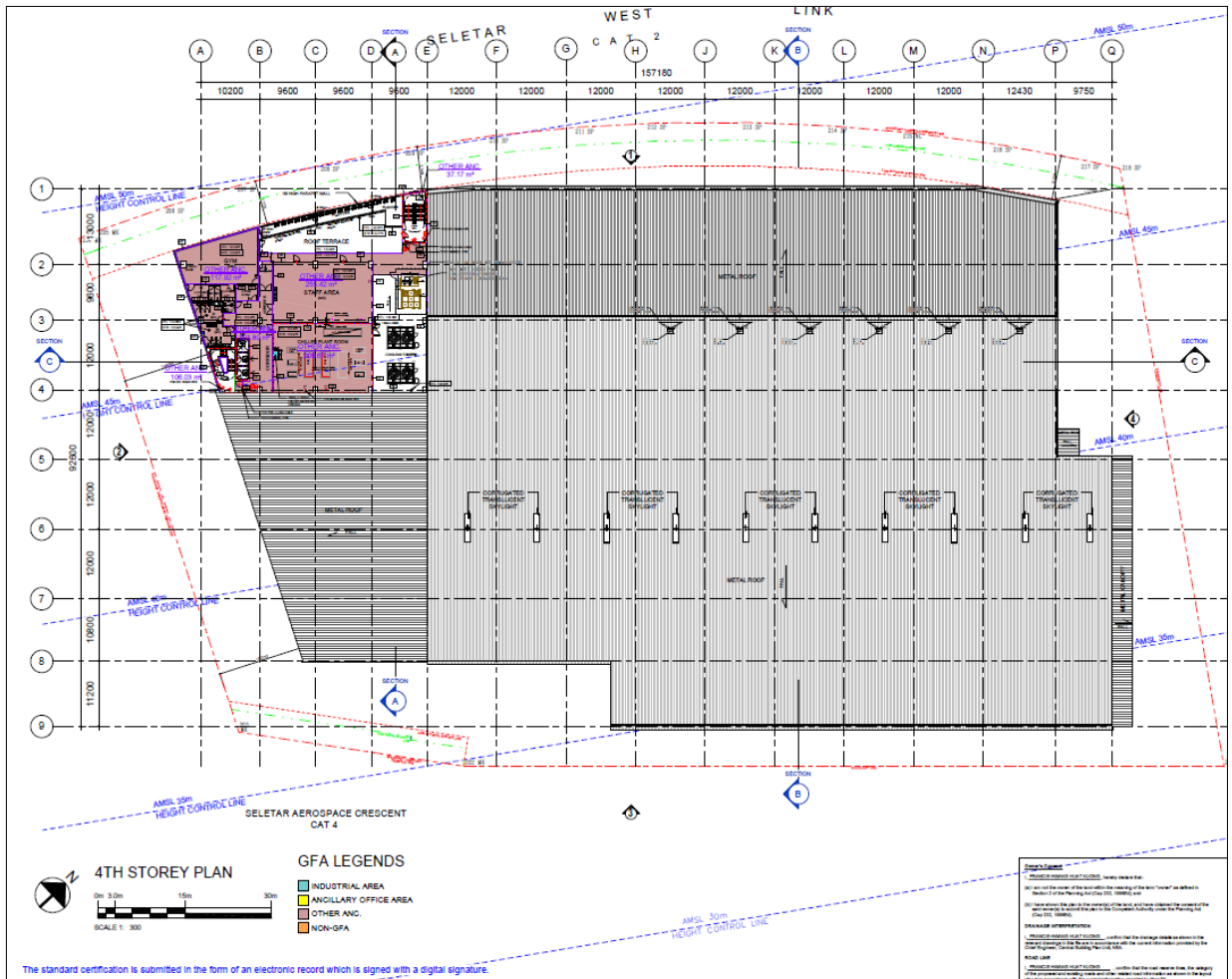
Floor Plan
(Not to Scale)



Floor Plan
(Not to Scale)



Floor Plan
(Not to Scale)





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.



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.



Co. Registration No. 201017462M

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Sultan Plaza Singapore 199001
Tel: 31572266 | 63539022 Fax: 63580890
Web: www.unitedvaluers.com
Email: enquiry@unitedvaluers.com

Your Ref: JEP Holdings

6 May 2021

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 on behalf of JEP Holdings Ltd to advise on the retrospective open market value of the above-mentioned property as at 31 December 2020. We have inspected the subject property on 28 April 2021 and are pleased to submit our report and valuation hereunder.

- 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 2020 for the purpose of the mandatory unconditional cash offer for the shares 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,</i> <i>subject to final survey.</i>
Land Rent	:	S\$12,683.82/- per month <i>(Inclusive of 7% GST)</i>



Annual Value : S\$1,472,000/- (Year 2021)

Age of Buildings : Circa 2000's

Occupancy Status ; Partially tenanted

3.0 PLANNING PROVISION

Based on 2019 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 with metal grilles 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)	:	<p>1st Storey Main lobby / reception area / general production areas & offices / pantry area / changing room / store / toilets</p> <p>2nd Storey General office areas & rooms / conference room / storage area / pantry / toilets</p>
(4-Storey Factory Building)	:	<p>1st Storey Lift lobby / general production areas & offices / pantry area / toilets</p> <p>2nd Storey Lift lobby / general storage area / toilets</p> <p>3rd Storey Lift lobby / workers' dormitory rooms / laundry area / central kitchen / recreational room / common baths & toilets</p> <p>4th Storey Lift lobby / workers' dormitory rooms / laundry area / central kitchen / recreational room / common baths & toilets</p>

Finishes	:	<p><i>Floors</i> Carpet / homogeneous tiles / epoxy / cement screed</p> <p><i>Walls</i> Emulsion paint / homogeneous tiles / ceramic tiles / partitioned boards / glass panels</p> <p><i>Ceilings</i> Emulsion paint / false ceiling with lights / ceiling boards / metal roofing sheets with insulation</p>
Fixtures & Fittings	:	<p>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.</p>
Other Improvements	:	<p>Over head cranes facility, passenger lift, surveillance camera system, surface car & bikes parking lots, auto entrance barriers, loading and unloading bay, etc.</p>
Services / Facilities	:	<p>All main Public Utilities and Telecommunication services are connected.</p>
Overall Comments	:	<p>As at the date of inspection, the subject property was in a good state of internal & external repairs and maintenance.</p>

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 2020 for purpose of the mandatory unconditional cash offer for the shares 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 dark ink, appearing to read "Teo Beng Hock", written over a horizontal line.

Teo Beng Hock
Licensed Appraiser
AD041-20099516J

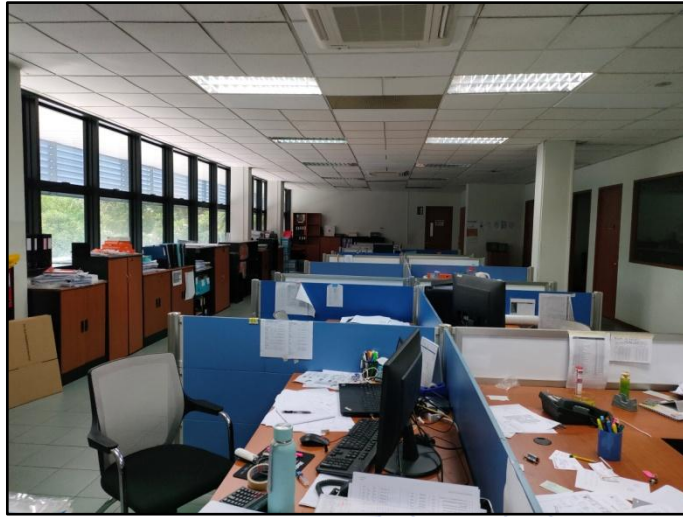
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Photographs



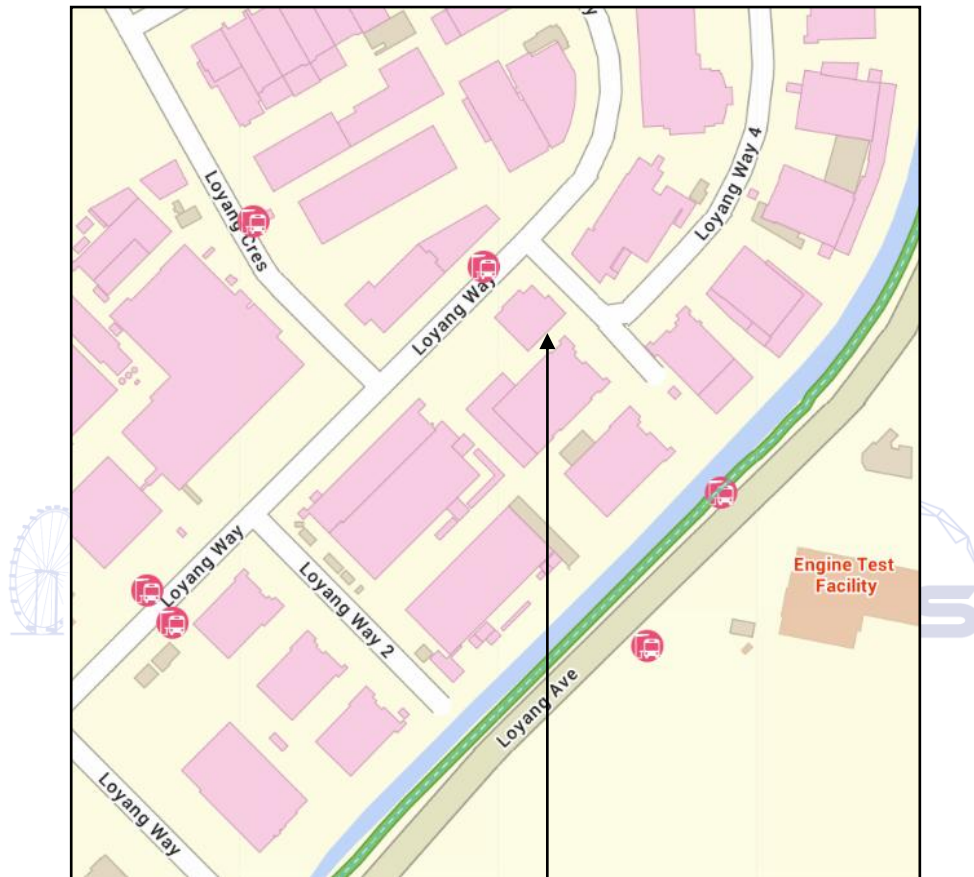
Photographs



Photographs

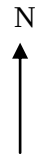


Location Plan
(Not to Scale)



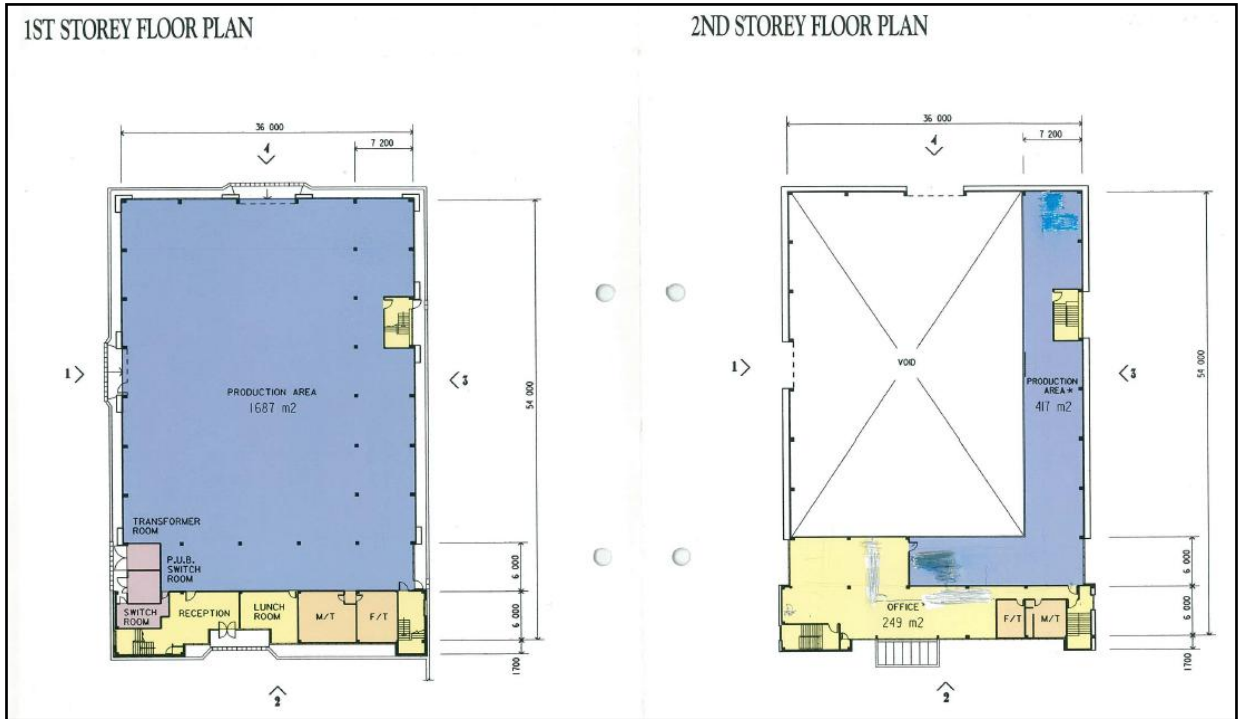
Subject
Property

Site Plan
(Not to Scale)

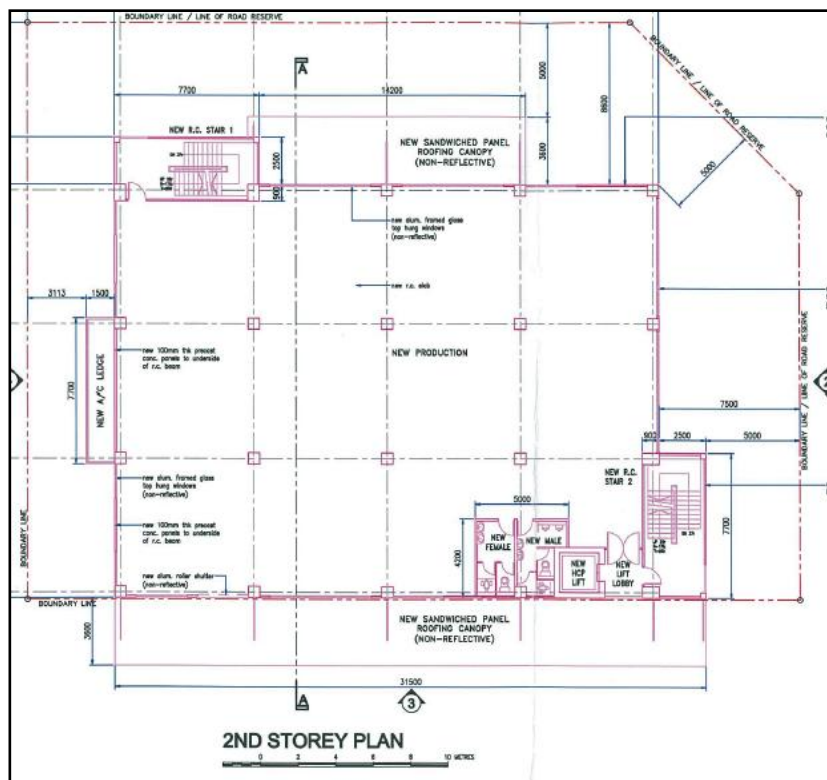
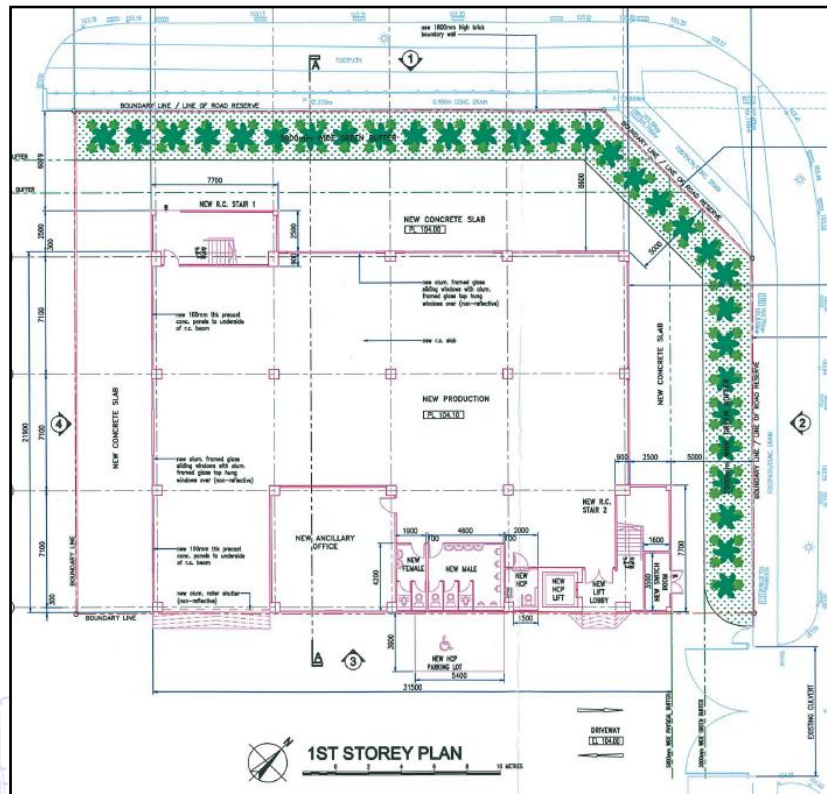


Subject
Land Sites

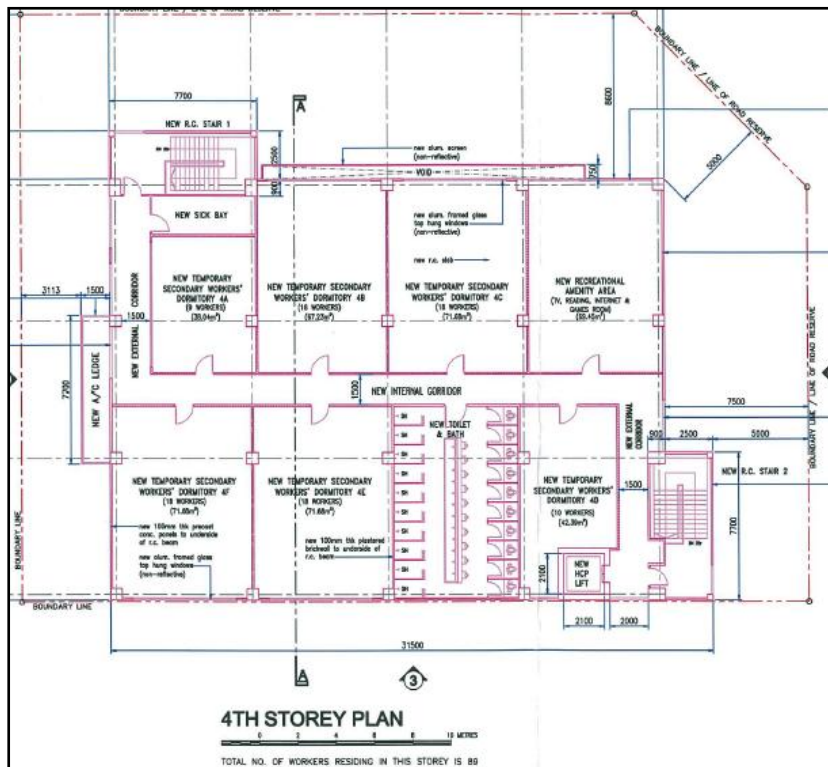
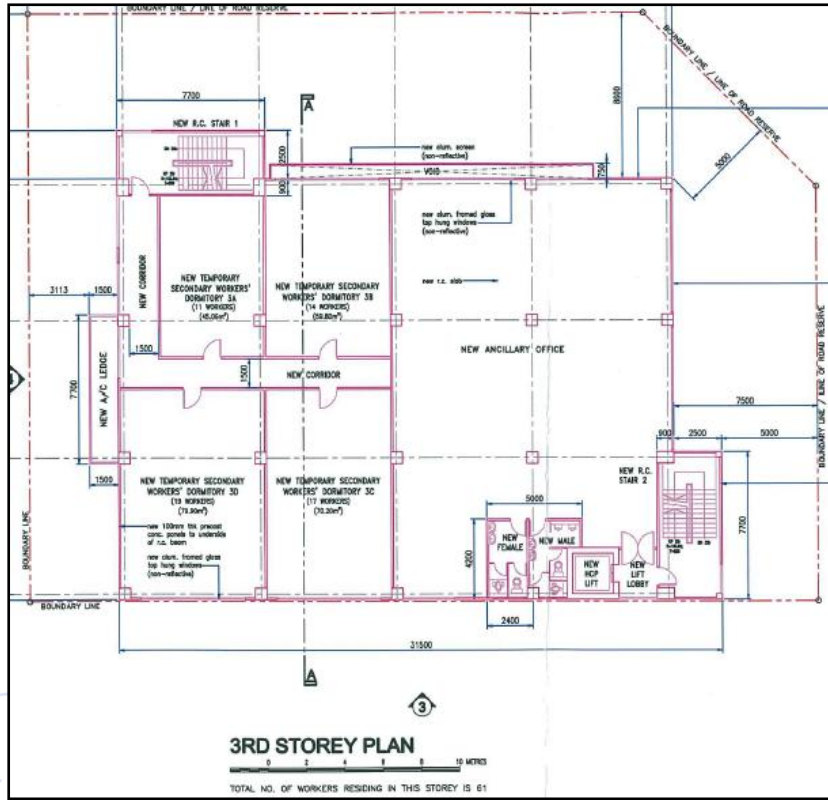
Floor Plans (2-Storey Factory Building)
(Not to Scale)



Floor Plans (4-Storey Factory Building)
(Not to Scale)



Floor Plans (4-Storey Factory Building)
(Not to Scale)





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.



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.