# JEP
HOLDINGS LTD

ANNUAL REPORT 2022

# CORPORATE PROFILE

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

The Group's main operating subsidiary, JEP Precision Engineering Pte. Ltd. ("JEPS"), was acquired by the Group in 2007. Accredited with AS9100, ISO 45001 and NADCAP. JEPS has built a track record as a reliable sub-contractor for aerospace components since beginning operations in 1990 and is now part of the global supply chain for the world's leading aircraft manufacturers.

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

The Group has been listed on SGX Catalist since 2004.

## VISION

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

## MISSION

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

This Annual Report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. This Annual Report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this Annual Report, including the correctness of any of the statements or opinions made, or reports contained in this Annual Report.

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Address : 36 Robinson Road, #10-06, City House, Singapore 068877
E-mail : sponsor@rhtgoc.com

# CHAIRMAN'S STATEMENT

## DEAR SHAREHOLDERS,

On behalf of the Board of Directors of JEP Holdings Ltd., I am pleased to present the Annual Report for the financial year ended 31 December 2022. Despite lower business volume in 2H2022, the Group's FY2022 performance remained respectable as we align our long-term strategy of sustaining stable growth amidst global market challenges and industry risks. We are pleased to report that JEP achieved a revenue growth of 8.8% and a small net profit decline of 3.7% compared to the previous year. This is a reflection of the challenging economic and market conditions we faced throughout the year.

Looking ahead, we expect a more noticeable recovery of our aerospace business in the second half of 2023, supported by volume production of complex and high-value-added parts from our strategic customers. The Group's new factory in Penang, Malaysia is scheduled for completion in the second half of 2023, and full production is expected to begin in the first quarter of 2024. This will enable us to take on more customer orders and increase production output.

Despite the headwinds, JEP has remained focused on our strategic objectives and has continued to make significant investments in our aerospace and semiconductor businesses. In the aerospace business, we have expanded our product portfolio to meet the evolving needs of our customers. In the semiconductor business, we have improved our manufacturing processes and developed new solutions to meet the demands of our customers.

### SHAREHOLDER EQUITY

Shareholders' equity was S$140.7 million as of 31 December 2022, which translates to 34.0 cents per share. This is an improvement over 28.5 cents per share as of 31 December 2021.

### APPROACH TO SUSTAINABILITY

The Group is dedicated to sustainable business practices that create value for our customers, employees, and other key stakeholders. To achieve this, we prioritize good corporate governance, health and safety standards, the reduction of environmental impact, and efficient resource utilization. Our efforts include implementing sustainable production processes and reducing waste and energy consumption. We also aim to foster a positive workplace culture that supports employee well-being, diversity, and inclusion, as well as professional development. Through these initiatives, we strive to create long-term value for our stakeholders while contributing to a more sustainable future for all.

### APPRECIATION

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

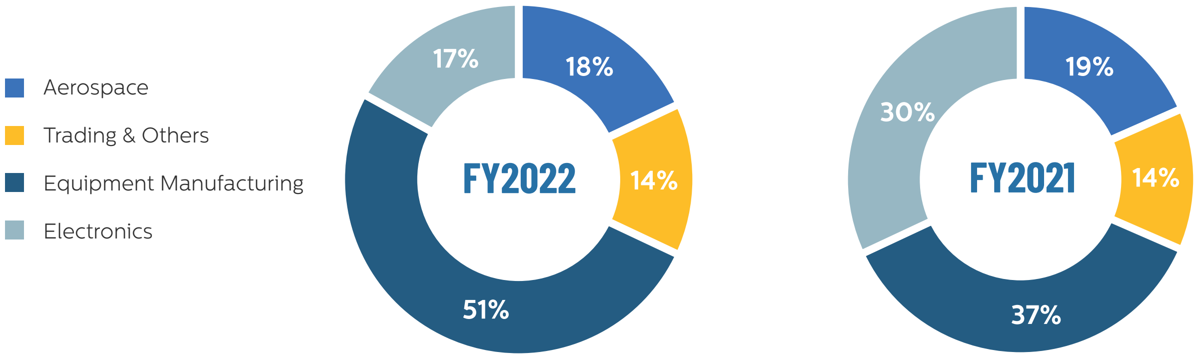
**ANDY LUONG**
**Executive Chairman and Chief Executive Officer**
**JEP Holdings Ltd.**

We are pleased to report that JEP achieved a revenue growth of 8.8% and a small net profit decline of 3.7% compared to the previous year.

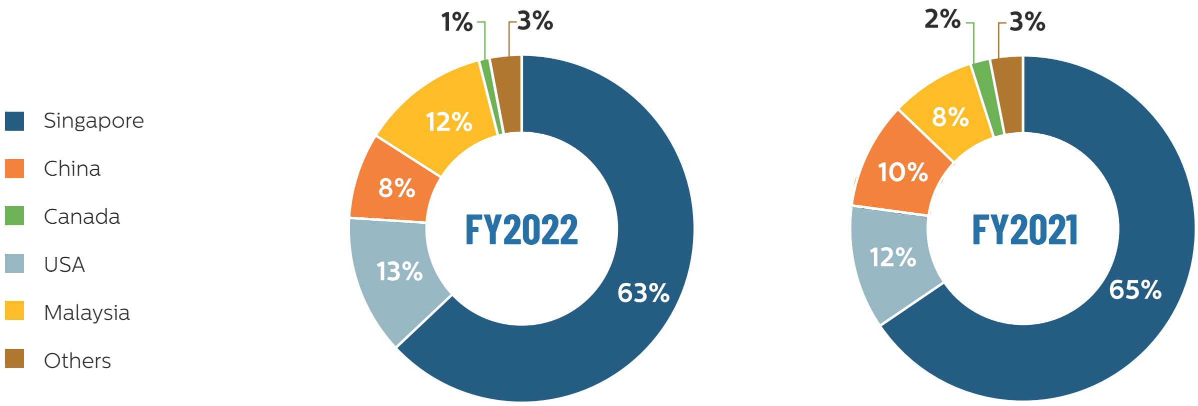
**ANDY LUONG**
**Executive Chairman and Chief Executive Officer**
**JEP Holdings Ltd.**

# BUSINESS HIGHLIGHTS

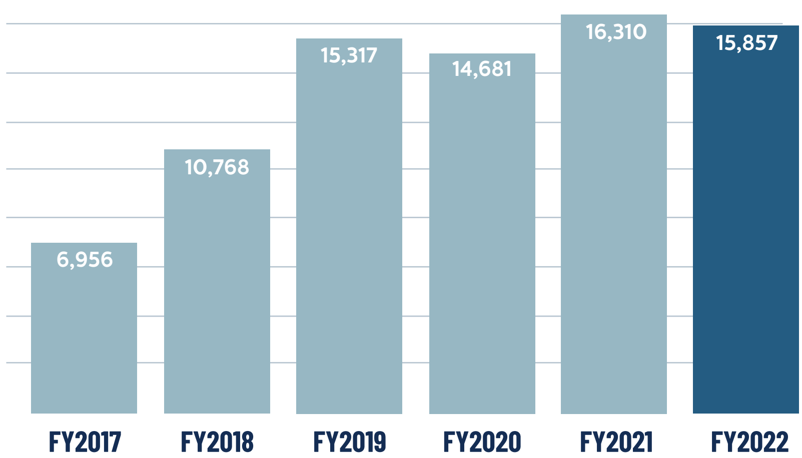
## REVENUE BY INDUSTRY




## REVENUE BY REGION




## EBITDA S$'000



# FINANCIAL HIGHLIGHTS

**$82.6 MILLION**
REVENUE

**1.8 CENTS**
EARNINGS PER SHARE

**$15.9 MILLION**
EBITDA

**18.2 CENTS**
NET ASSETS VALUE PER SHARE

**$75.2 MILLION**
GROUP TOTAL NET ASSETS VALUE

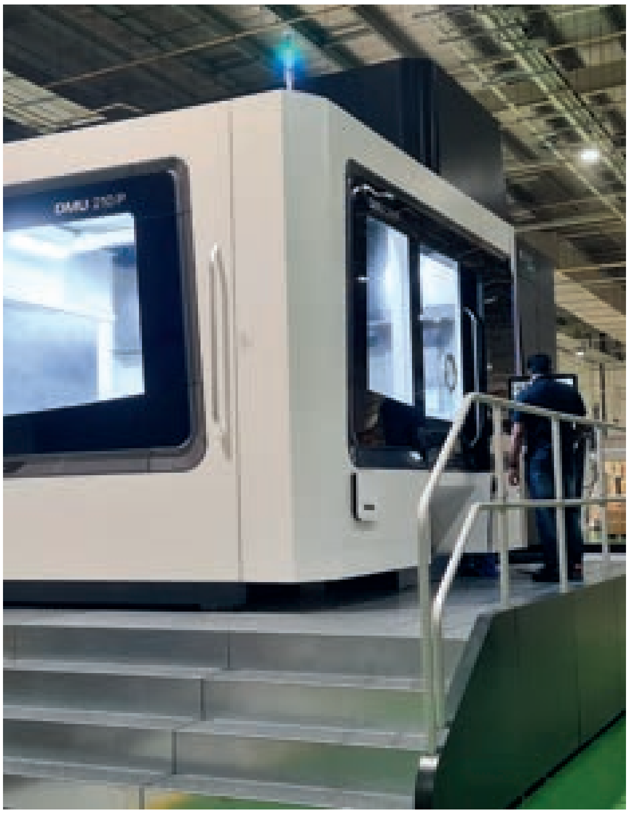
**$7.3 MILLION**
PROFIT TO EQUITY OWNERS

# OPERATION REVIEW

In FY2022, the Group posted a pre-tax profit of S$9.2 million and revenue improved 8.8% to S$82.6 million from S$75.9 million in FY2021, while net attributable profit eased slightly by 3.7% to S$7.6 million from S$7.9 million in FY2021. In year 2022, the Group spent S$7.1 million to acquire state of the art machines and process solutions to enhance the Group's capabilities to offer additional complex manufacturing services to existing and potential customers.

With the expected recovery of its aerospace business in the second half of 2023, the Group's performance is expected to be robust. Its relatively diversified income stream has allowed the Group to minimize the impact of COVID-19 as compared to other companies that rely heavily on a single industry. In 2022, the Group focused on the semiconductor equipment segment, while in 2023, it will shift its focus to the aerospace business, which will enable it to pursue growth opportunities in different areas while still continuing its operations.

The UN's aviation body - International Civil Aviation Organization (ICAO) also expects the aviation industry to make a full recovery in 2023, with volumes exceeding the 2019 level at the end of the year. It also projected that 2024 air passenger demand would be four per cent above the level in 2019[1].




## PRECISION MACHINING

The Precision Machining segment's revenue of S$29.2 million in FY2022 represents a 23.5% decline from FY2021, which was attributed to lower sales of electronic components amidst a slow recovery in the aviation sector. Despite this, the aerospace sector as a whole saw a 7% increase in revenue compared to FY2021. We anticipate that the aerospace business will continue to grow in 2023, as some previously initiated first article inspections (FAI) parts will be put into production.

Overall, the outlook for the aerospace industry is positive. The International Air Transport Association (IATA) expects the industry to become profitable in 2023, marking the fastest recovery in the industry's history given the depth of the downturn. The IATA predicts that the industry will have a profit of US$4.6 billion on revenues of US$779 billion in 2023, with an operating margin of 0.4% and a per passenger profit of US$1.1[2]. As such, the Group is optimistic about the prospects for the aerospace business.

## EQUIPMENT MANUFACTURING

The revenue of the Equipment Manufacturing segment saw a remarkable increase from S$27.7 million in FY2021 to S$41.7 million in FY2022. This growth can be attributed to the higher demand for semiconductors and industrial manufacturing equipment globally, which resulted in a 50.5% increase in sales. To meet the ever-changing needs of the customers, the Group is constantly investing in new technologies, upgrading our facilities, and enhancing its capabilities.

However, sales in the final quarter of FY2022 declined, reflecting the overall slowdown in the semiconductor industry due to the worsening economic conditions and weakening consumer demand globally. The near-term outlook for the overall semiconductor industry remains soft with revenue expected to decline. Some experts are predicting oversupply due to worsening economic conditions and weakening consumer demand. According to market reports, global semiconductor revenue is projected to decline by 3.6% in 2023[3]. Despite the short-term weakness the longer-term prospects remain strong. According to Fortune Business Insights, the global market for semiconductor manufacturing equipment is estimated to expand from US$101.6 billion in 2022 to US$196.7 billion by 2029, with a compounded annual growth rate of 9.9%[4].

The Group is committed to working closely with customers, suppliers, and partners to ensure that they continue to deliver value and exceed expectations, despite the challenging market conditions.

## TRADING AND OTHERS

In the FY2022, the revenue generated from cutting tool sales showed a remarkable increase of 16.5%, amounting to S$11.6 million, as compared to S$10.0 million in FY2021. This growth can be attributed to the Group's proactive approach in exploring and developing new markets, diversifying its trading segment's customer base, and expanding its product range.

Moving forward, the Group is committed to expanding into new markets, identifying new opportunities, and enhancing its competitive edge. To achieve these goals, the Group will strengthen collaboration and synergy among all its subsidiaries and related companies, leveraging its collective expertise, knowledge, and resources.


**Source:**

1 UN aviation body sees recovery to pre-pandemic air travel in 2023 - https://www.businesstimes.com.sg/international/un-aviation-body-sees-recovery-pre-pandemic-air-travel-2023

2 A return to industry profitability in 2023 - https://www.iata.org/en/iata-repository/publications/economic-reports/a-return-to-industry-profitability-in-2023/#:~:text=We%20expect%20the%20industry%20to,profit%20of%20just%20USD%201.1.

3 Global semiconductor revenue to shrink by 4% in 2023, the first contraction since 2019-https://techwireasia.com/2022/12/global-semiconductor-revenue-to-shrink-by-4-in-2023-the-first-contraction-since-2019/

4 The global semiconductor manufacturing equipment market is projected to grow from $101.6 billion in 2022 to $196.7 billion by 2029, at a CAGR of 9.9%-https://www.fortunebusinessinsights.com/semiconductor-manufacturing-equipment-market-101964

# FINANCIAL REVIEW


## FINANCIAL PERFORMANCE

Group revenue in FY2022 improved by 8.8% to S$82.6 million from S$75.9 million in FY2021. Compared to FY2021, the Equipment Manufacturing segment reported a 50.5% rise to S$41.7 million, Trading and Others segment revenue rose 16.5% to S$11.6 million, while sales in the Precision Machining segment fell 23.5% to S$29.2 million in FY2022.

Besides China and Canada, all of the other Group's key markets recorded higher sales. Malaysia sales registered the strongest performance, reporting a 69.6% rise in sales to S$10.1 million in FY2022 from S$6.0 million in FY2021.

Cost of sales increased by 8.8% from S$60.7 million in FY2021 to S$66.1 million in FY2022. The gross margin for the year remained stable, comprising the Group's product mix.

The Group remained profitable despite a slight decrease in profit before tax, which declined by 4% to S$9.2 million in FY2022 from S$9.5 million in FY2021. The Group achieved net profit attributable to shareholders for FY2022 of S$7.6 million, compared to S$7.9 million in FY2021.

Other operating income decreased to S$0.8 million from S$2.2 million in FY2021, which was mainly attributed to lesser grant amount received and registering foreign exchange loss instead of gain.

Selling expenses mainly comprise staff costs of the Group's sales and marketing staff, outward freight, travelling and marketing expenses, and other related expenses. The expenses in FY2022 remained relatively constant as compared to FY2021.

Administrative expenses mainly comprise of staff costs, Directors' fee and compensation, depreciation charge in relation to non-production assets, amortisation of intangible assets, professional fees, foreign exchange and other office expenses. In FY2022, the administrative expenses remained relatively constant as compared to FY2021.

Finance costs decreased by S$0.1 million from S$0.8 million in FY2021 to S$0.7 million in FY2022, mainly due to lesser borrowings made and repayment loan during the year.

The Group recorded a total income tax expense of S$1.6 million in FY2022, compared to S$1.7 million in FY2021. The decrease in the income tax expenses was due to lower profits made during the year.

The Group's earnings per share ("EPS") for FY2022 reported 1.832 cents, compared to 1.899 cents in FY2021. Group net assets value per share climbed to 18.2 cents in FY2022 from 16.4 cents in FY2021.

## BALANCE SHEET

Total non-current assets increased by S$3.8 million mainly due to a net increase of S$4.2 million in property, plant, and equipment, partially offset by S$0.4 million in amortisation of right-of-use assets.

Trade and other receivables decreased by S$5.8 million from S$22.2 million as at 31 December 2021 to S$16.4 million as at 31 December 2022. The reduction was mainly due to lower sales volume made by customers in the fourth quarter of FY2022.

Inventories and Trade and other payables remained relatively constant as compared to FY2021.

The Group total lease liabilities decreased by S$1.0 million from S$7.1 million as at 31 December 2021 to S$6.1 million as at 31 December 2022. The reduction was due to a repayment in relation of leased property, plant and equipment.

The Group total loans and borrowings decreased by S$4.9 million from S$25.8 million as at 31 December 2021 to S$20.9 million as at 31 December 2022. This decrease was due to term loans repayment of S$4.9 million.

Deferred tax liabilities increased by S$0.8 million to S$4.6 million in FY2022 from S$3.8 million in FY2021 primarily due to deferred tax expenses arising from the origination and reversal of temporary differences.

## CASH FLOWS

Net cash generated from operating activities increased by S$7.8 million from S$12.4 million in FY2021 to S$20.2 million in FY2022 mainly due to higher income generated from operating activities.

The Group's free cash flow also went up 35.0% to S$10.2 million from S$7.5 million in FY2021.

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

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

The Group's financial position remained healthy.

# BOARD OF DIRECTORS

### MR. ANDY LUONG
**Executive Chairman and Chief Executive Officer**

**Date of first appointment as a Director:**
22 February 2018

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

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

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

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

### MR. ZEE HOONG HUAY
**Executive Director**

**Date of first appointment as a Director:**
27 August 2015

**Date of last re-election as a Director:**
26 April 2022

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

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

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

# BOARD OF DIRECTORS

**Date of first appointment as a Director:**
1 November 2006

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

## MR. WONG GANG

**Lead Independent Director**

Chairman of Remuneration Committee

Member of Audit Committee

Member of Nominating Committee

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

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

Head of Shook Lin & Bok LLP's China practice group and has advised multinational corporations and Singapore companies on cross border transactions in China, as well as on public offerings of securities in Singapore by companies from China, Hong Kong and South-East Asia.

**Date of first appointment as a Director:**
25 April 2018

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

## MR. KONG CHEE KEONG

**Independent Director**

Chairman of Audit Committee

Member of Remuneration Committee

Member of Nominating Committee

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

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

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

**Date of first appointment as a Director:**
8 July 2019

**Date of last re-election as a Director:**
26 April 2022

## MS. LEE SOOK WAI, IRENE

**Independent Director**

Chairperson of Nominating Committee

Member of Audit Committee

Member of Remuneration Committee

Ms. Irene Lee has many years of experience in the technology industry and has held leadership positions at numerous technology companies. Since 2020, she has been an Investment Officer at Singapore-based family office Little Rain Pte Ltd, participating in Technology Investment & Due Diligence and Charity activities. Last year, she was also elected as a director of Key Point (Singapore) Pte Ltd.

Ms. Irene Lee started her career in 1980 at Varta Singapore. She then worked as the only female engineer in the design, installation, set-up and commissioning of pressure vessels for oil and gas exploration on new platforms for Hughes Offshore. In 1987, Ms. Irene Lee joined Seagate Technology International Inc. where she held various management positions for 24 years. She joined Kulicke & Soffa Inc as Chief Quality Officer in 2012 and expanded her role to SVP Operations till 2019.

Ms. Irene Lee holds a Master of Business Administration (MBA) from the University of Leeds and an Executive MBA from Harvard Business School, in addition to a Diploma in Mechanical Engineering from Singapore Polytechnic.

# KEY EXECUTIVES

### MS. PANG SU CHUN
**Group Financial Controller**
**JEP Holdings Ltd.**

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

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

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

### MR. DARREN ZEE YU LIANG
**Managing Director**
**Dolphin Engineering Pte. Ltd.**

Mr. Darren Zee joined JEP Industrades Pte. Ltd., subsidiary of the Group in June 2011 as a Sales Engineer. He was promoted as Deputy Managing Director of Dolphin Engineering Pte.Ltd. in March 2017 and re-designated as Managing Director in January 2019. Mr. Darren Zee's background is in the cutting tools industry selling tools to the manufacturing industry with 6 years' experience. His operational experience includes holding key roles in the sales and operational department in the company. He has worked in Japan with Mitsubishi Materials and visited various Japanese manufacturing companies and understands how manufacturing is done in Japan.

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

### MR. EDDIE GOH KUAN TECK
**General Manager**
**JEP Precision Engineering Pte. Ltd.**

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

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

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

# GROUP STRUCTURE

JEP HOLDINGS LTD.

SINGAPORE

100%
**JEP Precision Engineering Pte. Ltd.**

100%
**JEP Industrades Pte. Ltd.**

100%
**Dolphin Engineering Pte. Ltd.**

MALAYSIA

100%
**JEP Precision Engineering (M) Sdn. Bhd.**

# CORPORATE OFFICES

**JEP HOLDINGS LTD.**
16 Seletar Aerospace Crescent
Singapore 797567
Tel: (65) 6545 4222
Fax: (65) 6545 2823
Website: http://www.jep-holdings.com

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Tel: (65) 6545 4222
Fax: (65) 6545 2823
Email: enquiry@jepprecision.com.sg
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**JEP INDUSTRADES PTE. LTD.**
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Fax: (65) 6241 2131
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Website: http://jep.com.sg

**DOLPHIN ENGINEERING PTE. LTD.**
2 Loyang Way 4
Singapore 507098
Tel: (65) 6741 5556
Fax: (65) 6741 5557
Email: sales_enquiry@dolphin.com.sg
: info@dolphin.com.sg
Website: http://www.dolphin.com.sg

**JEP PRECISION ENGINEERING (M) SDN. BHD.**
16 Seletar Aerospace Crescent
Singapore 797567
Tel: (65) 6545 4222
Fax: (65) 6545 2823
Website: http://www.jep-holdings.com

## BOARD STATEMENT

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

We are proud on delivering top-notch manufacturing solutions evidently. From our customer satisfaction survey results, we have achieved an outstanding score of 88% customer satisfaction. These results stand as a testament to our skilled and professional workforce that exists within our organisation to produce manufacturing quality and high-precision components. To continue our stellar performance and deliver manufacturing solutions to our customers, we have also recognised the importance of attracting, developing and retaining a high-quality workforce.

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

In FY2022, the management together with key stakeholders reviewed and assessed the materiality of ESG. The management was satisfied with the achievement attained in FY2022 and there are no major changes in the Group business model and portfolio in the current fiscal year, the management are of the opinion to continue to focus on the identified targets to strengthen sustainability performance. We will make efforts to improve the overall sustainability performance across our business portfolio, as well as improve upon our communications to all stakeholders. We aim to create a virtuous cycle that benefits both our business operations and future sustainability pursuits.

# SUSTAINABILITY REPORT

## ABOUT JEP HOLDINGS LTD.

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

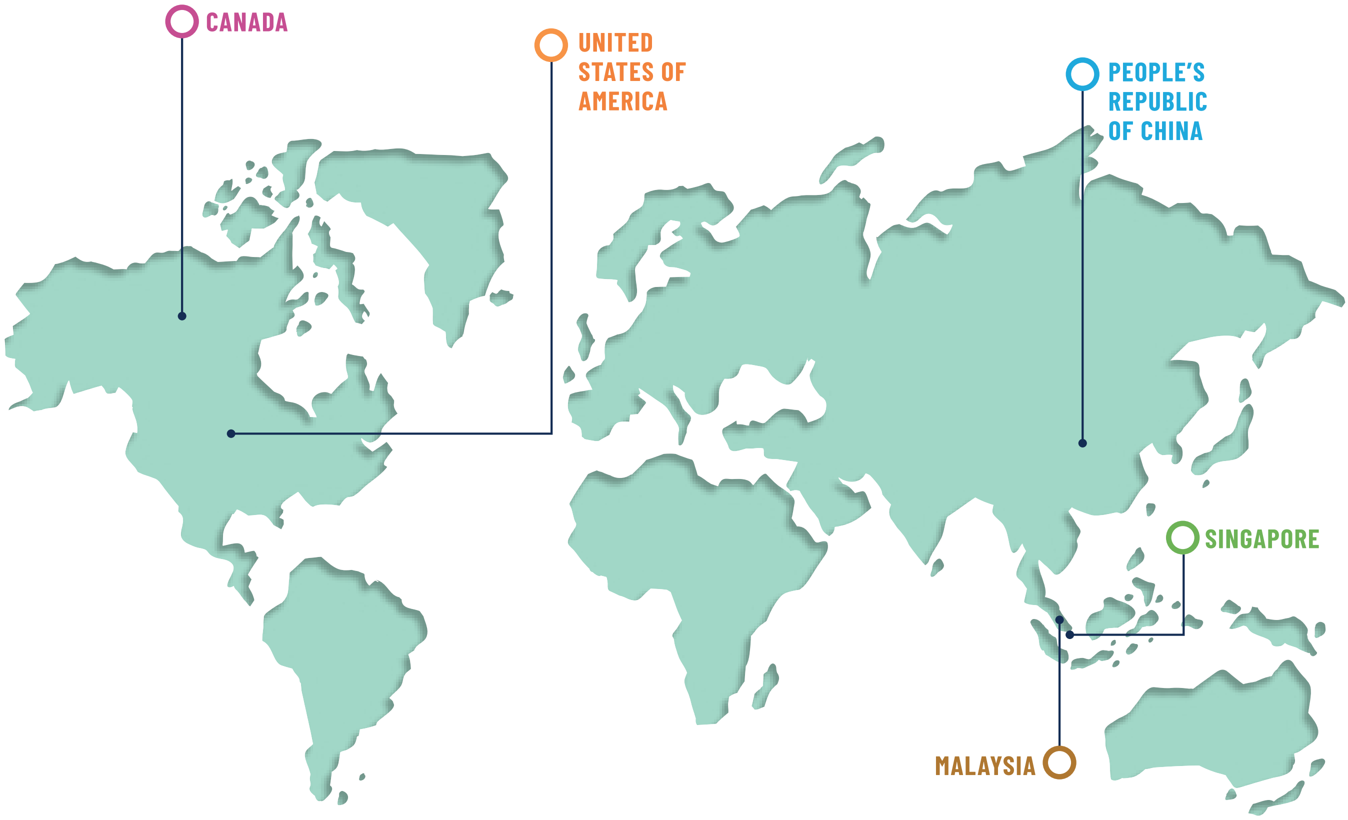
The Group's subsidiaries are accredited with AS9100, ISO 45001, and NADCAP and has built a record of accomplishment as a reliable sub-contractor for aerospace components since beginning operations in 1990. It is now part of the global supply chain for the world's leading aircraft manufacturers.

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

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

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

## LOCATION OF CUSTOMER BASE




### Customer base includes:

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

* *United Kingdom, Switzerland, Middle East, Southeast Asia*

## EXTERNAL CHARTERS AND PRINCIPLES

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

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

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

## AWARDS

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

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

**Awarded by Aker Solutions**
Certificate of Accreditation 2018

**Awarded by Safran**
Performance Excellence Award 2019

**Awarded by Kulicke & Soffa**
Outstanding Supplier Award 2021

**Awarded by HP Inc.**
Commitment and Partnership to HP Award 2022

## ABOUT THIS REPORT

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

The Group has chosen the GRI framework as it is the most established international sustainability reporting standard that covers a comprehensive range of sustainability disclosures and with respect to the extent of which such framework is applied, this report has been prepared with reference to the GRI Standards reporting guidelines. Moreover, this structured framework promotes reporting a full and balanced picture of the Group's material matters and the management of its impact. The report incorporates SGX's "Comply or Explain" requirements of primary components of the content on sustainability reporting under Listing Rules 711A and 711B.

SGX has announced a phased approach for mandatory climate reporting based on the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). JEP is currently assessing the impact of climate change on its business and will provide climate-related disclosures in our Sustainability Report for the financial year ending 31 December 2023, in line with SGX-ST's timeline for adopting the TCFD Recommendations.

## REPORTING SCOPE AND BOUNDARIES

The reporting period for the sustainability performance of our operations in Singapore is for the financial year 2022. All data and activities reported are with respect to the timeframe from 1 January 2022 to 31 December 2022, unless stated otherwise.

As JEP's operations primarily involve precision manufacturing, we refer to the performance of our precision manufacturing facilities when discussing employee-related material issues. Environmental data disclosed within the Sustainability Report covers only Singapore-based operations.

No external assurance has been sought for this report. However, we may seek external assurance for future Sustainability Reports as our reporting framework matures over time. The data in this report is reported to the best of our knowledge and have gone through internal review and approval.

We value all feedback on the report as we continuously strive to improve our reporting. Please submit all feedback, questions and views to ir@jep-holdings.com.

## SUSTAINABILITY GOVERNANCE AND APPROACH

The Board monitors, reviews, and considers the relevance and adequacy of the Group's practices in addressing sustainability concerns and managing risks, as well as approves general policies and strategies.

**Board of Directors**
Review sustainability strategy and provides oversight of the Group's sustainability direction

**Sustainability Committee**
Identifies key sustainability areas setting targets and incorporating performance indicators

**Sustainability Reporting Team**
Manages execution of sustainability policies, initiatives and procedures

Monitoring of sustainability performance and targets (Operation, Finance, Human Resource and Safety)

# SUSTAINABILITY REPORT

## STAKEHOLDER ENGAGEMENT & MATERIALITY ASSESSMENT

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

## STAKEHOLDER ENGAGEMENT

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

| Key Stakeholder Groups | Key Interests | Our Response | Engagement Methods |
|---|---|---|---|
| Investors and Shareholders | • Financial and operational performance<br>• Good corporate governance<br>• Transparency | • Provide reliable and relevant information timely<br>• Cultivate a culture of transparent and timely communication with our investors | • Annual Report<br>• Half-yearly announcement<br>• Announcements and circulars<br>• Annual General Meeting |
| Employees | • Mentoring, training and skill development<br>• Career prospect and equal opportunities<br>• Working environment | • To establish a safe workplace<br>• Promote equality for career prospects and benefits<br>• To set up a response team to follow up and implement the latest control measures to mitigate risk of Covid-19 | • Annual Appraisal<br>• Training and development program |
| Customers | • Supply chain sustainability<br>• Product quality and conformity<br>• Reliability of delivery schedules | • Sustain our reputation as a reliable business partner to our customers<br>• Meet and exceed customer expectations and demands | • Customer satisfaction survey<br>• Regular meeting and direct communication |
| Suppliers | • Annual supplier performance review | • Quality and reliability of suppliers | • Conduct supplier assessment to ensure suppliers are in line with JEP's requirement<br>• Regular meeting and direct communication |
| Community | • Contribution to local communities<br>• Environment impact | • Internship program for undergraduates students<br>• Environmental pollutions from business activities | • Memorandum of Understanding with local institutions for internship arrangement<br>• Restrain any business activities that have potential harmful impacts to environment and lives |

## MATERIALITY ASSESSMENT

JEP's materiality assessment process follows a three-step approach based on GRI Materiality Standards and Principles, supported by background research on peers and industry trends. The Board and Management have validated the material topics for this year's reporting and determined that the material topics identified last year remain relevant to its business and stakeholders.

**IDENTIFICATION**

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

**PRIORITISATION**

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

**VALIDATION**

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

The materiality assessment process concluded with JEP's management identifying three ESG factors to be considered as top priorities in this Sustainability Report.

## MATERIAL ASPECTS IDENTIFIED

The scope of its assessment into the impacts to the business, we have established performance targets for material areas and track the progress we have made in those areas as reported below:

**G**

**SUSTAINABLE GROWTH**

- Corporate Governance
- Risk Management
- Anti-Corruption and Whistleblowing
- Economic Performance

**E**

**ENVIRONMENTAL CONSCIENTIOUSNESS**

- Energy Consumption
- Emissions
- Water Management
- Waste Management

**S**

**CARING FOR OUR PEOPLE**

- Employee Relations
- Training and Development
- Occupational Health & Safety
- Diversity and Equality in Employment

**BUILDING TRUST WITH OUR STAKEHOLDERS**

- Socioeconomic Compliance
- Environmental Compliance
- Customer Data Privacy
- Customer Satisfaction
- Caring for Our Communtiy

# SUSTAINABILITY REPORT

## SUSTAINABLE GROWTH

### Corporate Governance

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

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

### Risk Management

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

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

### Anti-Corruption and Whistleblowing
(GRI 205-1, GRI 205-3)

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

The Board notes that the system of internal controls provides reasonable but not absolute assurance that the Group will not be affected by any event that could be reasonably foreseen.

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

JEP has in place a Whistleblowing Policy that encourages employees to raise concerns, in confidence, about misconduct, malpractice or irregularities in any matters related to the Group, to the Chairman of the Audit Committee ("AC") or the other members of the AC if the Chairman is not available. This is done to instil high standards of good business practices within JEP.

No whistleblowing report was received during the year and until the date of this report.

| Material Factor | Target | FY2022 Progress |
|---|---|---|
| Governance and Compliance | Zero non-compliance applicable laws and compliance-related regulations (SGX and governments) | Target was achieved. |
| Risk Management | Conduct the Enterprise Risk Assessment ("ERA")/ Control Self-Assessment ("CSA") on an annual basis | Target was achieved.<br>ERA and CSA were presented to the Board of Directors in FY2022 and February FY2023. |
| Anti-Corruption | Zero corruption | Target was achieved. |

### Economic Performance
(GRI 201-1)

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

In FY2022, the Group slightly improved the economic value retained annually compared to last year, amidst a slow recovery in the aviation industry sector. The Group's current focus pivots towards the semiconductor equipment segment, whilst awaiting the recovery of its core aerospace component manufacturing business. For the year ended 31 December 2022, we have achieved a direct economic value of S$83.4 million (FY2021: S$77.5 million).

| | FY2022 | FY2021 | FY2020 |
|---|---|---|---|
| Direct Economic Value Generated | S$83.4m | S$77.5m | S$74.7m |
| Economic Value Distributed | S$68.2m | S$62.6m | S$65.0m |
| Economic Value Retained | S$15.1m | S$14.9m | S$9.7m |

## ENVIRONMENTAL CONSCIENTIOUSNESS

### Energy Consumption
(GRI 302-1, GRI 302-3, GRI 302-4)

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

In addition, we have an automated electrical supply regulation system that switches off unnecessary appliances and air-conditioning during lunch hours and after office hours. This system enables further reduction in energy consumption within our organisation. Furthermore, the Group is exploring ways to reduce our carbon footprint, including deploying solar energy at our facilities in 2023 to supplement our current energy consumption and lower costs.

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

In FY2022, the total energy consumption accounted to 8,670,777 kWh (FY2021: 8,206,154 kWh), a 5.7% increase compared to FY2021 while kWh/Revenue was at S$0.105.

**Energy Consumption kWh/ Revenue S$**

| | FY2022 | FY2021 |
|---|---|---|
| Usage kWh | 8,670,777 | 8,206,154 |
| kWh/Revenue S$ | 0.105 | 0.108 |

### Emissions
(GRI 305-1, GRI 305-2, GRI 305-4)

We recognise that climate change could have a deep impact on the global environment, society, and economic systems, and we aim to reduce greenhouse gas emissions and to improve eco-efficiency along our value chain. We strive to reduce our emission footprint, JEP takes into consideration our Greenhouse Gas ("GHG") emission levels in every stage of our manufacturing process. We understand the manufacturing operations of JEP entail significant energy requirements, therefore, the efficient use of energy is essential to reducing potential GHG emissions for JEP. The following table shows the energy emission intensity ratio for JEP.

| Year | Direct ($kgCO_2e$) | Indirect ($kgCO_2e$) | Revenue (S$'000) | Emission Intensity ratio ($kgCO_2e$)/S$'000) |
|---|---|---|---|---|
| FY2021 | 4,561 | 71,535 | 75,899 | 1.0026 |
| FY2022 | 4,762 | 80,581 | 82,556 | 1.0338 |

As we track and monitor our total GHG emissions, we aim to identify opportunities for improvement to make our processes more energy efficient and will continue to improve on our emissions reduction.

## Water Management
(GRI 303-5)

Water is a crucial component of our special manufacturing process, and JEP is dedicated to closely monitoring and managing our water consumption levels. We are committed to supporting national initiatives and strategies aimed at promoting responsible and efficient water usage, and we have implemented various measures to achieve this goal. These include promoting water conservation awareness among our employees through briefings at all of our operating and manufacturing sites, as well as replacing conventional taps with motion-sensor and spring taps to improve water efficiency and set usage thresholds.

| | FY2022 | FY2021 |
|---|---|---|
| Total water consumption from all areas ($m^3$) | 18,447 | 20,015 |
| Water consumed per monetary unit of Revenue ($m^3$/S$'000) | 0.2234 | 0.2637 |

## Waste Management
(GRI 306-1)

At JEP, we take responsible waste and discharge management seriously. Our Group-wide system ensures proper handling of hazardous and non-hazardous waste, as well as materials earmarked for recycling. We comply with the Environmental Protection and Management Act ("EPMA"), Environmental Public Health Act ("EPHA"), and national toxic industrial waste regulations, and Singapore's commitment to the Basel Convention on the Control of Trans-boundary Movements of Hazardous Wastes and their disposal. Our hazardous waste mainly consists of chemicals and oily water removed from production processes. To ensure compliance, we work exclusively with government licensed waste collection vendors. Recycling is a key component of our waste management strategy. We recycle all retrievable metal chips, scraps, and packaging materials, whenever possible.

| Material Factor | Target | FY2022 Progress |
|---|---|---|
| Energy Consumption kWh/ Revenue | 5% improvement on either electricity consumption or kWh/ Revenue | There is improvement in FY2022 at 2.9% but not achieved the target. Due to higher consumption for production process incurred for the FAI parts.<br><br>The company will identify and evaluate energy consumption reduction methods that can be implemented in FY2023. |
| Emission | 5% improvement on either energy consumption or kgCO2e/ Revenue | The target set for FY2022 was not met due to higher production costs incurred and higher sales with lower margins.<br><br>The company will identify and assess emission-saving measures that can be adopted in FY2023. |
| Water Management | 5% improvement on either water consumption or m3/ Revenue | Target was achieved. |
| Waste Management | Zero non-compliance applicable laws and compliance and regulations of the environmental protection | Target was achieved. |

## CARING FOR OUR PEOPLE
(GRI 403-1, GRI 403-2, GRI 403-3, GRI 403-4, GRI 403-5, GRI 403-6, GRI 403-7, GRI 403-9, GRI 404-1, GRI 405-1)

### Employee Relations

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

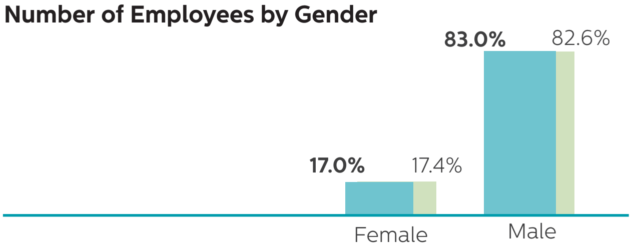
The overall responsibility of planning and conduct of Occupational Health and Safety ("OHS") in JEP lies with the top management and Worksite Safety Management ("WSM") committee, which comprises of representatives from all departments.

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

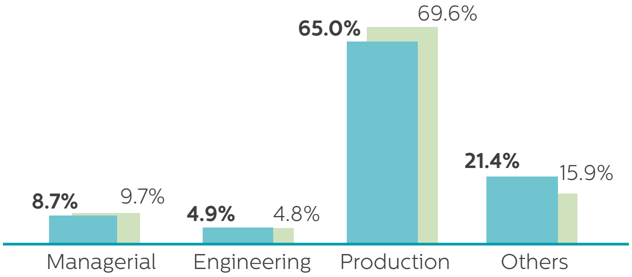
- Apply Workspace Safety and Health in Metal Work
- Basic Industrial Safety
- 5S Housekeeping
- Annual Occupational Health and Safety Plan

### Our people

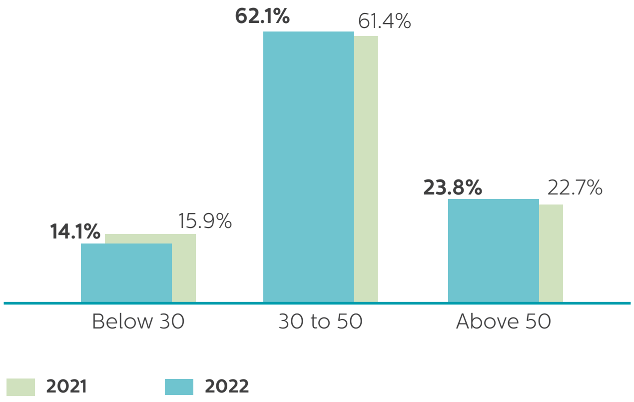
**Number of Employees by Gender**




**Number of Employees by Category**




**Number of Employees by Age**




* As at 31 Dec 2022, total number of employees in JEP is 206 (2021: 207)

### Training and Development

We recognise that consistent and ongoing education is critical to maintaining a competitive, skilled, productive and motivated workforce. The training is targeted based on the employees' job scopes and skills set requirements. Training topics range from soft skills development in areas such as communications and leadership, to technical programmes covering project management and office productivity tools. At our manufacturing facilities, new employees are required to undergo a safety orientation before they start work. This safety orientation covers hazardous activities at the workplace, safe work procedures and emergency response procedures.

In FY2021, our employees received fewer training hours due to COVID-19 safe distancing measures. However, where possible, we have conducted training through virtual means and employees also attended online courses in year 2022. On average, each employee attended approximately 5 hours of training in FY2022. We provide training to our employees for their skill and knowledge enhancement.

The Board of Directors have attended the mandated sustainability training in FY2022.

**Average number of training hours per employee**

| | FY2022 | FY2021 |
|---|---|---|
| Total training hours | 1,037 | 842 |
| Average number of training hours per employee | 5.0 | 4.1 |

## Occupational Health & Safety

In FY2022, there was three injuries (FY2021: two injuries) reported. These three injuries sustained by our employees in the three incidents reported were of minor severity, with medical leave of 5 to 22 days. At JEP group, all injuries suffered by our employees regardless of the extent of injury are taken seriously. In the event of incidents, we have on-site response plan that gives the plant manager overall responsibility in the treatment and evacuation of any injured workers. The human resource department will be informed to follow up with documentation and handling of insurance claims.

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

| | FY2022 | FY2021 |
|---|---|---|
| Occupational Diseases Rate (per 100,000 employed persons) | zero | zero |
| Injury Rate (per 100,000 employed persons) | 1,456 | 966 |
| Absentee Rate (per total man-hours in a year) | 0.124 | 0.03 |
| Lost Day Rate (per 200,000 working hours) | 28.38 | 8.05 |

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

## Diversity and Equality in Employment

JEP is committed to promoting diversity and inclusion in the workplace. We do not discriminate against employees or job applicants based on their race, age, gender, religion, ethnicity, physical disabilities, sexual orientation, political beliefs, marital status, or nationality. We have developed an employee handbook and human resources manual that comply with all relevant legislation and guidelines for our operation. We recognize that promoting diversity and inclusion is an ongoing process, and we continuously strive to create a welcoming and respectful work environment for all of our employees. We also provide training and resources to help our staff understand and appreciate the value of diversity, and we actively seek out opportunities to celebrate and honour the diverse perspectives and experiences of our people.

| Material Factor | Target | FY2022 Progess |
|---|---|---|
| Training and Development | Average 3 training hours per employee | Target was achieved.<br>Employees participated in several trainings and courses in FY2022 and met the average hours per employee. |
| Health and Safety | Zero accident in the workplace | Three accidents reported in FY2022.<br>The Company take the necessary corrective action and issue notices to all employees to prevent future occurrences of such incidents. |
| Diversity and Equality in Employment | Maintain a diverse and equal workforce | Target was achieved.<br>Zero records of complaints on discrimination based on race, age, gender, religion, ethnicity, physical impairment, marital status or nationality in FY2022. |

# BUILDING TRUST WITH OUR STAKEHOLDERS

## Socioeconomic Compliance
(GRI 2-27)

JEP adheres to labour standards that include freely chosen employment, avoidance of child labour, non-discrimination, open communication, and working hours in accordance with local laws. Employees are required to avoid conflict of interest situations, uphold true and fair accounting and reporting, and comply with the Company's policies and delegated authorities. JEP complies with all governmental laws and regulations in the social and economic areas. There are no instances of non-compliance.

## Environmental Compliance
(GRI 2-27)

The nature of our manufacturing operations, consumption of electricity and water, directly impacts the environment and the local community where we operate. The Group measures success beyond economic growth. Our focus extends towards environmental sustainability as we conduct our business as a responsible corporate citizen. We continually review our approach and remain committed to ensuring full compliance with local environmental laws and regulations to minimize the impact on our operations. Furthermore, the Group is exploring ways to reduce our carbon footprint, including deploying solar energy at our facilities in 2023 to supplement our current energy consumption. JEP has not identified any incidents of non-compliance with environmental laws and regulations. In FY2022, we did not incur any fines for non-compliance with environmental laws and regulations (FY2021: Nil). The Group will continue to maintain zero incidents of non-compliance with environmental laws and regulations in the forthcoming year.

## Customer Data Privacy
(GRI 418-1)

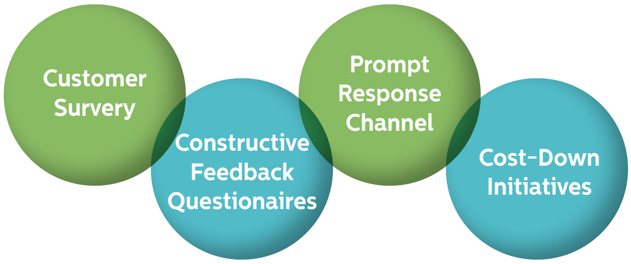
Ensuring safety and privacy of our customers' data is of great priority to JEP. In addition to processes and controls in place for handling and communicating sensitive and confidential information of our customers such as contracts, customer orders and service delivery orders, we also have in place information security policies to ensure our customers' data are managed in accordance with the level of confidentiality required and that information is only provided on a need-to-know basis.

In FY2022, we have not had any incidents of breaches of customer data privacy. We continue to implement and improve our existing controls to ensure that there are no breaches of customer data.

## Customer Satisfaction

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

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




**QUALITY POLICY**

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

With this approach, we were better prepared to serve the needs of our customers. We have achieved an average of 88% (2021: 90%) customers satisfaction level at all stages of services to our customers. In future, we aim to achieve 100% customer satisfaction.

## Caring for Our Community
(GRI 413-1)

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

**Internship Programme with Local Institutions**

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

## GRI CONTEXT INDEX

| GRI Standards | | Disclosure | Report reference |
|---|---|---|---|
| GRI 2: General Disclosure 2021 | 2-1 | Organizational details | About JEP Holdings Ltd. |
| | 2-2 | Entities included in the organization's sustainability reporting | About JEP Holdings Ltd., Group Structure |
| | 2-3 | Reporting period, frequency and contact point | Reporting Scope and Boundaries |
| | 2-5 | External assurance | Reporting Scope and Boundaries |
| | 2-6 | Activites, value chain and other business relationships | About JEP Holdings Ltd. |
| | 2-7 | Employees | Caring for Our People |
| | 2-9 | Governance structure and composition | Corporate Governance |
| | 2-10 | Nomination and selection of the highest governance body | Corporate Governance |
| | 2-11 | Chair of the highest governance body | Corporate Governance |
| | 2-12 | Role of the highest governance body in overseeing the management of impacts | Corporate Governance |
| | 2-13 | Delegation of responsibility for managing impacts | Sustainability Governance, Corporate Governance |
| | 2-14 | Role of the highest governance body in sustainability reporting | Sustainability Governance and Approach |
| | 2-15 | Conflicts of interest | Corporate Governance |
| | 2-17 | Collective knowledge of the highest governance body | Corporate Governance |
| | 2-18 | Evaluation of the performance of the highest governance body | Corporate Governance |
| | 2-22 | Statement on sustainable development strategy | CEO Statement, Board Statement |
| | 2-27 | Compliance with laws and regulations | External Charters and Principles, Socioeconomic Compliance, Environmental Compliance |
| | 2-28 | Membership associations | External Charters and Principles |
| | 2-29 | Approach to stakeholder engagement | Stakeholder Engagement |
| GRI 3: Material Topics 2021 | 3-1 | Process to determine material topics | Reporting Scope and Boundaries, Materiality Assessment |
| | 3-2 | List of material topics | Materiality Assessment, Material Aspects Identified |
| | 3-3 | Management of material topics | Materiality Assessment |
| GRI 201: Economic Performance 2016 | 201-1 | Direct economic value generated and distributed | Economic Performance |

## GRI CONTEXT INDEX

| GRI Standards | | Disclosure | Report reference |
|---|---|---|---|
| GRI 205: Anti-Corruption 2016 | 205-1 | Operations assessed for risks related to corruption | Coporate Governance, Anti-Corruption and Whistleblowing |
| | 205-3 | Confirmed incidents of corruption and actions taken | Coporate Governance, Anti-Corruption and Whistleblowing |
| GRI 302: Energy 2016 | 302-1 | Energy consumption within the organization | Energy Consumption |
| | 302-3 | Energy intensity | Energy Consumption |
| | 302-4 | Reduction of energy consumption | Energy Consumption |
| GRI 303: Water and Effluents 2018 | 303-5 | Water consumption | Water Management |
| GRI 305: Emission 2016 | 305-1 | Direct (Scope 1) GHG emissions | Emissions |
| | 305-2 | Energy indirect (Scope 2) GHG emissions | Emissions |
| | 305-4 | GHG emissions intensity | Emissions |
| GRI 306: Waste 2020 | 306-1 | Waste generation and significant waste-related impacts | Waste Management |
| GRI 403: Occupational Health and Safety 2018 | 403-1 | Occupational health and safety management system | Caring for Our People |
| | 403-2 | Hazard identification, risk assessment, and incident investigation | Caring for Our People |
| | 403-3 | Occupational health services | Caring for Our People |
| | 403-4 | Worker participation, consultation, and communication on occupational health and safety | Caring for Our People |
| | 403-5 | Worker training on occupational health and safety | Caring for Our People |
| | 403-6 | Promotion of worker health | Caring for Our People |
| | 403-7 | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | Caring for Our People |
| | 403-9 | Work related injuries | Caring for Our People |
| GRI 404: Training and Education 2016 | 404-1 | Average hours of training per year per employee | Caring for Our People |
| GRI 405: Diversity and Equal Opportunity 2016 | 405-1 | Diversity of governance bodies and employees | Caring for Our People |
| GRI 413: Local Communities 2016 | 413-1 | Operations with local community engagement, impact assessments, and development programs | Caring for Our Community |
| GRI 418: Customer Privacy 2016 | 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | Customer Data Privacy |

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Executive:**
Andy Luong
(Executive Chairman and Chief Executive Officer)

Zee Hoong Huay
(Executive Director)

**Non-Executive:**
Wong Gang (Lead Independent Director)
Kong Chee Keong (Independent Director)
Lee Sook Wai, Irene (Independent Director)

## AUDIT COMMITTEE

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

## NOMINATING COMMITTEE

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

## REMUNERATION COMMITTEE

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

## COMPANY SECRETARY

Sarah Zeng

## REGISTERED OFFICE

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

## BANKERS

United Overseas Bank Limited
DBS Bank Limited
Maybank Singapore Limited

## SHARE REGISTRAR

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

## AUDITOR

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

## PARTNER-IN-CHARGE

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

**Corporate Governance Statement**

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

This report describes the Group's corporate governance practices and structures for the financial year ended 31 December 2022 ("**FY2022**") with specific reference made to the principles and provisions of the Code of Corporate Governance 2018 (the "**Code**").

The Board is pleased to report that the Group has complied in most materials aspects with the principles and provisions set out in the Code, save for deviations or areas of non-compliance which appropriate explanations are provided.

## (A) BOARD MATTERS

The Board as at the date of this Annual Report comprises:

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

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

### THE BOARD'S CONDUCT OF ITS AFFAIRS

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

**Directors' Fiduciary Duties and Conflicts of Interest (Provision 1.1)**

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

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

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

The Board objectively discharges its duties and responsibilities at all times and makes decisions in the interests of the Group and holds Management accountable for the overall performance for long-term success of the Group.

**Delegation of Authority by the Board to its Board Committees (Provision 1.4)**

To assist in the execution of its responsibilities, the Board has established and delegated certain functions to its various sub-committees, namely, the Audit Committee ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**") (collectively known as the "**Board Committees**"). Each Board Committee is chaired by an Independent Non-Executive Director ("**INED**") and all of the members are INEDs.

Specific written terms of reference ("**TOR**") setting out the compositions, authorities and duties of the Board Committees, which have been approved by the Board, are reviewed on a regular basis to ensure their continued relevance. The TOR in relation to the responsibilities and functions of the Directors in each Board Committee is provided in this Report.

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

In year 2018, a Sustainability Steering Team ("**SST**") was set up within the Group with members from senior management and across all business units. The SST conducts materiality assessment to identify the ESG factors which are significant and contribute to the Group's performance, business activities and its stakeholders. Since then, the Group has been setting performance indicators and monitoring processes are in place. The Sustainability Report for FY2022 is included as a part of the Annual Report.

**Board Reserved Matters (Provision 1.3)**

The Company has adopted a set of internal guidelines on matters which require Board's approval. Matters which are specifically reserved for the Board's decisions including but not limited to, the appointment of Directors, the Company Secretary and the Sponsor, as well as major transactions such as, inter alia, capital funding, acquisitions and disposals of assets and the release of the Group's financial results announcements.

Management understands that these matters require the Board's approval. The Board will review these internal guidelines on a periodic basis to ensure their relevance to the operations of the Group. Below the Board level, there is appropriate delegation of authority and approval sub-limits at Management level, to facilitate operational efficiency.

The Board is obliged to exercise reasonable due diligence and independent judgement when making decisions. It sets appropriate tone-from-the-top and desired organisational culture and ensures proper accountability within the Group. All Directors are required to avoid situations where their own personal or business interests may conflict or appear to conflict with the interests of the Company. Where a Director has a conflict of interest, or it appears that the Director might have a conflict of interest in relation to any matter, the Director must immediately declare personal or business interest to the Board with details of personal or business interest in the matter and the actual or potential conflict, and the Director shall recuse from participating in any discussion or decision on the matter.

**Directors' Orientation, Induction, Training and Development (Provision 1.2)**

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

The Company conducts orientation programme for new Directors. Newly appointed Directors will be briefed by Management to familiarise themselves with the Group's business and governance policies and practices. The orientation programme aims to provide new Directors with an understanding of the Group's businesses to enable them to assimilate into their new roles and to get acquainted with Management, thereby facilitating Board interaction and independent access to Management. Training on areas such as accounting, legal and industry-specific knowledge would be provided for first time Directors as appropriate and where necessary.

The Company also ensures that any newly appointed Director who does not have prior experience or is not familiar with the duties and obligations required of a Director of a listed company in Singapore, will undergo mandatory training pursuant to Rule 406(3)(a) of the Listing Manual – Section B: Rules of Catalist ("**Catalist Rules**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") in the roles and responsibilities of a listed company Director. There was no new Director appointed during FY2022 and up to the date of this Report.

To keep abreast with developments in the financial, legal and accounting sectors and to ensure that the Directors are kept informed of relevant new laws, regulations and changing commercial risks, the Company encourages its Directors to attend relevant instructional or training courses at the Company's expense. In particular, the Board is regularly kept informed and updated on courses and seminars offered by the SID which are relevant to the training and professional development of the Directors.

The Directors are also briefed on the new requirements of the SGX-ST, Companies Act and other regulatory requirements from time to time by the Company Secretary, the auditors and the Sponsor. In FY2022, all Directors attended the mandated sustainability training.

A training register is maintained by the Company with respect to the courses/seminars attended by each Director.

**Board and Board Committees Meetings and Attendance (Provision 1.5)**

The Board and AC conduct regular scheduled meetings each year to review the financial results and holds additional or ad hoc meetings at such other times as is necessary to address significant matters that may arise. Each of the NC and RC conducts at least one scheduled meeting each year. The meetings are scheduled in advance to facilitate the individual Directors' planning in view of their on-going commitments. All agendas for meetings are reviewed by the Chairman of the Board and the Chairman of the respective Board Committees.

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

In lieu of physical meetings, Board decisions are also made via written resolutions circulated to the members for their approvals.

The number of Board and Board Committees meetings held in FY2022 and the attendance of Directors and Key Management Personnel ("**KMP**") during these meetings are as follows:

| | Board Meeting | Audit Committee Meeting | Nominating Committee Meeting | Remuneration Committee Meeting | General Meeting(s) |
|---|---|---|---|---|---|
| **Total held in 2022** [1] | 2 | 2 | 1 | 1 | 1 |
| **No. of meetings attended by Directors** | | | | | |
| Andy Luong | 2 | 2 [2] | 1 [2] | 1 [2] | 1 |
| Zee Hoong Huay | 2 | 2 [2] | 1 [2] | 1 [2] | 1 |
| Wong Gang | 2 | 2 | 1 | 1 | 1 |
| Kong Chee Keong | 2 | 2 | 1 | 1 | 1 |
| Lee Sook Wai, Irene | 2 | 2 | 1 | 1 | 1 |
| **No. of meetings attended by KMP** | | | | | |
| Pang Su Chun | 2 [2] | 2 [2] | 1 [2] | 1 [2] | 1 |
| Darren Zee Yu Liang | 2 [2] | 2 [2] | 1 [2] | 1 [2] | 1 |

(1) Number of meetings held/attended during the financial year/period from 1 January 2022 (or from date of appointment/resignation of Director, where applicable) to 31 December 2022.
(2) By invitation.

**Board Access to Information (Provision 1.6)**

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

Management is invited to attend the meetings to present information and/or render clarification when required. Directors may request for explanations, briefings by or discussions with Management on any aspect of the Group's operations or business. When circumstances require, Board members exchange views outside the formal environment of Board meetings.

**Access to Management, the Company Secretary and Professional Advice (Provision 1.7)**

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

The Directors have separate and independent access to Management, including the Chief Executive Officer ("**CEO**"), the Group Financial Controller ("**GFC**") and other KMP, the Company Secretary as well as the Group's internal and external auditors, at all times.

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

**BOARD COMPOSITION AND GUIDANCE**

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

**Independent Directors and Non-Executive Directors Comprise a Majority of the Board (Provisions 2.1 to 2.3)**

The Board currently comprises five (5) members, of whom one (1) is Executive Chairman and CEO, one (1) is Executive Director ("**ED**") and three (3) are INEDs. The INEDs make up a majority of the Board.

The Board assesses the independence of INEDs in accordance with the requirements of the Code to ensure that the Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Group.

Under the Code, an Independent Director is one who is independent in conduct, character and judgement, and has no relationship with the Company, its related companies, its shareholder who hold 5.0% or more of the voting shares (the "**Substantial Shareholders**"), or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Group.

All Directors are required to disclose any relationships or appointments which would impair their independence to the Board as and when the need arises. The NC had reviewed the independence of each INED and determined that these Directors are independent. The NC and the Board are of the view that the INEDs of the Company are independent in character and judgement and that there are no relationships which are likely to affect or could appear to affect the Director's judgement in the course of discharging his/her fiduciary duties. No individual or small group of individuals dominates the Board's decision-making.

In accordance with Rule 406(3)(d)(iv) of the Catalist Rules which came into effect on 1 January 2022, a Director who has been a Director for an aggregate period of more than nine years (whether commencing before or after listing) is deemed non-independent if his/her continued appointment as an Independent Director has not been sought and approved in separate resolutions by (a) all shareholders; and (b) all shareholders, excluding shareholders who also serve as the Directors or the Chief Executive Officer of the Company, and associates of such Directors and Chief Executive Officers ("**Two-Tier Voting**") such resolutions to remain in force until the earlier of retirement or resignation of the above Directors; or the conclusion of the third Annual General Meeting ("**AGM**") of the Company following the passing of the resolution.

At the AGM held on 22 April 2021, Mr. Wong Gang, who has served on Board beyond nine years from the date of his first appointments, has been re-appointed as Independent Director via the Two-Tier Voting in separate resolutions. Following SGX removal of the Two-Tier Voting mechanism on 11 January 2023, Mr. Wong Gang will continue to be deemed independent until the conclusion of the Company's AGM held for the financial year ending 31 December 2023.

The NC (with Mr. Wong Gang abstaining from deliberation) and the Board have perform a particularly rigorous review to assess the independence of Mr. Wong Gang, who has served the Company for a period exceeding nine years, using a holistic approach and taking into account his contributions in terms of experience, expertise, professionalism, integrity, objectivity and independent judgement in their engagement with all relevant parties, rather than solely and arbitrarily on basis of length of service alone.

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

**Board Composition, Size and Diversity (Provision 2.4)**

The NC reviews the size and composition of the Board and Board Committees on an annual basis to ensure its appropriateness in facilitating robust engagement and effective decision-making under the Group's current scope and nature of operations and business requirements.

Board Diversity

To promote diversity of the Board, the Company has adopted a Board Diversity Policy in February 2020, which sets out the approach to achieve diversity in the Company's Board. The Company recognises and embraces the importance and benefits of having a diverse Board to enhance the quality of its performance. It is accordingly committed to promoting diversity of the Board.

The Company's Board Diversity Policy has considered a number of aspects, including but not limited to:

(a) age;
(b) cultural background;
(c) educational background;
(d) ethnicity;
(e) expertise and experience;
(f) nationality;
(g) gender;
(h) geographical background;
(i) skills;
(j) knowledge;
(k) length of service; and
(l) independence (if applicable)

These aspects will be considered in determining the optimum composition of the Board.

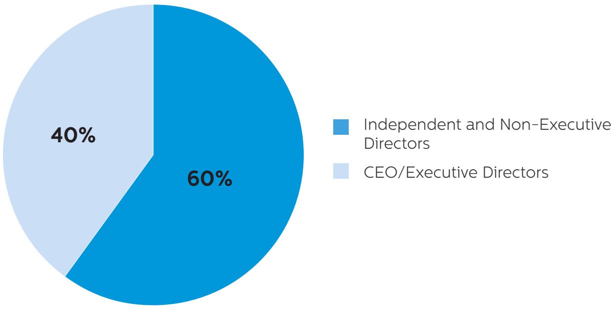
Guided by the Company's Board Diversity Policy, the NC is cognisant of achieving an appropriately balanced mix of talent on the Board, comprising Directors with diverse but complimentary backgrounds and experiences. Selection of candidates will be based on a range of diversity perspectives as mentioned above. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Board Composition

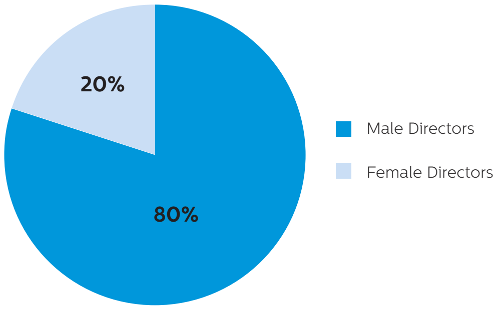
The Board comprises business leaders and professionals with financial, legal and business management background. The Board, as a whole, has an appropriate balance and mix of skills with the necessary core competencies such as accounting or finance, business or management experience and industry knowledge, strategic planning experience and customer-based experience or knowledge, as well as other aspects of diversity such as gender diversity. This allows the Board to foster constructive debate and avoid groupthink. The Company does not have any alternate Directors.

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

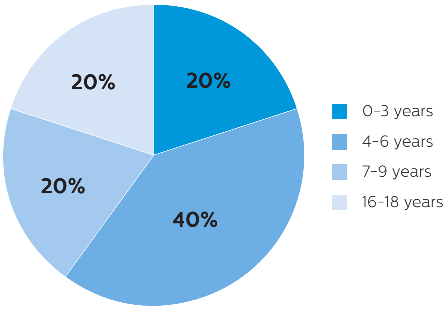
**Independence**



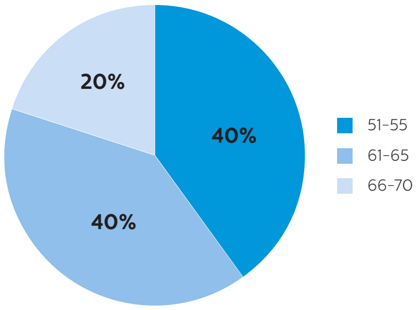

**Gender Diversity**




**Length of Service**




**Age of Directors**




As part of its continuous effort in promoting diversity of the Board, the NC will review the need for setting targets for board diversity.

**Meeting of Independent Non-Executive Directors without Management (Provision 2.5)**

Although all the Directors have an equal responsibility for the Group's operations, the role of INEDs are particularly important in ensuring that the strategies proposed by Management are constructively challenged from an objective perspective, and at the same time take into account any constructive suggestions that will shape the Company's policies. The INEDs also aid in the review of Management's performance and monitor Management's reporting framework.

The INEDs, led by the Lead Independent Non-Executive Director ("**LID**"), Mr. Wong Gang meet on a need basis without the presence of Management, in order to facilitate a more effective check on Management. The LID would provide feedback to the Executive Chairman after such meetings.

**CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

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

**Chairman and Chief Executive Officer (Provision 3.1)**

The position of Chairman and CEO are currently held by Mr. Andy Luong. Although this is a deviation from the recommendation of the Code, the Board believes that vesting the roles of both Chairman and CEO on the same person who is knowledgeable in the business of the Group provides the Group with strong and consistent leadership and allows for more effective planning and execution of long-term business strategies.

Despite the roles and responsibilities for the Executive Chairman and CEO are vested in Mr. Andy Luong, all major decisions are made by the Executive Chairman cum CEO were in consultation with the Board which comprises a majority of INEDs. The Board is of the view that there are adequate measures in place against any uneven concentration of power and authority in one individual.

**Roles of Chairman and CEO (Provision 3.2)**

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

**Appointment of Lead Independent Director (Provision 3.3)**

Mr. Wong Gang is the LID and is available to shareholders, where they have concerns and issues that unable to be appropriately dealt with by the Chairman cum CEO or the GFC. Shareholders may contact the LID at wong_gang@jep-holdings.com when they have concerns, and for which contact through normal channels with the Chairman and Management are inappropriate and inadequate.

**BOARD MEMBERSHIP**

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

**Composition of the Nominating Committee (Provision 4.2)**

The NC comprises the following three (3) INEDs. The LID, Mr Wong Gang, is a member of the NC.

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

**Role and Responsibilities of the Nominating Committee (Provision 4.1)**

The NC's principal responsibilities in accordance with its TOR are as follows:

- establish a formal and transparent process for appointments and re-appointments to the Board;
- identify and nominate candidates for appointment or election to the Board, determining whether or not such nominee has the requisite qualifications and whether or not he/she is independent;
- review the Board effectiveness, structure, size and composition and make recommendations to the Board with regards to any adjustments that are deemed necessary;
- review the Board's succession plans, in particular, succession plans for Executive Chairman and CEO and KMP;
- recommend training needs and professional development programmes for Directors;

- determine annually, whether a Director is independent in accordance with the guidelines set out in the Code;
- recommend Directors who are retiring by rotation to be put forward for re-election;
- review whether a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations; and
- develop a process for evaluation of the effectiveness of the Board and Board Committees.

**Determining Directors' Independence (Provision 4.4)**

The NC is also responsible for determining annually, and as and when circumstances arises, the independence of Directors. On an annual basis, each INED is required to complete a declaration of independence based on the provisions in the Code and the Catalist Rules, for the NC's review. The NC takes into account the principles and guidelines set out in the Code and the Catalist Rules and assessed the independence of Directors based on the following considerations:

(i) whether the Director has a relationship with the Company or its related corporations, Substantial Shareholders or its officers that could interfere, or be reasonably perceived to interfere with the exercise of his/her independent judgement in the best interests of the Company;

(ii) whether the Director is or has been employed by the Company or any of its related corporations in the current or immediate past three financial years;

(iii) whether the Director has an immediate family member who is or has been employed by the Company or any of its related corporations in the current or any of the past three financial years, and whose remuneration is or was determined by the RC;

(iv) whether the Director or his/her immediate family member has, in the current or immediate past financial year, provided to or received from the Company or any of its subsidiaries any significant payments or material services, other than compensation for Board service;

(v) whether the Director or a Director whose immediate family member, in the current or immediate past financial year, is or was, a Substantial Shareholder or a partner in (with 5% or more stake), or an executive officer of, or a Director of, any organisation which provided to or received from the Company or any of its subsidiaries any significant payments or material services;

(vi) whether the Director has been a Director on the Board for an aggregate period of more than nine years; and

(vii) any other applicable circumstances.

The NC has reviewed and ascertained that Mr. Wong Gang, Ms. Lee Sook Wai, Irene and Mr. Kong Chee Keong continue to remain independent having considered their confirmation that they do not have any relationship with the Company, its related companies, Substantial Shareholders, or officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement with a view to the best interests of the Company and Group, and the other considerations set out above.

**Directors' Time Commitments and Multiple Directorships (Provision 4.5)**

The NC monitors and determines annually whether Directors who have multiple board representations and principal commitments, give sufficient time and attention to the affairs of the Company and adequately carry out his/her duties as a Director of the Company. The NC takes into account the attendance and participation of the Directors at meetings for FY2022 and the guidance provided to Management.

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

**Selection, Appointment and Re-appointment of Directors (Provision 4.3)**

The process for selection and appointment of new Directors will be led by the NC in the following order:

(i) determining the desirable competencies for the appointment, and after consultation with Management;

(ii) assessing the suitability of the candidates and conducting an open dialogue to ensure that each candidate is aware of the role and obligations; and

(iii) submitting a final shortlist for recommendation to the Board.

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

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

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

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

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

<u>Re-appointment of Directors</u>

The Constitution provides that at least one-third of the Board shall retire by rotation at every Annual General Meeting ("**AGM**"), and in accordance with the SGX-ST Catalist Rules, all Directors will be required to submit themselves for re-nomination and re-election on a rotational basis and at least once every three (3) years. All new Directors appointed by the Board during the year shall hold office until the next AGM and are eligible for re-election at the said AGM.

Mr. Andy Luong and Mr. Wong Gang will be retiring as Directors of the Company at the forthcoming AGM pursuant to Article 91 of the Constitution of the Company and being eligible, have consented to be re-elected as Directors of the Company. The NC, with the concurrence of the Board, had considered the Directors' overall contribution and performance and had recommended/nominated Mr. Andy Luong and Mr. Wong Gang for re-election at the forthcoming AGM.

## BOARD PERFORMANCE

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

**Assessing the effectiveness of the Board, Board Committees and Individual Directors (Provisions 5.1 and 5.2)**

Based on the recommendations of the NC, the Board has established processes and objective performance criteria for evaluating the effectiveness of the Board as a whole and its Board Committees as well as assessing performance of the Chairman and each Director in his/her contribution to the effectiveness of the Board. This is carried out on an annual basis.

Assessment and evaluation forms designed as a questionnaire have been developed and adopted for the process to determine the strengths and capabilities of the Board and the Board Committees. The forms were completed by the Directors and were then collated and presented to the NC as a summary report.

Following the evaluation exercise for FY2022 completed by five (5) Directors, the NC is satisfied that the Board and its Board Committees are performing effectively and have met their respective performance objectives. All NC members have abstained from the voting and review of any matter in connection with the assessment of his performance. No external facilitator was engaged for the evaluation exercise.

Board and Board Committees Evaluation Criteria

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

- Attendance
- Board size and composition of the Board
- Board independence
- Board processes
- Board information and accountability
- Participation in constructive discussions and communication
- Board performance in discharging principal functions
- Board Committee performance
- Board time commitment
- Board diversity
- Overall contribution

The NC has recommended the adoption of separate evaluation form for individual Director and the Board has accepted the NC's recommendation for the individual Director's evaluation to be conducted for the financial year ending 31 December 2023.

## (B) REMUNERATION MATTERS

### PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

**Composition of the Remuneration Committee (Provision 6.2)**

The RC comprises the following three (3) INEDs:

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

**Role and Responsibilities of the Remuneration Committee (Provision 6.1)**

The RC is responsible for review and recommend to the Board, a framework of remuneration for the Board and KMP, and to determining the specified remuneration packages and terms of employment for each Director and KMP to ensure that the remuneration packages are fair, competitive and sufficient to attract, retain and motivate senior management of the required quality to run the Company successfully.

The RC's principal responsibilities in accordance with its TOR are as follows:

- review and recommend to the Board a framework of remuneration and to determine the specific remuneration packages and terms of employment for each of the EDs and KMP of the Group including those employees related to the EDs and controlling shareholders of the Group;
- review and ensure that all aspects of remuneration including Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind;
- review and ensure the remuneration packages are comparable within the industry and comparable companies and it should include a performance-related element coupled with appropriate and meaningful measures of assessing the performance of EDs and KMP. A significant proportion of remuneration for the EDs should be structured so as to link rewards to corporate and individual performance; and
- review and ensure the remuneration packages of employees related to EDs and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility.

**Remuneration Framework (Provision 6.3)**

There is a formal and transparent process for developing executive remuneration and determining the remuneration packages of individual Directors. No Director is involved in deciding his own remuneration.

The RC reviews all matters concerning remuneration, including the reasonableness of the contracts of service of Executive Directors and Key Management Personnel to ensure that their compensation commensurate with the responsibilities and risks involved in being a Director and that their remuneration packages are comparable within the industry and include a performance related element with appropriate and meaningful measures of assessing performance.

The RC also reviews the Company's obligations, if any, arising in the event of termination of the EDs' and/or KMP's contract of services to ensure that the termination clauses contained in the contracts of service for EDs and/or KMP are fair and reasonable and not overly generous. The RC aims to be fair and avoid rewarding poor performance.

**RC access to Expert Professional Advice (Provision 6.4)**

The RC has full authority to engage any external professional advisors, as and when the need arises, on matters relating to remuneration and the cost of such engagement shall be borne by the Company. In FY2022, no remuneration consultant is engaged by the Company.

**LEVEL AND MIX OF REMUNERATION**

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

The remuneration policy of the Company is designed to align the interests of EDs and KMP with those of shareholders and stakeholders, and promotes long-term success of the Group. The policy seeks to attract, retain and motivate the Directors to provide good stewardship of the Company and KMP with competitive remuneration packages based on the scope of responsibilities, prevailing market conditions and comparable industry benchmarks.

**Remuneration of Executive Directors and Key Management Personnel (Provisions 7.1 and 7.3)**

In determining remuneration packages, the RC takes into consideration the Code's principles and provisions on the level and mix of remuneration and ensures that a significant and appropriate proportion of the remuneration is linked to the individual's and the Group's performance. The Company has formulated a remuneration policy that sets a base salary as a fixed component of the remuneration and a variable bonus linked to the performance of the Company and the employees.

Annual review of the remuneration including the variable bonus of EDs and KMP are conducted by the RC to ensure that the remuneration commensurates with the performance of each employee, taking into account the respective key performance indicators and the Group's financial results and risk policies. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promote the long-term success of the Group.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from EDs and KMP in exceptional circumstances of misstatement of financial results or misconduct resulting in financial loss to the Company. The Company will avail itself of legal processes for recovery against the employees. As EDs owe a fiduciary duty to the Company, the Company may avail itself of legal remedies in the event of such breach of fiduciary duties.

Based on the Remuneration Framework, the service contract for EDs and KMP comprises a fixed component (in the form of basic salary, fixed allowance and other benefits-in-kind) and variable components (in the form of annual performance bonus) which is based on the Group's and individual performance. The service contracts of EDs and KMP provide for a fixed appointment period, after which they are subject to renewal.

**Remuneration of Independent Directors or Non-Executive Directors (Provisions 7.2)**

The INEDs do not have any service agreements with the Company. Each INED was issued a letter of appointment. Save for Directors' fees, which have to be approved by the shareholders at every AGM, the INEDs do not receive any other remuneration from the Company. The RC has recommended a fixed fee for the efforts and responsibilities of and the time spent by each INED serving on the Board and Board Committees.

The RC has recommended to the Board Directors' fees of up to S$200,000 for the financial year ending 31 December 2023, to be paid half yearly in arrears. No Director or member of the RC is involved in deciding his/her own remuneration.

**DISCLOSURE ON REMUNERATION**

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

**Disclosure of the Remuneration of Directors and Key Management Personnel (Provisions 8.1 and 8.3)**

The remuneration of Directors and KMP of the Company for FY2022 are set out below:

| Name | Fees[1] | Salary[2] | Bonus[2] | Others[3] | Total |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| **S$1,000,000 – S$1,249,999** | | | | | |
| Mr. Andy Luong | – | 262,200 | 658,454 | 80,734 | 1,001,388 |
| **S$250,000 – S$499,999** | | | | | |
| Mr. Zee Hoong Huay | – | 63% | 27% | 10% | 100% |
| **Below S$250,000** | | | | | |
| Mr. Wong Gang | 55,000 | – | – | – | 55,000 |
| Mr. Kong Chee Keong | 55,000 | – | – | – | 55,000 |
| Ms. Lee Sook Wai, Irene | 55,000 | – | – | – | 55,000 |
| **Key Management Personnel** | | | | | |
| **S$250,000 – S$499,999** | | | | | |
| Mr. Darren Zee Yu Liang | – | 45% | 43% | 12% | 100% |
| Mr. Eddie Goh Kuan Teck | – | 55% | 40% | 5% | 100% |
| Ms. Pang Su Chun | – | 51% | 45% | 4% | 100% |

**Notes:**

(1) These fees were approved by shareholders at the last AGM held on 26 April 2022.
(2) Salaries and bonuses include employer contributions to the Central Provident Fund. Bonuses also include performance related incentives.
(3) Allowances and fringe benefits (included benefits-in-kind).

Notwithstanding Provision 8.1 of the Code, there was only three (3) KMP (who are not Directors or the CEO) during FY2022. The Board is of the view that it is in the interests of the Company not to disclose the absolute number, the remuneration breakdown of the Executive Director, Mr. Zee Hoong Huay and the amount of the remuneration paid to the three (3) KMP (who are not Directors or the CEO) in this report due to the sensitive and confidential nature of such information and disadvantages that this might bring.

Taking into account the disclosure of the exact fees for the Chairman and CEO as well as INEDs, and the remuneration policies, composition of remuneration and performance metrics which go towards determination of the total remuneration packages of the CEO and KMP, the Board has determined that there is sufficient transparency and information on the remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation consistent with the intent of Principle 8 of the Code.

There are no termination, retirement and post-employment benefits granted to Directors, the CEO and KMP in FY2022.

**Disclosure of the Remuneration of Employees who are Substantial Shareholders of the Company, Immediate Family Members of a Director, the CEO or a Substantial Shareholder of the Company (Provision 8.2)**

The table below shows annual remuneration (in incremental bands of S$100,000) of employees who are immediate family members of a Director, the CEO or a Substantial Shareholder, and whose remuneration exceeds S$100,000 during FY2022:

| Remuneration Band & Name of Executive |
|---|
| **S$350,000 – S$449,999** |
| Mr. Darren Zee Yu Liang * |

* Son of Mr. Zee Hoong Huay, Executive Director of the Company.

<u>Long-term Incentive Scheme</u>

The Company does not have any share option or long-term incentive scheme in place.

## (C) ACCOUNTABILITY AND AUDIT

### RISK MANAGEMENT AND INTERNAL CONTROLS

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

**Design, Implementation and Monitoring of Risk Management and Internal Control Systems and Written Assurances on Their Adequacy and Effectiveness (Provisions 9.1 and 9.2)**

<u>Separate Risk Committee</u>

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

Risk management and internal control systems

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

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

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

Adequacy and effectiveness

In FY2022, the internal auditors conduct annual reviews of the adequacy and effectiveness of the Group's key internal controls, including financial, operational, compliance and informational technology controls and risk management systems. Any material non-compliances or lapses in internal controls and recommendation for improvement are reported to the AC. All required corrective and preventive measures, and steps for improvement are closely monitored. Additionally, in performing their audit of the financial statements, the external auditors perform a review of the adequacy and effectiveness of the Group's key internal controls to the extent of their scope as laid out in their audit plan. Significant non-compliance and internal control weaknesses noted during the audit are reported to the AC together with the recommendations of the external auditors.

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

For FY2022, the Board had received assurance from the CEO, Executive Director and the GFC (who performs the role of a Chief Financial Officer) that:

(i) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

(ii) the Group's risk management and internal control systems are adequate and effective.

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

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

## AUDIT COMMITTEE

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

**Composition of the Audit Committee (Provision 10.2)**

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

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

**Former Partner or Director of the Company's Existing Auditing Firm (Provision 10.3)**

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

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

**Roles and Responsibilities of the Audit Committee (Provision 10.1)**

The principal responsibilities of the AC in accordance with its TOR are:

(a) review the external auditors' audit plan, audit report, management letter and Management's response;

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

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

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

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

(f) review the assistance given by Management to external auditors;

(g) review and evaluate the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls;

(h) review the effectiveness of the Company's internal audit function;

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

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

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

(l) review interested person transactions falling within the scope of the Catalist Rules;

(m) undertake such other reviews and projects as may be requested by the Board;

(n) review the assurance from the Executive Directors and the GFC on the financial records and financial statements; and

(o) consider the appointment/re-appointment of external auditors, the audit fee and matters relating to the resignation or dismissal of auditors.

Authority of the AC

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

The AC also has explicit authority to investigate any matter within its terms of reference, full access to and cooperation by Management and full discretion to invite any Director to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

Financial Matters

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

| **Significant matters** | **How the AC reviewed these matters and what decision were made** |
|---|---|
| Impairment review of goodwill | The AC considered the approach and methodology applied to the valuation model in goodwill impairment assessment. It reviewed the reasonableness of cash flow forecasts, the terminal growth rate, budgeted gross margins and discount rate.<br><br>The impairment review was also an area of focus of the external auditors. The external auditors has included this item as a key audit matter in its audit report for FY2022. |
| Valuation of Inventories | The AC considered the approach and assessment applied in determining the allowance for inventory obsolescence and the net realisable value of the inventories.<br><br>The assessment of the carrying amount of inventories was also an area of focus of the external auditors. The external auditors has included this item as a key audit matter in its audit report for FY2022. |

Interested Person Transactions ("**IPTs**")

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

The Company obtained its shareholders' mandate for IPTs between the Group and UMS Holdings Limited and its subsidiaries ("**UMS Group**") at the AGM held on 26 April 2022.

In line with Chapter 9 of the Catalist Rules, the aggregated value of transactions entered into by the Group with interested persons namely, UMS Group in FY2022 as shown in the table below, the aggregate value of all IPTs during the period was approximately 24.6% of the Group's audited net tangible assets as at 31 December 2021.

| Name of interested person | Nature of relationship | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to rule 920) | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to rule 920 (excluding transactions less than S$100,000) |
|---|---|---|---|
| | | 31 December 2022 | 31 December 2022 |
| UMS Holdings Limited & its subsidiaries | Controlling shareholder of the Company | S$184,342 | S$13,709,542 |

Material Contracts

Save for the IPTs disclosed above, the AC is satisfied that there were no material contracts of the Company and its subsidiaries involving the interest of the Executive Chairman or any Director or controlling shareholder subsisted at the end of the financial year or had been entered into since the end of the previous financial year. In the event that a member of the AC is involved in any IPTs, he/she will abstain from reviewing that particular transaction.

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

External Auditors

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

In assessing independence of external auditors, the AC reviewed the fees and expenses paid to the external auditors, including fees paid for non-audit services during the year. There were no non-audit services rendered by the external auditors for FY2022. The AC is of the opinion that the external auditors is independent and was adequate and effective in performing its audit.

| | S$'000 | % of fees |
|---|---|---|
| Audit fees | 112 | 100 |
| Non-audit fees | – | – |
| Total fees | 112 | 100 |

The Group has also complied with Rules 712 and 715 of the Catalist Rules in relation to the engagement of its external auditors. The AC has recommended to the Board the re-appointment of Moore Stephens LLP as its external auditor at the forthcoming AGM.

**Internal Audit (Provision 10.4)**

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

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

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

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

**Meeting with EA and IA (Provision 10.5)**

The AC has met with internal and external auditors without the presence of Management once during FY2022 to review various audit matters, including reviewing the audit plans, and evaluating the internal accounting controls, the audit reports, and the assistance given by Management to the internal and external auditors.

Whistleblowing Policy

The Company has a Whistleblowing Policy, reviewed and endorsed by the AC, whereby the employees can, in confidence, raise concerns relating to financial reporting, unethical or improper conduct to the AC for investigation. The LID will lead in all queries as may be raised by the staff of the Company.

The Whistleblowing Policy provides well-defined and accessible channels in the Group through which employees may raise concerns about improper conduct within the Group directly to the AC Chairman, as appropriate, without fear of reprisals. The Whistleblowing Policy serves to encourage and provide a channel where employees of the Company may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters.

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

No whistleblowing report was received during the year and until the date of this report.

## (D) SHAREHOLDER RIGHTS AND ENGAGEMENT

### SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

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

**Conduct of Shareholders' Meetings (Provision 11.1)**

All shareholders are encouraged to attend the Company's general meetings to ensure a high level of accountability and to stay informed of the Company's strategy and goals. Shareholders are informed of general meetings through notices, through reports or circulars released via SGXNet. At general meetings, shareholders are given the opportunity to participate effectively and vote, where relevant rules and procedures governing such meetings, such as voting procedure, are clearly communicated prior to the start of the meeting.

The Company is in full support of shareholder participation at general meetings. The Constitution allows a shareholder to appoint not more than two (2) proxies to attend and vote at general meetings. For those who hold their shares through nominee or custodial services, they are allowed, upon prior request through their nominee, to attend the general meetings as observers without being constrained by the two-proxy rule.

The Company allows corporations which provide nominee or custodial services to appoint more than two (2) proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.

**Absentia Voting (Provision 11.4)**

The Company is not implementing absentia voting methods (such as voting via mail, email or fax) until issues such as the authentication of shareholder identity and other related security and integrity of such information can be resolved. Notwithstanding the foregoing, the Company's Constitution allows the shareholder to appoint proxies to attend and vote on behalf of him/her/it, if he/she/it is unable to attend the general meetings.

**Separate Resolutions at General Meetings on Each Substantially Separate Issue (Provision 11.2)**

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

**Attendance at General Meetings (Provision 11.3)**

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

All resolutions at general meetings are voted on by poll so as to better reflect shareholders' shareholding interests and ensure greater transparency. Shareholders are briefed by the appointed polling agent on the poll voting procedures at the general meetings. The appointed scrutineer will ensure that the poll process is properly carried out and the counting of the votes is verified by the scrutineer. The poll voting results of all votes cast for, or against, or abstain, each resolution and the respective percentages are announced at the meeting and via SGXNet upon the conclusion of the general meetings.

As permitted under the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, the Company will be conducting the AGM for FY2022 via electronic means. As per the Regulator's Column dated 23 May 2022, general meetings which are conducted virtually on or after 1 October 2022, will need to provide both (i) real-time electronic voting and (ii) real-time electronic communication.

Please refer to the notice of the AGM dated 3 April 2023 for information relating to arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream, submission of questions in advance of the meeting, addressing of substantial and relevant questions at, or prior to, the meeting, voting by appointing proxy(ies) and on-line voting.

**Minutes of General Meetings (Provision 11.5)**

Substantial and relevant comments or queries from shareholders relating to the agenda of the AGM together with responses from the Board and the Management will be prepared by the Company. The minutes of AGM which capture the attendance of Board members at the meeting, matters approved by shareholders and voting results will be prepared by the Company.

The minutes of the AGM for FY2022 will be released to the SGX-ST within one (1) month from the date of AGM and shall be made available on the Company's website.

**Dividend Policy (Provision 11.6)**

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

**ENGAGEMENT WITH SHAREHOLDERS**

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

**Communication with Shareholders (Provision 12.1)**

The Company upholds the best practices of transparency and accountability to its shareholders. The Board ensures that all shareholders are treated fairly and equitably and the rights of all investors including non-controlling shareholders are safeguarded and protected.

The Company does not practice selective disclosure. In line with the continuous disclosure obligations of the Company and in accordance with the Catalist Rules and the Companies Act, the Board adopts a policy whereby shareholders will be informed of all major developments of the Company.

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

**Investor Relations Policy (Provisions 12.2 and 12.3)**

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

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

If the need arises, the Company may organise media/analyst briefings to enable a better appreciation of the Group's performance and developments, which will also act as platforms to solicit and understand the views of shareholders and investors. There were two (2) sessions of analyst briefings held for FY2022.

## (E) MANAGING STAKEHOLDERS RELATIONSHIPS

### ENGAGEMENT WITH STAKEHOLDERS

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

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

**Material Stakeholder Groups (Provisions 13.1)**

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

Pursuant to Rule 711B(3) of the Catalist Rules and the Sustainability Guide under that Practice Note 7.6 of the Code, internal review has been conducted on the Company's sustainability reporting process to increase stakeholder confidence in the accuracy and reliability of the sustainability information disclosed.

**Management of Stakeholder Relationships (Provision 13.2)**

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

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

**Corporate Website to Communicate and Engage with Stakeholders (Provision 13.3)**

The Company maintains a corporate website www.jep-holdings.com to communicate and engage with stakeholders. Stakeholders may contact the Company through '**Contact Us**' in the Company's corporate website.

# CORPORATE GOVERNANCE

**Additional Information Required by the Singapore Exchange Securities Trading Limited**

## 1. DEALINGS IN SECURITIES

In compliance with Rule 1204(19) of the Catalist Rules, the Company imposes a trading embargo on its Directors and employees of the Company from trading in its securities for the period of one (1) month prior to the announcement of the half-year and full-year financial results, or when they are in possession of unpublished material price-sensitive information.

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

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

## 2. NON-SPONSORSHIP FEES

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

## 3. CODE OF CONDUCT AND ETHICS

All employees of the Group are required to observe and maintain high standard of integrity, as well as to comply with laws, regulations and the Group's policies. The Group's internal policies set out the standards of ethical conduct which covers all aspects of the business operation of the Group such as work ethics, personal conflicts of interest, and confidentiality of information, related party transactions, gifts and dealings in the Company's securities.

## 4. ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

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

| **Details** | **Name of Directors** | |
|---|---|---|
| | **Mr. Andy Luong** | **Mr. Wong Gang** |
| Date of appointment | 22 February 2018 | 1 November 2006 |
| Date of last re-appointment | 22 June 2020 | 22 April 2021 |
| Age | 63 | 53 |
| Country of principal residence | Singapore | Singapore |
| The Board's comments on the re-appointment (including rationale, selection criteria, and the search and nomination process) | Based on the recommendation of the NC, the Board (save for Mr. Andy Luong who abstained from deliberating his own re-election) propose to the Company's shareholders to approve the re-election of Mr. Andy Luong as a Director of the Company. | Based on the recommendation of the NC, the Board (save for Mr. Wong Gang who abstained from deliberating his own re-election) propose to the Company's shareholders to approve the re-election of Mr. Wong Gang as an Independent Director of the Company. |

| Details | Name of Directors | |
|---|---|---|
| | **Mr. Andy Luong** | **Mr. Wong Gang** |
| Whether the appointment is executive, and if so, the area of responsibility | Executive, responsible for overall management and operations of the Group, setting and executing the strategic directions and sustainable growth and development of the Group, including merger and acquisition opportunities. | Non-Executive |
| Job title (e.g. Lead ID, AC Chairman, AC Member etc.) | Executive Chairman and Chief Executive Officer | Lead Independent Director, Chairman of the Remuneration Committee and a member of the Nominating Committee and Audit Committee |
| Working experience and occupation(s) in the past 10 years | 2018 – present<br>JEP Holdings Ltd.<br>Executive Chairman and Chief Executive Officer<br><br>2005 – present<br>UMS Holdings Limited<br>Executive Chairman and Chief Executive Officer | 2002 – present<br>Shook Lin & Bok LLP<br>Partner |
| Shareholding interest in the listed issuer and its subsidiaries | 1,150,000 (direct interest)<br><br>305,037,436 (deemed to have an interest in the shares held by UMS Holdings Limited) | Nil |
| Any relationship (including immediate family relationships) with any existing director, existing executive director, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries | Executive Chairman and CEO of UMS Holdings Limited, Substantial Shareholder of the Company | Nil |
| Conflict of interest (including any competing business) | Nil | Nil |
| Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the Company | Yes | Yes |

| Details | Name of Directors | |
|---|---|---|
| | **Mr. Andy Luong** | **Mr. Wong Gang** |
| **Other Principal Commitments* Including Directorships#**<br><br>* "Principal Commitments" has the same meaning as defined in the Code.<br># These fields are not applicable for announcements of appointments pursuant to Catalist Rule 704(8) | | |
| Present | **Directorship:**<br><br>Listed companies<br>• JEP Holdings Ltd.<br>• UMS Holdings Limited<br><br>Non-listed companies<br>• JEP Precision Engineering Pte. Ltd.<br>• Dolphin Engineering Pte. Ltd.<br>• JEP Industrades Pte. Ltd.<br>• JEP Precision Engineering (M) Sdn. Bhd.<br>• UMS Systems Pte. Ltd.<br>• UMS International Pte. Ltd.<br>• UMS Pte. Ltd.<br>• UMS Solutions Pte. Ltd.<br>• UMS Aerospace Pte. Ltd.<br>• Integrated Manufacturing Technologies Pte. Ltd.<br>• Kalf Engineering Pte. Ltd.<br>• Starke Singapore Pte. Ltd.<br>• Starke Asia Sdn. Bhd.<br>• Ultimate Machining Solutions (M) Sdn. Bhd.<br>• Ultimate Manufacturing Solutions (M) Sdn. Bhd.<br>• 浙江凯富环境治理工程有限公司.<br>• Integrated Manufacturing Technologies Inc.<br>• Ultimate Mechanical System Sdn. Bhd.<br>• Allstar Manufacturing Sdn. Bhd.<br>• Universal Alloy Corporation Asia Pte. Ltd.<br>• Full City Investments Ltd. | **Directorship:**<br><br>Listed companies<br>• JEP Holdings Ltd. |
| Past (for the last 5 years) | **Directorship:**<br><br>Nil | **Directorship:**<br><br>Listed companies<br>• Renewable Energy Asia Group Ltd.<br>• Bowsprit Capital Corporation Ltd.<br>• Tianjin Zhongxin Pharmaceutical Group Corporation Ltd. |

<table>
<tr><th rowspan="2">Details</th><th colspan="2">Name of Directors</th></tr>
<tr><th>Mr. Andy Luong</th><th>Mr. Wong Gang</th></tr>
<tr><td colspan="3"><u>Information required</u><br><br>Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is “yes”, full details must be given.</td></tr>
<tr><td>(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?</td><td>No</td><td>No</td></tr>
<tr><td>(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?</td><td>No</td><td>No</td></tr>
<tr><td>(c) Whether there is any unsatisfied judgment against him?</td><td>No</td><td>No</td></tr>
</table>

| Details | Name of Directors | |
|---|---|---|
| | Mr. Andy Luong | Mr. Wong Gang |
| (d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? | No | No |
| (e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? | No | No |
| (f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? | No | No |

| Details | Name of Directors | |
|---|---|---|
| | Mr. Andy Luong | Mr. Wong Gang |
| (g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? | No | No |
| (h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? | No | No |
| (i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? | No | No |
| (j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:—<br><br>(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or<br><br>(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or | No | No |

| Details | Name of Directors | |
|---|---|---|
| | Mr. Andy Luong | Mr. Wong Gang |
| (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or<br><br>(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,<br><br>in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust? | | |
| (k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? | No | No |

| Details | Name of Directors | |
|---|---|---|
| | Mr. Andy Luong | Mr. Wong Gang |
| **Disclosure applicable to the appointment of Director only.** | | |
| Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience.<br><br>If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.<br><br>Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable). | N.A.<br>(as this is a re-election of Director) | N.A.<br>(as this is a re-election of Director) |

# FINANCIAL CONTENTS

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2022

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 2022.

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 2022, 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 1967 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 2022 | As at 31 December 2022 | As at 21 January 2023 | As at 1 January 2022 | As at 31 December 2022 | As at 21 January 2023 |
| **<u>The Company</u>** | | | | | | |
| Andy Luong | | | | | | |
| – Ordinary shares | 1,150,000 | 1,150,000 | 1,150,000 | 298,175,136 | 305,037,436 | 305,037,436 |
| Zee Hoong Huay | | | | | | |
| – Ordinary shares | 190,000 | 190,000 | 190,000 | – | – | – |

By virtue of Section 7 of the Singapore Companies Act 1967, Mr. Andy Luong is deemed to have an interest in the shares of the Company and in all the related companies of the Company.

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

## 4 Share Options

(a) Option to take up unissued shares

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

(b) Option exercised

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

(c) Unissued shares under option

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

## 5 Audit Committee

The Audit Committee compromises the following members:

| | |
|---|---|
| Kong Chee Keong | (Chairman and Independent Director) |
| Wong Gang | (Lead Independent Director) |
| Lee Sook Wai, Irene | (Independent Director) |

The Audit Committee performs the functions set out in Section 201B (5) of the Companies Act 1967, the Listing Manual of the Singapore Exchange and the Code of Corporate Governance. In performing those functions, the Audit Committee:

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

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

(iii) reviewed the half yearly financial information and the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2022 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 Securities Trading Limited ("SGX-ST").

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

**5 Audit Committee (cont'd)**

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

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

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

**6 Auditors**

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

On behalf of the Board of Directors

| | |
|---|---|
| ANDY LUONG | ZEE HOONG HUAY |

Singapore
15 March 2023

# INDEPENDENT AUDITORS' REPORT

To the Members of JEP Holdings Ltd.

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the accompanying financial statements of JEP Holdings Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

**Basis for Opinion**

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

**Key Audit Matters**

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

**Key Audit Matters (cont'd)**

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

**Impairment review of goodwill**

We refer to Note 2(i), Note 3(b) and Note 13(a) to the financial statements.

Goodwill arises from the Group's acquisition of Dolphin Engineering Pte Ltd ("DEPL"), JEP Precision Engineering Pte Ltd ("JEPS") and JEP Industrades Pte Ltd ("JEPI"). As of 31 December 2022, the carrying amount of the Group's goodwill is S$11,292,000.

The Group is required to perform an impairment test on goodwill of the cash-generating unit ("CGU") by comparing its carrying amount with its recoverable amount as at the current year end. The recoverable amount is determined based on value in use calculations which includes discounted cash flow projections of the CGU to which the goodwill is allocated to.

The impairment test involves significant judgement in determining the allocation of goodwill to the relevant CGU and in estimating the underlying assumptions to be applied in the discounted cash flow projections. The recoverable amounts are highly sensitive to key assumptions applied in respect of gross margin, the long-term growth rate and discount rate. A small change in the assumptions can have a significant impact to the estimation of the recoverable amounts.

Based on the impairment test performed by management, no impairment loss was recognised during the current financial year ended 31 December 2022.

</td><td>

**Our response**

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

- Conducted a detailed discussion with the Group's key management and finance key personnel and reviewed the impairment assessment process over the determination of the relevant cash-generating units and estimates for forecasted revenues, growth rates, profit margin, tax rates and discount rates.
- Challenged management's estimates applied in the value-in-use models based on our knowledge of the Group's business activities and trends, and compared them against historical forecasts and performance, management plans and industry benchmarks.
- Evaluated the Group's planned strategies around revenue growth and cost controls and the sensitivity analysis of the possible increase or decrease in the estimated growth rates and discount rates used in the value-in-use models.

**Our findings**

We concluded that the identification of cash-generating units was appropriate.

Based on the procedures performed, we found the estimated future cash flows and the rates used to be reasonable.

Based on our procedures, we noted that management's analysis and assessment, including sensitivity analysis, on the recoverability of goodwill can be supported.

Furthermore, we evaluated the adequacy of the Group's disclosures regarding the impairment testing of goodwill. We found the disclosures included in Note 13(a) to the financial statements to be appropriate in describing the impairment assessment performed in relation to goodwill.

</td></tr>
</table>

**Key Audit Matters (cont'd)**

| Key Audit Matter | Our audit performed and responses thereon |
|---|---|
| **Allowance for inventory obsolescence**<br><br>We refer to Note 2(g), Note 3(b) and Note 11 to the financial statements.<br><br>The carrying value of inventories amounted to S$19,677,000 which accounted for 16% of the Group's total assets as at 31 December 2022.<br><br>As at 31 December 2022, the Group has made allowance for inventory obsolescence which amounted to S$3,372,000.<br><br>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. | **Our response**<br><br>We focused on this area because of the high degree of management judgement required in determining the allowance for inventory obsolescence.<br><br>We designed and performed the following key procedures, among others:<br><br>- Evaluated the appropriateness of the Group's accounting policies on the valuation of its inventories.<br><br>- Checked and analysed the ageing of the inventories.<br><br>- Evaluated and tested management's assessment of inventories to state them at the lower of cost and net realisable value.<br><br>- 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.<br><br>**Our findings**<br><br>We found management's assessment of inventory obsolescence is reasonable and in accordance with the Group's accounting policies. |

**Other Information**

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

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

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

**Responsibilities of Management and Directors for the Financial Statements**

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

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

- 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.

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

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
15 March 2023

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2022

| | Note | Group 2022 | Group 2021 |
|---|---|---|---|
| | | S$'000 | S$'000 |
| **Revenue** | 4 | 82,556 | 75,899 |
| Cost of sales | | (66,086) | (60,741) |
| **Gross profit** | | 16,470 | 15,158 |
| Other operating income | 5 | 808 | 2,166 |
| Selling and distribution expenses | | (1,945) | (1,866) |
| Administrative expenses | | (5,438) | (5,100) |
| Finance costs | 6 | (739) | (834) |
| **Profit before tax** | | 9,156 | 9,524 |
| Income tax expense | 7 | (1,591) | (1,670) |
| **Profit for the year attributable to owners of the Company** | 8 | 7,565 | 7,854 |
| **Other comprehensive loss attributable to owners of the Company** | | | |
| *Item that may be reclassified to profit or loss in subsequent periods* | | | |
| Currency translation difference | | (273) | (56) |
| **Total comprehensive income for the year attributable to owners of the Company** | | 7,292 | 7,798 |
| **Earnings per share (expressed in cents)** | | | |
| Basic | 23 | 1.832 | 1.899 |
| Diluted | 23 | 1.832 | 1.899 |

The accompanying notes form an integral part of the financial statements

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2022

| | Note | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|---|
| | | S$'000 | S$'000 | S$'000 | S$'000 |
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and bank balances | 9 | 23,785 | 19,618 | 1,069 | 359 |
| Trade and other receivables | 10 | 16,431 | 22,219 | 48 | 19 |
| Inventories | 11 | 19,677 | 18,799 | – | – |
| Total current assets | | 59,893 | 60,636 | 1,117 | 378 |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 12 | 52,280 | 48,472 | 8 | 14 |
| Intangible assets | 13 | 11,292 | 11,292 | – | – |
| Subsidiaries | 14 | – | – | 69,719 | 68,648 |
| Deferred tax assets | 15 | 6 | 6 | 6 | 6 |
| Total non-current assets | | 63,578 | 59,770 | 69,733 | 68,668 |
| **Total assets** | | 123,471 | 120,406 | 70,850 | 69,046 |
| **LIABILITIES AND EQUITY** | | | | | |
| **Current liabilities** | | | | | |
| Bank loans | 16 | 2,549 | 3,101 | – | – |
| Trade and other payables | 17 | 15,868 | 15,572 | 1,468 | 1,320 |
| Current tax liabilities | | 836 | 307 | 11 | 87 |
| Lease liabilities | 18 | 515 | 961 | – | – |
| Total current liabilities | | 19,768 | 19,941 | 1,479 | 1,407 |
| **Non-current liabilities** | | | | | |
| Bank loans | 16 | 18,361 | 22,685 | – | – |
| Lease liabilities | 18 | 5,581 | 6,111 | – | – |
| Deferred tax liabilities | 15 | 4,585 | 3,785 | – | – |
| Total non-current liabilities | | 28,527 | 32,581 | – | – |
| **Capital and reserves** | | | | | |
| Share capital | 19 | 49,226 | 49,226 | 49,226 | 49,226 |
| Treasury shares | 20 | (203) | (203) | (203) | (203) |
| Capital reserve | 21 | 772 | 772 | 870 | 870 |
| Translation reserve | 21 | (318) | (45) | – | – |
| Retained earnings | | 25,699 | 18,134 | 19,478 | 17,746 |
| **Total equity** | | 75,176 | 67,884 | 69,371 | 67,639 |
| **Total liabilities and equity** | | 123,471 | 120,406 | 70,850 | 69,046 |

The accompanying notes form an integral part of the financial statements

# STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2022

| | Share Capital | Treasury Shares | Capital Reserve | Translation Reserve | Retained Earnings | Total |
|---|---|---|---|---|---|---|
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| **Group** | | | | | | |
| **Balance as at 1 January 2022** | 49,226 | (203) | 772 | (45) | 18,134 | 67,884 |
| Total comprehensive income for the year | | | | | | |
| Profit for the year | – | – | – | – | 7,565 | 7,565 |
| Other comprehensive loss for the year | – | – | – | (273) | – | (273) |
| Total | – | – | – | (273) | 7,565 | 7,292 |
| **Balance as at 31 December 2022** | 49,226 | (203) | 772 | (318) | 25,699 | 75,176 |
| **Balance as at 1 January 2021** | 49,226 | – | 772 | 11 | 10,280 | 60,289 |
| Total comprehensive income for the year | | | | | | |
| Profit for the year | – | – | – | – | 7,854 | 7,854 |
| Other comprehensive loss for the year | – | – | – | (56) | – | (56) |
| Total | – | – | – | (56) | 7,854 | 7,798 |
| Buy-back of ordinary shares | – | (203) | – | – | – | (203) |
| **Balance as at 31 December 2021** | 49,226 | (203) | 772 | (45) | 18,134 | 67,884 |

| | Share Capital | Treasury Shares | Capital Reserve | Retained Earnings | Total |
|---|---|---|---|---|---|
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| **Company** | | | | | |
| **Balance as at 1 January 2022** | 49,226 | (203) | 870 | 17,746 | 67,639 |
| Total comprehensive income for the year | | | | | |
| Profit for the year | – | – | – | 1,732 | 1,732 |
| Total | – | – | – | 1,732 | 1,732 |
| **Balance as at 31 December 2022** | 49,226 | (203) | 870 | 19,478 | 69,371 |
| **Balance as at 1 January 2021** | 49,226 | – | 870 | 15,283 | 65,379 |
| Total comprehensive income for the year | | | | | |
| Profit for the year | – | – | – | 2,463 | 2,463 |
| Total | – | – | – | 2,463 | 2,463 |
| Buy-back of ordinary shares | – | (203) | – | – | (203) |
| **Balance as at 31 December 2021** | 49,226 | (203) | 870 | 17,746 | 67,639 |

The accompanying notes form an integral part of the financial statements

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2022

| | Group | |
|---|---|---|
| | **2022** | **2021** |
| | S$'000 | S$'000 |
| **Operating activities** | | |
| Profit before income tax | 9,156 | 9,524 |
| Adjustments for: | | |
| Reversal of impairment loss recognised on trade receivables | (96) | (17) |
| Depreciation of property, plant and equipment | 5,962 | 5,952 |
| Gain on disposal of property, plant and equipment | (187) | (69) |
| Property, plant and equipment written off | – | 19 |
| Unrealised exchange loss/(gain) | 250 | (251) |
| Provision for inventory obsolescence | 262 | 404 |
| Interest income | (43) | (47) |
| Interest expense | 739 | 834 |
| Operating cash flows before movements in working capital | 16,043 | 16,349 |
| Inventories | (1,140) | (5,910) |
| Trade and other receivables | 6,129 | (5,395) |
| Trade and other payables | 130 | 8,103 |
| Cash generated from operations | 21,162 | 13,147 |
| Interest paid | (739) | (834) |
| Interest received | 43 | 47 |
| Income tax paid | (261) | (2) |
| Net cash generated from operating activities | 20,205 | 12,358 |
| **Investing activities** | | |
| Purchase of property, plant and equipment (Note A) | (10,868) | (5,034) |
| Proceeds from disposal of property, plant and equipment (Note B) | 814 | 197 |
| Net cash used in investing activities | (10,054) | (4,837) |
| **Financing activities** | | |
| Payment for buy-back of ordinary shares | – | (203) |
| Repayment of lease liabilities | (997) | (1,240) |
| Proceeds from term loans | 14,917 | – |
| Repayment of term loans | (19,793) | (2,373) |
| Net cash used in financing activities | (5,873) | (3,816) |
| Net increase in cash and bank balances | 4,278 | 3,705 |
| Effect of exchange rate changes | (111) | (37) |
| Cash and bank balances at beginning of year | 19,618 | 15,950 |
| Cash and bank balances at end of year (Note 9) | 23,785 | 19,618 |

The accompanying notes form an integral part of the financial statements

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2022

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

| | Group | |
|---|---|---|
| | **2022** | **2021** |
| | S$'000 | S$'000 |
| **Note A** | | |
| Purchase of property, plant and equipment | | |
| Total additions (Note 12) | 10,518 | 3,797 |
| (Less): Acquired under lease liabilities | (45) | – |
| Movement in liability owing to supplier of property, plant and equipment | (41) | 108 |
| Movement in down-payment to supplier of property, plant and equipment | 436 | 1,129 |
| Net cash outflow in the financial year | 10,868 | 5,034 |
| **Note B** | | |
| Disposal of property, plant and equipment | | |
| Total net book value of disposal (Note 12) | 584 | 171 |
| Add: Gain on disposal of property, plant and equipment | 187 | 69 |
| Total sales proceeds | 771 | 240 |
| Movement in receivables arising from disposal of property, plant and equipment | 43 | (43) |
| Net cash inflow in the financial year | 814 | 197 |

The accompanying notes form an integral part of the financial statements

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

## 1 General

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

The ultimate holding company is UMS Holdings Limited, a public limited company incorporated and domiciled in Singapore, and is listed on the Mainboard of the SGX-ST. The controlling shareholder of the Company is Mr. Andy Luong.

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

The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2022 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 1967 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.

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

(a) Basis of Accounting (cont'd)

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.

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

On 1 January 2022, 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** |
|---|---|---|
| Amendments to SFRS(I) 1-1 | *Amendments to SFRS(I) 1-1 Presentation of Financial Statements – Classification of Liabilities as current or non-current and Non-current Liabilities with Covenants* | 1 January 2024 |
| Amendments to SFRS(I) 16 | *Amendments to SFRS(I) 16 Lease – Lease Liability in a Sale and Leaseback* | 1 January 2024 |
| Amendments to SFRS(I) 1-1 | *Amendments to SFRS(I) 1-1 – Disclosure of Accounting Policies and SFRS(I) Practice Statement 2 Making Materiality Judgements* | 1 January 2023 |
| Amendments to SFRS(I) 1-8 | *Amendments to SFRS(I) 1-8 – Definition of Accounting Estimates* | 1 January 2023 |
| Amendments to SFRS(I) 1-12 | *Amendments to SFRS(I) 1-12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction* | 1 January 2023 |
| Amendments to SFRS(I) 10 and SFRS(I) 1-28 | *Amendments to SFRS(I) 10 and SFRS(I) 1-28 Investments in Associates and Joint Ventures – Sale or contribution of assets between an investor and its associate or joint venture* | Deferred indefinitely, early application is still permitted |

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

(a) Basis of Accounting (cont'd)

*Adoption of New and Revised SFRS(I) issued but not yet effective* (cont'd)

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.

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

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

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

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

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

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

(b) Basis of Consolidation (cont'd)

Changes in the Group's ownership interests in existing subsidiaries

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

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

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

(c) Business Combinations

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

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

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

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

(c) Business Combinations (cont'd)

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

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

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

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

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

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

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

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

(c) Business Combinations (cont'd)

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.

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

(d) Financial Instruments (cont'd)

**Financial Assets (cont'd)**

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.

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

(d) Financial Instruments (cont'd)

**Financial Assets (cont'd)**

Impairment of financial assets (cont'd)

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.

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.

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

(d) Financial Instruments (cont'd)

**Financial Assets (cont'd)**

Significant increase in credit risk (cont'd)

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.

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.

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

(d) Financial Instruments (cont'd)

**Financial Assets (cont'd)**

Credit-impaired financial assets

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

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

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.

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

(d) Financial Instruments (cont'd)

**Financial Assets (cont'd)**

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

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.

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

(d) Financial Instruments (cont'd)

**Financial Liabilities and Equity Instruments**

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

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

Financial guarantee contracts

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

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

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

Foreign exchange gains and losses

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

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

(d) Financial Instruments (cont'd)

**Financial Liabilities and Equity Instruments (cont'd)**

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.

*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.

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

(e) Leases (cont'd)

*The Group as lessee (cont'd)*

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

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

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

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

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

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

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

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

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

(e) Leases (cont'd)

*The Group as lessee* (cont'd)

Short-term lease and lease of low-value assets

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

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

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

(g) Inventories

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

(h) Property, Plant and Equipment

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

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

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

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

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

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

(h) Property, Plant and Equipment (cont'd)

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.

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

(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.

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

(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.

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

(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.

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

(u) Income Tax (cont'd)

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

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

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

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

(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.

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

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

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

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

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

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

(w) Related Parties

A related party is defined as follows:

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

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

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

    ii. has significant influence over the reporting entity; or

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

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

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

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

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

(w) Related Parties (cont'd)

b. An entity is related to a reporting entity if any of the following conditions applies: (cont'd)

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

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

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

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

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

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

**3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty**

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

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

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

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

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

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

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

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

*Impairment review of property, plant and equipment*

Where there are indications of impairment of its assets, the management estimates the recoverable amounts of these assets to determine the extent of the impairment loss, if any. The recoverable amounts of these assets are determined based on the higher of fair value less cost to sell and value-in-use. The carrying amount of the property, plant and equipment of the Group and the Company at the end of the reporting period is disclosed in Note 12 to the financial statements.

(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:

*Useful lives of property, plant and equipment*

Management exercises their judgement in estimating the useful lives of the depreciable assets which takes into consideration the physical conditions of the assets and their useful lives. Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method. The carrying amount of the property, plant and equipment of the Group and the Company at the end of the reporting period is disclosed in Note 12 to the financial statements.

*Impairment review of goodwill*

Goodwill arises from the Group's acquisition of Dolphin Engineering Pte Ltd ("DEPL"), JEP Precision Engineering Pte Ltd ("JEPS") and JEP Industrades Pte Ltd ("JEPI"). Goodwill is required to be tested annually for impairment or more frequently if there are indications that goodwill might be impaired. Value-in-use is estimated based on management's forecast of future cash flows discounted to present value using a discount rate. Significant estimates and assumptions such as discount rate and terminal growth rate are required in determining value-in-use. The key assumptions of the impairment test, the sensitivity of changes in these assumptions to the risk of impairment and the carrying amount of the goodwill and impairment loss at the end of the reporting period are disclosed in Note 13(a) to the financial statements.

*Allowance for inventories*

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

## 4 Revenue

The Group derives its revenue from the transfer of goods and services at a point in time in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable segment under Note 28.

| | Group | |
|---|---|---|
| | **2022** | **2021** |
| | S$'000 | S$'000 |
| Segment revenue | | |
| Precision machining | 29,249 | 38,235 |
| Trading and others | 11,598 | 9,957 |
| Equipment manufacturing | 41,709 | 27,707 |
| | 82,556 | 75,899 |

## 5 Other Operating Income

| | Group | |
|---|---|---|
| | **2022** | **2021** |
| | S$'000 | S$'000 |
| Gain on disposal of property, plant and equipment | 187 | 69 |
| Government grants | 146 | 890 |
| Sales of scrap waste metal | 15 | 16 |
| Dormitory occupancy fee | 414 | 414 |
| Rental income | 129 | 67 |
| Reversal of impairment loss recognised for trade receivables | 96 | 17 |
| Interest income | 43 | 47 |
| Engineering services | 110 | 174 |
| Foreign exchange (loss)/gain | (332) | 472 |
| | 808 | 2,166 |

In the previous financial year, government grants mainly pertained to one-off Jobs Support Scheme and Covid-19 Relief grants received from relevant government agencies amounting to S$643,000.

## 6 Finance Costs

| | Group | |
|---|---|---|
| | **2022** | **2021** |
| | S$'000 | S$'000 |
| Interest expense: | | |
| - bank term loans | 509 | 568 |
| - lease liabilities | 230 | 266 |
| | 739 | 834 |

**7 Income Tax**

| | Group | |
|---|---|---|
| | **2022** | **2021** |
| | S$'000 | S$'000 |
| Current tax expense | 853 | 308 |
| Over provision for tax expense in prior years | (62) | – |
| | 791 | 308 |
| Deferred tax | 786 | 1,376 |
| Under/(over) provision for deferred tax in prior years | 14 | (14) |
| Deferred tax charged to profit or loss (Note 15) | 800 | 1,362 |
| Income tax expense for the year | 1,591 | 1,670 |

Domestic income tax is calculated at 17% (2021: 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 | |
|---|---|---|
| | **2022** | **2021** |
| | S$'000 | S$'000 |
| Profit before tax | 9,156 | 9,524 |
| Income tax expense at statutory rate | 1,557 | 1,619 |
| Effect of expenses that are not deductible for tax purpose* | 263 | 363 |
| Effect of tax-exempt income* | (137) | (221) |
| Effect of tax incentives | (47) | (77) |
| Over provision for tax expense in prior years | (62) | – |
| Under/(over) provision for deferred tax in prior years | 14 | (14) |
| Effect of different tax rate operating in other jurisdictions | 3 | – |
| Total income tax charge | 1,591 | 1,670 |

* 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 which are not deductible / are not taxable as they are capital in nature, in accordance with the local income tax regulations.

A deferred tax asset of S$6,000 (2021: S$6,000) has been recognised in respect of temporarily deductibles expenses timing difference and tax losses.

## 8 Profit for the Year

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

| | Group | |
|---|---|---|
| | 2022 | 2021 |
| | S$'000 | S$'000 |
| Reversal of impairment loss recognised for trade receivables (Note 10) | (96) | (17) |
| Depreciation of property, plant and equipment (Note 12) | 5,962 | 5,952 |
| Property, plant and equipment written off (Note 12) | – | 19 |
| Foreign exchange loss/(gain) | 332 | (472) |
| Gain on disposal of property, plant and equipment | (187) | (69) |
| Provision for inventory obsolescence (Note 11) | 262 | 404 |
| Directors' fees: | | |
| - of the Company | 165 | 150 |
| Employee benefits expense (including directors' remuneration) | | |
| - salaries, bonuses and other staff benefits | 13,686 | 12,860 |
| - employer's contribution to Central Provident Fund | 1,068 | 866 |
| | 14,754 | 13,726 |
| Audit fees paid/payable to: | | |
| - auditors of the Company | 110 | 100 |
| - other auditors | 1 | 1 |

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

| | Group | |
|---|---|---|
| | 2022 | 2021 |
| | S$'000 | S$'000 |
| Employee benefit costs charged to: | | |
| - Cost of sales | 9,485 | 8,962 |
| - Selling and distribution expenses | 1,394 | 1,455 |
| - Administrative expenses | 3,875 | 3,309 |
| | 14,754 | 13,726 |

## 9 Cash and Bank Balances

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | S$'000 | S$'000 | S$'000 | S$'000 |
| Cash on hand | 12 | 12 | 3 | 3 |
| Cash at banks & its equivalent | 21,335 | 17,337 | 1,066 | 356 |
| Fixed deposits | 2,438 | 2,269 | – | – |
| Cash and bank balances | 23,785 | 19,618 | 1,069 | 359 |

The rates of interest for the interest earning bank account and the fixed deposits are between Nil and 4.57% (2021: between Nil and 2.1%) per annum respectively, with maturity period within one year.

## 10 Trade and Other Receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | S$'000 | S$'000 | S$'000 | S$'000 |
| Trade receivables: | | | | |
| - related parties | 856 | 538 | – | – |
| - outside parties | 12,050 | 19,713 | – | – |
| | 12,906 | 20,251 | – | – |
| Less: Loss allowance | (61) | (157) | – | – |
| Net trade receivables | 12,845 | 20,094 | – | – |
| Other receivables | | | | |
| Deposits | 143 | 138 | – | – |
| Advance payment to suppliers | 642 | 324 | 8 | 7 |
| Downpayment to suppliers of property, plant and equipment | 1,680 | 1,244 | – | – |
| Prepayments | 300 | 226 | 17 | 12 |
| GST input tax | 310 | 78 | – | – |
| Recoverable from customers | 110 | 53 | – | – |
| Government grants | – | 30 | – | – |
| Other receivables | 14 | 32 | – | – |
| Amount due from related company | 387 | – | – | – |
| Amount due from subsidiaries | – | – | 23 | – |
| | 3,586 | 2,125 | 48 | 19 |
| Total trade and other receivables | 16,431 | 22,219 | 48 | 19 |

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

## 10 Trade and Other Receivables (cont'd)

Trade receivables

The general credit period on sale of goods is 30 to 150 days (2021: 30 to 150 days). No interest is charged on the overdue trade receivables. The Group assesses the potential customer's credit quality and determines credit limits to be allowed before accepting any new customer. Credit limits granted to customers are reviewed regularly.

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

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

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

The table below is an analysis of trade receivables:

| | Trade receivables – days past due | | | | | |
|---|---|---|---|---|---|---|
| | Not past due | <30 days | 31 to 60 days | 61 to 90 days | More than 90 days | Total |
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| **Group** | | | | | | |
| 31 December 2022 | | | | | | |
| Estimated total gross carrying amount at default | 9,645 | 2,100 | 137 | 568 | 456 | 12,906 |
| Lifetime ECL | – | – | – | – | (61) | (61) |
| | | | | | | 12,845 |
| 31 December 2021 | | | | | | |
| Estimated total gross carrying amount at default | 17,243 | 2,543 | 299 | 3 | 163 | 20,251 |
| Lifetime ECL | – | – | – | – | (157) | (157) |
| | | | | | | 20,094 |

**10 Trade and Other Receivables (cont'd)**

Trade receivables (cont'd)

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

| | Group | |
|---|---|---|
| | **2022** | **2021** |
| | S$'000 | S$'000 |
| Balance as at 1 January | 157 | 174 |
| Reversal of loss allowance recognised for trade receivables (Note 8) | (96) | (17) |
| Balance as at 31 December | 61 | 157 |

Other receivables

Other receivables from subsidiaries and related company are non-trade, unsecured, interest-free and repayable on demand.

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

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

**11 Inventories**

| | Group | |
|---|---|---|
| | **2022** | **2021** |
| | S$'000 | S$'000 |
| Raw materials | 6,550 | 5,805 |
| Work-in-progress | 7,681 | 5,680 |
| Finished goods | 7,585 | 7,412 |
| Consumables | 1,181 | 1,076 |
| Goods-in-transit | 52 | 1,936 |
| | 23,049 | 21,909 |
| Less: Allowance for inventory | (3,372) | (3,110) |
| | 19,677 | 18,799 |
| Cost of inventories included in cost of sales | 66,086 | 60,741 |

## 11 Inventories (cont'd)

Movement in the allowance for inventory:

| | Group Allowance for inventory 2022 | 2021 |
|---|---|---|
| | S$'000 | S$'000 |
| Balance as at 1 January | 3,110 | 2,706 |
| Increase in allowance recognised in profit or loss (Note 8) | 262 | 404 |
| Balance as at 31 December | 3,372 | 3,110 |

## 12 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 |
|---|---|---|---|---|---|---|---|---|---|
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| **Group** | | | | | | | | | |
| **2022** | | | | | | | | | |
| Cost: | | | | | | | | | |
| At 1 January | 29,125 | 6,862 | 54,607 | 3,646 | 1,091 | 1,729 | 446 | 1,685 | 99,191 |
| Additions | – | 6 | 7,115 | 4 | 93 | 108 | – | 3,192 | 10,518 |
| Disposals | – | – | (1,519) | – | – | – | – | – | (1,519) |
| Written off | – | – | (2) | – | (3) | (17) | – | – | (22) |
| Effect of foreign exchange differences | – | – | – | – | – | – | – | (164) | (164) |
| At 31 December | 29,125 | 6,868 | 60,201 | 3,650 | 1,181 | 1,820 | 446 | 4,713 | 108,004 |
| Accumulated depreciation: | | | | | | | | | |
| At 1 January | 6,579 | 1,158 | 37,843 | 2,162 | 975 | 1,640 | 362 | – | 50,719 |
| Depreciation for the year | 1,089 | 376 | 4,002 | 318 | 68 | 70 | 39 | – | 5,962 |
| Disposals | – | – | (935) | – | – | – | – | – | (935) |
| Written off | – | – | (2) | – | (3) | (17) | – | – | (22) |
| At 31 December | 7,668 | 1,534 | 40,908 | 2,480 | 1,040 | 1,693 | 401 | – | 55,724 |
| Carrying amount: | | | | | | | | | |
| At 31 December | 21,457 | 5,334 | 19,293 | 1,170 | 141 | 127 | 45 | 4,713 | 52,280 |

## 12 Property, Plant and Equipment (cont'd)

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

(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 18 for more information.

## 12 Property, Plant and Equipment (cont'd)

| | Furniture, fittings and office equipment | Computers | Total |
|---|---|---|---|
| | S$'000 | S$'000 | S$'000 |
| **Company** | | | |
| Cost: | | | |
| At 1 January 2021 and 31 December 2021 | 32 | 67 | 99 |
| Written off | (2) | (6) | (8) |
| At 31 December 2022 | 30 | 61 | 91 |
| Accumulated depreciation: | | | |
| At 1 January 2021 | 13 | 65 | 78 |
| Depreciation for the year | 6 | 1 | 7 |
| At 31 December 2021 | 19 | 66 | 85 |
| Depreciation for the year | 5 | 1 | 6 |
| Written off | (2) | (6) | (8) |
| At 31 December 2022 | 22 | 61 | 83 |
| Carrying amount: | | | |
| At 31 December 2022 | 8 | – | 8 |
| At 31 December 2021 | 13 | 1 | 14 |

Right-of-use assets

Right-of-use 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 18.

As at 31 December 2022, the buildings on leasehold land comprise:

| Location | Description | Tenure | Carrying amount 2022 | Carrying amount 2021 |
|---|---|---|---|---|
| | | | S$'000 | S$'000 |
| No. 16 Seletar Aerospace Crescent Singapore 797567 | Leasehold land with an erected 4-storey single-user industrial development factory | 30 years commencing 1 February 2015 | 16,195 | 16,928 |
| 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 | 2,957 | 3,160 |
| | Leasehold land with an erected 4-storey factory building with provision of secondary workers' dormitory | 23 years 10 months commencing 1 August 2013 | 2,305 | 2,458 |
| | | | 21,457 | 22,546 |

## 12 Property, Plant and Equipment (cont'd)

Security

As at 31 December 2022, the Group's factory buildings with carrying amounts of S$19,152,000 (2021: S$22,546,000) are pledged as security to certain banking facilities granted to the Group (Note 16).

## 13 Intangible Assets

| | Goodwill on consolidation | Customer relationship | Total |
|---|---|---|---|
| | S$'000 | S$'000 | S$'000 |
| **Group** | | | |
| Cost: | | | |
| Balance as at 1 January 2021, 31 December 2021 and 31 December 2022 | 18,812 | 12,915 | 31,727 |
| Accumulated amortisation: | | | |
| Balance as at 1 January 2021, 31 December 2021 and 31 December 2022 | – | 12,915 | 12,915 |
| Impairment: | | | |
| Balance as at 1 January 2021, 31 December 2021 and 31 December 2022 | 7,520 | – | 7,520 |
| Carrying amount: | | | |
| Balance as at 31 December 2022 | 11,292 | – | 11,292 |
| Balance as at 31 December 2021 | 11,292 | – | 11,292 |

(a) Goodwill on consolidation

Impairment tests for goodwill

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

| | Group | |
|---|---|---|
| | 2022 | 2021 |
| | S$'000 | S$'000 |
| Precision machining – JEPS | 5,200 | 5,200 |
| Trading and others – JEPI | 814 | 814 |
| Equipment manufacturing – DEPL | 5,278 | 5,278 |
| | 11,292 | 11,292 |

**13 Intangible Assets (cont'd)**

(a) Goodwill on consolidation (cont'd)

Impairment tests for goodwill (cont'd)

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 0% (2021: 0%). 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** | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| **Group** | | | | |
| Precision machining - JEPS | 14% | 15% | 13.80% | 12.51% |
| Trading and others - JEPI | 23% | 23% | 16.50% | 15.93% |
| Equipment manufacturing - DEPL | 21% | 23% | 16.90% | 12.06% |

As at 31 December 2022, 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 previous financial years.

## 14 Subsidiaries

| | Company 2022 | Company 2021 |
|---|---|---|
| | S$'000 | S$'000 |
| Unquoted equity investments, at cost | 69,719 | 68,648 |

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

| Name of subsidiaries | Country of incorporation (or residence) | Proportion of ownership interest and voting rights held by the Group 2022 | 2021 | Principal activities | Cost of investment 2022 | 2021 |
|---|---|---|---|---|---|---|
| | | % | % | | S$'000 | S$'000 |
| Held by the Company | | | | | | |
| JEP Precision Engineering Pte Ltd [(1)] | Singapore | 100 | 100 | Precision engineering works for parts used mainly in the aerospace, oil and gas industries, and other general engineering and machinery works | 42,870 | 42,870 |
| JEP Industrades Pte Ltd [(1)] | Singapore | 100 | 100 | Manufacturer, importers and exporters, traders, agents, repairs of precision machineries, carbide cutting tools, hardware, industrial equipment and engineering works | 7,236 | 7,236 |
| Dolphin Engineering Pte Ltd [(1)] | Singapore | 100 | 100 | Large format precision engineering and equipment fabrication service | 13,934 | 13,934 |
| JEP Precision Engineering (M) Sdn Bhd * [(2)] | Malaysia | 100 | 100 | Steel structure fabrication and high precision machining for aerospace, semiconductor and oil and gas industries | 5,679 | 4,608 |
| | | | | | 69,719 | 68,648 |

* Formerly known as Dolphin Manufacturing Solutions Sdn Bhd

(1) Audited by Moore Stephens LLP, Singapore.

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

## 15 Deferred Tax Assets and Deferred Tax Liabilities

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

| | Accelerated tax depreciation | Fair value adjustment on acquisitions of subsidiaries | Provisions and others | Tax losses | Total |
|---|---|---|---|---|---|
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| **Group** | | | | | |
| Balance as at 1 January 2021 | 3,402 | – | (985) | – | 2,417 |
| Charged to profit or loss (Note 7) | 821 | – | 541 | – | 1,362 |
| Balance as at 31 December 2021 | 4,223 | – | (444) | – | 3,779 |
| Charged to profit or loss (Note 7) | 840 | – | (40) | – | 800 |
| Balance as at 31 December 2022 | 5,063 | – | (484) | – | 4,579 |
| **Company** | | | | | |
| Balance as at 1 January 2021 | 2 | – | (4) | – | (2) |
| Charged to profit or loss | (2) | – | (2) | – | (4) |
| Balance as at 31 December 2021 and 31 December 2022 | – | – | (6) | – | (6) |

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 | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | S$'000 | S$'000 | S$'000 | S$'000 |
| Deferred tax liabilities | 4,585 | 3,785 | – | – |
| Deferred tax assets | (6) | (6) | (6) | (6) |
| | 4,579 | 3,779 | (6) | (6) |

## 16 Bank Loans

| | Group 2022 | Group 2021 |
|---|---|---|
| | S$'000 | S$'000 |
| Secured – at amortised cost: | | |
| – Term loans | 20,910 | 25,786 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | (2,549) | (3,101) |
| Amount due for settlement after 12 months | 18,361 | 22,685 |

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

Terms and conditions of outstanding borrowings are as follows:

| | | | 31 December 2022 | | 31 December 2021 | |
|---|---|---|---|---|---|---|
| | Currency | Nominal interest rate | Principal amount | Carrying amount | Principal amount | Carrying amount |
| | | % | S$'000 | S$'000 | S$'000 | S$'000 |
| **Group** | | | | | | |
| Secured | | | | | | |
| 5-year temporary bridging loan | SGD | 2.00% | 5,000 | 3,275 | 5,000 | 4,497 |
| Seletar Aerospace Park (SAP) term loan | SGD | 1.50%[1] | 14,917 | 14,398 | 20,000 | 15,391 |
| 10-year term loan | SGD | COF[2]+1.50% | – | – | 4,000 | 2,246 |
| 15-year term loan | SGD | COF[2]+1.50% | 6,400 | 3,237 | 6,400 | 3,652 |
| | | | 26,317 | 20,910 | 35,400 | 25,786 |

1 Fixed at 1.50% for 1st and 2nd year. COF[2]+3.00% for the subsequent years.
Notional interest rate in 2021 was COF[2]+1.75%.

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

**16 Bank Loans (cont'd)**

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

| | Group | |
|---|---|---|
| | **2022** | **2021** |
| 5-year temporary bridging loan | 2.00% | 2.00% |
| SAP term loan | 1.50% | 2.16% |
| 10-year term loan | – | 1.93% |
| 15-year term loan | 3.11% | 1.95% |

(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 was on 30 August 2021.

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

During the current financial year, the same subsidiary entered into another SAP term loan. The secured term loan granted to the subsidiary is repayable over 180 monthly principal instalments of S$92,595 each.

(c) A 10-year term loan was granted to a subsidiary in 2015. The secured term loan granted to the subsidiary was repayable over 119 monthly principal instalments of S$22,200 each and a final fixed principal instalment of S$1,358,200. The loan amount was fully repaid during the current financial year.

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

<u>Secured term loans</u>

As at 31 December 2022, the SAP term loan and 15-year secured term loans are secured over buildings on leasehold land with carrying amount of S$19,152,000 (2021: SAP term loan, 10-year and 15-year secured term loans were secured over buildings on leasehold land with carrying amount of S$22,546,000).

<u>Secured bank facilities</u>

The bridging loan is secured by a corporate guarantee provided by the Company (Note 27).

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.

**16 Bank Loans (cont'd)**

Interest rate benchmark reform

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

Reconciliation of liabilities arising from financing activities

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

| | | | Non-cash change | | |
|---|---|---|---|---|---|
| | 1 January 2022 | Financing cash flows (i) | Purchase of property, plant and equipment (ii) | Foreign exchange movement | 31 December 2022 |
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| Bank loans (Note 16) | 25,786 | (4,876) | – | – | 20,910 |
| Lease liabilities (Notes 18) | 7,072 | (997) | 45 | (24) | 6,096 |
| | 32,858 | (5,873) | 45 | (24) | 27,006 |

| | | | Non-cash change | | |
|---|---|---|---|---|---|
| | 1 January 2021 | Financing cash flows (i) | Purchase of property, plant and equipment (ii) | Foreign exchange movement | 31 December 2021 |
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| Bank loans (Note 16) | 28,159 | (2,373) | – | – | 25,786 |
| Lease liabilities (Notes 18) | 8,393 | (1,240) | – | (81) | 7,072 |
| | 36,552 | (3,613) | – | (81) | 32,858 |

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

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

## 17 Trade and Other Payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | S$'000 | S$'000 | S$'000 | S$'000 |
| Trade payables | | | | |
| Outside parties | 8,032 | 8,345 | – | – |
| Related parties | 140 | – | – | – |
| | 8,172 | 8,345 | – | – |
| Other payables | | | | |
| Related parties (non-trade) | 1,048 | 1,055 | – | – |
| Outside parties | 1,724 | 749 | 4 | – |
| Liability owing to suppliers of property, plant and equipment | 41 | – | 1,210 | 1,121 |
| Accrued personnel costs | 3,827 | 3,321 | 113 | 106 |
| Other accrued operating expenses | 583 | 883 | – | – |
| Accruals for purchases | 70 | 115 | – | – |
| GST output tax | 90 | 445 | 66 | 18 |
| Deposits received | 238 | 584 | – | – |
| Provision for directors' fees | 75 | 75 | 75 | 75 |
| | 7,696 | 7,227 | 1,468 | 1,320 |
| | 15,868 | 15,572 | 1,468 | 1,320 |

The amounts due to related parties are unsecured, interest-free and repayable based on normal credit terms (trade balance) and repayable on demand (non-trade balance).

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

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

| | 2022 | 2021 |
|---|---|---|
| | S$'000 | S$'000 |
| Machinery and equipment | 45 | – |

**18 Lease Liabilities (cont'd)**

***The Group as Lessee (cont'd)***

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

| | 2022 | 2021 |
|---|---|---|
| | S$'000 | S$'000 |
| Leasehold land | 5,334 | 5,704 |
| Office equipment | 36 | 30 |
| Machinery and equipment | 1,432 | 4,531 |
| Motor vehicles | – | 16 |
| | 6,802 | 10,281 |

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

| | 2022 | 2021 |
|---|---|---|
| | S$'000 | S$'000 |
| Leasehold land | 376 | 376 |
| Office equipment | 31 | 39 |
| Machinery and equipment | 900 | 898 |
| Motor vehicles | 17 | 26 |
| | 1,324 | 1,339 |

(e) Amounts recognised in profit or loss

| | 2022 | 2021 |
|---|---|---|
| | S$'000 | S$'000 |
| Depreciation of right-of-use assets | 1,324 | 1,339 |
| Interest expense on lease liabilities | 230 | 266 |
| | 1,554 | 1,605 |

(f) Other disclosures

| | 2022 | 2021 |
|---|---|---|
| | S$'000 | S$'000 |
| Total cash outflow for leases | 997 | 1,240 |

**18 Lease Liabilities (cont'd)**

***The Group as Lessee (cont'd)***

(g) Carrying amount of lease liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | S$'000 | S$'000 | S$'000 | S$'000 |
| Minimum lease payments due: | | | | |
| - Not later than 1 year | 719 | 1,189 | – | – |
| - Later than 1 year but within 5 years | 1,776 | 2,133 | – | – |
| - Later than 5 years | 5,805 | 6,179 | – | – |
| | 8,300 | 9,501 | – | – |
| Less: | | | | |
| Future finance charges | (2,204) | (2,429) | – | – |
| Present value of financial lease liabilities | 6,096 | 7,072 | – | – |

The present value of lease liabilities is analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | S$'000 | S$'000 | S$'000 | S$'000 |
| Not later than 1 year | 515 | 961 | – | – |
| Later than 1 year but within 5 years | 1,089 | 1,396 | – | – |
| Later than 5 years | 4,492 | 4,715 | – | – |
| | 5,581 | 6,111 | – | – |
| | 6,096 | 7,072 | – | – |

***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.

## 18 Lease Liabilities (cont'd)

***The Group as Lessor (cont'd)***

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

| | 2022 | 2021 |
|---|---|---|
| | S$'000 | S$'000 |
| Less than one year | 242 | 414 |
| One to two years | – | 242 |
| | 242 | 656 |

## 19 Share Capital

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | No. of ordinary shares | S$'000 | No. of ordinary shares | S$'000 |
| **Group and Company** | | | | |
| Issued and paid-up: | | | | |
| - At the beginning and end of the year | 413,944,721 | 49,226 | 413,944,721 | 49,226 |

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

## 20 Treasury Shares

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | No. of ordinary shares | S$'000 | No. of ordinary shares | S$'000 |
| **Group and Company** | | | | |
| At the beginning of the year | 920,700 | 203 | – | – |
| Purchase during the year | – | – | 920,700 | 203 |
| At the end of the year | 920,700 | 203 | 920,700 | 203 |

## 21 Reserves

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | S$'000 | S$'000 | S$'000 | S$'000 |
| Capital reserve | 772 | 772 | 870 | 870 |
| Translation reserve | (318) | (45) | – | – |
| | 454 | 727 | 870 | 870 |

*Capital reserve*

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

## 22 Dividends

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

## 23 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 | |
|---|---|---|
| | **2022** | **2021** |
| Profit for the year attributable to owners of the Company | S$7,565,000 | S$7,854,000 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share* | 413,024,021 | 413,603,219 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share* | 413,024,021 | 413,603,219 |
| Basic earnings per share (Singapore cents) | 1.832 | 1.899 |
| Diluted earnings per share (Singapore cents) | 1.832 | 1.899 |

* excludes treasury shares

## 24 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 | |
|---|---|---|
| | **2022** | **2021** |
| | S$'000 | S$'000 |
| <u>Related companies</u> | | |
| Sale of goods | 8,451 | 2,684 |
| Purchase of goods | 5,283 | 2,762 |
| Purchase of machinery | 26 | 1,338 |
| Sale of machinery | 34 | 74 |
| Rental expenses | 100 | – |

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

<u>Key Management Compensation</u>

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 | |
|---|---|---|
| | **2022** | **2021** |
| | S$'000 | S$'000 |
| Salaries, bonuses and related benefits | 2,290 | 1,455 |
| Defined contribution plans | 68 | 70 |
| | 2,358 | 1,525 |

## 25 Capital Commitments

| | Group | |
|---|---|---|
| | **2022** | **2021** |
| | S$'000 | S$'000 |
| Commitments for the acquisition of property, plant and equipment | 7,751 | 7,497 |

## 26 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 | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | S$'000 | S$'000 | S$'000 | S$'000 |
| Financial assets | | | | |
| At amortised cost: | | | | |
| - Cash and bank balances | 23,785 | 19,618 | 1,069 | 359 |
| - Trade receivables | 12,845 | 20,094 | – | – |
| - Other receivables | 654 | 253 | – | – |
| Total | 37,284 | 39,965 | 1,069 | 359 |
| Financial liabilities | | | | |
| At amortised cost: | | | | |
| - Bank loans | 20,910 | 25,786 | – | – |
| - Trade and other payables | 15,778 | 15,127 | 1,402 | 1,302 |
| - Lease liabilities | 6,096 | 7,072 | – | – |
| Total | 42,784 | 47,985 | 1,402 | 1,302 |

(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.

**26 Financial Instruments (cont'd)**

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

(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:

| | **Liabilities** | | **Assets** | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | S$'000 | S$'000 | S$'000 | S$'000 |
| **Group** | | | | |
| USD | 1,562 | 4,241 | 23,151 | 26,114 |
| JPY | 2,514 | 2,068 | 4,357 | 2,638 |
| CNY | – | – | 579 | 611 |
| EUR | 256 | 11 | 2,513 | 245 |
| GBP | 4 | – | – | – |
| MYR | 1,010 | 14 | 1,321 | 2,924 |
| **Company** | | | | |
| USD | – | – | 784 | 77 |

*Foreign currency sensitivity*

The following table details the sensitivity to a 5% (2021: 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.

**26 Financial Instruments (cont'd)**

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

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

*Foreign currency sensitivity (cont'd)*

If the relevant foreign currencies strengthen by 5% (2021: 5%) against the functional currency of each Group entity, profit or loss before tax will increase (decrease) by:

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | S$'000 | S$'000 | S$'000 | S$'000 |
| Impact arising from | | | | |
| USD | 1,079 | 1,094 | 39 | 4 |
| JPY | 92 | 29 | – | – |
| CNY | 29 | 31 | – | – |
| EUR | 113 | 12 | – | – |
| GBP | (*) | – | – | – |
| MYR | 16 | 146 | – | – |

* denotes less than S$1,000

If the relevant foreign currencies weaken by 5% (2021: 5%) against the functional currency of each Group entity, the impact to the profit or loss will be vice versa.

(ii) Interest rate risk management

The Group has exposure to interest rate risk through the impact of floating interest rate on borrowings. The Group obtained financing through bank loans and the details of the Group's interest rate exposure are disclosed in Note 16.

*Interest rate sensitivity*

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 0.5% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rate had been 0.5% higher or lower and all other variables were held constant, the Group's profit before tax for the year ended 31 December 2022 would decrease or increase by S$16,000 (2021: S$107,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

**26 Financial Instruments (cont'd)**

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

(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<br>- not credit-impaired |
| Non-performing | Amount is >90 days past due or there is evidence indicating the asset is credit-impaired. | Lifetime ECL<br>- 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.

**26 Financial Instruments (cont'd)**

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

(iii) Credit risk management (cont'd)

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** | | | | | | | |
| 2022 | | | | | | | |
| Trade receivables | 10 | n.a | (i) | Lifetime ECL (simplified approach) | 12,906 | (61) | 12,845 |
| Other receivables | 10 | n.a | Performing | 12-month ECL | 654 | – | 654 |
| | | | | | 13,560 | (61) | 13,499 |
| 2021 | | | | | | | |
| Trade receivables | 10 | n.a | (i) | Lifetime ECL (simplified approach) | 20,251 | (157) | 20,094 |
| Other receivables | 10 | n.a | Performing | 12-month ECL | 253 | – | 253 |
| | | | | | 20,504 | (157) | 20,347 |

(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.

**26 Financial Instruments (cont'd)**

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

(iii) Credit risk management (cont'd)

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

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | S$'000 | % of total | S$'000 | % of total |
| **By country:** | | | | |
| Singapore | 5,645 | 44% | 11,802 | 59% |
| People's Republic of China* | 2,351 | 18% | 1,847 | 9% |
| Malaysia | 905 | 7% | 1,869 | 9% |
| United States | 2,567 | 20% | 2,271 | 11% |
| Canada | 117 | 1% | 611 | 3% |
| Others** | 1,321 | 10% | 1,851 | 9% |
| | 12,906 | 100% | 20,251 | 100% |
| **By industry sectors:** | | | | |
| Aerospace | 3,222 | 25% | 3,515 | 18% |
| Oil and gas | 19 | 0% | 74 | 0% |
| Electronics | 1,518 | 12% | 5,055 | 25% |
| Trading and others | 3,062 | 24% | 2,433 | 12% |
| Equipment manufacturing | 5,085 | 39% | 9,174 | 45% |
| | 12,906 | 100% | 20,251 | 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$6,251,000 (2021: 6 major customers amounting to S$12,743,000) that individually represented between 1.2% and 5.8% (2021: 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.

**26 Financial Instruments (cont'd)**

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

(iii) Credit risk management (cont'd)

As at year end, the maximum amount the Company could be forced to settle under the financial guarantee contract in Note 27, if the full guaranteed amount is claimed by the counterparty to the guarantee is S$21,301,000 (2021: S$26,833,000). Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses. Management has performed an assessment and has determined that the financial guarantee contract is not subject to material loss allowance.

(iv) Liquidity risk management

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

*Liquidity and interest risk analyses*

Non-derivative financial assets

The Group's non-derivative financial assets of S$37,284,000 (2021: S$39,965,000) 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 financial institutions in Singapore and Malaysia which are interest bearing at interest rates of 1.70% to 4.57%.

The Company's non-derivative financial assets of S$1,069,000 (2021: S$359,000) are either repayable on demand or due within one year from the end of the reporting period and non-interest bearing.

**26 Financial Instruments (cont'd)**

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

(iv) Liquidity risk management (cont'd)

*Liquidity and interest risk analyses (cont'd)*

Non-derivative financial liabilities

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

| | Weighted average effective interest rate | On demand or within 1 year | Within 5 years | Over 5 years | Undiscounted cash flows | Adjustment | Total |
|---|---|---|---|---|---|---|---|
| | % p.a. | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| **Group** | | | | | | | |
| 2022 | | | | | | | |
| Non-interest bearing | – | 15,778 | – | – | 15,778 | – | 15,778 |
| Lease liabilities (incremental borrowing rate) | 3.49% | 480 | 1,611 | 5,804 | 7,895 | (2,191) | 5,704 |
| Lease liabilities (fixed rate) | 3.04% | 240 | 165 | – | 405 | (13) | 392 |
| Fixed interest rate instruments | 1.50% – 2.00% | 2,413 | 2,524 | – | 4,937 | (381) | 4,556 |
| Variable interest rate instruments | 2.25% | 571 | 6,265 | 12,006 | 18,842 | (2,488) | 16,354 |
| | | 19,482 | 10,565 | 17,810 | 47,857 | (5,073) | 42,784 |
| 2021 | | | | | | | |
| Non-interest bearing | – | 15,127 | – | – | 15,127 | – | 15,127 |
| Lease liabilities (incremental borrowing rate) | 3.48% | 562 | 1,674 | 6,179 | 8,415 | (2,391) | 6,024 |
| Lease liabilities (fixed rate) | 3.14% | 626 | 460 | – | 1,086 | (38) | 1,048 |
| Fixed interest rate instruments | 2.00% | 1,302 | 3,363 | – | 4,665 | (168) | 4,497 |
| Variable interest rate instruments | 2.10% | 2,311 | 18,595 | 1,425 | 22,331 | (1,042) | 21,289 |
| | | 19,928 | 24,092 | 7,604 | 51,624 | (3,639) | 47,985 |

The Company's non-derivative financial liabilities of S$1,402,000 (2021: S$1,302,000) is due within 1 year.

**26 Financial Instruments (cont'd)**

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

(iv) Liquidity risk management (cont'd)

*Liquidity and interest risk analyses (cont'd)*

Fair value of financial assets and financial liabilities

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

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

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

(c) Capital management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from year 2021.

The capital structure of the Group consists of debt, which includes the bank loans and lease liabilities as disclosed in Notes 16 and 18 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.

## 27 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$34,663,000 (2021: S$47,863,000) granted to its subsidiaries. The fair value of the corporate guarantees is assessed by management to be insignificant as the banking and leasing facilities are secured by property, plant and equipment.

## 28 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.

**28 Segment Information (cont'd)**

**(a) By Business**

| | Precision machining | | Trading and others | | Equipment manufacturing | | Group | |
|---|---|---|---|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** |
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| **REVENUE:** | | | | | | | | |
| Total revenue | 30,290 | 38,956 | 12,531 | 11,020 | 42,103 | 27,708 | 84,924 | 77,684 |
| Inter-reporting unit sales | (1,041) | (721) | (933) | (1,063) | (394) | (1) | (2,368) | (1,785) |
| External customers | 29,249 | 38,235 | 11,598 | 9,957 | 41,709 | 27,707 | 82,556 | 75,899 |
| Results | | | | | | | | |
| Segment results | 3,120 | 4,940 | 1,458 | 1,446 | 5,824 | 4,752 | 10,402 | 11,138 |
| Unallocated expenses: | | | | | | | | |
| Unallocated corporate expenses | | | | | | | (507) | (780) |
| | | | | | | | 9,895 | 10,358 |
| Finance costs | | | | | | | (739) | (834) |
| Profit before tax | | | | | | | 9,156 | 9,524 |
| Income tax expense | | | | | | | (1,591) | (1,670) |
| Net profit for the year, net of tax | | | | | | | 7,565 | 7,854 |
| **OTHER INFORMATION:** | | | | | | | | |
| Capital expenditure | 3,501 | 1,576 | 3,201 | 50 | 3,816 | 2,171 | 10,518 | 3,797 |
| Depreciation of property, plant and equipment | 4,053 | 4,465 | 62 | 70 | 1,847 | 1,417 | 5,962 | 5,952 |

## 28 Segment Information (cont'd)

### (b) Geographical Information

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

| | Revenue | | Non-current assets | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | S$'000 | S$'000 | S$'000 | S$'000 |
| Singapore | 51,550 | 49,226 | 58,857 | 58,079 |
| People's Republic of China* | 6,908 | 7,517 | – | – |
| Malaysia | 10,119 | 5,966 | 4,715 | 1,685 |
| USA | 10,411 | 9,491 | – | – |
| Canada | 1,064 | 1,385 | – | – |
| Others** | 2,504 | 2,314 | – | – |
| | 82,556 | 75,899 | 63,572 | 59,764 |

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 | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | S$'000 | S$'000 | S$'000 | S$'000 |
| Singapore | 116,732 | 115,713 | 42,626 | 48,280 |
| Malaysia | 6,423 | 4,609 | 994 | 12 |
| | 123,155 | 120,322 | 43,620 | 48,292 |

* People's Republic of China includes Hong Kong.

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

**28 Segment Information (cont'd)**

**(c) Reconciliation of Segments Total Assets and Total Liabilities**

| | Group | |
|---|---|---|
| | **2022** | **2021** |
| | S$'000 | S$'000 |
| Reportable segments' assets are reconciled to total assets as follows: | | |
| Precision machining | 67,621 | 71,757 |
| Trading and others | 19,243 | 15,619 |
| Equipment manufacturing | 36,291 | 32,946 |
| Segment assets | 123,155 | 120,322 |
| GST input tax | 310 | 78 |
| Deferred tax assets | 6 | 6 |
| Total assets | 123,471 | 120,406 |
| | | |
| Reportable segments' liabilities are reconciled to total liabilities as follows: | | |
| Precision machining | 25,268 | 29,334 |
| Trading and others | 5,445 | 3,611 |
| Equipment manufacturing | 12,907 | 15,347 |
| Segment liabilities | 43,620 | 48,292 |
| GST output tax | 90 | 445 |
| Deferred tax liabilities | 4,585 | 3,785 |
| Total liabilities | 48,295 | 52,522 |

Information about major customers

Revenue from transactions with three external customers amounted to S$41,303,963 (2021: three external customers accounted to S$37,545,000), where each individual external customer contributes to 10% or more (2021: 10% or more) of the Group's revenue. These customers are in the precision machining and equipment manufacturing segments.

# STATISTICS OF SHAREHOLDINGS

As at 15 March 2023

## SHARE CAPITAL

| | | |
|---|---|---|
| Number of Shares (excluding treasury shares and subsidiary holdings) | : | 413,024,021 |
| Number of Treasury Shares | : | 920,700 |
| Class of Shares | : | Ordinary Shares |
| Voting Rights | : | One vote per ordinary share |

## DISTRIBUTION OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 - 99 | 49 | 4.78 | 1,916 | 0.00 |
| 100 - 1,000 | 76 | 7.41 | 26,061 | 0.01 |
| 1,001 - 10,000 | 393 | 38.34 | 1,942,071 | 0.47 |
| 10,001 - 1,000,000 | 490 | 47.81 | 46,315,257 | 11.21 |
| 1,000,001 AND ABOVE | 17 | 1.66 | 364,738,716 | 88.31 |
| **TOTAL** | **1,025** | **100.00** | **413,024,021** | **100.00** |

## SUBSTANTIAL SHAREHOLDERS

| | DIRECT INTEREST | | DEEMED INTEREST | |
|---|---|---|---|---|
| NAME OF SHAREHOLDER | NO. OF SHARES | %[1] | NO. OF SHARES | %[1] |
| Andy Luong[2] | 1,150,000 | 0.28 | 305,037,436 | 73.85 |
| UMS Holdings Limited | 305,037,436 | 73.85 | – | – |

**Notes:**

(1) Percentages are based on the total issued and paid-up share capital of the Company comprising 413,024,021 Shares (excluding 920,700 treasury shares and nil subsidiary holdings).

(2) Mr. Andy Luong holds 15.887% of the issued share capital of UMS Holdings Limited, which in turn holds 73.85% of the issued share capital of the Company. Mr. Andy Luong is therefore deemed to be interested in all the Shares held by UMS Holdings Limited in the Company.

# STATISTICS OF SHAREHOLDINGS

As at 15 March 2023

**TWENTY LARGEST SHAREHOLDERS**

| NO. | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1 | UMS HOLDINGS LIMITED | 305,037,436 | 73.85 |
| 2 | SEVEN CREEK PTE LTD | 14,950,000 | 3.62 |
| 3 | CITIBANK NOMINEES SINGAPORE PTE LTD | 9,638,600 | 2.33 |
| 4 | TAN TAI SIM | 4,686,500 | 1.13 |
| 5 | DBS NOMINEES (PRIVATE) LIMITED | 4,153,100 | 1.01 |
| 6 | PHILLIP SECURITIES PTE LTD | 3,783,505 | 0.92 |
| 7 | LEE NAI MING | 3,510,475 | 0.85 |
| 8 | HENG YONG SENG | 3,300,000 | 0.80 |
| 9 | NEO KOK LIANG | 3,283,100 | 0.79 |
| 10 | HSBC (SINGAPORE) NOMINEES PTE LTD | 2,338,500 | 0.57 |
| 11 | UOB KAY HIAN PRIVATE LIMITED | 2,050,900 | 0.50 |
| 12 | KOK TZE SHONG | 1,600,000 | 0.39 |
| 13 | LEE WEE NGAM | 1,575,000 | 0.38 |
| 14 | UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED | 1,321,300 | 0.32 |
| 15 | LEE CHIN HOO | 1,300,000 | 0.31 |
| 16 | TEH CHIN HUAT | 1,210,000 | 0.29 |
| 17 | GOH CHEE SIONG | 1,000,300 | 0.24 |
| 18 | CHOW YUEN KOU | 1,000,000 | 0.24 |
| 19 | WONG HIN YET OR LEE KENG LAN | 974,000 | 0.24 |
| 20 | OCBC NOMINEES SINGAPORE PRIVATE LIMITED | 946,462 | 0.23 |
| | **TOTAL** | **367,659,178** | **89.01** |

**PERCENTAGE OF SHAREHOLDINGS HELD BY PUBLIC**

Based on the information available to the Company as at 15 March 2023, approximately 25.82% of the total issued ordinary shares of the Company are held by public and therefore, Rule 723 of Catalist Rules has been complied with.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the "**Meeting**" or "**AGM**") of JEP Holdings Ltd. (the "**Company**") will be held via electronic means on Wednesday, 19 April 2023 at 2:00 p.m. for the following purposes:

**AS ORDINARY BUSINESS**

1. To receive and adopt the Directors' Statement and the audited Financial Statements of the Company for the financial year ended 31 December 2022 together with the Auditor's Report thereon. **(Resolution 1)**

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

   (a) Mr. Andy Luong **(Resolution 2)**
   (b) Mr. Wong Gang **(Resolution 3)**

   - *Mr. Andy Luong will, upon re-election as Director of the Company, remain as the Executive Chairman and Chief Executive Officer of the Company. Detailed information of Mr. Andy Luong required pursuant to Rule 720(5) of the Listing Manual – Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Catalist Rules**") can be found in the Annual Report.*

   - *Mr. Wong Gang will, upon re-election as Director of the Company, remain as the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee, and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules. Detailed information of Mr. Wong Gang required pursuant to Rule 720(5) of the Catalist Rules can be found in the Annual Report.*

3. To approve the payment of Directors' fees of up to S$200,000 for the financial year ending 31 December 2023, to be paid half yearly in arrears. (2022: S$165,000) **(Resolution 4)**

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

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

**AS SPECIAL BUSINESS**

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:

6. **Authority to issue shares**

   That pursuant to Section 161 of the Companies Act 1967 ("**Act**") and Rule 806 of the Listing Manual – Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Catalist Rules**"), the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a *pro-rata* basis to existing shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new Shares arising from the conversion or exercise of any convertible securities;

(b) new Shares arising from exercising of share options or vesting of share awards provided the options or awards were granted in compliance with Part VIII of Chapter 8 of Catalist Rules; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Act and the Constitution for the time being of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier. **(Resolution 6)**

[See Explanatory Note (i)]

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

That:

(a) for the purposes of the Companies Act 1967, and such other laws and regulations as may for the time being be applicable, approval be and is hereby given for the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company ("**Shares**") not exceeding, in aggregate, the Maximum Percentage (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) on-market purchase(s) transacted on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") through the SGX-ST's trading system or, as the case may be, any other stock exchange on which the Shares may, for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(ii) off-market purchase(s) (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act and the Catalist Rules,

on the terms set out in the Appendix to the Annual Report dated 3 April 2023, be and is hereby authorised and approved generally and unconditionally (the "**Share Buy-Back Mandate**");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Buy-Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next AGM of the Company is held or required by law to be held; and

(ii) the date on which the share buybacks are carried out to the full extent mandated;

(c) in this Resolution:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five market days on which Shares are transacted on the SGX-ST or, as the case may be, such securities exchange on which the Shares are listed and quoted, immediately preceding the date of the market purchase or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted for any corporate action that occurs during the relevant five day period;

"**date of the making of the offer**" means the day on which the Company makes an offer for the purchase or acquisition of Shares from shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the off-market purchase;

"**Maximum Percentage**" means that number of issued Shares representing ten per centum (10%) of the total number of issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares and subsidiary holding as at that date); and

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

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

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

(d) any Director be and is hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as he/she may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution. **(Resolution 7)**

[See Explanatory Note (ii)]

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

That:

(a) approval be and is hereby given for the purposes of Chapter 9 of the Catalist Rules, for the Company and/or its subsidiaries and associated companies which are entities at risk as defined under Chapter 9 of the Listing Manual, or any of them, to enter into any of the transactions falling within the types of Interested Person Transactions ("**IPT**"), particulars of which are set out in the Appendix to the Annual Report dated 3 April 2023, with any person who is of the class of Interested Persons described in the Letter to Shareholders, provided that such transactions are made on normal commercial terms, are not prejudicial to the interests of the Company and its minority shareholders and are in accordance with the review procedures for the IPT as set out in the Appendix to the Annual Report dated 3 April 2023;

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

(c) the Directors be and are hereby authorised, jointly or severally, to take such steps, approve all matters and enter into all such transactions, arrangements and agreements and execute all such documents and notices as may be necessary or expedient for the purposes of giving effect to the proposed adoption of the IPT General Mandate as such Directors or any of them may deem fit or expedient or to give effect to this Resolution. **(Resolution 8)**

[See Explanatory Note (iii)]

By Order of the Board

Sarah Zeng
Company Secretary

Singapore, 3 April 2023

**Explanatory Notes:**

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

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

(ii) The Ordinary Resolution 7 in item 7 above, if passed, renews the Share Buy-Back Mandate and will authorise the Directors of the Company, from time to time, to purchase Shares subject to and in accordance with the Constitution of the Company, the Catalist Rules and such other laws and regulations as may for the time being, applicable. The Company may use internal sources of funds, external borrowings, or a combination of both to finance the Company's purchase or acquisition of the Shares.

The amount of funding required for the Company to purchase or acquire the Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice of AGM as these will depend on, *inter alia*, the number of Shares to be purchased or acquired, the price at which such Shares are to be purchased or acquired, and whether the Shares to be purchased or acquired are cancelled or held as treasury shares. Based on certain assumptions, an illustration on the financial impact of a purchase or acquisition of Shares by the Company pursuant to the Share Buy-Back Mandate on the audited financial statements of the Company for the financial year ended 31 December 2022 is set out in Section 6 of the Appendix to the Annual Report dated 3 April 2023, which is enclosed together with the Company's Annual Report.

(iii) The Ordinary Resolution 8 in item 8 above, if passed, renews the IPT General Mandate and empower the Company, its subsidiaries and associated companies, to enter into the IPT as described in the Section 2.4 of the Appendix to the Annual Report dated 3 April 2023, which is enclosed together with the Company's Annual Report. The authority under the renewed IPT General Mandate will, unless revoked or varied by the Company in general meeting, expire at the conclusion of the next AGM of the Company, or the date by which the next AGM is required to be held, whichever is the earlier.

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

The AGM is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of all documents relating to the business of AGM, including this Notice of AGM, Proxy Form and Annual Report will not be sent to Shareholders of the Company. Instead, this Notice of AGM, Proxy Form and the Annual Report are accessible by electronic means via the Company's website at https://www.jep-holdings.com/jep_IR/jep.listedcompany.com/index.html, the SGX website at https://www.sgx.com/securities/company-announcements and the AGM portal at https://septusasia.com/jepholdings.

**Participation in the AGM via live webcast or live audio feed**

1. As the AGM will be held by way of electronic means, a member of the Company ("**Member**") will NOT be able to attend the AGM in person. All Members or their corporate representatives (in the case of Members which are legal entities) will be able to participate in the AGM proceedings by accessing a "live" webcast or listening to a "live" audio feed. To do so, Members are required to pre-register their participation in the AGM ("Pre-registration") by accessing the site https://septusasia.com/jepholdings ("**AGM Registration and Q&A Link**") by 2.00 p.m. on 16 April 2023 ("**Registration Deadline**") for verification of their status as Members (or the corporate representatives of such Members). Members who wish to appoint person(s) (other than the Chairman of the Meeting) as a proxy(ies) ("Proxyholder(s)") to attend and vote at the AGM must pre-register their appointed proxy(ies) via the AGM Registration and Q&A Link by the Registration Deadline, failing which the appointment shall be invalid.

2. Upon successful verification, each such Member or its corporate representative or Proxy(ies) ("**Attendees**") will receive an email by 18 April 2023 before 2.00 p.m. The email will contain instructions to access the "live" webcast or "live" audio feed of the AGM proceedings ("**Confirmation Email**"). Attendees must not forward the email to other persons who are not Members and who are not entitled to participate in the AGM. Attendees who have pre-registered by the Registration Deadline but do not receive an email by 18 April 2023 after 2:00 p.m. should contact the Company through email address: **ir@jep-holdings.com**, kindly state (1) Full name of Member (2) Member's identification or registration number.

**Voting by Proxy(ies)**

3. A Member who wishes to exercise his/her/its voting rights at the AGM may:

   (a) (where the Member is an individual) vote "live" via electronic means at the AGM, or (whether the Member is an individual or a corporate) appoint a proxy(ies) (other than the Chairman of the Meeting) to vote "live" via electronic means at the AGM on his/her/its behalf; or

   (b) (whether the Member is an individual or a corporate) appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the AGM.

4. A Member who is not a relevant intermediary entitled to appoint not more than two proxies. Where such Member's instruments appointing a proxy(ies) appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the instrument.

   A Member who is a relevant intermediary entitled to appoint more than two proxies but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's instrument appointing a proxy(ies) appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the instrument.

"**Relevant intermediary**" means:

(a) a banking corporation licensed under the Banking Act 1970 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001, and who holds shares in that capacity; or

(c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act 1953, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. A proxy need not be a Member.

6. The instrument appointing the proxy (the "**Proxy Form**") must be deposited at the Company's registered office at **16 Seletar Aerospace Crescent, Singapore 797567** or sent by email to **ir@jep-holdings.com**, not less than forty-eight (48) hours before the time appointed for the AGM of the Company.

   **Members are strongly encouraged to submit completed proxy forms electronically via email.**

7. CPF and SRS investors: (a) may vote "live" via electronic means at the AGM if they are appointed as proxies by their respective CPF Agent Banks or SRS Operators, and should approach their respective CPF Agent Banks or SRS Operators if they have any queries regarding their appointment as proxies; or (b) may appoint the Chairman of the Meeting as proxy to vote on their behalf at the AGM, in which case they should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM (i.e.: by **6 April 2023**) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a Proxy Form on their behalf by the cut-off date.

**Submission of questions**

8. Members or Proxy(ies) may (i) submit questions related to the resolutions to be tabled at the AGM during Pre-registration via the AGM Registration and Q&A Link by 2.00 p.m. on 14 April 2023; or (ii) submit text-based question during the AGM by clicking the "Live Questions" feature and then clicking "Ask Questions" to input their queries in the questions text box.

9. The Company will endeavour to address relevant and substantial questions (as may be determined by the Company in its sole discretion) received before and during the AGM.

10. The Company will publish the minutes of the AGM on SGXNet and the Company's website within one (1) month after the date of AGM.

**Voting**

11. Live voting will be conducted during the AGM. It is important for Attendees to ensure their own web-browser enabled devices ready for voting during the AGM.

12. Attendees will be required to log-in via the login credentials provided to them in the Confirmation Email.

    (i) Live voting: Attendees may cast their votes in real time for each resolution to be tabled via the "live" Webcast via the "live" voting feature.

    (ii) Voting via appointing the Chairman of the Meeting as Proxy. As an alternative to the above, Members may also appoint the Chairman of the AGM as his/her/its proxy to vote on their behalf. Please refer to "**Appointment of proxy(ies)**" section above for the manner of submission.

**PERSONAL DATA PRIVACY:**

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

(i) the processing and administration by the Company (or its agents or service providers) of Proxy Forms appointing proxy(ies) for the AGM (including any adjournment thereof);

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

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

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

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

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This Notice of AGM has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, RHT Capital Pte. Ltd. (the "**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist. This Notice of AGM has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this Notice of AGM including the correctness of any of the statements or opinions made or reports contained in this Notice of AGM.

The details of the contact person for the Sponsor is:

| | | |
|---|---|---|
| Name | : | Ms. Bao Qing (Registered Professional, RHT Capital Pte. Ltd.) |
| Address | : | 36 Robinson Road, #10-06 City House, Singapore 068877 |
| Email | : | sponsor@rhtgoc.com |

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# JEP HOLDINGS LTD.

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

## ANNUAL GENERAL MEETING
## PROXY FORM

*(Please see notes overleaf before completing this Form)*

**IMPORTANT:**
1. A proxy need not be a Member.
2. A member who is a relevant intermediary is entitled to appoint more than two proxies. Where such Member's instruments appointing a proxy(ies) appoints more than one proxy, the proportion of the shareholding concerned to be presented by each proxy shall be specified in the instrument (please see Note 2 for the definition of "**relevant intermediary**").
3. For CPF/SRS investors who have used their CPF/SRS monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective CPF Agent Banks or SRS Operators if they have any queries regarding their appointment as proxies or appointment of the Chairman of the Meeting as proxy.
4. **PLEASE READ THE NOTES TO THE PROXY FORM**.

Personal data privacy
By submitting an instrument appointing proxy(ies), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 3 April 2023.

I/We, ____________________ (Name) ____________________ (NRIC / Passport No./ Co Reg No.)

of ________________________________________ (Address)

being *a member/members of **JEP HOLDINGS LTD** (the "**Company**"), hereby appoint:

| **Name** | **NRIC/Passport No.** | **Proportion of Shareholdings** | |
|---|---|---|---|
| | | **No of Shares** | **%** |
| **Email Address** | | | |

*and/or (delete as appropriate)

| **Name** | **NRIC/Passport No.** | **Proportion of Shareholdings** | |
|---|---|---|---|
| | | **No of Shares** | **%** |
| **Email Address** | | | |

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held by way of electronic means on Wednesday, 19 April 2023 at 2.00 p.m. and at any adjournment thereof.

*I/We direct *my/our proxy to vote for, against or abstain from voting the Resolutions proposed at the Meeting as indicated hereunder. **If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as *he/she/they will on any other matter arising at the Meeting and at any adjournment thereof**.

| No. | Resolutions relating to: | For | Against | Abstain |
|---|---|---|---|---|
| 1 | Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2022 | | | |
| 2 | Re-election of Mr. Andy Luong as a Director | | | |
| 3 | Re-election of Mr. Wong Gang as a Director | | | |
| 4 | Approval of Directors' fees of up to S$200,000 for the financial year ending 31 December 2023, to be paid half yearly in arrears | | | |
| 5 | Re-appointment of Moore Stephens LLP | | | |
| 6 | Authority to issue shares | | | |
| 7 | Proposed Renewal of Share Buy-Back Mandate | | | |
| 8 | Proposed Renewal of IPT General Mandate | | | |

Dated this __________ day of ____________________ 2023

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

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

*Delete where inapplicable

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

**Notes:**

1. The Meeting is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. A member of the Company ("**Member**") will not be able to attend the Meeting in person.

2. A Member who wishes to exercise his/her/its voting rights at the AGM may:

   (a) (where the member is an individual) vote "live" via electronic means at the AGM, or (whether the member is an individual or a corporate) appoint a proxy(ies) (other than the Chairman of the Meeting) to vote "live" via electronic means at the AGM on his/her/its behalf; or

   (b) (whether the member is an individual or a corporate) appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the AGM.

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

   "**Relevant intermediary**" means:

   (a) a banking corporation licensed under the Banking Act 1970 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001, and who holds shares in that capacity; or

   (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act 1953, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

4. CPF or SRS investors who wish to vote should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM (i.e.: by **6 April 2023**) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the Meeting to vote on their behalf by the cut-off date.

5. The proxy need not be a Member.

6. The instrument appointing the proxy (the "**Proxy Form**") must be deposited at the Company's registered office of the Company at **16 Seletar Aerospace Crescent, Singapore 797567** or sent by email to **ir@jep-holdings.com**, not less than forty-eight (48) hours before the time appointed for the Meeting.

   **Members are strongly encouraged to submit completed proxy forms electronically via email.**

7. A Member should insert the total number of shares held. If the Member has shares entered against his/her/its name in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**"), he/she/it should insert that number of shares. If the Member has shares registered in his/her/its name in the Register of Members, he/she/it should insert that number of shares. If the Member has shares entered against his/her/its name in the said Depository Register and registered in his/her/its name in the Register of Members, he/she/it should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the Member.

8. The Proxy Form must be under the hand of the appointor or of his/her/its attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

9. Where a Proxy Form is signed on behalf of the appointor by an attorney or a duly authorised officer, the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must (failing previous registration with the Company) be lodged with the Proxy Form; failing which the instrument may be treated as invalid.

10. The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on and/or attached to the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the Member, being the appointor, is not shown to have shares entered against his/her/its name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by CDP to the Company.

11. All Members will be bound by the outcome of the Meeting regardless of whether they have attended or voted at the Meeting.

12. Personal data privacy: By submitting an instrument appointing the proxy(ies) (other than the Chairman of the Meeting) or Chairman of the Meeting as a proxy to vote at the Meeting and/or any adjournment thereof, all Members accept and agree to the personal data privacy terms set out in the Notice of Annual General Meeting dated 3 April 2023.

JEP
HOLDINGS LTD

Company Registration No.: 199401749E

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