



H O L D I N G S L T D

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

**ANNUAL GENERAL MEETING TO BE HELD ON 24 APRIL 2024
RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS**

The Board of Directors of JEP Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the announcement released by the Company on 5 April 2024 relating to the details of the Company’s annual general meeting to be held at 16 Seletar Aerospace Crescent Singapore 797567 on Wednesday, 24 April 2024 at 9.30 a.m.

As mentioned in the said announcement, the Company will endeavour to address substantial and relevant questions relating to the resolutions to be tabled for approval at the annual general meeting or the Company’s businesses and operations, which are submitted not later than by 16 April 2024.

The Company wishes to inform that it did not receive any questions from shareholders and it has received questions from the Securities Investors Association (Singapore) (“**SIAS**”). The responses to the SIAS questions are set out in the Appendix to this announcement.

By Order of the Board

Andy Luong
Executive Chairman and Chief Executive Officer

For and on behalf of Board of Directors of JEP Holdings Ltd.
22 April 2024

This announcement has been prepared by the Company and its contents have been reviewed by the Company’s Sponsor, RHT Capital Pte. Ltd. (the “**Sponsor**”), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalyst

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

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Q1. For the financial year ended 31 December 2023, the group reported revenue of \$58.1 million, a decrease from \$82.6 million in the previous year.

While the semiconductor market experienced a slowdown, the group's Aerospace business experienced a 51.7% increase in sales to ~\$22.7 million. According to the International Air Transport Association (IATA), the industry is expected to further strengthen and become more profitable in 2024.

Management is foreseeing "a significant recovery" in the group's Aerospace business, supported by volume production of complex and high value-added parts from strategic customers. The group is focused on expanding its Aerospace product portfolio to meet evolving customer needs and enhancing manufacturing processes.

(i) Considering recent negative events in aviation like blown door panels and engine cowling issues, what opportunities and threats does the aerospace business present? How is the group positioning itself to capitalise on the developments?

Company's response:

Like all industries, the Aerospace business faces both threats as well as opportunities. Aside from the negative events such as blown out door panels and engine problems (as mentioned), threats include heightened competition, production and supply chain issues as well as increasing costs/inflationary pressures as well as geopolitical conflicts causing disruptions to global trade and transport.

However, according to IATA, the Aerospace industry has made a strong post-pandemic recovery and is expected to enjoy a boom in air travel in 2024 - with 200 million more passengers travelling now compared to the pre-pandemic period. (Source: <https://www.forbes.com/sites/rogerdooley/2023/12/06/air-travel-boom-predicted-for-2024/?sh=20042e7cabf7>).

In light of these trends, the Group has embarked on a number of marketing initiatives to actively engage with customers through RFQs (Request for Quotations) and exploring ways to boost sales. At the same time, the Group has also undertaken prudent measures to manage market risks and challenges.

(ii) Is the group accredited as a subcontractor in the supply chain for major aircraft manufacturers, including the top three players in the aircraft engine market?

Company's response:

The Group's subsidiary - JEP Precision Engineering is accredited with AS9100, OSHAS, and NADCAP and we have built a track record as a reliable sub-contractor for aerospace components since the beginning of our operations in 1990, and is now part of the global supply chain for the world's leading aircraft manufacturers.

The Group is now undergoing qualification for one of the major aircraft engine manufacturers for machining of critical components.

(iii) What was the utilisation rate in FY2023 and does the group have sufficient capacity to support the anticipated growth?

Company's response:

The Group's utilisation rate for FY2023 was approximately 50%.

(iv) When is the new factory in Penang expected to be operational?

Company's response:

The expected operational date for the new Penang factory is undetermined as the factory is in the midst of some infrastructural works and pending approvals for local authority licensing.

Q2. Based on the SGX website¹, the company last paid a dividend off \$0.0003 per share in Jun 2017 (before the share consolidation of 1 for 4 in May 2018). The company noted in its corporate governance report that it 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.

Net cash generated from operating activities amounted to \$3.4 million in FY2023 (FY2022: \$16.8 million). The group's financial position remained strong with net cash and cash equivalents of \$19.2 million at the end of December 2023.

(i) What is the total investment needed for the new factory in Penang? With only \$1.2 million in capital commitments remaining as at 31 December 2023, is the heavy investment phase completed?

Company's response:

The total investment for the new Penang factory is approximately S\$10 million. Most of the heavy investment phase has been completed except for some ongoing mechanical and electrical works.

(ii) What discussion did the board have on balancing dividend payments to shareholders and financing the group's strategic growth initiatives?

Company's response:

The Board's discussions on balancing dividend payments to shareholders and financing strategic growth initiatives were guided by the principles outlined in page 64 of the 2023 Annual Report. This includes that the Company does not have a fixed dividend policy. The form, frequency, and amount of dividends depend on the Company's earnings, operational and capital requirements, cash flow, financial conditions, as well as general business conditions and other factors that the Board may deem appropriate.

Furthermore, the Board emphasised its commitment to maintaining a balance between meeting shareholder expectations and prudent capital management. This balance was further determined by considerations of ongoing operational and capital demands, including the obligations related to the building term loan. These factors were instrumental in shaping dividend distribution decisions, underscoring the board's dedication to responsible resource allocation that aligns with the Company's financial health and strategic objectives.

(iii) Given the robust balance sheet and cash flow from operations, do the directors believe the company is well-positioned to restart dividend payments to shareholders?

Company's response:

The Board is of the view that the Company may restart dividend payments to shareholders when certain conditions align: such as when the Group's financial performance consistently demonstrates stability and growth, its operational and capital requirements are adequately met without compromising future investments, and prevailing economic conditions support sustainable dividend distributions. While the robust balance sheet and healthy cash flow from operations provide a strong foundation, the Board remains cautious and strategic in its approach in the light of the prevailing global economic challenges and intensifying geopolitical tensions.

¹ <https://www.sgx.com/securities/corporate-actions?value=JEP%20HOLDINGS%20LTD>.

Q3. On 5 April 2024, the company announced the retirement of Mr Wong Gang² as a director of the company following the conclusion of the annual general meeting and announced the appointment of Mr Tan Wei Shyan as independent director.

As noted in the corporate governance report, Mr Tan Wei Shyan is a replacement for Mr Wong Gang and the new director will be appointed with effect from 24 April 2024 after the conclusion of the AGM and the cessation of Mr Wong Gang as a director.

CHANGE - ANNOUNCEMENT OF APPOINTMENT::APPOINTMENT OF INDEPENDENT DIRECTOR
Tan Wei Shyan
Age 46
Country Of Principal Residence Singapore
The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations, and the search and nomination process)
The Board of Directors has accepted the recommendation of the Nominating Committee of the Company which has reviewed Mr. Tan Wei Shyan's credentials and experience, and approved the appointment of Mr. Tan Wei Shyan as an Independent Director of the Company.
Whether appointment is executive, and if so, the area of responsibility Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.) Independent Director, Chairman of the Remuneration Committee and members of the Audit Committee and the Nominating Committee
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or any of its principal subsidiaries None
Conflict of interests (including any competing business) None
Working experience and occupation(s) during the past 10 years August 2005 - Present : Shook Lin & Bok LLP Partner

(Source: <https://links.sgx.com/1.0.0/corporate-announcements/4ZAGCLXFIVD5XQBO/6b6d79fd5c45f9086dd5fdb7c7f9b9b3766c8e3e977cc38291d41536995643>)

² <https://links.sgx.com/1.0.0/corporate-announcements/T5IV7STQU4UYHC7L/2af413e986fabeafd97764d8fc43e6d7aa07307757e7487464b74a19af987486>

(i) Why was the appointment of Mr. Tan Wei Shyan delayed until after the AGM? Is it considered good practice to defer a director's re-election to the next AGM when the decision to appoint him has been made before this year's AGM?

Company's response:

The Company only completed the search and nomination processes for the replacement of the retiring Mr. Wong Gang closer to the issuance of the 2023 Annual Report. Accordingly, the Board approved the appointment of Mr. Tan Wei Shyan ("Mr. Tan") as a new Independent Director of the Company with effect from 24 April 2024 (after the conclusion of the AGM and cessation of Mr. Wong Gang as Lead Independent Director of the Company). Mr. Tan, who will be a new Independent Director of the Company, will be subjected to retirement at next year's Annual General Meeting of the Company pursuant to the Company's Constitution.

It is further noted that Mr Tan Wei Shyan is a partner of the same law firm as Mr Wong Gang. The principal responsibilities of the nominating committee (NC) include establishing a formal and transparent process for appointments and re-appointments to the board (page 49).

(ii) Was the incoming director recommended by the retiring director as his direct replacement to the NC? Can the NC confirm if a formal search and nomination process was conducted? How many director candidates were considered?

Company's response:

The Company has gone through the formal search and nomination processes of finding a suitable candidate to replace the retiring director, Mr. Wong Gang. Mr. Tan's appointment has been reviewed by and recommended by the NC, and approved by the Board to be appointed as the replacement for Mr. Wong Gang.

The NC confirms that a formal search and nomination process was conducted. The NC recommended the candidates to the Board, and after a thorough review of several profiles, the NC shortlisted 3 candidates. These candidates underwent interviews conducted by the Board, leading to further narrowing down. Subsequently, the NC also submitted Mr. Tan's profile to the Sponsor for due diligence checks, and Mr. Tan was interviewed by the Sponsor. The Sponsor was satisfied that he is a suitable candidate for the role of an Independent Director. The Board had also accepted the recommendation of the NC and approved the appointment of Mr. Tan as an Independent Director.

(iii) How did the board assess whether there is an appropriate level of independence and diversity of thought and background in its composition to enable decision-making in the company's best interest, as outlined in Principle 2 of the Code of Corporate Governance 2018?

Company's response:

The Board, with the guidance of the NC, had assessed the independence of Mr. Tan and the Board was of the view that Mr. Tan is considered independent under the Catalist Rules and Code of Corporate Governance 2018. In terms of board diversity, being the only board member that is a lawyer, the NC and the Board believed that Mr Tan's experience is beneficial to the Company.

The Board assessed the level of independence and diversity of thought and background within its composition through several key measures. Firstly, it conducted a thorough review of the skills, experience, and qualifications of each board member to ensure a diverse range of perspectives and expertise. This included evaluating factors such as industry knowledge, cultural background, gender diversity, and professional qualifications.

Furthermore, the Board regularly reviews its composition and considers the independence of each director, taking into account any potential conflicts of interest or relationships that may compromise independent decision-making. Independent directors play a crucial role in ensuring that decisions are made in the Company's best interest, free from undue influence or bias.

The Board also promotes open dialogue during board meetings to encourage constructive debate so as to avoid groupthink. This fosters a culture of accountability and transparency, allowing for robust decision-making processes that prioritize the long-term interests of the Company and its stakeholders.

In summary, the Board's assessment of independence and diversity of thought and background is guided by Principle 2 of the Code of Corporate Governance 2018, emphasising the importance of having a well-rounded and independent board to enable effective decision-making in the Company's best interest.