Frencken

Frencken Group Limited

ANNUAL REPORT 2020

About this year's Cover Design

Our annual report cover showcases a pair of firm, steady hands cradling the globe, representing Frencken Group facing challenges head-on with confidence. The COVID-19 pandemic posed a considerable challenge to society, the inter-connected global economy, and the Group. Frencken embraces and rises to the challenge as it continues to seek greater performance and technological breakthroughs.

Standing atop the globe of interconnectivity is a sturdy tree that symbolizes the Group's growth and emergence from a challenging year through strong organizational resilience and dynamism. Varied icons present Frencken Group's innovative strengths and integrated solutions in diverse fields, allowing it to stand out as a reputable total solutions provider in the global market.

Committed to success, Frencken Group sets a precise momentum towards attaining the next level of technological leadership. With an innovative spirit and expertise honed through the years, the Group believes that it is well-positioned to maintain its lead as the partner of choice for customers.

CONTENTS

Group Operating Structure

Mechatronics Division

Europe

- Frencken Europe B.V.
  Eindhoven, The Netherlands
- Frencken Mechatronics B.V.
  Eindhoven, The Netherlands
- Machinefabriek Gebrs. Frencken B.V.
  Eindhoven, The Netherlands
- Optiwa B.V.
  Reuver, The Netherlands

America

- Frencken America Inc.
  Spokane, USA

Asia

- ETLA Limited
  Singapore
- ETLA Technology (Wuxi) Co., Ltd.
  Wuxi, People's Republic of China
- Frencken Mechatronics (M) Sdn. Bhd.
  Bangi, Malaysia

Integrated Manufacturing Services Division

Asia

- Juken Technology Limited
  Singapore
- Juken Technology Engineering Sdn. Bhd.
  Selangor and Johor, Malaysia
- Juken (Thailand) Co., Ltd
  Bangkok, Thailand
- Juken (Zhuhai) Co., Ltd
  Zhuhai, People's Republic of China
- Frencken (Chuzhou) Co., Ltd
  Chuzhou, People's Republic of China
- Micro-Air (Tianjin) Technology Co., Ltd
  Tianjin, People's Republic of China
- Juken Uniproducts Pvt. Limited
  Noida, India

Europe

- Juken Swiss Technology AG
  Grenchen, Switzerland
- NTZ Nederland B.V.
  Rotterdam, The Netherlands

Our Business

THE FRENCKEN ADVANTAGE

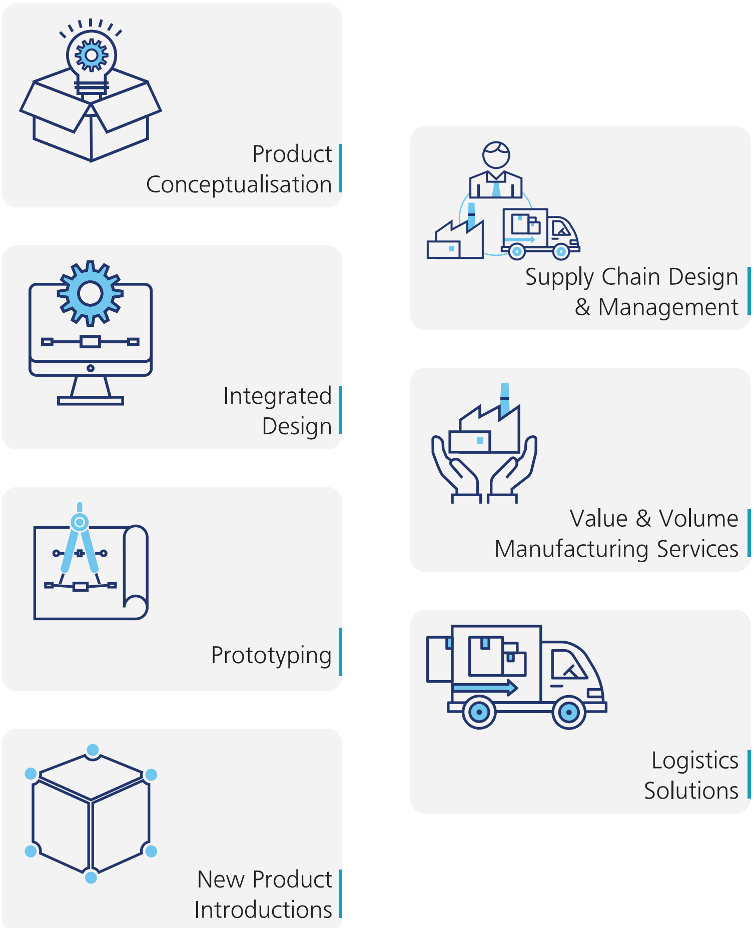
Frencken Group Limited ("Frencken") is a Global Integrated Technology Solutions Company that is listed on the Main Board of the Singapore Exchange.

We provide comprehensive Original Design, Original Equipment and Diversified Integrated Manufacturing solutions for world-class multinational companies in the automotive, healthcare, industrial, analytical & life sciences and semiconductor industries.

Frencken has capabilities to offer end-to-end solutions to customers across the entire value chain - from product conceptualisation, integrated design, prototyping and new product introductions, to supply chain design and management, state-of-the-art value and volume manufacturing and logistics services.

With 3,400 employees in 17 operating sites across Asia, Europe and the USA, Frencken provides global reach backed by local expertise, to our customers. We unite the strengths of our strategically located businesses to create value for our customers.

INTEGRATED SOLUTIONS



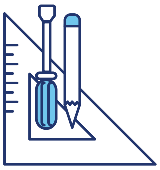
ONE-STOP GLOBAL INTEGRATED TECHNOLOGY SOLUTIONS PROVIDER

Our Business (Cont'd)

MECHATRONICS DIVISION

Frencken designs and manufactures high precision and complex systems for renowned global Original Equipment Manufacturers in the healthcare, analytical & life sciences, semiconductor and industrial automation markets. We serve market and technology leaders from our operating sites and global centres in Europe, Asia and the USA.

Our Mechatronics Division has core competencies in development & engineering, complex & high precision components, precision cleaning of parts, high level assembly, global supply chain management and process & quality control.

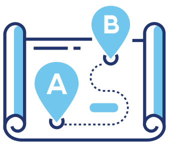


Build to the customer's Product Design

- Optimise product design for manufacturability
- Develop a manufacturing process for quality and repeatability
- Optimise the manufacturing process for cost, quality and on-time delivery

Develop and build to the customer's Specifications

- Jointly develop product specification
- Product Conceptualisation
- Develop and build prototype
- Develop a manufacturing process for quality and repeatability
- Optimise the manufacturing process for cost, quality and on-time delivery
- Supporting the product's life cycle



Build to the customer's Roadmap

- Good grasp of market drivers and requirements, mapped to the customer's solutions roadmap
- Develop a solution / product from conceptualisation to serial production
- Product fitting into the customer's desired offering
- Production and managing the product's life cycle
- Frencken, your product design partner

GLOBAL CENTRES

oneMechatronics

Asia			Europe		USA
Bangi, Malaysia	Singapore	Wuxi, China	Eindhoven, Netherlands	Reuver, Netherlands	Spokane, USA

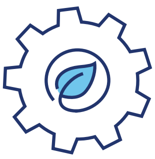
IMS DIVISION

Frencken offers integrated contract design and manufacturing services to the automotive and consumer & industrial electronics segments. With over 30 years of experience, our IMS Division has extensive in-house capabilities and operating sites worldwide.

IMS

Proven track record in product design, tooling design + manufacturing, and manufacturing + finishing of hi-precision plastic injection parts conforming to stringent automotive standards.

Secondary processes for automotive decorative finishing, modules and final assembly + test.



IMS Coating

Proprietary PVD (Physical Vapour Deposition) solution which was developed and used by Frencken at the plant in Tianjin. "Sustainable Green" environmentally friendly PVD surface coating technologies for plastic.

Cost effective surface coating for automotive interior and functional parts utilising our "Green" coating processes. Qualified for 1st and 2nd automotive surface interior and plastic metallization solutions for electronic enclosures and automotive antennas.

IMS Filter

Conceptualisation, design and manufacture of high quality, reliable + efficient oil filtration solutions for automotive.

Automotive gearbox oil filtration systems for Internal Combustion Engine (ICE), Mild Hybrid Electric Vehicle (MHEV) and Plug in Hybrid Electric Vehicle (PHEV) and engine filters. Designed to customers' needs and specifications for superior filtration. Delivering cost effective performance and superior reliability.

GLOBAL CENTRES

IMS

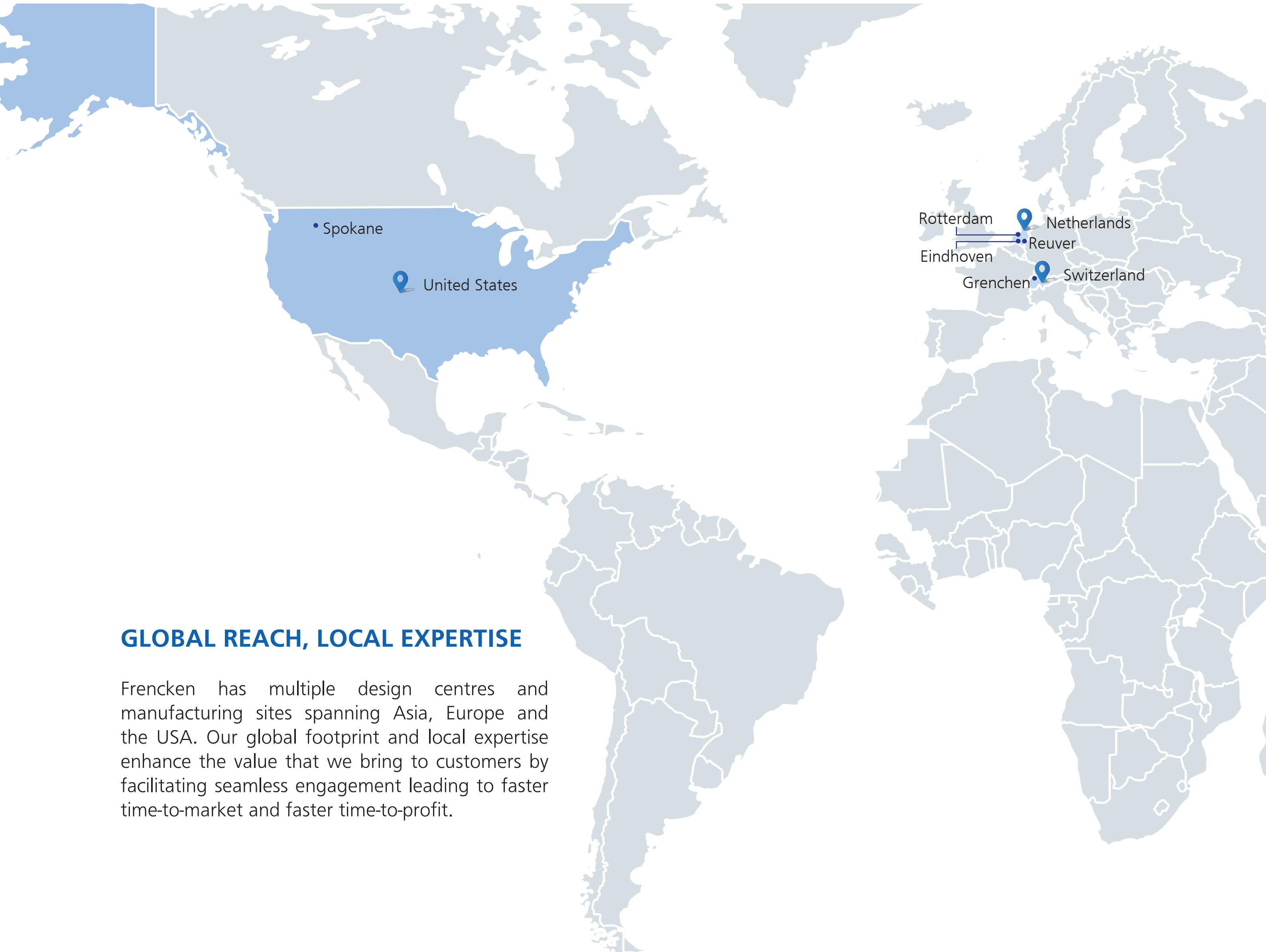
Asia

- Noida, India
- Bangkok, Thailand
- Selangor, Malaysia
- Johor, Malaysia
- Singapore
- Zhuhai, China
- Tianjin, China
- Chuzhou, China

Europe

- Rotterdam, Netherlands
- Grenchen, Switzerland

Our Value Proposition



GLOBAL REACH, LOCAL EXPERTISE

Frencken has multiple design centres and manufacturing sites spanning Asia, Europe and the USA. Our global footprint and local expertise enhance the value that we bring to customers by facilitating seamless engagement leading to faster time-to-market and faster time-to-profit.

United States
Spokane

Netherlands
Eindhoven
Rotterdam
Reuver

Switzerland
Grenchen

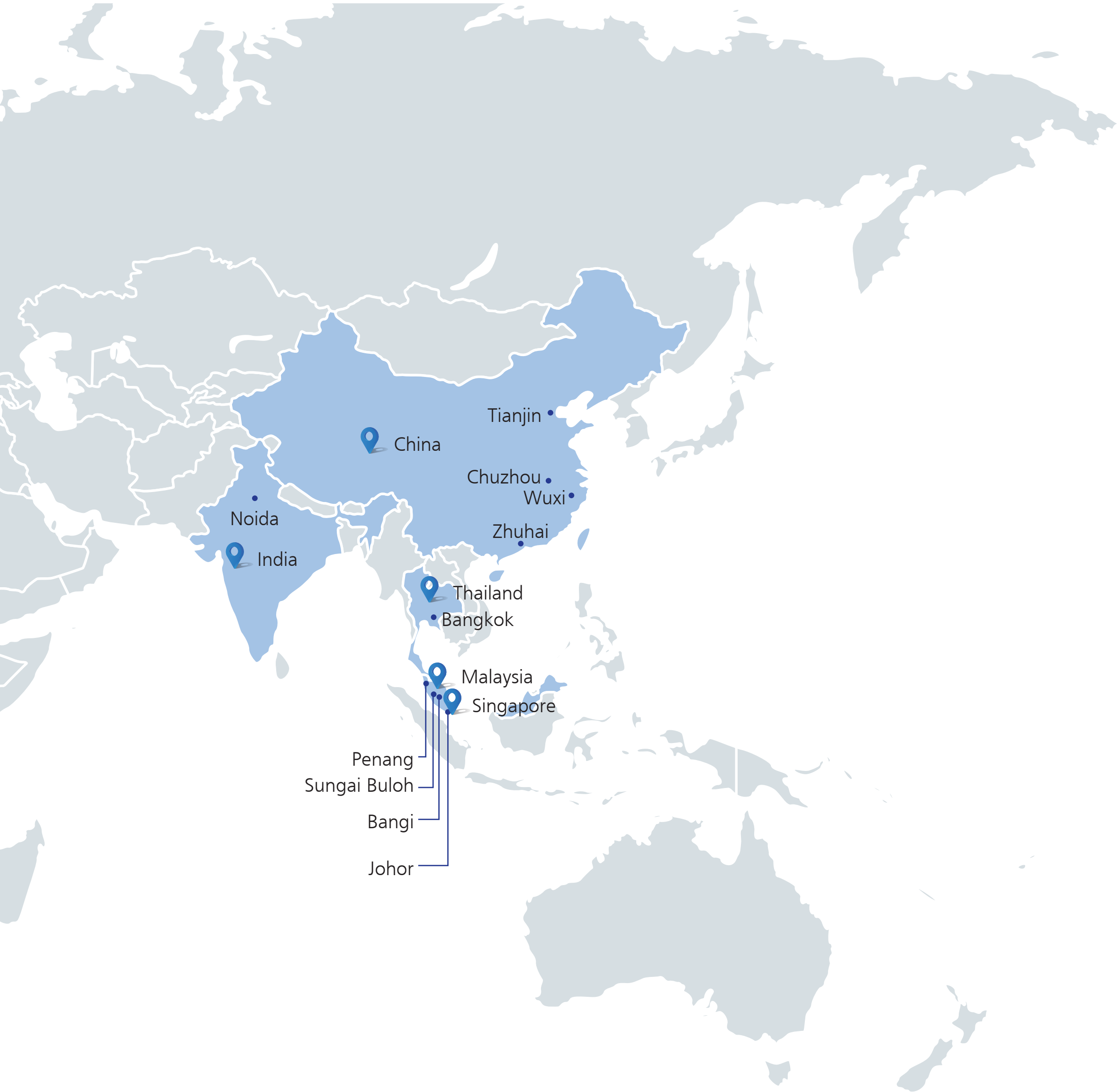
China
Tianjin
Zhuhai
- Jinding
- Nanshui
Chuzhou
Wuxi

Thailand
Bangkok

Malaysia
Sungai Buloh
Bangi
Johor
Penang

Singapore
Singapore

India
Noida



Revenue

S$620.6 million

Countries Served

50+

Operating Sites

17

Employees

3,400

Public Corporation listed on

SGX

Our Value Proposition (Cont'd)

DIVERSITY BRINGS RESILIENCE AND STABILITY

Frencken operates in a broad array of market segments, end-user markets and geographical regions. Our established presence in the automotive, healthcare, industrial, analytical & life sciences and semiconductor markets has resulted in growth, resilience and stability for the Group.

The Group's business is built on a model of market diversity and strong partnerships with market leaders in their respective industries. This has provided Frencken with a strong foundation to weather headwinds from ongoing global economic uncertainties and the COVID-19 pandemic.

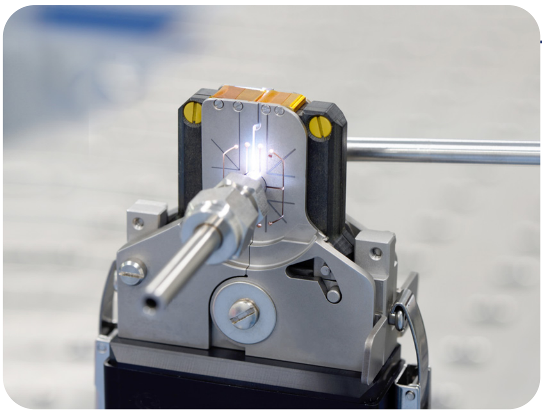
We take pride in our partnerships with customers to create world-class products. Our solutions, while not immediately visible to end-users, enable the products that surround us in our everyday lives.

The smart devices you use, the water you drink, the food you eat, the car you drive and even your medical diagnostic tests. These are examples of customers' products to which Frencken has contributed in the design, technology or manufacturing of components, sub-assemblies, or the entire product.

BREADTH OF CAPABILITIES

Automotive

- Filters
- Interior plastic decorative parts
- Dashboard clusters, pointers and clocks
- Eco-PVD coating technology for decorative surface or functional plastic metallization



Analytical & Life Sciences

Components and sub-assemblies for

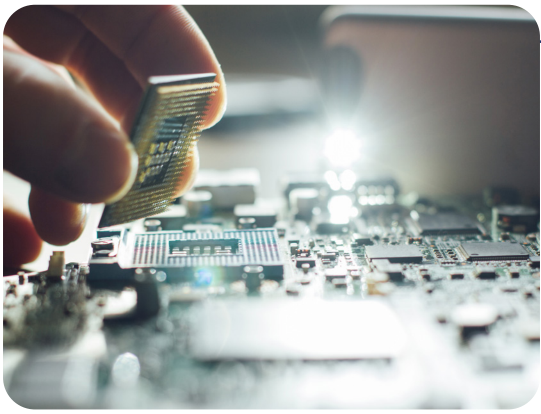
- Scanning electron microscope
- Mass spectrometry
- Gas / Liquid chromatography
- Spectroscopy
- Vacuum systems

Our Value Proposition (Cont'd)

Healthcare

Components and sub-assemblies for

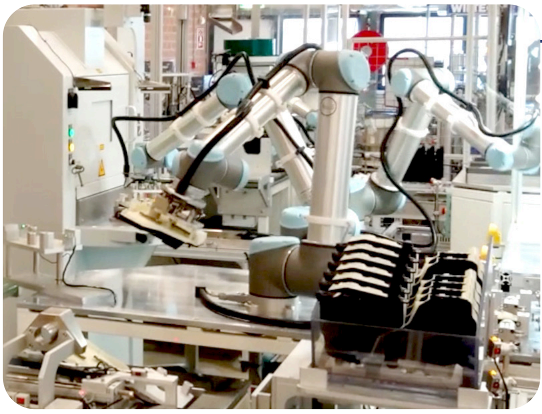
- CV (cardiovascular) patient table
- Histopathology digital scanner
- X-Ray gantry and telescopic tube
- Micro motor for heart implants



Semiconductor

Components and sub-assemblies for

- Wafer fabrication equipment
- Die bonding
- IC testers and manipulators
- Wafer and semiconductor inspection solutions & tools



Industrial

Components and sub-assemblies for

- Industrial automation
- Electric motors for custom applications
- Semiconductor wafer transfer robots
- Electrical switch-gear for industrial and home applications

OUR SOLUTIONS SURROUND AND ENABLE THE PRODUCTS AROUND YOU

Chairman's Statement

Dato' Gooi Soon Chai
Non-Executive Non-Independent Chairman

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present Frencken Group Limited's annual report for the 12 months ended 31 December 2020 ("FY2020").

The year 2020 will forever be remembered in history for the massive turmoil the COVID-19 pandemic wrought on the world. In addition to the immense human death toll inflicted by the pandemic, countless job losses that arose from the global economy's steep contraction and a sharp decline in business activities have caused widespread suffering in many communities.

Like many companies, Frencken did not escape unscathed from the pandemic. The operations at a number of our factories around the world were affected during the first half of 2020 by the country-wide lockdowns and measures enforced by the respective governments to contain the spread of the virus. But while we did encounter some disruption to our business, the Group's manufacturing services form part of the supply chain for essential products such as semiconductor and healthcare equipment. As a result, almost all our factories were approved by their respective governments to continue manufacturing operations, albeit some at reduced manpower levels.

By the middle of FY2020, all our manufacturing sites in Asia, Europe and the USA had resumed operations. Just as important, the initial disruptions in the supply chain caused by the lockdown measures had also been largely resolved.

Frencken places great value on our human capital. Since the onset of the COVID-19 pandemic, the Group has ensured that all necessary measures have been put in place at our global operating sites to establish a safe and healthy working environment for our people.

As part of our Corporate Social Responsibility efforts, Frencken has also taken steps to support local communities and help keep frontliners safe. Although there was a severe shortage of masks in the early days of the pandemic, our people worked tirelessly to secure more than 30,000 masks which were donated to frontliners and hospitals in Malaysia, Europe and the USA.

Financial Performance for FY2020

Despite the challenging business environment, Frencken still delivered a relatively resilient financial performance for FY2020. The Group's revenue eased 5.8% to S$620.6 million as the business disruptions and slowdown in the global economy affected sales of the Mechatronics and Integrated Manufacturing Services ("IMS") Divisions. At the bottom line, the Group reported a stable net profit attributable to equity holders ("PATMI") of S$42.6 million in FY2020. If the non-cash exceptional items recorded in FY2020 and FY2019 are excluded, the Group's PATMI would have increased 4.9% to S$48.8 million in FY2020 from S$46.5 million in FY2019.

Indeed, Frencken proved its ability to rise above the COVID-19 pandemic as the year progressed. On a half-on-half (hoh) basis, the Group's revenue showed growth of 12.2% to S$328.1 million in the second half of FY2020 ("2H20") compared to S$292.5 million in the first half of FY2020 ("1H20") thanks to a gradual recovery in business conditions. The Group's profitability also showed a marked improvement in 2H20 as PATMI of S$23.9 million was an increase of 27.2% hoh from S$18.7 million in 1H20. If exceptional items are excluded, the Group's PATMI in 2H20 would have recorded an increase of 60.4% hoh to S$30.1 million from S$18.7 million in 1H20.

The Mechatronics Division registered a marginal decline in revenue to S$520.5 million in FY2020. This was due mainly to softer sales of the industrial automation and analytical segments which were partially offset by strong sales growth of the semiconductor segment.

The IMS Division reported a 16.6% decrease in revenue to S$100.9 million in FY2020. This was attributed mainly to the automotive segment which saw lower sales in FY2020 due to the slowdown in the global automotive market. However, the IMS Division benefited from a recovery in the automotive segment's sales during the second half of FY2020 as orders from its customers gradually improved.

Frencken's ability to maintain a stable financial performance during this global crisis is a testament to the robustness of our business model. Our focused strategy to serve leading corporations in multiple industries, a wide range of end-user markets and different geographical regions ensures there is a high level of diversity in our business which brings greater stability and resilience to the Group.

The Group's resilient performance over the years has also enabled us to continue strengthening our balance sheet. As at 31 December 2020, our cash and cash equivalents rose substantially to S$174.5 million from S$122.4 million at the end of FY2019. As a result, the Group recorded an increase in net cash to S$107.1 million at the end of FY2020 compared to S$69.2 million as at 31 December 2019. Our shareholders' equity stood at S$334.0 million, equivalent to a net asset value of 78.31 cents per share.

In line with Frencken's longstanding practice of rewarding shareholders for their continuous support, the Group is recommending the payment of a first and final tax-exempt (one-tier) dividend of 3.0 cents per share in respect of FY2020 which is the same as the dividend for FY2019. The dividend, which translates to a payout ratio of 30% of the Group's PATMI, will be paid on 19 May 2021 upon receiving approval from shareholders at our Annual General Meeting on 29 April 2021. Since listing on the Singapore Exchange in 2005, the Group has consistently paid dividends representing at least 30% of earnings every year.

Focused on Raising our Value to Customers

Despite many operational challenges due to the COVID-19 pandemic during FY2020, the Group remained focused on improving capabilities and achieving best-in-class quality at the Mechatronics and IMS Divisions. Both divisions continued executing several initiatives that raise their competencies and enable them to offer greater value to customers.

One of the key initiatives at our Mechatronics Division during FY2020 was to develop and implement the *"oneMechatronics"* structure. This is a global joint effort by the division's manufacturing operations in Europe, Asia and the USA aimed at leveraging our global mechatronics capabilities and aligning the standards of operations excellence across all our diverse locations. We believe *oneMechatronics* will enable the division to better address the needs and challenges of our global customers. The Mechatronics Division also continues to steadily invest in more advanced equipment, capacity and the improvement of facilities at its manufacturing plants worldwide to maintain our competitive advantage.

The IMS Division continues to make encouraging progress in its transformation program. The new Chuzhou facility has received its IATF16949 and ISO certifications as well as commissioned its new solar energy system. In addition to our Chuzhou facility, the division has also implemented solar energy systems at its factories in South East Asia to reduce the Group's carbon footprint. On the technology front, our proprietary eco-PVD technology application for the metallization of plastic for functional automotive applications has garnered significant interest from customers.

Outlook and Strategy

Looking ahead, the uncertainties surrounding the COVID-19 trajectory continue to weigh on the outlook of the global economy. A resurgence of new COVID-19 infections and variants may pose challenges to the recovery in global business conditions and new challenges to the supply chain.

Despite the present uncertainties, the Group's long-term goal remains the same, that is, to continue delivering sustainable and profitable growth to all our stakeholders. We believe the global technology sector will continue to benefit from the demand and positive market trends in life sciences, artificial intelligence including machine learning - robotic process automation - edge computing, virtual and augmented reality, 5G and connectivity.

To benefit from this secular market trend, Frencken will continue to aim for balanced growth across our various business segments, end-user markets and geographical regions. We will also further strengthen our long-term partnerships with the leading companies in the global semiconductor, healthcare, industrial, analytical & life sciences and automotive markets. This proven strategy of business diversity will provide stability to the Group from uneven demand that may arise from within its business segments. The Mechatronics and IMS Divisions will also continue to work on expanding their respective market shares with both existing and new customers.

We are confident that these strategies will enable Frencken to enhance our value proposition to customers and strengthen our position as a premier Global Integrated Technology Solutions Company. Last but not least, we would like to share that Frencken added a feather in its cap when we scored an award from The Edge Singapore in 2020. Frencken was conferred the *"Overall Sector Winner & Best Performing Stock of The Edge Singapore Centurion Club 2020"* for the *Automobiles & Auto Parts; Industrial & Commercial Services; Industrial Conglomerates; Industrial Goods; Energy - Fossil Fuels; Utilities Sector*.

Appreciation

On behalf of the Board, I wish to thank our management and staff for their contributions and commitment to the Group. We would also like to express our appreciation to our valued customers, shareholders, business partners and suppliers for their continuing support and patronage of Frencken.

Dato' Gooi Soon Chai
Non-Executive Non-Independent Chairman

Staying Stronger Together. Separately.

The year 2020 was a challenging year, not just on the business front but also on connecting with each other. At Frencken, we want to ensure we observe physical distancing while staying connected. We created an internal slogan – 'Staying Strong Together. Separately.' to support, encourage, and uplift our colleagues worldwide.

Learn how global colleagues stay connected and remain productive during the pandemic.

Alan Peeters | *Engineering Technician, Frencken US*

Q What are the top 3 things you learn or discover because of this pandemic?
Health is not to be taken for granted, find the positives in day-to-day activities, and how fragile modern life can be.

Q What is the one thing you appreciate most about your job during this time?
I appreciate that my job is considered essential and Frencken is doing everything possible to keep business running smoothly.

Q What's your most memorable experience during this pandemic?
Seeing everyone in masks and the look of worry in people's eyes early in the pandemic.

Surendiran V. | *Tool Room Engineer, Frencken India*

Q What are the top 3 things you learn or discover because of this pandemic?
- To make time for friends and not take them for granted.
- The most striking aspect is I have picked up basic culinary skills - how to make different simple dishes as well as a proper cup of coffee.
- The pandemic has brought into sharp focus what is important and essential to us. We have learned, though, that essential is in the eye of the beholder.

Q What's your most memorable experience during this pandemic?
With so many more of us working from home, our work lives have merged with our home lives. Our home offices are now our work offices, along with our kitchens and living rooms. On our video calls, we are seeing into the homes and lives of those we work with. We see partners, children, and pets, coming in and out of our meetings. We see a much richer, more multi-faceted view of our colleagues, in ways that deepen our relationships and connections.

Pak Kah Heh | *Senior Executive, Account Management, Frencken Malaysia*

Q How did you balance work, home priorities, and overcome distractions while working from home?
It can be challenging, but drawing a clear line between work hours and personal time is essential. Work hours are meant for focusing on work, while rest time is intended for us to focus on rest. Self-discipline is vital for sticking to those guidelines.

Q What are the top 3 things you learn or discover because of this pandemic?
- Have faith.
- Invest in self-improvement and learning. The unfavorable situation required us to persevere, improve, and prepare ourselves to use our abilities immediately when situations change. Instead of worrying, we should spend our time to being inspired.
- Stay positive and surround yourself with constructive thoughts.

Q What is the one thing you appreciate most about your job during this time?
Colleagues being supportive of each other.

Staying Stronger Together. Separately. (Cont'd)

Yuphadee Sriauthai | *Quality, Environment, and Safety Management Representative, Frencken Thailand*

Q What's your best tip to stay connected with colleagues and loved ones while observing physical distancing?

The usual means such as giving colleagues a call and loved ones video calls are essential. Aside from technology, we need to include a positive attitude because it's stressful times for everyone. We should be mindful of being extra patient with colleagues. As for loved ones, we need to be understanding and committed to communicating often.

Q What are the top 3 things you did, learn, or discover because of this pandemic?

- I learn and embrace a new lifestyle that adheres to physical distancing. It's what is now known as the new norm.
- I started applying Strengths, Weaknesses, Opportunities, Threats (SWOT) analysis for business and life. It is interesting how I get more visibility and insights from the analysis.
- I have made more effort on self-care, such as picking healthy food and commit to exercising.

Q Complete this sentence: Once this pandemic is over, the first thing I would do is to travel to my parents' house situated in another province.

Kira Lee | *Sales Manager, Frencken China*

Q What's your best tip to stay connected with loved ones while observing physical distancing?

We cannot adhere strictly to physical distancing at home, so we are diligent in cleaning and disinfecting hands and clothes. We also make it a point to stay home during the weekends and holidays.

Q What are the top 3 things you did, learn, or discover because of this pandemic?

- Attain my Bachelor's Degree in Economics from RUC Renmin University of China.
- We need to cherish our loved ones and not take health for granted.
- I was finally able to finish reading *Also sprach Zarathustra*. It was an enlightening read, and I highly recommend it.

Q What is the one thing you appreciate most about your job during this time?

I genuinely appreciate how Frencken Zhuhai provided medical masks to all employees during the pandemic. Masks were nearly impossible to buy during that critical time.

Lalita Pengsuriya | *Safety Officer in Professional level, Frencken Thailand*

Q What are the top 3 things you did, learn, or discover because of this pandemic? Do tell us why it's a top 3 list to you.

- Adapting quickly to a new way of life instead of asking why or fighting it is one of the best ways to deal with unprecedented scenarios. I have embraced the new normal and make the best of it.
- It's a strange pandemic, both easy and hard to manage. If you cherish your family and loved ones, you need to avoid visiting them, especially the elderly.
- I have felt the importance of financial planning due to the economic instability.

Q What is the one thing you appreciate most about your job during this time?

I appreciate my supportive supervisor and great team members.

Q Complete this sentence: Once this pandemic is over, the first thing I would do is to travel back home to visit Grandma and take my parents on vacation.

Staying Stronger Together. Separately. (Cont'd)

Yeo Soo Ee | *Assistant Manager, New Product Introduction Sheetmetal, Frencken Malaysia*

Q Which do you think is more stressful – working from home or at the office? Share why.
Working from home is definitely more stressful. I have a toddler and a baby at home, so I am constantly multitasking and feeling overwhelmed.

Q What are the top 3 things you did, learn, or discover because of this pandemic.
Firstly, I learn to be very cautious about cleanliness. Secondly, I learn to use various ways, tools, and apps to work effectively without being physically present in the office. Thirdly, I discover that the local online shopping portal has everything that you could imagine. I rely entirely on online shopping for our family needs during the quarantine period.

Q What's your most memorable experience during this pandemic?
I was exposed to a person who tested positive for COVID-19, and I was required to serve quarantine at home. The anxiety while waiting for the swab test result was unbearable. That two-week quarantine at home brings many special memories to my family. This pandemic has been challenging, and I believe it brought out a better me.

Liu Yumei | *Quality Manager, Frencken China*

Q What are the top 3 things you did, learn, or discover because of this pandemic?

- Finished a book - Ji Xianlin's Tsinghua Campus Diary. I learned a lot through Mr. Xianlin's journey and his broad knowledge.
- Dare to accept the truth - Li Wenliang, the Chinese ophthalmologist, known for raising awareness of early COVID-19 infections in Wuhan, was inspiring. I admire those who are courageous to share the truth.
- I learned some new great recipes. I find it a joy to cook for my family and friends.

Q What's your most memorable experience during this pandemic?
In 2020, China did well in managing the pandemic. There were some terrible days - the streets were empty last year. It felt as if the world has gone silent, and it was an eerie feeling, especially for China that boasts of a huge population.

Q Complete this sentence: Once this pandemic is over, the first thing I would do is head to California to see the biggest tree in the world and cherish days we can meet. This pandemic has shown us we should never take simple pleasures such as as face-to-face interactions with loved ones and friends for granted.

Stephanie Triepels | *Operational Purchaser, Frencken Europe*

Q What's your best tip to stay connected with colleagues and loved ones while observing physical distancing?
Colleagues: My tip is to schedule the time in. We planned 30 minutes of socializing via teams twice a week – once during the week for a "coffee date" and once at the end of the week. It is nice to see one another and catch up.
Loved ones: Occasionally, within restrictions, we make time to visit each other, and I rediscovered the joy of video calling. We make it a priority to connect.

Q What is the one thing you appreciate most about your job during this time?
Despite COVID-19, I still got a year contract last November. Frencken has expressed appreciation to me in several ways. Thank you for that.

Q Complete this sentence: Once this pandemic is over, the first thing I would do is to give Grandpa and Grandma a big hug and go to a festival or have a long vacation!

Staying Stronger Together. Separately. (Cont'd)

Preeti Rauthan | *Assistant Manager, Projects, Frencken India*

Q What are the top 3 things you did, learn, or discover because of this pandemic?

- To make time for self-care. I didn't get much time to myself due to the hectic schedule.
- I rediscovered the joy of spending quality time with loved ones. I spent a lot of time just watching movies and playing board games with my child and family.
- I learned to cook many new cuisines.

Q What is the one thing you appreciate most about your job during this time?

Most companies had to retrench their employees, so I truly appreciate that Frencken was able to sustain and stay strong through the challenging times.

Q What's your most memorable experience during this pandemic?

We kept our 10th wedding anniversary and son's birthday celebration low key and celebrated only with family members. We used to have grand celebrations before the pandemic, and we saved a lot of money

Leroy Brouns | *Logistics Manager, Frencken Netherlands*

Q Which do you think is more stressful – working from home or at the office? Share why.

Working was meant to be done out of the home, so there was a clear line between work and home. Working from home blurs that line and may disrupt the work-life balance that can ultimately result in poorer performance.

Q What are the top 3 things you did, learn, or discover because of this pandemic?

- It's important to adapt yourself to circumstances quickly so you can face any situation or challenge. As they say – what doesn't bend breaks.
- When people unite, we are capable of great things.
- A positive mindset can make a difference. I start every day by expressing gratitude.

Q What's your most memorable experience during this pandemic?

Freight costs increased by 350 percent. It showed me that supply and demand determine how rapidly a market can move.

Q Complete this sentence: Once this pandemic is over, the first thing I would do is to book tickets for a music festival and dance with family and friends.

Wouter Kerkhofs | *Mechanical Designer, Frencken Europe*

Q What's your best tip to stay connected with colleagues and loved ones while observing physical distancing?

Colleagues: I prefer to call because leaving messages on platforms such as Teams can easily be misunderstood. Calling a colleague is more effective and I can also ask how a colleague is doing. My tip: Stop messaging and give a ring!

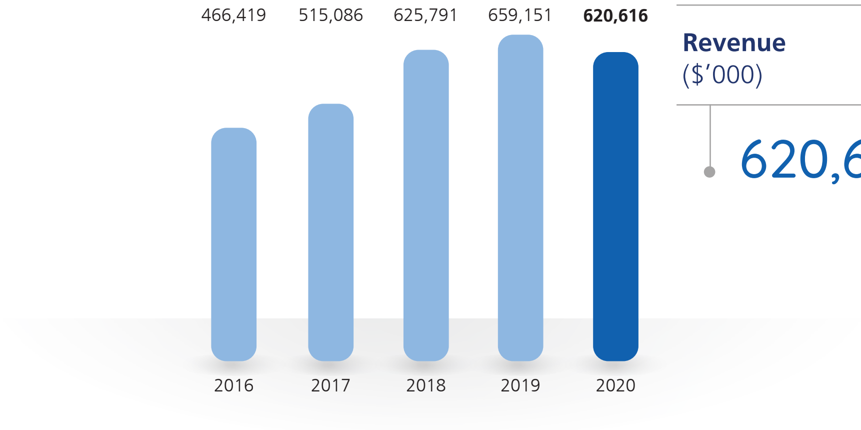
Loved ones: We try to maximize our social contacts within the restrictions. My parents live 100 meters down the street, so we see each other on the street and on our way to the bakery.

Q What are the top 3 things you did, learn, or discover because of this pandemic?

- I have a proper setup for work from home now, which is nice.
- I watched more television during the pandemic and noticed many people in the Netherlands are voicing irrelevant opinions that aren't backed by facts.
- My beard grows roughly one centimeter in four weeks. *laughs*

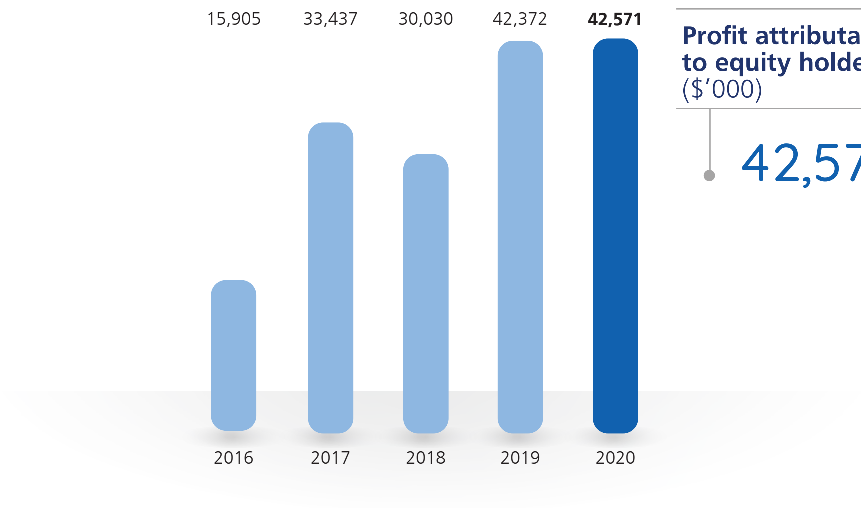
Q Complete this sentence: Once this pandemic is over, the first thing I would do is arrange a housewarming with friends and family, as I hope by then, we have finished the rebuild of this new home. Also, an 'after-COVID-19 haircut' seems a good idea too.

Financial Summary



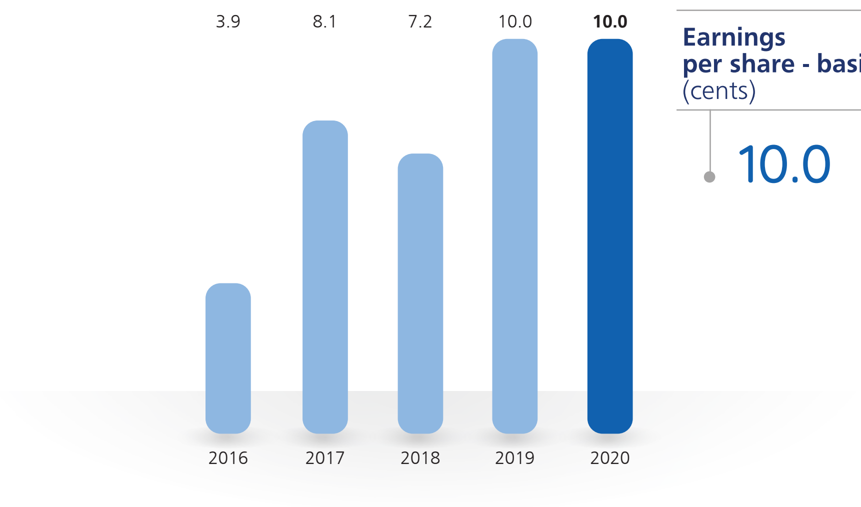
Revenue
($'000)

620,616



Profit attributable to equity holders
($'000)

42,571



Earnings per share - basic
(cents)

10.0

Financial Summary (Cont'd)

FINANCIAL YEAR	FY DEC 2016	FY DEC 2017	FY DEC 2018	FY DEC 2019	FY DEC 2020
Operating Results	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Revenue	466,419	515,086	625,791	659,151	**620,616**
Operating profit [(1)]	21,647	30,293	45,068	59,353	**58,929**
Profit attributable to equity holders	15,905	33,437	30,030	42,372	**42,571**
Financial Position	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Total assets	362,995	420,155	463,740	506,196	**563,793**
Total liabilities	148,323	170,613	196,221	208,045	**227,510**
Shareholders' equity	212,652	247,199	264,892	295,373	**333,955**
Key Ratios					
Net profit on turnover (%)	3.4	6.5	4.8	6.4	**6.9**
Return on average equity (%)	7.6	14.5	11.7	15.1	**13.5**
(Net debts)/Net cash to equity (%)	(18.9)	1.8	(0.6)	23.4	**32.1**
Earnings per share - basic (cents)	3.9	8.1	7.2	10.0	**10.0**
- diluted (cents)	3.9	8.0	7.1	10.0	**10.0**
Net assets value per share (cents)	52.3	59.4	62.8	69.6	**78.3**
Dividend per share (cents)	1.20	2.39	2.14	3.00	**3.00**
Share Price and Market Capitalisation	**Cents**	**Cents**	**Cents**	**Cents**	**Cents**
Highest	28.0	60.5	68.0	97.5	**132.0**
Lowest	17.0	24.0	37.0	39.0	**47.5**
Average	23.3	45.2	50.0	64.2	**91.9**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Average market capitalisation	94,748	188,205	210,751	272,383	**391,928**
Average shareholders' equity	208,142	229,926	256,046	280,133	**314,664**
Market value differential [(2)]	(113,394)	(41,721)	(45,295)	(7,750)	**77,264**

[(1)] Operating profit represents profit before interest, tax and exceptional items
[(2)] This represents the difference between the average market capitalisation and average shareholders' equity for the year

Financial Highlights

		2019	2020	Change
1	**Operating Results**	**$'000**	**$'000**	**%**
	Revenue	659,151	**620,616**	(5.8)
	Profit attributable to equity holders	42,372	**42,571**	0.5
	Net profit on turnover (%)	6.4	**6.9**	7.8
2	**Divisional Performance**	**$'000**	**$'000**	**%**
	Mechatronics - Revenue	539,565	**520,459**	(3.5)
	- Operating profit (1)	50,869	**48,120**	(5.4)
	IMS - Revenue	121,003	**100,940**	(16.6)
	- Operating profit (1)	6,095	**7,756**	27.3
3	**Solvency Profile**	**$'000**	**$'000**	**%**
	Cash and cash equivalents	122,382	**174,454**	42.5
	Borrowings	53,222	**67,344**	26.5
	Net cash	69,160	**107,110**	54.9
	Interest cover ratio (2)	21.0	**25.1**	19.5
4	**Shareholders' Value**			**%**
	Shareholders' equity ($'000)	295,373	**333,955**	13.1
	Earnings per share - basic (cents)	10.0	**10.0**	N.M.
	- diluted (cents)	10.0	**10.0**	N.M.
	Return on average equity (%)	15.1	**13.5**	(10.6)
	Net asset value per share (cents)	69.6	**78.3**	12.5
	Dividend payout ratio (%)	30.0	**30.1**	0.3

(1) Operating profit represents profit before interest, tax and exceptional items

(2) Interest cover ratio = Profit before interest on borrowings, tax and exceptional items/interest on borrowings

N.M. Not meaningful

Financial Calendar

FINANCIAL YEAR	31 December 2020	31 December 2021
Announcement of Results		
First half results announcement	13 August 2020	**12 August 2021**
Second half results announcement	25 February 2021	**February 2022**
Delivery of Annual Report	7 April 2021	**April 2022**
Annual General Meeting	29 April 2021	**April 2022**

Business Review

Group revenue
S$620.6 million

Gross profit
S$105.4 million

Profit before income tax
S$51.9 million

Group Financial Performance in FY2020

For the 12 months ended 31 December 2020 ("FY2020"), Group revenue eased 5.8% to S$620.6 million from S$659.2 million in FY2019. This was due to lower sales contributions from both Mechatronics and IMS Divisions, primarily as a result of business disruptions and slower economic conditions caused by the COVID-19 pandemic.

In line with lower revenue, the Group's gross profit decreased 5.4% to S$105.4 million in FY2020 from S$111.4 million in FY2019. However, the gross profit margin in FY2020 held steady at 17.0% compared to 16.9% in FY2019.

Other income, net of other operating expenses, increased to S$6.2 million in FY2020 from S$3.3 million in FY2019. This was due mainly to grants from the job support scheme of the Singapore government, grants from various other governments to alleviate the impact of the COVID-19 outbreak, as well as an investment incentive subsidy for the Group's plant in Chuzhou, China. The Group also recorded lower net foreign exchange loss in FY2020 when compared against FY2019.

Selling and distribution expenses decreased 19.1% to S$9.6 million in FY2020 from S$11.8 million in FY2019, due primarily to lower travelling expenses and reduction in premium freight charges at the IMS Division. Administrative and general expenses were relatively stable at S$43.2 million in FY2020 compared to S$43.6 million in FY2019.

Finance costs in FY2020 decreased by 17.0% to S$2.4 million in FY2020 from S$2.9 million in FY2019 due principally to lower interest rates.

Under exceptional items, the Group recorded a loss of S$6.2 million in FY2020. This was in respect of an impairment loss attributable to deferred development costs in Frencken Europe B.V., which is an operating unit within the Mechatronics Division. In FY2019, the Group recorded impairment losses totalling S$4.1 million attributable to deferred development costs of S$1.5 million incurred by Frencken Europe B.V. and an impairment for property, plant and equipment of S$2.6 million incurred by Juken (Zhuhai) Co., Ltd which is an operating unit of the IMS Division.

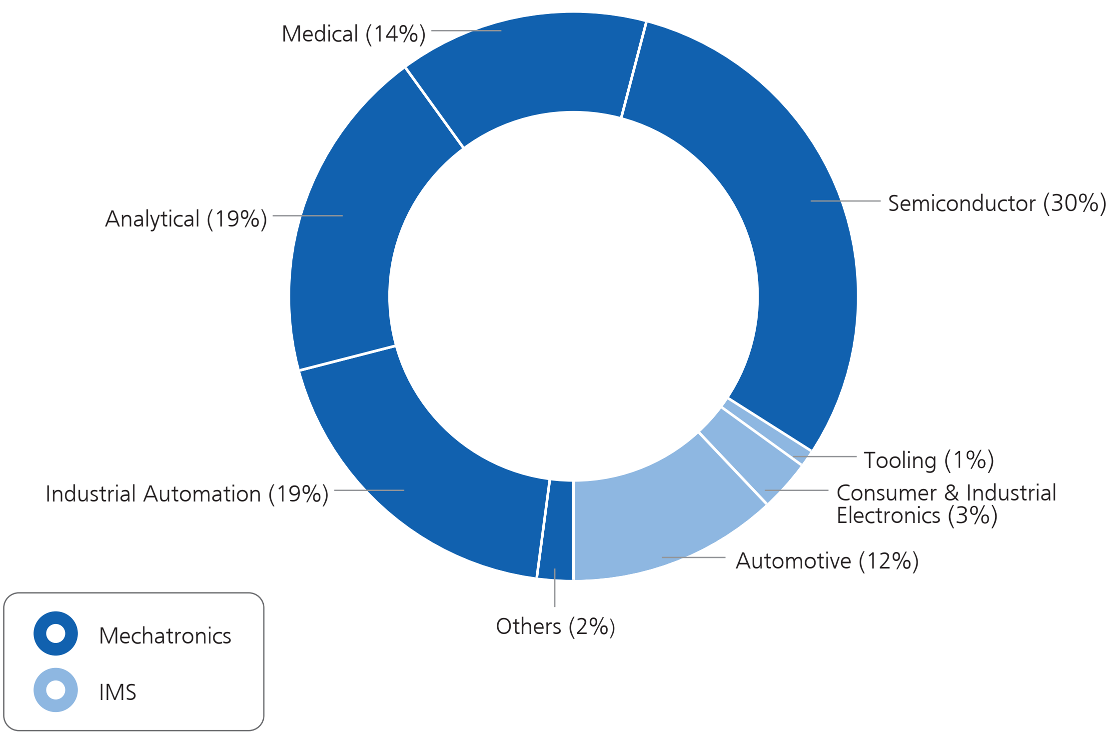
As a result of the above, the Group reported a stable net profit attributable to equity holders ("PATMI") of S$42.6 million in FY2020 compared to S$42.4 million in FY2019. Excluding the exceptional items, the Group's PATMI would have increased by 4.9% to S$48.8 million in FY2020 from S$46.5 million in FY2019.

As at 31 December 2020, the Group had shareholders' equity of S$334.0 million, equivalent to a net asset value of 78.31 cents per share based on the total number of issued shares of 426.5 million shares.

Total assets as at 31 December 2020 increased to S$563.8 million from S$506.2 million as at 31 December 2019. This was attributable mainly to higher property, plant and equipment, cash and cash equivalents, as well as inventories.

Business Review (Cont'd)

REVENUE BREAKDOWN BY BUSINESS SEGMENT



Property, plant and equipment as at 31 December 2020 increased to S$99.8 million from S$90.4 million as at 31 December 2019. As at 31 December 2020, the Group's right-of-use assets stood at S$16.8 million.

Inventories as at 31 December 2020 increased to S$143.2 million from S$140.7 million as at 31 December 2019 to meet the fulfilment of orders to customers. Trade receivables were relatively stable at S$98.7 million compared to S$97.6 million as at 31 December 2019. Cash and cash equivalents as at 31 December 2020 increased to S$174.5 million from S$122.4 million as at 31 December 2019.

Total liabilities as at 31 December 2020 increased to S$227.5 million from S$208.0 million as at 31 December 2019, attributable mainly to higher other payables, accruals and provision, borrowings and income tax payable.

Trade payables decreased to S$80.1 million as at 31 December 2020 from S$87.8 million as at 31 December 2019. The Group's lease liabilities stood at S$14.6 million as at 31 December 2020. On the other hand, total borrowings increased to S$67.3 million as at 31 December 2020 from S$53.2 million as at 31 December 2019. Nonetheless, the Group recorded an increase in net cash to S$107.1 million at the end of FY2020 from S$69.2 million as at 31 December 2019.

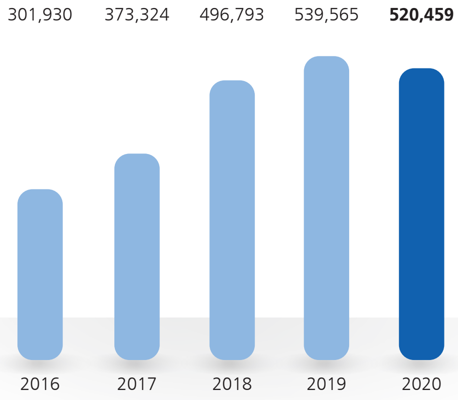
During FY2020, the Group generated net cash of S$79.6 million from operating activities. Net cash used in investing activities amounted to S$22.7 million in FY2020, attributable mainly to capital expenditure and acquisition of the remaining 20% interest in an indirect subsidiary in the USA. Net cash used in financing activities amounted to S$15.0 million in FY2020 due primarily to payment of dividends to shareholders and repayment of lease liabilities. As a result of the above, the Group recorded a net increase in cash and cash equivalents of S$41.9 million during FY2020.

Business Review (Cont'd)

MECHATRONICS DIVISION'S PERFORMANCE (FY2016 - FY2020)

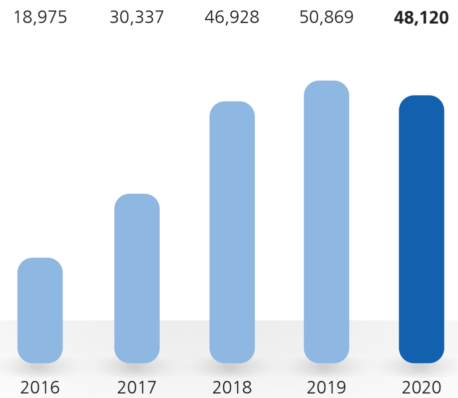
Revenue
($'000)

520,459



Operating Profit
($'000)

48,120



Mechatronics Division

Business segment review

The Mechatronics Division registered revenue of S$520.5 million in FY2020, a marginal decline of 3.5% from S$539.6 million in FY2019. This was attributed to softer sales of the industrial automation and analytical segments in FY2020 which were partially offset by increased sales of the semiconductor segment.

The semiconductor segment's sales grew 60.7% to S$186.3 million in FY2020 from S$116.0 million in FY2019. This increase was driven by higher orders of front-end and back-end semiconductor equipment from customers in Europe and Asia, reflecting the strength of the global semiconductor industry amid the COVID-19 pandemic.

Sales of the medical segment softened 2.1% to S$85.1 million in FY2020 from S$86.9 million in FY2019, attributable mainly to slower order flow from a key customer in Europe during the second half of FY2020.

The analytical segment's sales declined 12.9% to S$115.8 million in FY2020 from S$133.0 million in FY2019 due primarily to lower demand from customers in Europe.

Sales of the industrial automation segment also fell 36.2% to S$118.9 million in FY2020 from S$186.4 million due to lower shipments of storage drive production equipment to a key multinational customer. Sales of this segment are typically lumpy in nature as it fluctuates in tandem with the capital expenditure requirements of the key customer.

As a percentage of the Group's total revenue in FY2020, the semiconductor segment made up 30% while the industrial automation segment contributed 19%. The analytical and medical segments accounted for 18% and 14% of Group revenue in FY2020 respectively.

In line with lower revenue, the Mechatronics Division's operating profit (excluding exceptional items) eased slightly to S$48.1 million in FY2020 from S$50.9 million in FY2019.

Operational initiatives

Our Europe division registered relatively stable revenue in FY2020. This was despite the COVID-19 pandemic which had cast greater uncertainty on customers' demand and affected orders from some of our customers especially in the second and third quarters of FY2020. While the analytical and medical segments registered lower revenue amid unprecedented market conditions in FY2020, this was offset by stellar revenue growth of the semiconductor segment as we benefited from the strength of the global semiconductor industry and new product introduction programs with key customers.

Amid the difficult market conditions, we are encouraged by our success to secure a new customer in the medical segment during FY2020. We were also awarded a new project with an existing customer in the semiconductor segment which is expected to start contributing revenue to the division from the latter half of FY2021.

To cater for future growth, our Europe division continued to expand its cleanroom capacity in FY2020. We have also entered into a lease agreement for new premises to expand the size of our facilities and grow our capacity in the coming years. The division will continue with investments that are necessary to upgrade the standard of our cleanrooms from ISO 7 to ISO 6.

Looking ahead, our Europe division's strategy is to continue targeting opportunities in the semiconductor, analytical and medical segments even as we remain mindful of the uncertain COVID-19 situation and its impact on the global economy. We will continue to aim for balanced growth across our market segments and customers by enhancing our core competencies to increase our value-add to customers.

Indeed, one of the initiatives mooted in FY2020 was our "*oneMechatronics*" structure which represents a global joint approach for our Mechatronics Division's manufacturing operations located in Europe, Asia and the USA. We believe *oneMechatronics* will help to unify our global capabilities and align the standards of operations excellence across our diverse locations to better address the demands of our global customers and place the Group on a more competitive footing. In FY2021, we plan to work on driving this internal integration further.

We will also continue to strengthen our Europe division through ongoing programs to upgrade our competencies, capabilities and supply management. While these initiatives would raise organisation costs in the short-term, we believe they will yield benefits to the Mechatronics Division over the mid-to long-term.

During FY2020, our Asia division also faced disruptions to supply chains and business operations brought about by the COVID-19 pandemic. Thanks to strong growth in sales of the semiconductor segment, the revenue of our Asia division only dipped marginally in FY2020 as the semiconductor segment helped to cushion softer orders in the industrial automation segment.

We continued to secure new programs with existing customers in the industrial automation and semiconductor segments during FY2020. Our Asia division secured new customers and projects in the semiconductor and medical segments. These new projects began contributing to the Group's revenue in FY2020 and should continue into FY2021. In recognition of its high-quality manufacturing services, our Asia division received the "Best in Class Supplier – Precision Machining" award from a key customer in the semiconductor segment last year.

We continued to invest in more advanced machining equipment for additional capacities with higher speeds and precision at our facilities in Bangi (Malaysia) and Wuxi (China). In FY2021, we plan to channel our capital investment towards the expansion of machining capacity and cleanroom facilities, as well as increasing use of robots for a higher level of automation at our factories.

The strategy of our Asia division remains intact as we continue to work towards enhancing growth opportunities and increasing business resilience through a diversified customer portfolio. As such, we target to make deeper inroads with key customers in the semiconductor, medical and analytical segments. We will also continue to entrench our position as a key supplier of industrial automation systems for a major customer which is a leader in data storage solutions. To reinforce our focus on high-value component fabrication, our Asia division will continue with ongoing initiatives to drive productivity, enhance manufacturing competencies and achieve operational excellence.

IMS Division

Business segment review

The IMS Division reported revenue of S$100.9 million in FY2020, down 16.6% from S$121.0 million in FY2019. This was attributed mainly to the automotive segment which recorded a 17.8% decrease in sales to S$77.0 million in FY2020 from S$93.7 million in FY2019. Orders from customers in the Group's main automotive markets in FY2020 were affected by government measures to contain the spread of COVID-19 as well as an overall slowdown in the global automotive market. However, we saw a recovery in the automotive segment's sales in the second half of FY2020 as orders from customers improved gradually.

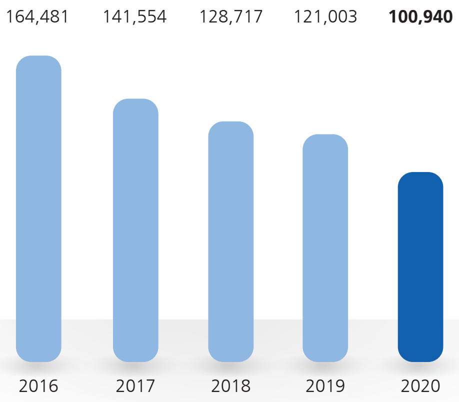
For FY2020, the automotive segment accounted for 12% of Group revenue. The consumer & industrial electronics segment, which recorded sales of S$16.5 million in FY2020 compared to S$18.3 million in FY2019, contributed to 3% of Group revenue in FY2020. Notwithstanding lower revenue, the IMS Division reported a higher operating profit of S$7.8 million in FY2020 compared to S$6.1 million in FY2019, attributable mainly to improved performance of our filter business as well as cost control initiatives and higher operating efficiencies.

Business Review (Cont'd)

IMS DIVISION'S PERFORMANCE (FY2016 - FY2020)

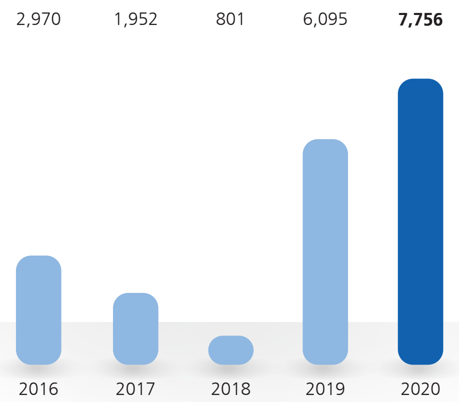
Revenue
($'000)

100,940



Operating Profit
($'000)

7,756



Operational initiatives

Amid the COVID-19 pandemic, the global automotive industry endured a slowdown especially during the first nine months of FY2020, due to temporary factory shutdowns and weaker end-consumer demand. As a result, our IMS Division's turnover declined in FY2020 due to a contraction in customer demand in our automotive segment.

On a positive note, the IMS Division recorded higher operating profit as we continued to focus on initiatives to drive profitable growth. Indeed, our efforts in quality and process improvements as well as cost reductions and control, have yielded positive results in FY2020.

Our IMS Division continued to secure new projects with existing and new customers from the automotive and consumer & industrial electronics segments during FY2020. These new programs are expected to start contributing to the division's turnover from FY2021.

In FY2020, we put in place an integrated assembly line for automotive products at one of our factories in Malaysia, and also took steps to reduce our carbon footprint through the installation of solar energy panels at two of our factories in Asia. We intend to roll out the solar energy systems at another factory in FY2021.

We will be looking to raise the level of automation at our plant in Chuzhou, China during FY2021. Our Chuzhou plant successfully received the IATF16949, ISO45001 and ISO14001 certifications in FY2020. Our Zhuhai factory was also conferred the "Top 500 Manufacturing Enterprises of Guangdong" award.

Looking into FY2021, we will continue to transform our IMS division to achieve our goals of higher value-add services and greater diversity. To this end, we are working on expanding the market share of our proprietary and niche eco-PVD (Physical Vapour Deposition) technology which is an environmentally-friendly surface coating process compared to conventional methods. We believe our PVD surface coating service raises our value-add to customers in the automotive industry which is demanding increasing attention for eco-friendly manufacturing standards. In line with this objective, we have already set up new PVD facilities at our factory in Chuzhou, China.

Continuous operational effectiveness and efficiency improvements will remain at the core of our IMS Division's strategies. In parallel with this, we will focus on driving sales opportunities with our key global customers and look at tapping on our proprietary technologies to capitalise on new industry needs and trends that can offer opportunities for growth and diversification.

Profile of Board of Directors

Seated:

01. Dato' Gooi Soon Chai

From left to right (standing):

02. Yeo Jeu Nam
03. Ling Yong Wah
04. Dennis Au
05. Melvin Chan Wai Leong
06. Chia Chor Leong

DATO' GOOI SOON CHAI

Non-Executive Non-Independent Chairman

Dato' Gooi Soon Chai is our Chairman and Non-Independent Non-Executive Director. He was appointed as our Director on 10 February 2015 and as the Group's Chairman on 10 August 2016. He is also a member of our Remuneration and Nominating Committees.

In an illustrious career spanning 30 years, Dato' Gooi has amassed a wealth of experience and extensive network of contacts in the global technology industry. He is presently Senior Vice President, Keysight, and President of Order Fulfillment & Digital Operations. In this role, Dato' Gooi is responsible for Keysight's Software Test Automation business, Order Fulfillment, Global Procurement & Materials, and Information Technology functions. This includes advancing digital transformation through Keysight's intelligent software test solutions, digital platforms, and application services as well as managing the end-to-end supply chain that encompasses manufacturing operations, technology centers, global supply chain operations, engineering, global trade logistics, and compliance.

Most recently, Dato' Gooi was the president of the Electronic Industrial Solutions Group ("EISG") where he established Keysight Technologies as a key player in the automotive, internet of things (IoT) and semiconductor measurement segments. Under his leadership, the EISG team made significant contributions to accelerate growth and profitability.

Prior to this, Dato' Gooi served as the President of Agilent Order Fulfillment for the company's Life Sciences, Chemical Analysis, and Electronic Measurement business groups. He was responsible for leading efforts to leverage the company's strength in supply chain and engineering operations across the three business groups.

In 2006, he was named the Vice President and General Manager of the Electronic Instruments Business Unit ("EIBU") at Agilent Technologies. In this role, he managed a diverse portfolio of businesses serving the general purpose, semiconductor, board-test, and nanotechnology markets.

He holds a Bachelor of Science degree with first class honors in electrical and electronics engineering from University of London and a Master of Science degree in computing science from Imperial College of Science and Technology, London.

DENNIS AU

President and Executive Director

Dennis Au was appointed as President of our Group on 5 May 2015 and as our Executive Director on 28 April 2016. He is responsible for charting the Group's strategic direction, setting the organisation's goals, overseeing its global operations and driving its performance.

In addition to his role as the Group's President, Mr Au also holds the position of Chief Executive Officer of the Mechatronics Division, and oversees the division's business development and expansion plans in Europe, Asia and the USA.

Mr Au has over 30 years of experience in the high technology industry for aerospace & defense, automotive, communications and semiconductor markets. He was previously a Vice President and General Manager of Keysight Technologies for the Korea and the South Asia Pacific region. Prior to that, Mr Au was Vice President and General Manager with Agilent Technologies and was also formerly Regional Manager for Hewlett Packard's Hi-Volume Manufacturing Test Solutions for Asia Pacific.

Mr Au holds a Bachelor of Engineering (Electronic, Electrical and Systems) from the National University of Malaysia.

Profile of Board of Directors (Cont'd)

CHIA CHOR LEONG

Independent Director

Chia Chor Leong is our Independent Non-Executive Director. He was appointed as our Director on 22 September 2004 and is the Chairman of the Nominating Committee and a member of our Audit and Remuneration Committees.

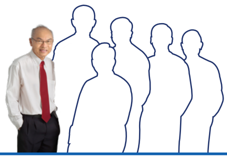
Mr Chia has an LL.B. (Honours) degree from the University of Singapore in 1980 and was admitted as an advocate and solicitor of the Supreme Court of Singapore in 1981. He has been an advocate and solicitor in private practice since 1981, and now practises mostly as an arbitrator, adjudicator and mediator.

Mr Chia had served as the Chairman of the Criminal Law Advisory Committee (Review) of the Ministry of Home Affairs, Singapore, and as a member of the Singapore Road Safety Council. He is the Chairman of the External Placement Review Board and a member of the Independent Review Panel, under the Ministry of Home Affairs. In recognition of his voluntary public service since 1987, Mr Chia was awarded the Public Service Medal in 2000, the Public Service Star in 2007 and the Public Service Star (Bar) in 2020.

LING YONG WAH

Lead Independent Director

Ling Yong Wah is our Lead Independent Non-Executive Director. He was appointed as our Director on 12 May 2005. He is also the Chairman of our Audit Committee and a member of our Nominating Committee. Mr Ling has over 25 years of business and management experience. Mr Ling is currently the Chief Executive Officer of Vallianz Holdings Limited. Prior to that, he was a partner at a private equity firm and also held various roles including board seats in companies listed on the Singapore Stock Exchange and Hong Kong Stock Exchange. Mr Ling holds a Bachelor of Economics from Monash University in Melbourne, Australia and is a member of the Institute of Chartered Accountants in England and Wales.



YEO JEU NAM
Independent Director

Yeo Jeu Nam is our Independent Non-Executive Director. He was appointed as our Director on 1 November 2010 and is the Chairman of the Remuneration Committee and a member of our Audit Committee.

Before retiring, Mr Yeo was the Managing Director and founder of Radiance Consulting Pte Ltd. Prior to this, he was a Senior Consulting Partner at Ernst and Young Consultants Pte Ltd for over 12 years. Mr Yeo has more than 25 years of consultancy experience, specialising in Strategic Change and Organisational Transformation, Integration Management and Organisational Realignment, Corporate Regeneration and Restructuring, Business Performance Improvement as well as Human Capital Solutions. He has advised numerous private and public sector companies from a broad spectrum of industries. Mr Yeo has a B. Soc. Sci (Class II, Upper Hons) degree from the University of Singapore. He is also an alumnus of INSEAD.

Mr Yeo also sits on the board of another company listed on the Singapore Stock Exchange.

MELVIN CHAN WAI LEONG
Independent Director

Melvin Chan Wai Leong is our Independent Non-Executive Director. He was appointed as our Director on 27 April 2017 and as a member of our Audit Committee on 1 November 2017.

Mr Chan has more than 25 years of operational and business experience in the semiconductor and electronics manufacturing industries, as well as extensive working experience in the Asia Pacific region, Australia, New Zealand, China and India. Mr Chan is currently the Managing Director of Synersys Capital, a firm providing business consultancy and advisory services. Prior to him assuming the advisory role, Mr Chan was the Director and Chief Executive Officer of Ellipsiz Ltd, a SGX Mainboard-listed company. Mr Chan started his career as an engineer at Hewlett Packard and moved on to hold various senior management positions at Electronic Resources Limited (ERL), Ingram Micro, iNETest Resources and Ellipsiz Ltd.

Mr Chan holds a Bachelor's degree in Electrical & Electronics Engineering and a Master of Business Administration degree from the National University of Singapore.

Profile of Key Management

DAVID CHIN YEAN CHOON

Chief Financial Officer

David Chin Yean Choon is the Chief Financial Officer of our Group. He has overall responsibility of the treasury and cash flow management, risk management evaluation, corporate finance, audit and tax compliance, systems, in addition to the financial reporting of our Group.

He has extensive exposure in financial management, having held several key positions in various other companies both in Indonesia and Malaysia. In 1970, he commenced his professional training in United Kingdom as an accountant with Jacob Cavenagh and Skeet before moving on as a tax senior in Coopers & Lybrand. In 1978, Mr Chin returned to Malaysia, where he held the positions of Financial Controller (or equivalent positions) with various companies in Malaysia. Between 1992 and 1996, he was the Financial Planning Advisor for the Bumi Raya Utama Group, a group of companies based in Indonesia. From 1996 to 1998, he was the Vice President, Finance, for P.T. Smart Corp., another group based in Indonesia. In 1999, he joined the Asian Agri Group, a large Indonesian plantation group, as its Group Financial Controller. Mr Chin joined our Group in 2002.

He is a Chartered Accountant by profession, a fellow of the Institute of Chartered Accountants in England and Wales as well as a Chartered Accountant of the Malaysian Institute of Accountants.

WANG LIANG HORNG

Vice President, Operations

Wang Liang Horng joined our Group since 2015 as Vice President, sales and marketing operations. He is responsible for providing operational leadership for all the Group's key programs, enhancing the relationships with customers worldwide and overseeing the implementation of strategic initiatives at both our business divisions.

Mr Wang has over 20 years of experience in the semiconductor equipment and high technology industries. He was previously General Manager of the Electronics Manufacturing Test ("EMT") business at Agilent Technologies (current Keysight Technologies). His responsibilities included managing the field operations in India, Korea and the South Asia Pacific region, as well as managing and developing the EMT business in entire Asia Pacific. Prior to that, Mr Wang was with HPQ where he held key positions in R&D, product marketing, division and field business development, sales and channel partner alliance management for the Asia Pacific region.

Mr Wang holds a MBA in Marketing and Finance from Oklahoma City University, USA and a honours degree in Electronics and Electrical Engineering from Nanyang Technological University of Singapore.

Corporate Information

Company Registration No. : 199905084D

BOARD OF DIRECTORS

Dato' Gooi Soon Chai
(Non-Executive Non-Independent Chairman)

Dennis Au
(President, Executive Director)

Chia Chor Leong
(Independent Director)

Ling Yong Wah
(Lead Independent Director)

Yeo Jeu Nam
(Independent Director)

Melvin Chan Wai Leong
(Independent Director)

AUDIT COMMITTEE
Ling Yong Wah (Chairman)
Chia Chor Leong
Yeo Jeu Nam
Melvin Chan Wai Leong

REMUNERATION COMMITTEE
Yeo Jeu Nam (Chairman)
Chia Chor Leong
Dato' Gooi Soon Chai

NOMINATING COMMITTEE
Chia Chor Leong (Chairman)
Ling Yong Wah
Dato' Gooi Soon Chai

AUDITORS
Deloitte & Touche LLP
Public Accountants and Chartered Accountants
6 Shenton Way
OUE Downtown 2, #33-00
Singapore 068809
Partner-in-charge: Rankin Brandt Yeo
Year of appointment: Financial year ended 31 December 2019

REGISTERED OFFICE
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Tel: +60 (04) 371 7000
Fax: +60 (04) 262 5000

SHARE REGISTRAR AND SHARE TRANSFER OFFICE
Tricor Barbinder Share Registration Services
(a division of Tricor Singapore Pte Ltd)
80 Robinson Road
#02-00
Singapore 068898

PRINCIPAL BANKERS
Coöperatieve Rabobank Eindhoven - Veldhoven
DBS Bank Ltd
AmBank (M) Berhad
United Overseas Bank (Malaysia) Bhd

INVESTOR RELATIONS CONSULTANT
Octant Consulting
7500A Beach Road
The Plaza #04-329
Singapore 199591
Tel: +65 6296 3583

COMPANY SECRETARIES
Low Mei Wan, ACIS
Hon Wei Ling, ACIS

WEBSITE
www.frenckengroup.com

Sustainability Report

ABOUT THIS REPORT

For a fourth year, Frencken Group Limited ("Frencken", "we", "our", "the Group", "the organisation") is pleased to disclose our sustainability performance for the reporting year of 2020 (1 January 2020 to 31 December 2020). Since the issuance of our first sustainability report in 2017, we have upheld our commitment to stakeholders in communicating our practice relating to key Environmental, Social and Governance (ESG) issues that influence our business. With these reports, we are committed to observe, document and disclose the notable progress on our pursuit of better and more sustainable operations.

For this year's disclosures, the report covers the areas of businesses owned and operated by our subsidiaries – Juken Technology Engineering Sdn Bhd ("JTJ") in Johor, Malaysia, Frencken Mechatronics (M) Sdn Bhd ("FMMSB") in Selangor, Malaysia, and Juken (Thailand) Co., Ltd. ("JTH") in Bangkok, Thailand.

[102-1] [102-48] [102-49] [102-50] [102-51] [102-52]

Reporting Approach and Methodology

Frencken's Sustainability Report 2020 has been prepared in reference to the Global Reporting Initiative ("GRI") Standards. The report content is designed based on the nine principles outlined by GRI, which include:

Stakeholder Inclusiveness

Stakeholders who have significant influence over the Group's activities, products, and services were consulted for the preparation of our Sustainability Report to share their expectations and interests. More information on stakeholder engagement can be found on page 35.

Materiality

This report details the significant environmental, economic and social impacts faced by our operations and the industries we operate in. More information on the materiality assessment can be found on page 36.

Sustainability Context

The report presents Frencken's performance in the broader context of sustainability. The scope of this report covers the sustainability impact and performance of our operations in Malaysia and Thailand.

Completeness

The scope of this report covers the boundaries of our Sustainability Report for all the material topics identified.

ABOUT THIS REPORT (CONT'D)

Accuracy

The Sustainability Report aims to provide an accurate overview of the sustainability performance of Frencken.

Reliability

All information in this report are compiled, analysed and reported based on data that are gathered and recorded from reliable sources.

Balance

The Sustainability Report provides an impartial representation of our sustainability performance.

Timeliness

The Sustainability Report is embedded within the Annual Report and to enable stakeholders to make informed decisions.

Clarity

Information in this report is gathered and presented to be understandable, accessible, and usable by our stakeholders.

During the reporting year, considerations were taken by Frencken in reviewing our material sustainability factors in order to ensure that those which were identified prior remained key to the Group. This also includes an assessment of any additional disclosures that may be of a priority based on developments or changes of our strategy, market and feedbacks from stakeholders. Our actions in monitoring the progress of these factors are reflected in this report.

[102-46] [102-54]

External assurance has not been engaged for the current report, however, the adoption of external assurance may be considered for our future Sustainability Reports. Nevertheless, we strive to disclose objective and accurate information, and welcome feedbacks on our reports. For more information or queries on this Sustainability Report, please contact corp@frenckengroup.com.

[102-53] [102-56]

SUSTAINABILITY AT FRENCKEN

Governance Structure

We believe that a solid governance structure is essential for the long-term prosperity of an organisation. With the guidance of the Code of Corporate Governance ("2018 Code") issued by the Monetary Authority of Singapore (MAS) in August 2018, Frencken ensures compliance and strives to uphold the highest standards of corporate governance. We examine the personnel profiles, standard operating processes (SOPs) and organisational structures to enhance the internal management within our Group where appropriate. Through these efforts, transparency, accountability and sustainability are established, supporting the long-term value creation for our stakeholders.

In addition to a robust corporate governance structure, an internal controls system is in place to ensure proper and ethical conduct which includes policies on areas such as personal data protection, anti-corruption, anti-money laundering and counter terrorism financing, conflict of interest, business continuity, insider dealing, enterprise risk management, and outsourcing. The policies were developed in alignment with leading global standards, charters or principles, such as:

- Applicable provisions of the Securities and Futures Act (Chapter 289);
- Listing Manual issued by Singapore Exchange Securities Trading Limited (SGX-ST);
- Code of Corporate Governance 2018; among others

[102-12] [102-18]

The Group's performance was recognised, again, in 2020 as one of the Centurion Winners for Company of the Year by The Edge Billion Dollar Club by winning the "Overall Sector Winner & Best Performing Stock" awards for the Automobiles & Auto Parts; Industrial & Commercial Services; Industrial Conglomerates; Industrial Goods; Energy - Fossil Fuels; Utilities sector.

Besides, our Integrated Manufacturing Services (IMS) site in Zhuhai was awarded as one of the "Top 500 Manufacturing Enterprises of Guangdong" by the Guangdong Manufacturing Association. Our performance was further complemented with the "Best Supplier Award for Best in Class Machining" by Applied Materials to ETLA Limited.

Whistle-Blowing Policy

A whistle-blowing policy provides a safe communication platform with full confidentiality and anti-retaliation protection for stakeholders (employees, suppliers, customers, outsourced partners, agents and consultants who have dealings with the group) to raise their concerns on suspected improper conduct, and therefore further fortify transparency and accountability in our operations. With great priority placed on the anti-retaliation element, it assures that the whistle-blower will be protected from any potential reprisals, victimisation, harassments and/or disciplinary proceedings as long as the reports come from good will.

Managing Sustainability-related Risks

In Frencken, the Board of Directors ("Board") is responsible for the governance of risks, and regularly review the operations of the Group's business to identify material risks, among which are sustainability-related matters. We believe that precautionary management of risks that may arise in our operations is an important approach in achieving sustainable growth. With each identified risk, the Board also takes initiative to devise mitigation measures to limit the potential impact.

[102-11]

SUSTAINABILITY AT FRENCKEN (CONT'D)

Sustainability in Supply Chain

To further our commitment on sustainability, we strive to engage our suppliers and integrate sustainable practices within our supply chain management. For the entities in the scope of this disclosure, the General Manager and Procurement Department oversee our supply chain management efforts and take responsibility on the effective management of relevant risks and opportunities.

With the increasing emphasis on sustainability in the global market, we understand that the risks and opportunities this factor bring to our operations. Whilst providing end-to-end solutions across the entire value chain, we work with multiple suppliers and vendors in Asia, from whom we procure raw materials such as resin, and plastic packaging, among others. We encourage our suppliers and vendors to expand on their sustainability approach where possible, such as to provide good working conditions and benefits to their workers, which may also create positive impacts to the wider community.

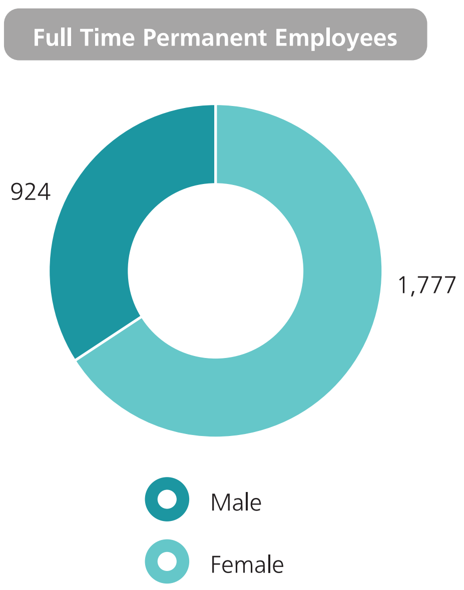
[102-9] [102-10]

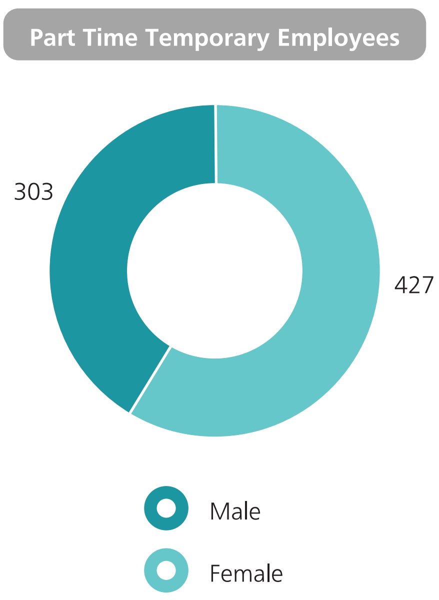
Scale of the Organisation

The scale of an organisation, in the terms of the number of entities and employees, serves as an indicator for our direct impact on the community through job creations and employment. By the end of FY2020, Frencken has 17 operations in the USA, the Netherlands, Switzerland, India, China, Thailand, Malaysia, and Singapore, providing products and services in the automotive, healthcare, industrial, analytical & life sciences and semiconductor industries. With that, our operations are supported by a total headcount of approximately 3,400 employees.

[102-7] [102-8]

Employment Contract and Type





STAKEHOLDER ENGAGEMENT

With our organisation serving various industries in multiple geographies, we work with a diverse group of stakeholders, whose views and recommendations have helped us to continuously grow throughout the years. We are pleased to have built strong relationships with our key stakeholders, who have also significantly contributed in our journey to achieve commercial success and sustainability achievements.

Stakeholders are assessed and considered key by Frencken based on their level of influence on the Group's operations. Such key stakeholders include shareholders, investors, employees, customers, government/regulators, suppliers/contractors, and the media. The material factors identified based on their inputs have been used to benchmark our sustainability performance, targets and achievements in the past three years.

In continuance of our approach for the past years of reporting, we strategically engage with key stakeholders and maintain the relationships through regular and effective communications and dialogues on sustainability-related matters. The table below summarises our usual mode of engagement when interacting with the respective key stakeholders during FY2020.

[102-40] [102-42] [102-43]

Stakeholders Groups	Mode of Engagement	Frequency of Engagement
Shareholders	• Annual Meetings	• Annually
Investors	• Meetings • Electronic Communication	• As required • As required
Employees	• Meetings • Frencken's official events • Frencken's unofficial events such as team-building events, annual dinner.	• Regularly • Regularly • Annually
Customers	• Project-centric dialogues • Meetings • Electronic Communication	• Regularly • Regularly • Regularly
Government / Regulators	• Meetings • Electronic Communication	• As required • As required
Suppliers / Contractors	• Project-centric dialogues • Meetings • Electronic Communication	• Regularly • Regularly • Regularly
Media	• Online Frencken Group Site	• As needed

MATERIALITY ASSESSMENT: MANAGING RISKS AND OPPORTUNITIES

The list of material sustainability topics has evolved since the initial assessment performed in 2018, where inputs from key stakeholders as described in the foregoing section were synthesised for the identification of key sustainability issues and challenges. For FY2020, the Group continued its disclosure on the six sustainability topics, categorised under the three categories - Economic, Environment and Social, as identified and reported previously.

In this report, we aim to disclose progress we have made on these topics, including those on management practice as well as on the performance data. We find this approach of reporting on the list of material topics and its progress essential to ensure that we communicate key and objective information that is of interest to our stakeholders.

[102-44] [102-47] [102-49]

The table below shows the six material topics covered under our FY2020 sustainability reporting, as well as the specific sub-topics and the extent of their Impact considered.

Category	Topic	Sub-topics Material to our Operations	Impact of the Sub-topic
Economic	GRI 201: Economic Performance	Disclosure 201-1: Direct economic value generated and distributed	Within and outside the organisation
Environmental	GRI 301: Materials	Disclosure 301-1: Materials used by weight or volume	Within the organisation
		Disclosure 301-2: Recycled input materials used	
		Disclosure 301-3: Reclaimed products and their packaging materials	
	GRI 307: Environmental Compliance	Disclosure 307-1: Non-compliance with environmental laws and regulations	Within and outside the organisation
Social	GRI 403: Occupational Health and Safety	Disclosure 403-2: Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and the total number of work-related fatalities	Within the organisation
	GRI 404: Training and Education	Disclosure 404-1: Average hours of training per year per employee	Within the organisation
	GRI 419: Socioeconomic Compliance	Disclosure 419-1: Non-compliance with laws and regulations in the social and economic area	Within and outside the organisation

[102-46] [102-47]

ECONOMIC PERFORMANCE

Why it matters

We believe that economic performance is a main indicator of our sustainable growth and value creation towards stakeholders. Profitability of our business will not only enhance value for our shareholders, but also allow the Group to invest in our people, and community and foster a better prospect for long-term growth. Over time, we hope that economic performance reflects the growth Frencken strives to achieve as well as our resilience during the uncertain times caused by the COVID-19 pandemic in FY2020.

[103-1]

How we approach it

Embedded within our governance structure, targets and action plans are discussed and set for our economic performance amongst the management, namely the General Manager and Heads of Department. The management closely monitors the performance related to our key functions such as sales and marketing, production, quality control, purchasing, supply chain and among others. This also includes KPIs on environmental and health and safety performance. For JTJ, monthly target summary reports are prepared to formally document such monitoring activities. With the monitoring results, Heads of Department are able to make timely adjustment on the operations and work towards the achievement of set targets according to the action plans.

Further to the targets and action plans, there is a series of policies that guide the way we conduct business within the Group. The Quality Management System (QMS), Environmental Management System (EMS) and Health & Safety Policies are examples of which manifest how our businesses protect the interests of stakeholders while also creating economic value. This is further exemplified by our operations that have fully adopted and maintained the following certifications:

- ISO 9001:2015 & IATF 16949:2016 - Quality Management System
- ISO 14001:2015 - Environment Management System
- ISO 45001:2018 - Occupational Health and Safety Management System

In line with our initiatives to encourage better performance and quality products, we have engaged and managed our suppliers closely with measures such as supplier evaluation and supplier audits. Similarly, feedback obtained from customers through our regular customer satisfaction survey (i.e., held annually or semi-annually) are also key in considering areas for improvement and other best practices for adoption. Besides, we also engage internal and external auditors annually to assess the performance of our entities, which provides an objective overview should there be notable weaknesses in our operations.

For supporting the Group in such strategic measures, training plans are also in place at subsidiary level to facilitate the development of our talents. This coupled with our control measures and safeguards on information technology related infrastructure ensure that the Group always has the necessary tool and environment to sustain and develop its operations.

[103-2] [103-3]

Our performance

As the Group navigated through volatile times from the COVID-19 pandemic in FY2020, we have remained committed to our core value of ensuring quality products and services throughout the organisation. With that, the Group reported a net profit attributed to equity holders of the company ("NPAT") for FY2020 at 0.5% increase as compared to the Group's 2019 NPAT.

Please refer to the Annual Report for information on the Operating Costs and Employee Compensation.

[201-1]

Revenue for FY2020

$620,616,000

NPAT for FY2020

$42,571,000

MATERIALS

Why it matters

At Frencken, we recognise the potential impacts that our material consumption may have towards the environment – from our use of non-renewable resources. Considering this, our aim is always to ensure efficient resource utilisation while exploring the potential use of other renewable resources within our production, where possible. For us, this means actively keeping track of the various types and amount of materials we consume, in order to develop and implement innovative solutions for driving efficiency and potentially reducing our dependency on certain materials.

[103-1]

How we approach it

In line with our commitment to fulfil customer's requirements from various industries, we use materials strictly according to their specifications in order to ensure that the features and quality of the products are not compromised. Within our operations, our common use of materials (i.e., which include resin, plastics, metal, carton boxes, papers and etc.) are managed via a system by each individual subsidiary, i.e., with the support of the Procurement Department.

Since the Group operates as a wide-base technology solution provider, we manage our resources sustainably by practising resource conservation controls to ensure ongoing resource availability. Such action is complemented by our measures to identify ways to reduce our dependence on non-renewable materials. Besides, in leading such initiatives, we have also expanded on our efforts in segregating waste and setting up recycling stations.

Such initiative can be exemplified through the subsidiaries' practice of reusing cartons and plastic pallets (returned by customers from previous deliveries) for delivering new shipment, utilising scrap metals to produce jig and fixtures to assist in the production process, efforts to adopt a paperless approach within our operations and many more. All such measures are adopted and continuously improved on in line with the awareness of the Group on the materials we used.

[103-2] [103-3]

Our performance

For FY2020, the entities in scope have reported the following materials usage in their operations:

Type	Metrics	Total
Direct Materials	kg	**899,417.75**
	pcs	**847,960**[1]
Indirect Materials		
Packaging	kg	**502,023.85**
	pcs	**256,116**[2]
Others	L	**34,719.50**
Scrap Materials	kg	**260,084.22**

[301-1] [301-2] [301-3]

1 The quantities represented here are computed in pieces due to the nature of the materials, which are mainly fabrication parts, raw materials for precision machining manufacturing, raw materials for sheet metal manufacturing and sheet metal items.

2 The quantities represented here are computed in pieces due to the nature of the materials, which are mainly packaging materials kept at workshop as stock.

ENVIRONMENTAL COMPLIANCE

Why it matters

As a responsible organisation, we are constantly cautious of the impact that our business and operation may have on the environment. Hence, actions and initiatives on environmental conservations are always in consideration by the Group as we work towards reducing our environmental footprint. Beside the various action plans, we also keep ourselves updated on local environmental regulations and guidelines within areas of our operations. By regularly ensuring compliance, our actions not only meet regulatory commitments but also address key environmental concerns for the Group. This is crucial for the Group as we aim to achieve a balance between our economic growth and our contribution in sustaining the environment.

[103-1]

How we approach it

The Group's main environmental-related measure is to ensure that we consistently monitor and assess our compliance with any laws, regulations, and requirements set out by the local authority bodies, such as the Environment Quality Act (Malaysia), as well as the requirements for the permits and licenses we hold. This key role which is under the responsibility of each subsidiary (i.e., through established 5S committee/ appointed environment management representative/ Facilities and Maintenance Department/ etc.) is also supported with the conduct of audit (by internal auditor/ local authorities) to ensure our level of compliance and highlight any key area for improvements.

That said, subsidiaries are individually responsible for ensuring the management of specific environmental initiatives within their operations. Such initiatives include environmental noise monitoring, effluent and waste management, quality of air emission assessment, exhaust ventilation measurement and among others. Furthermore, we also established a requirement for environmental compliance for our suppliers and vendors as part of our procurement procedures, e.g. declaration of such compliance via the Code of Conduct or certification obtained for ISO 14001:2018 Environmental Management System (as per customer's request).

Furthermore, the Group has placed similar efforts in advocating efficient water, electricity and fuel consumption. Among others, we have conducted awareness programmes on efficient energy consumption, conduct monthly water and electricity monitoring, air-conditioner usage control, perform regular maintenance on electrical equipment, switching off lighting during a specific period etc. In FY2020, FMMSB also embarked on a project to replace its street lighting within the Group's premise and the production area with LED lightings as part of its primary initiative for energy conservation.

As a dedicated testament to our environmental commitments, JTH managed to successfully obtain the "Green Industry Certificate" from the Industry Ministry of Thailand in FY2020. Leading further on this, JTH has also taken a constructive leap on embarking its eco-conscious journey with its solar power generation project. The renewable energy project which involves the installation of 940 solar panels at the head office, was completed in February 2021 and is currently undergoing the necessary testing phase prior to its final approval by the authorities. Moving forward, the Group will look towards disclosing further information in reflecting the performance of said project for JTH.

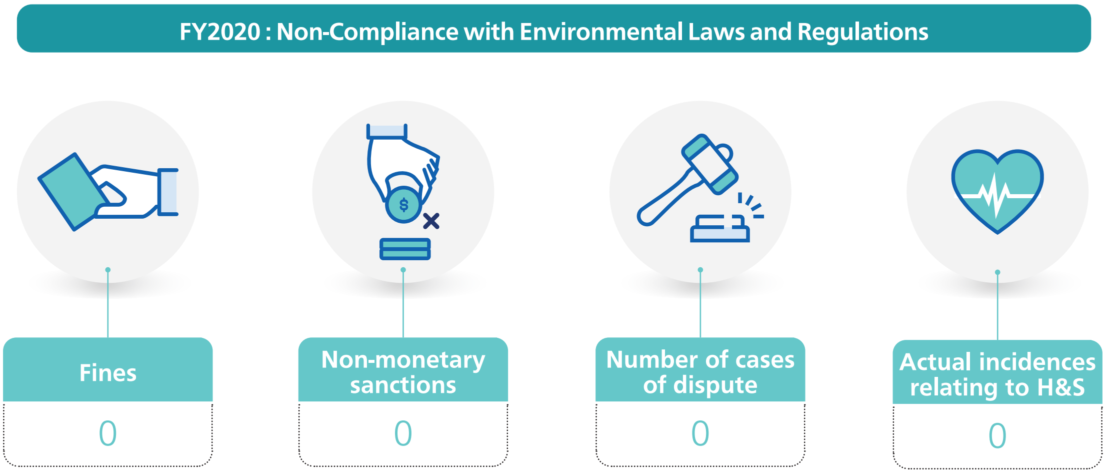
In overall, all these measures are monitored against a pre-determined set of objectives and targets in order to ensure the effectiveness and consistency of our actions. Meetings are also held regularly among responsible departments to discuss any environmental-related issues and to deliberate on actions for any necessary performance improvement. Employees are also regularly briefed and trained to ascertain that they are fully aware of the environmental requirements and their respective role in supporting the Group in this undertaking.

[103-2] [103-3]

ENVIRONMENTAL COMPLIANCE (CONT'D)

Our performance

The Group is pleased to disclose that during the reporting period, there were no fines or non-monetary sanctions received due to violations of environmental regulations. Additionally, there has also been zero cases of dispute for any environment-related issues across our entities in scope.



Beyond compliance, the entities have also set internal targets for their water and electric consumption to demonstrate their effort in reducing their environmental impact. For FY2020, JTJ has continued maintaining its target of keeping their monthly expenditure on water and electric at below RM4,000 and RM200,000 respectively. As for JTH, it aims to achieve less than 0.20% water consumption per sale value and less than 7.00% electric consumption per sale value.

Based on the performance for FY2020, JTJ managed to achieve its monthly water expenditure target but was not able to achieve its predetermined electricity expenditure for six (out of twelve) individual months. However, its electricity expenditure did achieve a combined total below the set target for the entire year. Besides, JTH is successful in achieving its monthly water and electricity consumption target for FY2020, incurring 0.10% water consumption per sale value and 6.56% electricity consumption per sale value.

[307-1]

OCCUPATIONAL HEALTH AND SAFETY

Why it matters

It is with utmost importance for Frencken that we ensure and uphold our measures on health and safety for all stakeholders engaged throughout our organisation. By providing a safe and conducive working environment within our operations, the Group can operate productively while ensuring that the well-being of our people are always safeguarded. Besides, we hope that such commitments also provide a sense of security and support among of our stakeholders during their presence within our operations.

[103-1]

How we approach it

As part of the Group's endeavour to ensure that a high level of health and safety is maintained, Occupational Safety and Health ("OSH") policies are developed in line with labour practice guidelines within our Global Human Resource Policies and Procedures Manual by each subsidiary. The OSH policy summarises the main safety and health objectives of the entity as well as a breakdown of general health and safety measures in place. Besides, in complementing this policy, there are also additional guidelines in place such as fire emergency plan, safe manual handling procedures and etc.

To ensure compliance with these policies and guidelines, we have also established a Safety and Health Committee within the entities. The committee which comprises representatives from the executive and non-executive, is responsible to ensure the effective implementation, timely monitoring and necessary enhancements of all health and safety practices within the entity. Additionally, the committee is also supported by Safety Officer(s) and competent personnel (i.e., who are trained in firefighting, first aid, scheduled waste management and etc.) in their daily routine.

Employees' safety is also further protected with the provision and use of personal protective equipment (PPE) when carrying out daily operations. Common PPE provided such as safety helmets, safety shoes, ear plugs, masks, goggles and gloves are allocated to employees and tracked based on a Monitoring List. This is to ensure that all equipment are provided adequately and appropriately to employees based on their jobs scope or area of duty.

By and large, accident and incident relating to health and safety are regularly monitored by the Safety Officer. Once such circumstances occur, the Safety Officer will conduct an investigation and a root cause analysis of the event. This is then followed by the implementation of corrective measures (if necessary) in order to prevent the risk of such accident/ incident occurring in the future. Details of the accident, investigation and remediation are also updated to the Safety and Health Committee during the regular monthly/ quarterly meeting.

Throughout the reporting year, the entities in scope have also been subjected to numerous safety and health related audit exercise conducted by internal auditor, external ISO auditor (i.e., for ISO 45001:2018 - Occupational Health and Safety Management System) and by customer's representatives (e.g., Responsible Business Alliance Self-Assessment Questionnaire). These measures were taken in order to ensure that the Group remained vigilant in complying with the necessary regulation and certification and to have an opportunity to address any weaknesses observed during such review.

In further committing to such measures, the Group also engaged OSH consultant to assist and advise the entities on its implementation of health and safety practices. Among the roles of the OSH consultant include performing an audit on the entity's compliance on health and safety regulations, reviewing OSH documentation, conduct briefings on health and safety, carry out workplace health, safety and fire inspection, assist and advise in accident/ incident investigation and among others.

OCCUPATIONAL HEALTH AND SAFETY (CONT'D)

How we approach it (Cont'd)

During the year, in light of the ongoing COVID-19 pandemic, we have also established measures to ensure that our operations comply with the relevant guidelines by the government and instil the best safeguard for our people against this health risk. We have developed additional procedures such as implementing comprehensive Standard Operating Procedures such as COVID-safe working practices and environment, providing regular updates via emails and notice board on the pandemic, supplying face masks, sanitisers and sanitising our premises. For our employees, mandating the use of face mask and temperature checks for all personnel within our premises and regular disinfection of common areas and office spaces. For JTH, it is also compulsory for every employee to submit their travel history/ plans to the Safety Officer on a daily basis to determine the risk of any potential exposure to the pandemic. As for FMMSB, swab tests are made compulsory for all new employees, employees who display symptoms of COVID-19 and employees who were identified as close contact upon completing their ten days quarantine period.

[103-2] [103-3]

Our performance

Throughout FY2020, zero cases of occupational diseases and zero work-related fatalities have been reported by the three entities covered in this report. Regrettably, a case of injury occurred in FMMSB, which had resulted in fifty-two lost man-days. The accident was properly documented and reported to the Department of Occupational Safety and Health (DOSH) and the entity has also performed an investigation on the matter alongside the implementation of necessary rectification actions.

Occupational Health and Safety Performance in FY2020

Injury rate per 100 employed persons[3]	Occupational disease rate per 100 employed persons[4]	Work-related fatalities over one-year period[5]	Lost day rate per 100 working hours[6]
0.15	0	0	0.01

[403-2]

[3] Injury Rate is the frequency of injuries, relative to the total time worked by all workers during the reporting period

[4] Occupational Disease Rate is the frequency of occupational diseases relative to the total time worked by all workers during the reporting period

[5] Work-related Fatalities is the death of a worker occurring in the current reporting period, arising from an occupational disease or injury sustained or contracted while performing work that is controlled by the organisation or that is being performed in workplaces that the organisation controls

[6] Lost Day Rate is the impact of occupational diseases and accidents as reflected in time off work by the affected workers

TRAINING AND EDUCATION

Why it matters

At Frencken, we take into recognition that our people is a key component in ensuring the prosperity of our business. Hence, it is the Group's priority to provide our employees with relevant resources to develop their skillsets and competencies from both a career and personal development standpoint. We invest in the growth of our people through innovative training and development programmes to equip them with future-ready skills to manage and lead our business strategies. By empowering our people, we believe we can boost employees' motivation and improve our attractiveness among the potential hires, which will in turn contribute to the long-term performance and productivity of the Group.

[103-1]

How we approach it

Each year, Line Managers and Heads of Department at each subsidiary will perform an assessment to identify areas in which trainings are needed and develop a training plan for its employees. The assessment takes into consideration feedback obtained from employees through regular means of engagement such as performance appraisal exercise, team meetings etc. Our human resource development programmes are developed in line with the four guiding principles established under the Group's Training Policy and Procedure. The guiding principles - Training, Development, Education, and Learning - serve as a foundation for us to promote the enhancement of our employees' capabilities through an objective and effective medium of training programmes.

Frencken's Guiding Principles for Human Resource Development Programmes	
Training	Facilitating learning to acquire knowledge, develop skills and modify attitudes
Development	Providing learning experiences to employees so that they are adaptable to any new organisational changes
Education	Preparing employees to perform specific tasks for future opportunities
Learning	Continued acquisition of knowledge and skills, and positive change of attitude towards work that improves work efficiency and quality

Some of the topics covered by our training programmes in FY2020 include:
- Machinery safety
- Fire fighting
- Chemical use and handling
- First aid and CPR
- Safety and hazard awareness
- Quality management system
- Computer software such as Microsoft Office Project and MasterCAM

Training evaluations are also conducted upon the completion of each training programme. This exercise is implemented to assess the outcomes of our programmes and specifically on areas such as the effectiveness of the training module, the performance of trainers and an overall feedback. Feedbacks obtained from this assessment is also taken into consideration when the entity develop its training plans moving forward.

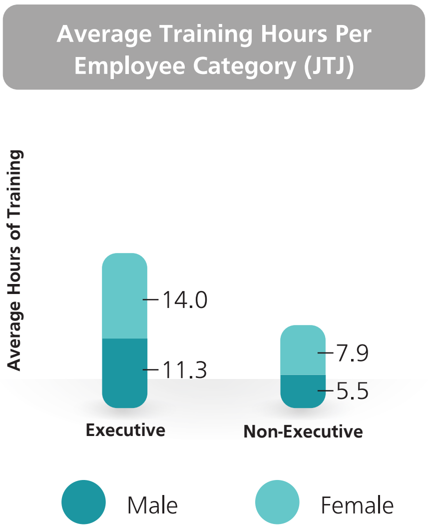
In addition, orientation and induction sessions are conducted regularly throughout the year in order to help new hires to adapt to their roles and better understand the daily operations of the Group.

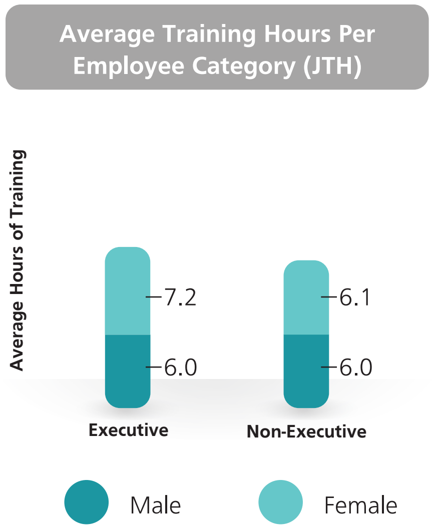
[103-2] [103-3]

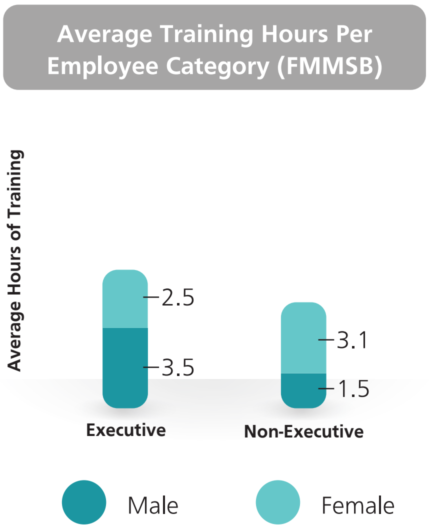
TRAINING AND EDUCATION (CONT'D)

Our performance

During the reporting period, the three entities have provided over 4,800 training hours for their employees in total. Training programmes were provided impartially to employees across all job functions to ensure they have the required knowledge and capabilities to perform their daily duties. Moving forward, the Group will continue to expand its efforts in adapting and seeking for more training opportunities for our employees.







[404-1]

SOCIOECONOMIC COMPLIANCE

Why it matters

As the Group grows and diversifies into more industries, our core value of ethical conduct and compliance remained true to the way we conduct ourselves and our business. With presence in numerous countries, it is crucial that we comply with relevant rules and regulations wherever we operate. Working with a high level of integrity not only enhances our brand image, but also boosts the regulators' and the general public's confidence in our products. We continuously strive to uphold our commitment to be a responsible business as we believe it is the foundation of our current success and our stepping stone to a brighter future.

[103-1]

How we approach it

To maintain and demonstrate a high level of integrity and ethical conduct, the Group strictly abides by Frencken's Code of Business Ethics and Conduct, which is applicable to all employees across our organisation. Addition to which, the code is supplemented with further policies such as Whistleblowing Policy, Related Party Transaction Policy, Conflict of Interest Policy, Anti-Corruption and Business Ethics, each stipulating a set of specific guidelines and measures for navigating certain aspect of business conduct.

In view of advocating the practices within the aforesaid policies, regular communication, awareness briefings and trainings were conducted among the employees during the year. One key exercise conducted was the Group communicated updated versions of policies with employees alongside a request for each employee to complete and acknowledge Declaration of Conduct, Related Party Transaction Disclosure and Family Relationship Disclosure forms. This was to ascertain that employees are educated accordingly on the Group's latest measures and policies as well as ensure adequate attention on such implementation is established within the organisation.

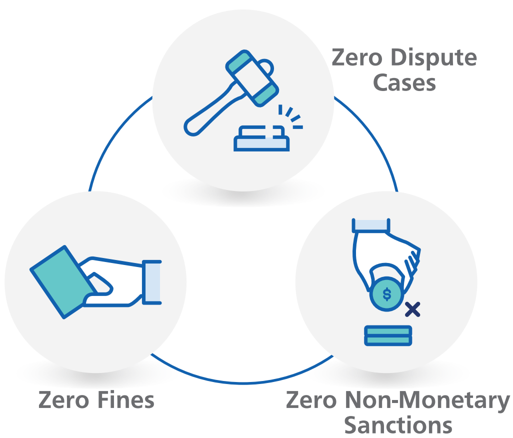
Ultimately, within each subsidiary, the General Manager or senior management team is responsible for ensuring adherence to all applicable rules and regulations as well as compliance with the various established codes and guidelines. Moreover, these key management personnel also provide employees with an avenue to seek advice and guidance when it comes to matters relating to acceptable business conduct and practices.

For complementing such measures, the Group has also established comprehensive whistleblowing procedures. This transparent and anonymous communication channel is provided for any stakeholders to report confidently on any improper conduct within the organisation. Each report submitted will be escalated to the Chairman of Audit Committee as the sole independent point of contact. Following which, discretion will be placed on the issues as reported and subsequent decisions will be made on the necessary next step, which may include investigation, reporting to the authority, implementation of corrective actions and etc. In overall, this practice will also provide an additional tier of oversight in ascertaining the performance of our governance body and its practices.

[102-16] [103-2] [103-3]

Our performance

In FY2020, the entities in scope have not received any fines or non-monetary sanctions for non-compliance with socioeconomic legislations. The Group has also not been involved in any cases of dispute throughout the year. As we continue to strive for business excellence, we will do so without compromising our culture of ethical conduct and persist on upholding our record of zero non-conformity on any rules and regulations.



[419-1]

GRI CONTENT INDEX

[102-55]

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	ORGANISATIONAL PROFILE	
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GRI 102-3	Location of headquarters	Annual Report page 30
GRI 102-4	Location of operations	Annual Report page 2,6-7
GRI 102-5	Ownership and legal form	Annual Report page 2, 25, 176
GRI 102-6	Markets served	Annual Report page 6-7
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GRI 102-9	Supply chain	34
GRI 102-10	Significant changes to organisation and its supply chain	34
GRI 102-11	Precautionary principle or approach	33
GRI 102-12	External initiatives	33
GRI 102-13	Membership of associations	Not applicable for the entities included in the scope of this report
	STRATEGY	
GRI 102-14	Statement from senior decision-maker	Annual Report page 10-12
	ETHICS AND INTEGRITY	
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GRI 102-18	Governance Structure	33
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Corporate Governance Statement

The Board of Directors (the "Board") and Management of Frencken Group Limited (the "Company" and together with its subsidiaries, the "Group") are committed to maintain high standards of corporate governance in order to protect and enhance the interest of shareholders value. It strongly supports the principles of transparency, accountability and integrity as set out in the Code of Corporate Governance 2018 (the "Code").

The Board and Management have taken steps to align the governance framework with the recommendations of the Code, where applicable, and where there are deviations from the Code, appropriate explanations are provided.

This report discusses the Company's corporate governance framework and practices in place for the financial year ended 31 December 2020.

BOARD MATTERS

THE BOARD'S CONDUCT OF 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

Principal Duties of the Board

The directors are fiduciaries who act objectively in the best interests of the Group and are responsible for overall management of the Group. The Board establishes the corporate strategies of the Group, including putting in place a code of conduct and ethics, setting the appropriate tone-from-the-top and desired organisational culture, and ensuring proper accountability within the Group. The Board is responsible for the overall corporate governance of the Group.

The principal functions of the Board, in addition to carrying out its statutory responsibilities, inter alia, are as follows:

(a) overseeing and approving the formulation of the Group's overall long-term strategic objectives and directions, corporate strategy and objectives as well as business plans, taking into consideration sustainability issues;
(b) overseeing and reviewing the management of the Group's business affairs and financial controls, performance and resource allocation, including ensuring that the required financial and human resources are available for the Group to meet its objectives;
(c) establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;
(d) reviewing management and financial performance of the Group;
(e) identifying the key stakeholder groups and recognise that their perceptions affect the Company's reputation;
(f) setting the Group's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met;
(g) considering sustainability issues, e.g. environmental and social factors, as part of its strategic formulations;
(h) to approve the release of the Group's financial results, annual reports and announcement to the shareholders; and
(i) to assume the responsibilities for corporate governance.

Each director is required to promptly disclose any actual, potential and perceived conflict of interest, in relation to a transaction or proposed transaction with the Group as soon as practicable after the relevant facts have come to his/her knowledge. Directors who face conflicts of interest must recuse themselves from discussions and decisions involving the issues of conflict.

Director Development and Training

The directors understand the Company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). The Company provides directors with opportunities to develop and upgrade their skills and knowledge. The Company also provides opportunities for directors to attend seminars and training to enable them to keep pace with regulatory changes, where changes to regulations and accounting standards have a material bearing on the Company and to enable them to discharge their duties with due care and diligence.

THE BOARD’S CONDUCT OF AFFAIRS (CONT'D)
Principle 1 (Cont'd)

Director Development and Training (Cont'd)

All newly appointed directors are given appropriate training and briefings by management on the history, business, corporate governance practices, relevant statutory and regulatory compliance issues of the Group, as well as visits to major plants to familiarise with the Group’s operations. Any newly appointed director who has had no prior experience as a director of a listed company must also undergo training in the role and responsibilities of a listed company director.

Matters Requiring Board Approval

Although the day-to-day management of the Company is delegated to the Executive Director(s), the approval of the Board is required for matters such as corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, major corporate actions such as share issuance, the release of the Group’s results and announcement to shareholders, declaration of dividends and interested person transactions.

Board Processes

To assist in the execution of its responsibilities, the Board has established an Audit Committee (“AC”), Nominating Committee (“NC”) and Remuneration Committee (“RC”). All these three (3) committees are chaired by an Independent Director and consist mainly of Non-Executive Directors, the majority of whom are independent of management. These committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis. The effectiveness of each committee is also constantly reviewed by the Board. Please refer to Principles 4, 6 and 10 in this Corporate Governance Report for further information on the activities of NC, RC and AC respectively.

The full Board meets on a quarterly basis and more often when required to address any specific significant matters that may arise. In between Board meetings, other important matters will be tabled for the Board’s approval by way of circulating resolutions in writing.

The Company’s Constitution provides for Directors to participate in meetings by means of conference telephone, video conferencing, audio visual, or other similar communication equipment by means of which all persons participating in the meeting can hear each other, without a Director being in the physical presence of the other Directors.

The number of Board and Board Committee meetings held during the financial year ended 31 December 2020 and the attendance of each Director, where relevant, are as follows:

	Board	**Audit Committee**	**Nominating Committee**	**Remuneration Committee**
Number of meetings	4	5	1	1
Dato’ Gooi Soon Chai	4	N/A	1	1
Mohamad Anwar Au (also known as Dennis Au)	4	N/A	N/A	N/A
Chia Chor Leong	4	5	1	1
Ling Yong Wah	4	5	1	N/A
Yeo Jeu Nam	4	5	N/A	1
Melvin Chan Wai Leong	4	5	N/A	N/A

THE BOARD'S CONDUCT OF AFFAIRS (CONT'D)
Principle 1 (Cont'd)

Complete, Adequate and Timely Information

The Board and Management are given opportunities to engage in open and constructive debate on the quarterly performance and direction of the Group, as well as on an on-going basis to enable them to make informed decisions. All Board members are supplied with relevant, complete, adequate and timely information prior to Board meetings. The Management also consults with Board members regularly whenever necessary and appropriate.

The Directors may challenge the validity of management's assumptions and also extend guidance to management wherever necessary, in the best interests of the Company. Directors may, at any time, request for further explanation, briefings or informal discussions on any aspect of the Group's operations or business issues from management.

Separate and Independent Access

The Directors have separate and independent access to senior management and the Company Secretary at all times. Requests for information from the Board are dealt with in a timely manner by the Management. The Board is informed of all material events and transactions as and when they occurred.

The Board in fulfilling its responsibilities, can as a group or individually, when deemed fit, direct the Company to appoint professional adviser to render professional advice at the Company's expense.

Company Secretary

The Company Secretary or representative from the Company Secretary's office administers, attends and prepares minutes of all Board and Board Committee meetings. The Company Secretary assists the Chairman in ensuring that Board procedures are followed and regularly reviewed so that the Board functions effectively and the Company's Constitution and the relevant rules and regulations applicable to the Company, are complied with.

The appointment and removal of the Company Secretary are subject to the Board's approval.

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.

The Board have diversity in category of directorship which comprises six (6) Directors of whom one (1) is Executive Director, one (1) is Non-Executive Non-Independent Director and four (4) are Independent Directors. The Directors of the Company as at the date of this statement are:

Dato' Gooi Soon Chai	(Non-Executive Non-Independent Chairman)
Dennis Au	(Executive Director)
Ling Yong Wah	(Lead Independent Director)
Chia Chor Leong	(Independent Director)
Yeo Jeu Nam	(Independent Director)
Melvin Chan Wai Leong	(Independent Director)

The Directors receive regular updates on relevant changes in laws and regulations including Code of Corporate Governance and financial reporting standards from the Company's relevant advisors.

All Board committees are constituted with clear Terms of Reference to assist the Board in discharging its functions and responsibilities. The Terms of Reference are provided to each newly-appointed director.

The profile of the Directors are found on pages 25 to 28 of this Annual Report.

BOARD COMPOSITION AND GUIDANCE (CONT'D)
Principle 2 (Cont'd)

The Independent Directors form at least one third of the Board composition. The independence of each director is reviewed by the Nominating Committee. The Nominating Committee adopts the 2018 Code definition of what constitutes an Independent Director in its review. As the Chairman is not an Independent Director, the Nominating Committee is reviewing the composition of Independent Directors on the Board and ensuring that the Independent Directors constitute a majority of the Board to comply with the requirements of the Code. In fact, the Independent Directors presently constitute a majority of the composition is such that non-executive directors also constitute a majority of the Board.

Policy on the independence of Independent Board and its Directors

The Company is committed to have a strong independent element on the Board and has adopted a policy and established a process to obtain and maintain the requisite degree of independent representation for good and sound governance. As prescribed by the policy, the process:

- Establishes the methodology the Board shall use to assess the independence of each Independent Director bearing in mind the definition of independence in the Code;

- Identifies the information that shall be collected from each Independent Director to make the assessment of independence; and

- Fixes the elements of disclosure to shareholders with regard to the assessment to be made, including the disclosure of any relationships and associations that may be perceived to affect the independence or objectivity of an Independent Director.

The process requires the Nominating Committee to make a formal assessment and report to the Board their findings as to whether the Independent Directors are independent of management and independent in character and judgement and whether there are any business or other relationships that could materially affect or interfere with the exercise of objective, unfettered or independent judgement by the Independent Director or the Independent Director's ability to fulfill their mandate and duties. The Board's rigorous review of the process is an important element in this process. The key features of the process are briefly set out below.

On an annual basis, the Nominating Committee shall require each Independent Director to complete, confirm and sign a Confirmation of Independence, the content and form of which has been approved. Each declaration shall be reviewed by the other members of the Nominating Committee based on the standards of independence in the Code. This forms the basis of the assessment. All relevant facts and circumstances shall be considered in making the assessment. Generally (but without limiting the scope of the factors which may be taken into account), in accordance with the Code, independence is, prima facie, established if the criteria set out below is met.

Independent Directors are obliged to update the Board with any new information in relation to interests or relationships relevant to independence. The Board shall re-assess independence as and when any new interests or relationships are disclosed or come to light as well as annually.

Following this process, the Nominating Committee shall report to the Board, drawing to its attention in particular any failure to meet any of the above criteria and to any other relevant circumstances and the Nominating Committee shall make recommendations. However, it is the Board's duty and prerogative to determine the sufficiency or otherwise of independence and to determine its composition. In accordance with the Code, the Board shall provide a justification if the director fails to meet any of the criteria above but the Board still considers the director an Independent Director.

BOARD COMPOSITION AND GUIDANCE (CONT'D)
Principle 2 (Cont'd)

Policy on the independence of Independent Board and its Directors (Cont'd)

Taking into account the scope and nature of the Group's businesses and operations, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees, the Board considers the current size of the Board is appropriate for the facilitation of decision making. The Board believes that its current board size and composition effectively serves the Group and is not so large as to be unwieldy. It provides sufficient diversity without interfering with efficient discussion and decision-making. The Company has a majority of independent directors on its Board which allows diversity of viewpoints that are independent of the management's to prevail. However, the Board will continue to review the size of the Board on an ongoing basis.

The Directors are of diversified background and collectively bring with them a wide range of experience such as accounting and finance, legal, industry knowledge, customer-based knowledge, strategic planning, business and management experience with age groups spanning a range of approximately 16 years. In particular, the Executive Director possesses good industry knowledge while the Non-Executive Directors, who are professionals and experts in their own fields, are able to take a broader view of the Group's activities, contribute their valuable experiences and provide independent judgement during Board deliberations. The Non-Executive Directors are involved in reviewing the corporate strategies, business operations and practices of the Group, and are also involved in reviewing and monitoring the performance of management in achieving agreed goals and objectives. The Board considers that the Directors provide an appropriate balance and diversity of skills, experiences and knowledge of the Company that will provide effective governance and stewardship for the Group.

Where necessary the Non-Executive Directors may meet without the presence of the management of the Company.

Except for Mr Chia Chor Leong, Mr Ling Yong Wah and Mr Yeo Jeu Nam, none of the directors have served on the Board for a period exceeding nine years from the date of their appointments. Mr Chia Chor Leong, Mr Ling Yong Wah and Mr Yeo Jeu Nam have served as Independent Directors of the Company for more than nine years since their initial appointments on 22 September 2004, 12 May 2005 and 1 November 2010 respectively. The Board has subjected their independence to rigorous review by all the other fellow directors (with Mr Chia Chor Leong, Mr Ling Yong Wah and Mr Yeo Jeu Nam abstaining from the review), before deciding if they should continue with the appointment.

After due consideration and with the concurrence of the NC, the Board is of the view that Mr Chia Chor Leong, Mr Ling Yong Wah and Mr Yeo Jeu Nam have demonstrated strong independence character and judgement over the years in discharging their duties and responsibilities as independent directors of the Company with the utmost commitment in upholding the interest of the non-controlling shareholders. They have expressed individual viewpoints, debated issues and objectively scrutinised and challenged Management. They have sought clarification and amplification as deemed necessary, including through direct access to the Management.

Taking into account the above, the Board has affirmed their independence status and resolved that Mr Chia Chor Leong, Mr Ling Yong Wah and Mr Yeo Jeu Nam continue to be considered independent directors, notwithstanding they have served on the Board beyond nine years from the date of their first appointment.

Nevertheless, in accordance with Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST, they will be subjected to a re-election when the said Rule comes into effect from 1 January 2022. It is via a two-tier shareholders vote by:

(i) all shareholders; and
(ii) all shareholders, excluding the directors, the chief executive officer and their associates.

Accordingly, the NC has recommended that the approval of the shareholders be sought through a two-tier voting process at the forthcoming Annual General Meeting for the continuation of office of Mr Chia Chor Leong, Mr Ling Yong Wah and Mr Yeo Jeu Nam, who have served as Independent Directors of the Company for an aggregate term of more than nine years, as Independent Directors of the Company and the Board has accepted the NC's recommendation. Should any of the above Independent Directors fail the two-tier voting, he will be re-designated as a Non-Independent Director with effect from 1 January 2022. The Board will appoint new Independent Director(s), if required, to meet the minimum required number of Independent Directors to comply with Rule 210(5)(c) of the SGX-ST Listing Manual within the prescribed timeframe.

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.***

The Chairman and President (equivalent to the position of Chief Executive Officer) are separate persons and not related. There is a clear division of responsibilities between the Chairman and President, which ensures there is a balance of power and authority, such that no one individual represents a considerable concentration of power.

The Board subscribes to the principles set in the Code on the separation of roles of the Chairman and the President.

The Chairman bears responsibility for the conduct of the Board and is also a member of the Remuneration and Nominating Committees. The President bears executive responsibility for the Company's business.

The Chairman is responsible to, among others:

(a) lead the Board to ensure its effectiveness on all aspects of its role;
(b) promote a culture of openness and debate at the Board;
(c) ensure effective communication with shareholders;
(d) encourage constructive relations within the Board and between the Board and management;
(e) facilitate the effective contribution of non-executive directors in particular; and
(f) promote high standards of corporate governance.

The Chairman also ensures that the board meetings are held when necessary and sets the board meeting agenda in consultation with the President. The Chairman reviews the board papers together with the President, prior to presenting them to the Board. The Chairman and the President ensure that Board members are provided with complete, adequate and timely information on a regular basis to enable them to be fully cognisant of the affairs of the Group.

Lead Independent Director, Mr Ling Yong Wah, is available to shareholders should they have concerns for which contact through the Chairman is inappropriate.

Where necessary the independent directors shall meet without presence of the other directors and the Lead Independent Director shall provide feedback to the Chairman after such meetings.

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.***

All Nominating Committee members are Non-Executive, majority of whom are independent of management. The Nominating Committee comprises the following members:

Chia Chor Leong	(Chairman & Independent Director)
Ling Yong Wah	(Lead Independent Director)
Dato' Gooi Soon Chai	(Non-Executive Non-Independent Chairman)

The Chairman of the Nominating Committee is not, and is not directly associated with, a substantial shareholder.

The Nominating Committee is responsible for the following:

(a) to make recommendations to the Board on all board appointments, including re-nominations, having regard, to the Director's contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an Independent Director;

(b) to determine annually, and as and when circumstances required, whether or not a Director is independent, having regard to the circumstances set forth in Provision 2.1 of the Code, and makes the appropriate disclosures;

BOARD MEMBERSHIP (CONT'D)
Principle 4 (Cont'd)

The Nominating Committee is responsible for the following: *(cont'd)*

(c) to decide whether or not a Director who has multiple board representations on various companies, is able to and has been adequately carrying out his/her duties as Director, having regard to the competing time commitments that are faced when serving on multiple boards;

(d) to decide how and by whom the Board's performance may be evaluated and propose objective performance criteria, as approved by the Board that allows comparison with its industry peers, and address how the Board has enhanced long term shareholders' value;

(e) the review of board succession plans for directors, in particular, the Chairman and for the President and key management to ensure the progressive and orderly renewal of the Board and key management; and

(f) to review and recommend the training and professional development programmes for the Board.

None of the Directors are appointed for any fixed term. In accordance with the Company's Constitution, one-third (1/3) of the Directors are required to retire at every Annual General Meeting of the Company and all Directors are required to retire from office at least once every three (3) years, and such Directors will be eligible for re-election at the meeting at which he retires. The Nominating Committee has recommended the nomination of Mr Chia Chor Leong and Mr Melvin Chan Wai Leong retiring at this forthcoming Annual General Meeting for re-election, which has been accepted by the Board.

Mr Chia Chor Leong and Mr Melvin Chan Wai Leong are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 29 April 2021 ("AGM") (collectively, the "Retiring Directors" and each a "Retiring Director").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST:

Name of Director	Mr Chia Chor Leong	Mr Melvin Chan Wai Leong
Date of appointment	22 September 2004	27 April 2017
Date of last re-appointment	25 April 2018	25 April 2018
Age	65	59
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the qualification, work experience and suitability of Chia Chor Leong for re-appointment as Independent Non-Executive Director of the Company. The Board has reviewed and concluded that Chia Chor Leong possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the qualification, work experience and suitability of Melvin Chan Wai Leong for re-appointment as Independent Director of the Company. The Board have reviewed and concluded that Melvin Chan Wai Leong possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.

BOARD MEMBERSHIP (CONT'D)
Principle 4 (Cont'd)

Name of Director	Mr Chia Chor Leong	Mr Melvin Chan Wai Leong
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Non-Executive Director, Chairman of Nominating Committee, Member of Remuneration Committee and Audit Committee.	Independent Director, Audit Committee member.
Professional qualifications	• LL.B. (Honours) Degree, University of Singapore. • Advocate and Solicitor of Supreme Court of Singapore.	• Bachelor's Degree in Electrical & Electronics Engineering, National University of Singapore. • Master of Business Administration degree, National University of Singapore.
Working experience and occupation(s) during the past 10 years	Chia Chor Leong has been in private legal practice since 1981, and now acts mostly as arbitrator, adjudicator, mediator and legal assessor. He had served as the Chairman of the Criminal Law Advisory Committee (Review) of the Ministry of Home Affairs, Singapore, and as a member of the Singapore Road Safety Council.	Melvin Chan Wai Leong was formerly a Director and Chief Executive Officer of Ellipsiz Ltd, a SGX Mainboard-listed company. Mr Melvin Chan is presently the Managing Director of Synersys Capital, a firm providing business consultancy and advisory services.
Shareholding interest in the listed issuer and its subsidiaries	Nil	Deemed Interest - 439,500 ordinary shares held through DBS Nominees Pte Ltd.
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

BOARD MEMBERSHIP (CONT'D)
Principle 4 (Cont'd)

Name of Director	Mr Chia Chor Leong	Mr Melvin Chan Wai Leong
Other Principal Commitments *(including Directorships#) * The term "principal commitments" shall include all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments. # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)	Nil	Nil
Past Directorship (for the last 5 years)	Mary Chia Holdings Limited	Ellipsiz Ltd Ellipsiz DSS Pte Ltd Ellipsiz Singapore Pte Ltd Ellipsiz Testlab Pte Ltd Ellipsiz Ventures Pte Ltd Ellipsiz Semilab Holdings Pte Ltd iNETest Resources Pte Ltd Ellipsiz ISP Pte Ltd SV Probe Pte Ltd JEP Holdings Ltd iNETest Resources HK Limited Ellipsiz (Shanghai) International Ltd Ellipsiz Semilab (Shanghai) Co., Ltd iNETest (Suzhou) Co., Ltd Oriental International Technology Limited SV Probe (SIP) Co., Ltd iNETest Malaysia Sdn. Bhd. Crystal Scientific Corp Ellipsiz Taiwan Inc. Ellipsiz Taiwan Second Source Inc. SV Probe Technology Taiwan Co. Ltd SV TCL Kabushiki Kaisha SV Probe Inc. SV Technology Inc. Teem Holding Pte Ltd Advantech Corporation (Thailand) Co., Ltd Kita Manufacturing Co., Ltd Suzhou Silicon Information Technologies Co., Ltd
Present Directorship	Southern Packaging Group Limited	Synersys Capital Pte Ltd Synersys Pte Ltd Yoong Lee Enterprises Pte Ltd iNETest Resources (Thailand) Ltd Excellent Scientific Instruments (M) Sdn. Bhd.

BOARD MEMBERSHIP (CONT'D)
Principle 4 (Cont'd)

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.		
Name of Director	**Mr Chia Chor Leong**	**Mr Melvin Chan Wai Leong**
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?	No	No
b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he 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?	No	No
c) Whether there is any unsatisfied judgement against him?	No	No
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

BOARD MEMBERSHIP (CONT'D)
Principle 4 (Cont'd)

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.		
Name of Director	**Mr Chia Chor Leong**	**Mr Melvin Chan Wai Leong**
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, judgement 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
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, judgement 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

BOARD MEMBERSHIP (CONT'D)
Principle 4 (Cont'd)

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.		
Name of Director	**Mr Chia Chor Leong**	**Mr Melvin Chan Wai Leong**
j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of: i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
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

BOARD MEMBERSHIP (CONT'D)
Principle 4 (Cont'd)

Disclosure applicable to the appointment of Director only		
Name of Director	**Mr Chia Chor Leong**	**Mr Melvin Chan Wai Leong**
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. 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. 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	Yes Executive director of Ellipsiz Ltd (January 2008 to January 2018) Non-executive director of JEP Holdings Ltd (June 2010 to June 2018)

Each member of the Nominating Committee shall abstain from voting on any resolutions and making any recommendation and or participating in respect of matters in which he has interest.

The date of initial appointment and last re-election as directors are set-out below:

Directors	Date of initial appointment	Date of last re-election
Dato' Gooi Soon Chai	10 February 2015	29 June 2020
Dennis Au	28 April 2016	29 June 2020
Chia Chor Leong	22 September 2004	25 April 2018
Ling Yong Wah	12 May 2005	25 April 2019
Yeo Jeu Nam	1 November 2010	25 April 2019
Melvin Chan Wai Leong	27 April 2017	25 April 2018

Please refer to Profile of Board of Directors section of this Annual Report for a profile of each director's academic and professional qualifications.

The Nominating Committee reviews annually the time commitments of directors. Notwithstanding that some of the directors have multiple board representations, the Nominating Committee is satisfied that sufficient time and attention are being given by the directors to the affairs of the Company.

Thus there are no compelling reasons to impose a cap on the number of board representations each director may hold since these directors are able to and have adequately carried out their duties as directors of the Company.

Currently, the Company does not have any alternate directors.

The Nominating Committee held one (1) meeting during the year under review.

In the search for potential new Directors, the Nominating Committee will seek to identify the competence required for the Board to fulfil its responsibilities. The Nominating Committee may engage recruitment consultants or engage other independent experts to undertake research on, or assess candidates for new positions on the Board.

Recommendations for new Board members are put to the Board for its consideration and approval.

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***

The Nominating Committee examines the Board's size to satisfy that it is appropriate for effective decision making, taking into account the nature and scope of the Company's operation. The Directors bring to the Board their related experiences and knowledge and also provide guidance in the various Board Committee as well as to the Management of the Group.

The Nominating Committee will review and evaluate the performance of the Board as a whole and its board committees in view of the complementary and collective nature of directors' contributions. The Nominating Committee has established objective performance criteria such as board structure, conducts of meetings, corporate strategy and planning, risk management and internal control, measuring and monitoring performance, compensation, financial reporting and communication with shareholders to evaluate the Board's performance as a whole.

The Board reviews the assessment conducted by the Nominating Committee and where necessary makes changes to further improve the effectiveness of the Board. Following the review, the Board is of the view that the Board and its Board Committees operate effectively.

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.***

All Remuneration Committee members are Non-Executive, majority of whom are independent of management. The Remuneration Committee comprises the following members:

Yeo Jeu Nam	(Chairman & Independent Director)
Chia Chor Leong	(Independent Director)
Dato' Gooi Soon Chai	(Non-Executive Non-Independent Chairman)

The Remuneration Committee is responsible for the following:

(a) to review and recommend to the Board a framework of remuneration and guidelines for the Directors and Key Management Personnel;

(b) to review and make recommendations to the Board on specific remuneration packages for each Director as well as for the key management personnel and submit such recommendations for endorsement by the entire Board covering all aspects of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, options issued under the Employee Share Option Scheme 2008 and benefits-in-kind;

(c) in the case of service contracts, to consider what compensation commitments the Directors' contracts of service, if any, would entail in the event of early termination with a view to be fair and avoid rewarding poor performance; and

(d) to manage the Employee Share Option Scheme 2008, Employee Share Option Scheme 2020 and Employee Share Award Scheme 2020 and administered by the Employee Share Option and Award Scheme Committee comprising of the following members:

Dennis Au	(President and Executive Director)
David Chin Yean Choon	(Chief Financial Officer)

The duration of the Employee Share Option Scheme 2008 was 10 years commencing on 18 April 2008 and accordingly, it had expired on 17 April 2018. The share options previously granted will remain valid until the expiry, cancellation or exercise of the share options.

REMUNERATION MATTERS (CONT'D)

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES (CONT'D)
Principle 6 (Cont'd)

Employee Share Option Scheme 2020 and Employee Share Award Scheme 2020 for executive directors and employees of the Group were approved by members of the Company at an Extraordinary General Meeting on 29 June 2020.

During the financial year, there was no grant of options under the Employee Share Option Scheme 2020 and no grant of awards under the Employee Share Award Scheme 2020.

If necessary, the Remuneration Committee shall seek expert advice on remuneration of all directors and key management personnel. The Remuneration Committee shall ensure that any relationship between the appointed consultant and any of its director or Company will not affect the independence and objectivity of the remuneration consultant. In financial year 2020, Blue Talent Consulting Pte. Ltd. and Agensi Pekerjaan BTC Sdn. Bhd. were engaged as remuneration consultants to provide professional advice on job classification and job levelling. These principal consultants providing such services are independent as they only provide remuneration consulting services, having no other relationship with the Company.

The Remuneration Committee reviews all aspects of remuneration including the service contracts of the executive directors to ensure that the contracts, including any termination clauses, are fair and reasonable.

No directors participate in decisions on their own remunerations.

The Remuneration Committee held one (1) meeting during the year under review.

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.

Executive directors' remuneration package and key management personnel's remuneration framework is structured in a way that links rewards to corporate and individual performance and takes into account industry benchmarks. The review of remuneration packages also takes into consideration the pay and employment conditions within the industry, comparable companies and the broad guidelines recommended by the Singapore Institute of Directors and the long-term interests of the Group. The review covers all aspects of remuneration including salaries, fees, allowances, bonuses, share options and benefits-in-kind. The Remuneration Committee's recommendations are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board.

The remuneration of Non-Executive Directors will also be reviewed to ensure that the remuneration commensurate with the contribution and responsibilities of the Non-Executive Directors, taking into account factors such as effort, time spent, and responsibilities. The Company believes that the current remuneration of Non-Executive Directors is appropriate to the level of contribution and at a level that will not compromise the independence of the Directors.

The Company will submit the quantum of Directors' fees of each year to the shareholders for approval at each Annual General Meeting.

The Company currently does not have any contractual provisions to allow the Company to reclaim incentive from executive directors and key management personnel in exceptional cases of wrongdoings.

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.***

A breakdown showing the level and mix of each individual Director's remuneration payable for financial year 2020 is as follows:

	2020	2019
$1,250,001 to $1,500,000	1	-
$1,000,001 to $1,250,000	-	1
$750,001 to $1,000,000	-	-
$500,001 to $750,000	-	-
$250,000 to $500,000	-	-
Below $250,000	5	5
Total	**6**	**6**

Name of Director	Salary %	Bonus %	Fringe Benefits %	Directors' Fees %	Total %
$1,250,001 to $1,500,000					
Dennis Au	40	54	6	-	100
Below $250,000					
Dato' Gooi Soon Chai	-	-	10	90	100
Chia Chor Leong	-	-	11	89	100
Ling Yong Wah	-	-	11	89	100
Yeo Jeu Nam	-	-	11	89	100
Melvin Chan Wai Leong	-	-	13	87	100

Remuneration of the top six (6) key management personnel are as follows:

Name of Key Management Personnel	Salary %	Bonus %	Fringe Benefits %	Directors' Fees %	Total %
$750,001 to $1,000,000					
Fokko Leutscher	51	25	24	-	100
$500,001 to $750,000					
Sim Mong Huat	52	42	6	-	100
Willem Bos	55	22	23	-	100
$250,000 to $500,000					
Chin Yean Choon	38	33	8	21	100
Wang Liang Horng	56	40	4	-	100
Leong Kwok Choon	54	38	8	-	100

The aggregate of total remuneration paid or accrued to the top six (6) key management personnel of the Company (who are not directors or the Chief Executive Officer) for financial year 2020 is $3,218,813.

DISCLOSURE ON REMUNERATION (CONT'D)
Principle 8 (Cont'd)

The Company decided to disclose the remuneration in bands as the Board is of the view that full disclosure of the remuneration of each individual director and key management personnel in dollar terms is not in the best interests of the Company. This is due to the sensitive and confidential nature of the matter as well as potential competitive pressures resulting from such disclosure.

The Company is of the view that the disclosure of the indicative range of the Directors' and key management personnel remunerations as well as the composition of the nature of the remunerations essentially into its fixed (salary, fee and fringe benefits) and variable (bonus) components provides a reasonable amount of information on the Company's remuneration framework to enable the shareholders to understand the link between the Company's performance and the remuneration of the Directors and key management personnel. The fees to the Chairman and Independent Directors do not have variable components and are put forward annually to shareholders for approval at the Company's Annual General Meeting.

For financial year 2020, the Company and its subsidiary companies do not have any other employees who are substantial shareholders, or are immediate family members of a director or the Chief Executive Officer or a substantial shareholder of the Company and whose remuneration exceeds $100,000.

Information on the Company's Employee Share Option Scheme 2008, Employee Share Option Scheme 2020 and Employee Share Award Scheme 2020 such as size of grants, exercise price of options that were granted as well as outstanding and vesting period of option are set out on pages 72 to 75 of the Annual Report.

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS
Principle 9 The Board is responsible for the governance of risk and ensure that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.

The Company regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as take appropriate measures to control and mitigate these risks. The Company reviews all significant control policies and procedures and highlights all significant matters to the Audit Committee and Board.

The Board oversees management in the area of risk management and internal control system. The Board regularly reviews and improves the Company's business and operational activities to identify areas of significant risks as well as take appropriate measures to control and mitigate these risks.

The Board has received assurance from:

(a) the President and Chief Financial Officer as well as the internal auditors that the financial records of the Group have been properly maintained and the financial statements for the year ended 31 December 2020 give true and fair view of the Group's operations and finances; and

(b) the President and the key management personnel regarding the adequacy and effectiveness of the Company's risk management and internal control systems.

The Audit Committee and Board are in the opinion that the Group's internal controls, maintained by the Company's management that was in place throughout the financial year and up to the date of this report provides reasonable, but not absolute, assurance against material financial misstatements or losses, and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulations and best practices, and the identification and containment of financial, operational and compliance risks.

RISK MANAGEMENT AND INTERNAL CONTROLS (CONT'D)
Principle 9 (Cont'd)

The Board notes that all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error losses, fraud or other irregularities.

Based on reports submitted by the external and internal auditors, and the system of internal controls, including financial, operational, compliance and information technology controls, and risk management systems maintained by the management that was in place throughout the financial year and up to date of the Annual Report for the financial year ended 31 December 2020, the Board, with the concurrence of the Audit Committee and the assurance of the management (including the President and Chief Financial Officer as well as the internal auditors) are of the opinion that the Group's system of internal controls, including financial, operational, compliance and information technology controls, and risk management systems are adequate and effective.

In line with Rule 1207(19) of the Listing Manual on Dealing in Securities, Directors and employees of the Company should not deal in Company's securities on short term considerations or when they are in possession of unpublished price sensitive information. They are also not allowed to deal in the Company's securities during the period commencing one month before the announcement of the Company's half year and full year financial results, ending on the date of the announcement of the financial results. The Directors and employees are also required to adhere to the provisions of the Companies Act, and any other relevant regulations with regard to their securities transactions. The Company has complied with Rule 1207(19) of the Listing Manual.

AUDIT COMMITTEE
Principle 10 The Board has an Audit Committee ("AC") which discharges its duties objectively.

The role of the Audit Committee is to assist the Board with regard to the discharge of its responsibility to safeguard the Group's assets, maintain adequate accounting records, develop and maintain effective systems of internal controls with an overall objective to ensure that the management has created and maintained an effective control environment in the Company.

All Audit Committee members are independent Non-Executive Directors. The Audit Committee comprises the following members:

Ling Yong Wah	(Chairman and Lead Independent Director)
Chia Chor Leong	(Independent Director)
Yeo Jeu Nam	(Independent Director)
Melvin Chan Wai Leong	(Independent Director)

The Audit Committee members have many years of experience and expertise in their respective fields of accounting, audit, financial management, law and business. The Board considers that the members of the Audit Committee are appropriately qualified to discharge the responsibilities of the Audit Committee.

None of the AC members is a former partner or director of the Company's existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

AUDIT COMMITTEE (CONT'D)
Principle 10 (Cont'd)

The Audit Committee meets at least quarterly to discuss and review the following where applicable:

(a) review the adequacy, effectiveness, independence, scope and results of the external audit and internal audit function;

(b) review with the external auditors the audit plan, their evaluation of the system of internal controls relevant to the audit, their audit report, their management letter and our management's response;

(c) review with the internal auditors, the scope and the results of internal audit procedures and their evaluation of the overall internal control systems including financial, operational and compliance controls and risk management;

(d) review the half yearly and annual financial statements before submission to the Board for approval, focusing in particular, on significant financial reporting issues and judgements so as to ensure the integrity of the consolidated financial statements of the Group and any formal announcements relating to the Company's financial performance, changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;

(e) review the internal controls and procedures and ensure co-ordination between the external auditors and management, reviewing the assistance given by the management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of our management);

(f) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant law, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and management's response;

(g) review the adequacy and effectiveness of the Group's internal financial controls, operational and compliance controls and risk management policies and systems;

(h) review the assurance from the President and the CFO on the financial records and financial statements;

(i) review the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on;

(j) making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;

(k) review and recommend to the Board transactions falling within the scope of Chapter 9 of the Listing Manual;

(l) undertake such other reviews and projects as may be requested by the Board and will report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee; and

(m) generally undertake such other functions and duties as may be required by statute of the Listing Manual, and by such amendments made thereto from time to time. In addition, all future transactions with related parties shall comply with the requirements of the Listing Manual. As required by paragraph 1(9)(e) of Appendix 2.2 of the Listing Manual, the Directors shall abstain from voting in any contracts or arrangements or proposed contracts or arrangements in which they have a personal material interests.

The Audit Committee has the power to conduct or authorise investigations into any matters within the Audit Committee's scope of responsibility. The Audit Committee is authorised to obtain independent professional advice if it deems necessary in the discharge of its responsibilities. Such expenses are to be borne by the Company.

AUDIT COMMITTEE (CONT'D)
Principle 10 (Cont'd)

The Audit Committee members keep abreast of changes to accounting standards and issues which have a direct impact on financial statements, through advice sought, updates and briefing from the external auditors when they attend the Audit Committee meetings quarterly.

The Group has in place a whistle-blowing policy and arrangement by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. To ensure independent investigation of such matters and for appropriate follow-up action, all whistle-blowing reports are to be sent directly to the Chairman of the Audit Committee. Details of the whistle-blowing arrangements have been communicated to all staff of the Group.

The Audit Committee has full access to documents and information and the co-operation from management. It has full discretion to invite any Director or Executive Officer to attend its meetings, and has been given adequate resources to enable it to discharge its functions. The Audit Committee is satisfied that the internal auditors have adequate resources to perform its functions.

The Board believes that the existing system of internal controls is adequate and recognises that it is responsible for maintaining a system of internal control processes to safeguard shareholders' investments and the Group's business and assets. The effectiveness of the internal financial control systems and procedures are monitored by the management.

The Group's internal functions are carried out in-house by qualified and experienced internal audit staff. The internal auditor's primary line of reporting is to the Chairman of the Audit Committee. The Audit Committee confirms that the internal audit function is independent as it reports directly to the Chairman of the Audit Committee who is an independent director as well as other members of the Audit Committee who are also independent directors. The Audit Committee also decides on the appointment, termination and remuneration of the head of the internal audit function.

The Group co-operates fully with the internal auditor in terms of allowing access to documents, records, properties and personnel. The Audit Committee reviews annually the adequacy and effectiveness of the internal audit function and its standing within the Company to ensure it is able to perform its function effectively and objectively. The Audit Committee has reviewed and is satisfied with the independence, adequacy and effectiveness of the Company's internal audit function. The Company with the concurrence of the Audit Committee is satisfied that the Group's framework of internal controls and procedures is adequate and effective.

During the year, the internal auditor carried out one (1) cycle of internal audit for the Mechatronics Division in Asia and two (2) cycles of internal audit for the IMS Division in Asia. The findings were presented to the Audit Committee.

With the assistance of the internal and external auditors, our management has identified the main business processes and the associated financial and operational risks, and have adopted recommendations made to address these risks. Based on the review by the Audit Committee, the Board is satisfied that the internal controls and risks management process of the Group are adequate to safeguard shareholders' interest and the Company's assets.

The Company confirms that the appointment of the external auditors is in accordance with Rules 712 and 715 of the Listing Rules of the SGX-ST.

For details of fees in respect of audit and non-audit services, please refer to Note 7(a) to the financial statements.

The Audit Committee has reviewed the range and value of non-audit services performed by the external auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. At the forthcoming Annual General Meeting of the Company, the Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group.

During the year under review, the Audit Committee met with the internal auditor and external auditors a total of five (5) times of which once is without the presence of management.

SHAREHOLDERS RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 11** **The Company treats all shareholders 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.

Shareholders are given the opportunity to participate effectively in and vote at general meetings of shareholders. Shareholders are informed of the relevant rules and procedures that govern general meetings.

Resolutions to be passed at general meetings are always separate and distinct in terms of issue and are consistent with the Code's recommendation that companies avoid 'bundling' resolutions unless the resolutions are interdependent and linked so as to form one significant proposal.

The Company strives to encourage wider shareholder participation by holding its Annual General Meetings at central locations in Singapore that can be conveniently reached using public transportation.

At the Company's Annual General Meetings, shareholders are given the opportunity to express their views and direct questions to Directors and management regarding the Company. All directors will normally be present at Annual General Meetings and other general meetings of shareholders to assist the Board in addressing shareholders' questions. The External Auditors are also invited to attend the Annual General Meeting to assist the Directors in answering any queries relating to the conduct of the audit and the preparation and content of the auditor's report.

The number of general meetings held during the financial year ended 31 December 2020 and the attendance of each Director, where relevant, are as follows:

	General Meeting
Number of meetings	1
Dato' Gooi Soon Chai	1
Dennis Au	1
Chia Chor Leong	1
Ling Yong Wah	1
Yeo Jeu Nam	1
Melvin Chan Wai Leong	1

Shareholders can vote in person or appoint not more than two (2) proxies to attend and vote on their behalf at the general meetings. There is no provision in the Company's Constitution that limits the number of proxies for relevant intermediary which includes holding licences in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

All resolutions are put to vote by polls which are conducted in the presence of independent scrutineers. The detailed results of the poll voting showing the number of votes casted for and against each resolution and the respective percentages are published instantaneously at the general meeting.

The Company is not implementing absentia voting methods such as voting by mail, facsimile or e-mail until authentication of shareholders identity information and other related security issues are satisfactorily resolved.

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS (CONT'D)
Principle 11 (Cont'd)

The Company publishes minutes of general meetings of shareholders on its corporate website as soon as practicable. The minutes record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board and Management.

In view of the current COVID-19 situation in Singapore, the forthcoming AGM and Extraordinary General Meeting ("EGM") to be held in respect of FY 2020 will be convened and 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. Alternative arrangements relating to attendance at the AGM and EGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the AGM and EGM in advance of the AGM and EGM, addressing of substantial and relevant questions prior to the AGM and EGM and voting by appointing the Chairman of the AGM and EGM as proxy at the AGM and EGM, will be put in place for the AGM and EGM to be held on 29 April 2021.

Dividend Policy

While the Company has not formally instituted a dividend policy, it has established a good track record of paying annual dividends to shareholders. In proposing any dividend payout and/or determining the form, frequency and/or the amount of such dividend payout, the Board will take into account, inter alia, the Group's financial position, retained earnings, results of operation and cash flow, the Group's expected working capital requirements and capital expenditure, the future expansion, investment plans and other funding requirements, general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group.

The Board strives to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend payout.

ENGAGEMENT WITH SHAREHOLDERS

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

The Company does not practise selective disclosure. In line with continuous obligations of the Company pursuant to the Singapore Exchange's Listing Rules, the Board's policy is that all shareholders should be equally informed of all major developments impacting the Group.

Information is disseminated to shareholders on a timely basis through:

- Company's corporate website
- SGXNET announcements including half yearly and full year results announcements and news releases
- Annual Reports or circulars that are prepared and issued to all shareholders

The Company has a dedicated investor relations team which focuses on facilitating communications with shareholders and analysts on a regular basis and attending to their queries or concerns. The Company also enhances its communications with analysts and investors by organising regular briefings, one-on-one meetings and conference calls to keep the market apprised of the Group's corporate developments and financial performance.

MANAGING STAKEHOLDERS RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

Principle 13 The Board adopts an inclusive and balanced approach towards the needs and interests of key stakeholders by also taking into account the interests of the Company.

Engaging with stakeholders involves establishing good lines of communication reinforced by sound management relationships between the Company and its various stakeholders. Through this relationship, stakeholders can have an avenue for proactive communication and a platform to work towards alignment of interests.

The Company has a corporate website, www.frenckengroup.com, to communicate and engage with stakeholders. This website is the key resource of information for stakeholders as it contains an abundance of information about the Group, including financial statements, corporate announcements and annual reports. In addition to these, the following information can be accessed from the Company's website: -

(a) Board of Directors and their profiles;
(b) Key management and their profiles;
(c) Business Overview;
(d) Vision, Mission & Strategy;
(e) Group Operating Structure;
(f) Whistle-Blowing Policy;
(g) Stock Information; and
(h) Investor Relations Contact

MATERIAL CONTRACTS

There were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the President, any Director, or controlling shareholder subsisting at the end of financial year ended 31 December 2020.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit Committee and that transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders.

There were no interested person transactions between the Company or its subsidiaries and any of its interested persons subsisting at the end of the financial year ended 31 December 2020.

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under the shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
NIL	NIL	NIL

Directors' Statement

The directors present their statement together with the audited consolidated financial statements of Frencken Group Limited (the "Company") and its subsidiaries (the "Group") and balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2020.

In the opinion of the directors, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company as set out on pages 81 to 172 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and 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:

Dato' Gooi Soon Chai
Mohamad Anwar Au (also known as Dennis Au)
Chia Chor Leong
Ling Yong Wah
Yeo Jeu Nam
Melvin Chan Wai Leong

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, except for the share options and share awards mentioned in paragraph 4 of the Directors' Statement.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Holdings registered in the name of director			Holdings in which a director is deemed to have an interest		
Name of directors and Company in which interests are held	**At beginning of year**	**At end of year**	**At 21.1.2021**	**At beginning of year**	**At end of year**	**At 21.1.2021**
Frencken Group Limited (Ordinary shares)						
Dato' Gooi Soon Chai	6,165,023	6,365,023	6,365,023	92,842,668	93,197,668	93,187,668
Dennis Au	3,287,000	3,487,000	3,487,000	-	-	-
Melvin Chan Wai Leong	-	-	-	439,500	439,500	439,500

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

According to the register of directors' shareholdings, certain directors holding office at the end of the financial year had interests in options to subscribe for ordinary shares of the Company granted pursuant to the Frencken Group Limited ("Frencken") Employee Share Option Scheme 2008 as set out below and paragraph 4 of the Directors' Statement.

	Number of unissued ordinary shares under option		
	At beginning of year	**At end of year**	**At 21.1.2021**
Dennis Au			
- 2016 Options	500,000	500,000	-
- 2017 Options	700,000	700,000	700,000

Other than as disclosed above, no other director who held office at the end of the financial year had an interest in shares or debentures of the Company and all the subsidiaries, directly or indirectly held by the Company.

4 SHARE OPTIONS AND SHARE AWARDS

(i) Frencken Employee Share Option Scheme 2008 ("ESOS 2008") and Frencken Employee Share Option Scheme 2020 ("ESOS 2020") for executive directors and employees of the Group ("Group Employees") were approved by members of the Company at an Extraordinary General Meeting on 18 April 2008 and 29 June 2020 respectively.

(ii) Frencken Employee Share Award Scheme 2020 ("ESAS 2020") for executive directors and Group Employees was approved by members of the Company at an Extraordinary General Meeting on 29 June 2020.

(ESOS 2008, ESOS 2020 and ESAS 2020 are hereinafter collectively referred to as the "Schemes")

The Schemes is managed by the Remuneration Committee and administered by the Employee Share Option and Award Scheme Committee (the "Committee") comprising of the following members:

Dennis Au	(President and Executive Director)
David Chin Yean Choon	(Chief Financial Officer)

The Schemes are to provide opportunities for deserving Group Employees to participate in the equity of the Company so as to motivate them to greater dedication and higher standards of performance, and to give recognition to past contribution and services. It is important to acknowledge and secure future contribution by the Group Employees, which is essential to the well-being and prosperity of the Group. The Company, by adopting the Schemes, will give participants a real and meaningful stake in the Company through the exercise of the options or the grant of the awards.

While the Schemes aim to incentivise and retain employees, ESOS 2008 and ESOS 2020 do not achieve this in the same way the ESAS 2020 does. The Company further believes that the ESAS 2020 will be more effective and rewarding than pure cash bonuses as a motivational incentive in the Group Employees' bid to achieve pre-determined goals of the Company. Unlike options granted under the ESOS 2008 and ESOS 2020, the ESAS 2020 contemplates the award of fully-paid shares free of charge to participants after the conditions of the ESAS 2020 have been met. Accordingly, the ESAS 2020 allows the Company to target specific performance objectives and to provide an incentive for participants to achieve these superior targets, which ultimately, will create and enhance economic value for shareholders.

4 SHARE OPTIONS AND SHARE AWARDS (CONT'D)

ESOS 2008 and ESOS 2020 ("ESOS Schemes")

The ESOS 2008 became operative upon the Company granting options to subscribe for 8,960,000 ordinary shares of the Company on 1 December 2008 ("2008 Options"). The Company also granted options to subscribe for 8,880,000, 9,050,000, 6,000,000, 3,000,000 and 3,000,000 ordinary shares of the Company on 1 December 2009 ("2009 Options"), 1 December 2010 ("2010 Options"), 7 October 2013 ("2013 Options"), 1 April 2016 ("2016 Options") and 6 December 2017 ("2017 Options") respectively. Particulars of the 2008 Options, 2009 Options, 2010 Options, 2013 Options, 2016 Options and 2017 Options were set out in the Directors' Report for the financial year ended 31 December 2008, 31 December 2009, 31 December 2010, 31 December 2013, 31 December 2016 and 31 December 2017 respectively.

During the financial year, there was no grant of options under the ESOS 2020.

Options granted under the ESOS Schemes

Details of the ESOS 2008 granted to executive directors of the Company are as follows:

	Number of unissued ordinary shares of the Company under option			
Name of director	**Granted in financial year ended 31.12.2020**	**Aggregate granted since commencement of scheme to 31.12.2020**	**Aggregate exercised since commencement of scheme to 31.12.2020**	**Aggregate outstanding as at 31.12.2020**
Dennis Au	-	3,700,000	2,500,000	1,200,000

Eligibility

Confirmed Group Employees (including Executive Directors) who have attained the age of twenty-one (21) years on or prior to the relevant date of grant and are not undischarged bankrupts and have not entered into a composition with their respective creditors, and who have, as of the date of grant, been in the employment of the Group for a period of at least twelve (12) months, or such shorter period as the Committee may determine, shall be eligible to participate in the ESOS Schemes at the absolute discretion of the Committee. Controlling shareholders and their associates (as defined in Listing Manual of the Singapore Exchange Securities Trading Limited) are not entitled to participate in the ESOS Schemes.

Size

The aggregate number of new shares in respect of which options may be granted on any date under the ESOS Schemes, when added to all shares, options or awards granted under any other share option scheme, share award scheme or other share-based incentive schemes of the Company, including but not limited to the ESAS 2020, shall not exceed fifteen per cent. (15%) of the number of issued shares of the Company on the day immediately preceding the relevant date of grant (or such other limit as the SGX-ST may determine from time to time). Any shares which are held as treasury shares will be disregarded for the purpose of computing the fifteen per cent. (15%) limit. Notwithstanding the Company being able to deliver treasury shares to holders of options in lieu of new shares, the aggregate number of treasury shares shall not at any time exceed ten per cent. (10%) of the total number of issued shares.

Duration

The ESOS 2020 shall continue to be in force at the discretion of the Committee, subject to a maximum period of ten (10) years, commencing on the date the ESOS 2020 is adopted.

The ESOS 2008 had expired on 17 April 2018. The share options previously granted will remain valid until the expiry, cancellation or exercise of the share options.

4 SHARE OPTIONS AND SHARE AWARDS (CONT'D)

ESOS 2008 and ESOS 2020 ("ESOS Schemes") (Cont'd)

Exercise price and option period

The Committee may grant options with or without a discounted exercise price. In the event that options are granted at a discount, the discount shall not exceed twenty percent. (20%) of the market price.

Options granted with the exercise price set at market price shall only be exercisable, in whole or in part (provided that an option may be exercised in part only in respect of 1,000 shares or any multiple thereof), by a participant after the first anniversary of the date of grant of that option provided always that such options granted with the exercise price set at market price shall be exercised before the 10th anniversary of the relevant date of grant, or such earlier date as may be determined by the Committee, failing which all unexercised options shall immediately lapse and become null and void and a participant shall have no claim against the Company.

Options granted with the exercise price set at a discount to market price shall only be exercisable, in whole or in part (provided that an option may be exercised in part only in respect of 1,000 shares or any multiple thereof), by a participant after the second anniversary from the date of grant of that option provided always that the options shall be exercised before the 10th anniversary of the relevant date of grant, or such earlier date as may be determined by the Committee, failing which all unexercised options shall immediately lapse and become null and void and a participant shall have no claim against the Company.

Except for Dennis Au, the Executive Director of the Company and Sebastiaan Johannes van Sprang, a former director of the Company, no participant under the ESOS 2008 has received 5% or more of the total number of shares under option available under the ESOS 2008.

Share options outstanding

The number of unissued ordinary shares of the Company under option in relation to the ESOS 2008 outstanding at the end of the financial year was as follows:

	Number of unissued ordinary shares under option at 31.12.2020	Exercise price	Exercise period
2016 Options	500,000	$0.184	01.04.2018 to 31.03.2026
2017 Options	1,165,000	$0.432	06.12.2019 to 05.12.2027
	1,665,000		

ESAS 2020

Eligibility

Confirmed Group Employees (including Executive Directors) who have attained the age of twenty-one (21) years on or prior to the relevant date of grant and are not undischarged bankrupts and have not entered into a composition with their respective creditors, and who have, as of the date of grant, been in the employment of the Group for a period of at least twelve (12) months, or such shorter period as the Committee may determine, shall be eligible to participate in the ESAS 2020 at the absolute discretion of the Committee. Controlling shareholders and their associates (as defined in Listing Manual of the Singapore Exchange Securities Trading Limited) are not entitled to participate in the ESAS 2020.

4 SHARE OPTIONS AND SHARE AWARDS (CONT'D)

ESAS 2020 (Cont'd)

Size

The aggregate number of shares available under the ESAS 2020, when added to all shares, options or awards granted under any other share option scheme, share award scheme or other share-based incentive schemes of the Company, including but not limited to the ESOS 2020, shall not exceed fifteen per cent. (15%) of the number of issued shares of the Company on the day immediately preceding the relevant date of grant (or such other limit as the SGX-ST may determine from time to time). Any shares which are held as treasury shares will be disregarded for the purpose of computing the fifteen per cent. (15%) limit. Notwithstanding the Company being able to deliver treasury shares to holders of awards in lieu of new shares, the aggregate number of treasury shares shall not at any time exceed ten per cent. (10%) of the total number of issued shares.

Duration

The ESAS 2020 shall continue to be in force at the discretion of the Committee, subject to a maximum period of ten (10) years, commencing on the date the ESAS 2020 is adopted.

During the financial year, there was no grant of awards under the ESAS 2020.

5 AUDIT COMMITTEE

The role of the Audit Committee is to assist the Board with regard to the discharge of its responsibility to safeguard the Group's assets, maintain adequate accounting records, develop and maintain effective systems of internal controls with an overall objective to ensure that the management has created and maintained an effective control environment in the Company.

All Audit Committee members are independent Non-Executive Directors. The Audit Committee comprises the following members:

Ling Yong Wah	(Chairman and Lead Independent Director)
Chia Chor Leong	(Independent Director)
Yeo Jeu Nam	(Independent Director)
Melvin Chan Wai Leong	(Independent Director)

The Audit Committee members have many years of experience and expertise in their respective fields of accounting, audit, financial management, law and business. The Board considers that the members of the Audit Committee are appropriately qualified to discharge the responsibilities of the Audit Committee.

None of the AC members is a former partner or director of the Company's existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

The Audit Committee meets at least quarterly to discuss and review the following where applicable:

(a) review the adequacy, effectiveness, independence, scope and results of the external audit and internal audit function;

(b) review with the external auditors the audit plan, their evaluation of the system of internal controls relevant to the audit, their audit report, their management letter and our management's response;

(c) review with the internal auditors, the scope and the results of internal audit procedures and their evaluation of the overall internal control systems including financial, operational and compliance controls and risk management;

5 AUDIT COMMITTEE (CONT'D)

(d) review the half yearly and annual financial statements before submission to the Board for approval, focusing in particular, on significant financial reporting issues and judgements so as to ensure the integrity of the consolidated financial statements of the Group and any formal announcements relating to the Company's financial performance, changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;

(e) review the internal controls and procedures and ensure co-ordination between the external auditors and management, reviewing the assistance given by the management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of our management);

(f) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant law, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and management's response;

(g) review the adequacy and effectiveness of the Group's internal financial controls, operational and compliance controls and risk management policies and systems;

(h) review the assurance from the President and the CFO on the financial records and financial statements;

(i) review the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on;

(j) making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;

(k) review and recommend to the Board transactions falling within the scope of Chapter 9 of the Listing Manual;

(l) undertake such other reviews and projects as may be requested by the Board and will report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee; and

(m) generally undertake such other functions and duties as may be required by statute of the Listing Manual, and by such amendments made thereto from time to time. In addition, all future transactions with related parties shall comply with the requirements of the Listing Manual. As required by paragraph 1(9)(e) of Appendix 2.2 of the Listing Manual, the Directors shall abstain from voting in any contracts or arrangements or proposed contracts or arrangements in which they have a personal material interests.

The Audit Committee has the power to conduct or authorise investigations into any matters within the Audit Committee's scope of responsibility. The Audit Committee is authorised to obtain independent professional advice if it deems necessary in the discharge of its responsibilities. Such expenses are to be borne by the Company.

The Audit Committee members keep abreast of changes to accounting standards and issues which have a direct impact on financial statements, through advice sought, updates and briefing from the external auditors when they attend the Audit Committee meetings quarterly.

The Group has in place a whistle-blowing policy and arrangement by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. To ensure independent investigation of such matters and for appropriate follow-up action, all whistle-blowing reports are to be sent directly to the Chairman of the Audit Committee. Details of the whistle-blowing arrangements have been communicated to all staff of the Group.

The Audit Committee has full access to documents and information and the co-operation from management and has full discretion to invite any Director or Executive Officer to attend its meetings, and has been given adequate resources to enable it to discharge its functions. The Audit Committee is satisfied that the internal auditors have adequate resources to perform its functions.

The Board believes that the existing system of internal controls is adequate and recognises that it is responsible for maintaining a system of internal control processes to safeguard shareholders' investments and the Group's business and assets. The effectiveness of the internal financial control systems and procedures are monitored by the management.

5 AUDIT COMMITTEE (CONT'D)

The Group's internal functions are carried out in-house by qualified and experienced internal audit staff. The internal auditor's primary line of reporting is to the Chairman of the Audit Committee. The Audit Committee confirms that the internal audit function is independent as it reports directly to the Chairman of the Audit Committee who is an independent director as well as other members of the Audit Committee who are also independent directors. The Audit Committee also decides on the appointment, termination and remuneration of the head of the internal audit function.

The Group co-operates fully with the internal auditor in terms of allowing access to documents, records, properties and personnel. The Audit Committee reviews annually the adequacy and effectiveness of the internal audit function and its standing within the Company to ensure it is able to perform its function effectively and objectively. The Audit Committee has reviewed and is satisfied with the independence, adequacy and effectiveness of the Company's internal audit function. The Company with the concurrence of the Audit Committee is satisfied that the Group's framework of internal controls and procedures is adequate and effective.

During the year, the internal auditor carried out one (1) cycle of internal audit for the Mechatronics Division in Asia and two (2) cycles of internal audit for the IMS Division in Asia. The findings were presented to the Audit Committee.

With the assistance of the internal and external auditors, our management has identified the main business processes and the associated financial and operational risks, and have adopted recommendations made to address these risks. Based on the review by the Audit Committee, the Board is satisfied that the internal controls and risks management process of the Group are adequate to safeguard shareholders' interest and the Company's assets.

The Company confirms that the appointment of the external auditors is in accordance with Rules 712 and 715 of the Listing Rules of the SGX-ST.

For details of fees in respect of audit and non-audit services, please refer to Note 7(a) to the financial statements.

The Audit Committee has reviewed the range and value of non-audit services performed by the external auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. At the forthcoming Annual General Meeting of the Company, the Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group.

During the year under review, the Audit Committee met with the internal auditor and external auditors a total of five (5) times of which once is without the presence of management.

6 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept reappointment.

ON BEHALF OF THE DIRECTORS

....

Dato' Gooi Soon Chai

....

Dennis Au

9 March 2021

Independent Auditor's Report

To The Members Of Frencken Group Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Frencken Group Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2020, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 81 to 172.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters	How the matter was addressed in the audit
Carrying value of goodwill and deferred development costs **Goodwill** The Group has $9,939,000 (2019 : $9,565,000) of goodwill arising from its previous acquisition of subsidiaries. The carrying amount of the cash-generating units ("CGU") to which the goodwill are allocated to represent 16.07% (2019 : 24.5%) of the Group's net asset. The impairment review of goodwill is based on cash flow forecast of the attributed CGU which requires significant management judgement about future market conditions, including growth rates and discount rates. **Deferred development costs** The Group has $1,597,000 (2019 : $7,861,000) of deferred development costs capitalised for the development of products. For capitalised deferred development costs that are not yet available for use, management assessed the recoverability based on cash flow forecast which requires judgement about future market conditions, including growth rates and discount rates. Significant amount of the deferred development costs are part of the CGU to which the goodwill is allocated to as described above.	Our audit procedures focused on evaluating and challenging the key assumptions used by management in conducting the impairment review using the cash flow forecast. These procedures include: a) assessing the growth rate and cash flow forecast used, with comparison to recent performance; b) assessing the discount rate by assessing the cost of capital for the company and comparable organisation; c) evaluating management's sensitivity analysis around the key assumptions above to ascertain the impact of reasonably possible changes would have on the value in use calculation and determine whether the Group's assessment is reasonable; and d) by reference to prior years' forecasts, where relevant, assessing whether the Group has achieved the forecasted results to evaluate historical accuracy of the forecast.

Key Audit Matters (Cont'd)

Key Audit Matters	How the matter was addressed in the audit
As disclosed in Note 19, the total carrying value of the Group's goodwill and deferred development costs amounted to $11,536,000 (2019 : $17,426,000) as at 31 December 2020 which represented 2.0% (2019 : 3.4%) of the total assets. During the year, the Group recorded an impairment loss on deferred development costs of $6,221,000 (2019 : $1,531,000). The accounting policies and key assumptions to the impairment are disclosed in Notes 2, 3 and 19 to the financial statements.	Based on our procedures, we noted management's key assumptions to be within a reasonable range of our expectations. We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

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

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

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information which are expected to be made available to us after the date of this auditor's report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

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.

Independent Auditor's Report

To The Members Of Frencken Group Limited (Cont'd)

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

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

a) 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.

b) 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.

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

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

e) 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.

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Mr Rankin Brandt Yeo.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

9 March 2021

Consolidated Income Statement

For the financial year ended 31 December 2020

	Note	2020 $'000	2019 $'000
Revenue	5	620,616	659,151
Cost of sales		(515,177)	(547,702)
Gross profit		105,439	111,449
Other income	6	10,593	6,078
Selling and distribution expenses		(9,551)	(11,805)
Administrative and general expenses		(43,160)	(43,586)
Other operating expenses		(4,392)	(2,783)
Interest income		1,573	1,612
Finance costs	8	(2,411)	(2,905)
Exceptional items	9	(6,221)	(4,160)
Profit before income tax		51,870	53,900
Income tax expense	10	(8,824)	(11,302)
Profit for the year	7(a)	43,046	42,598
Profit attributable to:			
Equity holders of the Company		42,571	42,372
Non-controlling interests		475	226
		43,046	42,598
Earnings per share			
Attributable to the equity holders of the Company (cents per share)	11		
Basic		10.01	10.01
Diluted		9.98	9.97

See accompanying notes to financial statements.

Consolidated Statement Of Comprehensive Income

For the financial year ended 31 December 2020

	Note	2020 $'000	2019 $'000
Profit for the year		43,046	42,598
Other comprehensive income (loss)			
Item that will not be reclassified subsequently to income statement:			
Remeasurement of defined benefit obligation	29	(31)	(592)
Item that may be reclassified subsequently to income statement:			
Currency translation differences arising from consolidation		8,532	(3,264)
Other comprehensive income (loss) for the year, net of tax		8,501	(3,856)
Total comprehensive income for the year		51,547	38,742
Total comprehensive income attributable to:			
Equity holders of the Company		51,100	38,591
Non-controlling interests		447	151
		51,547	38,742

See accompanying notes to financial statements.

Balance Sheets
As at 31 December 2020

	Note	The Group		The Company	
		2020	2019	2020	2019
		$'000	$'000	$'000	$'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	99,810	90,357	-	-
Right-of-use assets	14	16,753	16,821	-	-
Investment properties	15	1,572	1,636	-	-
Subsidiaries	16	-	-	128,025	128,025
Investments in associated companies	17	-	-	-	-
Financial asset at fair value through other comprehensive income	18	3,235	3,235	3,235	3,235
Intangible assets	19	11,712	17,505	-	-
Deferred income tax assets	30	1,437	1,456	-	-
Other receivables, deposits and prepayments	23	-	360	-	-
Total non-current assets		134,519	131,370	131,260	131,260
Current assets					
Inventories	20	143,200	140,679	-	-
Trade receivables	21	98,662	97,647	-	-
Receivables from subsidiaries	22	-	-	7	5,812
Dividend receivable from subsidiaries		-	-	8,114	3,569
Other receivables, deposits and prepayments	23	12,691	13,791	25	51
Tax recoverable		267	327	-	-
Cash and cash equivalents	24	174,454	122,382	12,772	12,321
Total current assets		429,274	374,826	20,918	21,753
Total assets		563,793	506,196	152,178	153,013

Balance Sheets

As at 31 December 2020 (Cont'd)

	Note	The Group 2020 $'000	The Group 2019 $'000	The Company 2020 $'000	The Company 2019 $'000
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables	25	80,096	87,809	-	-
Payable to a subsidiary		-	-	555	561
Other payables, accruals and provisions	26	49,513	38,780	935	931
Borrowings	27	67,344	53,053	-	3,110
Lease liabilities	28	4,913	4,486	-	-
Income tax payable		9,811	6,242	-	27
Total current liabilities		211,677	190,370	1,490	4,629
Non-current liabilities					
Borrowings	27	-	169	-	-
Lease liabilities	28	9,724	11,045	-	-
Retirement benefit obligations	29	2,657	2,347	-	-
Deferred income tax liabilities	30	3,452	4,114	-	-
Total non-current liabilities		15,833	17,675	-	-
Total liabilities		227,510	208,045	1,490	4,629
NET ASSETS		336,283	298,151	150,688	148,384
Equity					
Capital and reserves attributable to the Company's equity holders					
Share capital	31	104,329	103,486	104,329	103,486
Foreign currency translation reserve		6,793	(1,934)	-	-
Merger reserve		2,345	2,345	-	-
Capital reserve		1,914	1,990	2,495	1,990
Statutory reserve fund	32	4,428	3,834	-	-
Share option reserve		357	882	357	882
Fair value reserve		(3,165)	(3,165)	(3,165)	(3,165)
Other reserve		(1,828)	(1,630)	-	-
Retained profits		218,782	189,565	46,672	45,191
		333,955	295,373	150,688	148,384
Non-controlling interests		2,328	2,778	-	-
Total equity		336,283	298,151	150,688	148,384

See accompanying notes to financial statements.

Consolidated Statement Of Changes In Equity

For the financial year ended 31 December 2020

	Note	Share capital	Foreign currency translation reserve	Merger reserve	Capital reserve	Statutory reserve fund	Share option reserve	Fair value reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
The Group													
Balance at 1 January 2020		103,486	(1,934)	2,345	1,990	3,834	882	(3,165)	(1,630)	189,565	295,373	2,778	298,151
Profit for the year		-	-	-	-	-	-	-	-	42,571	42,571	475	43,046
Other comprehensive income (loss):													
Remeasurement of defined benefit obligation	29	-	-	-	-	-	-	-	(31)	-	(31)	-	(31)
Currency translation differences arising from consolidation		-	8,727	-	-	-	-	-	(167)	-	8,560	(28)	8,532
Total comprehensive income (loss) for the financial year		-	8,727	-	-	-	-	-	(198)	42,571	51,100	447	51,547
Transactions with owners, recognised directly in equity:													
Transfer to statutory reserve fund	32	-	-	-	-	594	-	-	-	(594)	-	-	-
Employees share option scheme:													
- Issue of share capital	31	843	-	-	505	-	(505)	-	-	-	843	-	843
- Gain arising from forfeited share options	31	-	-	-	-	-	(20)	-	-	-	(20)	-	(20)
- Acquisition of non-controlling interest without a change in control	16	-	-	-	(581)	-	-	-	-	-	(581)	(897)	(1,478)
Dividend relating to 2019 paid	12	-	-	-	-	-	-	-	-	(12,760)	(12,760)	-	(12,760)
Total		843	-	-	(76)	594	(525)	-	-	(13,354)	(12,518)	(897)	(13,415)
Balance at 31 December 2020		104,329	6,793	2,345	1,914	4,428	357	(3,165)	(1,828)	218,782	333,955	2,328	336,283

Consolidated Statement Of Changes In Equity

For the financial year ended 31 December 2020 (Cont'd)

	Note	Share capital	Foreign currency translation reserve	Merger reserve	Capital reserve	Statutory reserve fund	Share option reserve	Fair value reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
The Group													
Balance at 1 January 2019		102,892	1,184	2,345	1,682	3,483	831	(3,165)	(967)	156,607	264,892	2,627	267,519
Profit for the year		-	-	-	-	-	-	-	-	42,372	42,372	226	42,598
Other comprehensive income (loss):													
Remeasurement of defined benefit obligation	29	-	-	-	-	-	-	-	(592)	-	(592)	-	(592)
Currency translation differences arising from consolidation		-	(3,118)	-	-	-	-	-	(71)	-	(3,189)	(75)	(3,264)
Total comprehensive income (loss) for the financial year		-	(3,118)	-	-	-	-	-	(663)	42,372	38,591	151	38,742
Transactions with owners, recognised directly in equity:													
Transfer to statutory reserve fund	32	-	-	-	-	351	-	-	-	(351)	-	-	-
Employees share option scheme:													
- Value of employee services		-	-	-	-	-	359	-	-	-	359	-	359
- Issue of share capital	31	594	-	-	308	-	(308)	-	-	-	594	-	594
Dividend relating to 2018 paid	12	-	-	-	-	-	-	-	-	(9,063)	(9,063)	-	(9,063)
Total		594	-	-	308	351	51	-	-	(9,414)	(8,110)	-	(8,110)
Balance at 31 December 2019		103,486	(1,934)	2,345	1,990	3,834	882	(3,165)	(1,630)	189,565	295,373	2,778	298,151

See accompanying notes to financial statements.

Statement Of Changes In Equity

For the financial year ended 31 December 2020

	Note	Share capital	Capital reserve	Share option reserve	Fair value reserve	Retained profits	Total
		$'000	$'000	$'000	$'000	$'000	$'000
The Company							
Balance at 1 January 2020		103,486	1,990	882	(3,165)	45,191	148,384
Profit for the year, representing total comprehensive income for the financial year		-	-	-	-	14,241	14,241
Transactions with owners, recognised directly in equity							
Employees share option scheme:							
- Issue of share capital	31	843	505	(505)	-	-	843
- Gain arising from forfeited share options	31	-	-	(20)	-	-	(20)
Dividend relating to 2019 paid	12	-	-	-	-	(12,760)	(12,760)
Total		843	505	(525)	-	(12,760)	(11,937)
Balance at 31 December 2020		104,329	2,495	357	(3,165)	46,672	150,688

Statement Of Changes In Equity

For the financial year ended 31 December 2020 (Cont'd)

	Note	Share capital	Capital reserve	Share option reserve	Fair value reserve	Retained profits	Total
		$'000	$'000	$'000	$'000	$'000	$'000
The Company							
Balance at 1 January 2019		102,892	1,682	831	(3,165)	45,370	147,610
Profit for the year, representing total comprehensive income for the financial year		-	-	-	-	8,884	8,884
Transactions with owners, recognised directly in equity							
Employees share option scheme:							
- Value of employee services		-	-	359	-	-	359
- Issue of share capital	31	594	308	(308)	-	-	594
Dividend relating to 2018 paid	12	-	-	-	-	(9,063)	(9,063)
Total		594	308	51	-	(9,063)	(8,110)
Balance at 31 December 2019		103,486	1,990	882	(3,165)	45,191	148,384

See accompanying notes to financial statements.

Consolidated Cash Flow Statement

For the financial year ended 31 December 2020

	2020	2019
	$'000	$'000
Cash Flows From Operating Activities		
Profit after tax	43,046	42,598
Adjustments for:		
Income tax expense	8,824	11,302
Exchange differences	(613)	351
Employees share option expense (Note 7(b))	-	359
Gain arising from forfeited share options	(20)	-
Depreciation of property, plant and equipment (Note 13)	15,563	15,548
Depreciation of right-of-use assets (Note 14)	5,518	5,007
Depreciation of investment properties (Note 15)	65	65
Loss on disposal of club membership	2	-
Gain on disposal of property, plant and equipment, net	(179)	(990)
Property, plant and equipment written off (Note 13)	182	144
Interest income	(1,573)	(1,612)
Interest expense (Note 8)	2,411	2,905
Amortisation of intangible assets (Note 19)	529	504
Impairment loss of club membership (Note 19)	-	34
Impairment loss of deferred development costs (Note 9)	6,221	1,531
Impairment loss of property, plant and equipment (Note 9)	-	2,629
Operating cash flow before working capital changes	79,976	80,375
Changes in operating assets and liabilities:		
Inventories	3,792	1,352
Receivables	3,636	13,881
Payables	647	10,815
Cash flows generated from operations	88,051	106,423
Tax paid	(6,005)	(8,645)
Interest paid	(2,411)	(2,905)
Net cash generated from operating activities	79,635	94,873

Consolidated Cash Flow Statement
For the financial year ended 31 December 2020 (Cont'd)

	2020	2019
	$'000	$'000
Cash Flows From Investing Activities		
Interest received	1,573	1,612
Additions of intangible assets (Note 19)	(118)	(285)
Purchase of property, plant and equipment (Note 24)	(23,664)	(15,224)
Proceeds from disposal of club membership	7	-
Proceeds from disposal of property, plant and equipment	562	1,833
Repayment of loan from a third party	360	330
Acquisition of non-controlling interests without a change in control (Note 16)	(1,478)	-
Net cash used in investing activities	(22,758)	(11,734)
Cash Flows From Financing Activities		
Proceeds from issuance of share capital (Note 31)	843	594
Repayment of lease liabilities	(6,334)	(4,571)
Repayment of short-term bank borrowings	(124,604)	(119,476)
Repayment of term loans	(611)	(1,554)
Proceeds from short-term bank borrowings	128,573	114,969
Dividend paid to shareholders	(12,760)	(9,063)
Withdrawal of fixed deposits pledged as securities	(71)	(31)
Net cash used in financing activities	(14,964)	(19,132)
Net increase in cash and cash equivalents	41,913	64,007
Cash and cash equivalents at the beginning of the financial year	109,599	45,060
Effect of exchange rate changes on cash and cash equivalents	(380)	532
Cash and cash equivalents at the end of the financial year (Note 24)	151,132	109,599

See accompanying notes to financial statements.

1 GENERAL

Frencken Group Limited (the "Company") is incorporated in Singapore with its principal place of business at Suite 2.1, Level 2, Wisma Great Eastern, No. 25 Lebuh Light, 10200, Penang, Malaysia and registered office at 80 Robinson Road, #02-00, Singapore 068898. The Company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are set out in Note 16.

The consolidated financial statements of the Group and balance sheet and statement of changes in equity of the Company for the year ended 31 December 2020 were authorised for issue by the Board of Directors on 9 March 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

All financial information presented in Singapore dollar ("$") has been rounded to the nearest thousand ($'000), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Adoption of new and revised standards

On 1 January 2020, the Group and the Company adopted all the new and revised SFRS(I) pronouncements that are relevant to its operations. The adoption of these new/revised SFRS(I) pronouncements does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years, except as disclosed below.

Impact of the initial application of *COVID-19-Related Rent Concessions* amendment to SFRS(I) 16

In May 2020, the ASC issued *COVID-19-Related Rent Concessions* (Amendment to SFRS(I) 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to SFRS(I) 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying SFRS(I) 16 if the change were not a lease modification. The amendment is effective for annual periods beginning on or after 1 June 2020, with early application permitted.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and

c) There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Group has applied the amendment to SFRS(I) 16 in advance of its effective date.

Impact of accounting for changes in lease payments applying the exemption

The Group has applied the practical expedient to all rent concessions that meet the conditions in SFRS(I) 16, and has not restated prior period figures.

The Group has benefited from a 1.5 months waiver of lease payments on buildings. The waiver of lease payments of $77,000 has been accounted for as a credit to income statement. The Group has derecognised the part of the lease liability that has been extinguished by the forgiveness of lease payments, consistent with the requirements of SFRS(I) 9.

(c) Group accounting

Subsidiaries

(i) Consolidation

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Group accounting (Cont'd)

Subsidiaries (Cont'd)

(i) Consolidation (Cont'd)

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 the 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 income statement and statement of 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 the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

In preparing the consolidated financial statements, intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the assets transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet. Non-controlling interests shown in total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

Please refer to Note 2(d) for the Company's accounting policy on investments in subsidiaries.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Group accounting (Cont'd)

Subsidiaries (Cont'd)

(ii) Changes in the Group's ownership interests in existing subsidiaries

Pursuant to the reorganisation of companies under common control, under a Scheme of Arrangement on 28 March 2001, a subsidiary was consolidated in accordance with the principles of merger method of consolidation. Consequently, the consolidated financial statements were presented as if the Scheme of Arrangement had been effected on 27 August 1999 (the date of incorporation of the Company) and its results are presented as if the merger had been effected throughout the current and previous financial years.

The cost of investment in a merger is recorded at the aggregate of the nominal value of the equity shares issued, cash and cash equivalents and fair values of other considerations. Expenditure incurred in connection with the merger is recognised as an expense in the income statement. On consolidation, the cost of investment in the merger is cancelled with the nominal values of the shares received. The net differences between the cost of investment and share premium and any other reserves which are attributable to the subsidiary was taken to "merger reserve".

Other than the above, the acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity instruments issued by the Group in exchange for control of the acquiree. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. Please refer to the Note 2(e)(i) for the accounting policy on goodwill.

(iii) Disposals of subsidiaries or businesses

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to income statement or transferred directly to retained earnings if required by a specific standard.

Any retained interest in the entity is re-measured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in income statement.

Please refer to the Note 2(d) for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Group accounting (Cont'd)

Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) Acquisitions

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies represents the excess of the cost of acquisition of the associate over the Group's share of the fair value of the identifiable net assets of the associate and is included in the carrying amount of the investments.

(ii) Equity method of accounting

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses are recognised in the income statement and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associated companies are adjusted against the carrying amount of the investments. When the Group's share of losses in an associated company equals to or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations to make or has made payments on behalf of the associated company. Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) Disposals

Investments in associated companies are derecognised when the Group loses significant influence. Any retained equity interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost and its fair value is recognised in income statement. Gains and losses arising from partial disposals or dilutions in investments in associated companies in which significant influence is retained are recognised in income statement.

Please refer to Note 2(d) for the accounting policy on investments in associated companies in the separate financial statements of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are stated at cost less accumulated impairment losses (Note 2(f)(ii)) in the Company's balance sheet. On disposal of such investments, the difference between net disposal proceeds and the carrying amounts of the investments are taken to the income statement.

(e) Intangible assets

(i) Goodwill on consolidation

Goodwill on acquisitions of subsidiaries represents the excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the net identifiable assets acquired.

When the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired exceeds the cost of the business combination ("negative goodwill"), and if, after reassessment, the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired remains higher than the cost of the business combination, the excess is recognised immediately in income statement.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on associated companies is included in the carrying amount of the investments in associated companies.

Gains and losses on the disposal of subsidiaries and associated companies include the carrying amount of goodwill relating to the equity sold, except for goodwill arising from acquisitions prior to 1 January 2001. Such goodwill was adjusted against retained earnings in the year of acquisition and not recognised in the income statement on disposal.

(ii) Other intangible assets

Other intangible assets acquired separately are measured initially at cost. The cost of other intangible assets such as deferred development costs, patents, club membership and intellectual properties acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, other intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses, if any. Internally generated other intangible assets, excluding capitalised deferred development costs, are not capitalised and expenditure is reflected in income statement in the year in which the expenditure is incurred.

The useful lives of other intangible assets are assessed as either finite or indefinite.

Other intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the other intangible assets may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on other intangibles assets with finite useful lives is recognised in income statement in the expense category consistent with the function of the other intangible assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Intangible assets (Cont'd)

(ii) Other intangible assets (Cont'd)

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at cash generating unit level. Such other intangible assets are not amortised. The useful life of an other intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to definite is made on a prospective basis.

Gains or losses arising from de-recognition of other intangible asset are measured as the difference between the net disposal proceed and the carrying amount of the asset and are recognised in income statement when the asset is derecognised.

(a) Deferred development costs

Deferred development costs arising from development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible assets so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during the development.

Following the initial recognition of the deferred development costs as an intangible asset, it is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of the deferred development costs begin when development is complete and the asset is available to use. Deferred development costs have a finite useful life and are amortised over the period of expected units of production or based on the estimated useful lives of the related projects.

(f) Impairment of non-financial assets

(i) Goodwill on consolidation

Goodwill on consolidation recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of CGU, including the goodwill, exceeds the recoverable amount of the CGU. Recoverable amount of the CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised in the income statement and is not reversed in a subsequent period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Impairment of non-financial assets (Cont'd)

(ii) Property, plant and equipment, investment properties, investments in subsidiaries and associates and intangible assets (excluding goodwill)

Property, plant and equipment, investment properties, investments in subsidiaries and associates, and intangible assets (excluding goodwill) are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The impairment loss is recognised in the income statement.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the income statement.

(g) Currency translation

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Singapore dollar ("$"), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in the income statement, unless they arise from net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to the income statement as part of gain or loss on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Currency translation (Cont'd)

(iii) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;

(b) Income and expenses are translated at average exchange rate (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(c) All resulting exchange differences are taken to the foreign currency translation reserve within other comprehensive income. This is a non-distributable reserve. Movements in this reserve account are set out in consolidated statement of changes in equity.

(d) 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, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to income statement. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to income statement.

(h) Revenue recognition

The Group recognises revenue from the following major sources:

- Sale of goods and moulds
- Installation services
- Rental income
- Interest income
- Dividend 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.

(i) Sale of goods and moulds

1) Revenue from the sale of goods is recognised when control of the goods are transferred to the customer and all criteria for acceptance have been satisfied. A receivable is recognised by the Group when the control of the goods are transferred 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.

2) Revenue from the sale of moulds, which comprise the rendering of services of the design and fabrication of moulds, is recognised over time based on the percentage of completion method. Percentage of completion is measured by reference to the completion of certain pre-determined milestone as certified by engineers.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Revenue recognition (Cont'd)

(ii) Installation services

Revenue from installation services is recognised when the services are completed and satisfactory received by customer. The customer will perform a series of test on the installed equipment to assess whether the installation is properly carried out. This usually includes equipment functional test and production yield test.

(iii) Rental income

Rental income from investment properties is recognised as revenue on a straight-line basis over the term of the lease.

(iv) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(v) Dividend income

Dividend income is recognised when the right to receive payment is established.

(i) Property, plant and equipment

(i) Measurement

All property, plant and equipment other than freehold land are stated at historical cost less accumulated depreciation and accumulated impairment losses. Freehold land is stated at historical cost less accumulated impairment losses.

(ii) Component of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to Note 2(y) on borrowing costs).

(iii) Depreciation

Freehold land and capital work-in-progress are not depreciated. Buildings are depreciated on a straight-line basis. Depreciation on other property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts based on the following annual rates:

Buildings	1% to 3%
Plant, machinery, equipment, piping and electrical installation	10% to 33%
Moulds and toolings	10% to 33%
Office equipment, furniture and fittings and renovation	8% to 100%
Motor vehicles	16% to 30%

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in the income statement when the changes arise.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Property, plant and equipment (Cont'd)

(iv) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised as expenses during the financial year in which they are incurred.

(v) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in the income statement.

(j) Investment properties

Investment properties are property held for long term rental yields and/or capital appreciation.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of investment properties includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses during the financial year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over the estimated useful lives of 75 years for leasehold buildings and 5 years for building improvements and furniture and fittings.

The residual values and useful lives of investment properties are reviewed and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in income statement when the changes arise.

An investment property should be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss on disposal should be calculated as the difference between the net disposal proceeds and the carrying amount of the asset and should be recognised as income or expense in the income statement.

(k) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a first-in, first-out method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at bank, demand deposits and short-term, highly liquid funds which are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

Cash and bank balances and deposits with licensed banks are carried at cost.

For the purposes of the cash flow statement, cash and cash equivalents are shown net of outstanding bank overdrafts and deposits pledged as securities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate that is applied to the banking facilities of the Group specific to the lessee.

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives;

- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;

- the amount expected to be payable by the lessee under residual value guarantees;

- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and

- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Leases (Cont'd)

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the balance sheets.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the "Property, plant and equipment" policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "cost of sales, selling and distribution expenses and administrative and general expenses" in the consolidated income statement, where applicable.

As a practical expedient, SFRS(I) 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient.

(n) Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs.

Financial guarantees are subsequently amortised to the income statement over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to bank.

Intra-group transactions are eliminated on consolidation.

(o) Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Interest expense calculated using the effective interest method is recognised over the term of the borrowings.

Borrowings which are due to be settled within twelve months after the balance sheet date are included in current borrowings in the balance sheet even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue. Other borrowings due to be settled more than twelve months after the balance sheet date are included in non-current borrowings in the balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Taxes

Current income tax for current and prior periods is recognised at the amounts expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit nor loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expenses in the income statement for the period, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Revenue, expenses and assets are recognised net of the amount of sales tax except:

(i) when the sales tax that is incurred on purchase of assets or services is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and

(ii) receivables and payables that are stated with the amount of sales tax included.

(q) Employee compensation

Employee benefits are recognised as an expense in the income statement unless the cost qualifies to be capitalised as an asset.

(i) Retirement benefit costs

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Employee compensation (Cont'd)

(i) Retirement benefit costs (Cont'd)

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur.

Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to income statement. Past service cost is recognised in income statement in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments settlements);
- Net interest expense or income; and
- Remeasurement.

The Group presents the first two components of defined benefit costs in income statement in the line item administration and general expense. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the balance sheet represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plan.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

(ii) Employees' leave entitlement

Employees' 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 balance sheet date.

(iii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The value of the employee services received in exchange for the grant of options is recognised as an expense in the income statement with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. The movements in the share option reserve account are set out in the consolidated statement of changes in equity.

Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in the income statement with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve is credited to share capital account, when new ordinary shares are issued, or to the "treasury shares" account, when treasury shares are re-issued to the employees.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

(s) Government grants

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

Government grants are recognised in consolidated income statement on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the balance sheets and transferred to consolidated income statement on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in consolidated income statement in the period in which they become receivable.

(t) Dividend to Company's shareholders

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

(u) Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares purchased out of capital of the Company, or against the retained profit of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

(v) Financial assets

(i) Classification

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 selling the financial assets; 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Financial assets (Cont'd)

(i) Classification (Cont'd)

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- 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.

By default, all other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

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 and at FVTOCI. 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.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in consolidated income statement under "interest income" line item.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Financial assets (Cont'd)

(i) Classification (Cont'd)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value as at each reporting date, with any fair value gains or losses recognised in income statement to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in income statement includes any dividend or interest earned on the financial asset and is included in the "other income" or "other operating expenses" line item. Fair value is determined in the manner described in Note 36(e).

(ii) 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 FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in income statement in the "other income" or "other operating expenses" line items.

(iii) Impairment of financial assets

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

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix 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 recognises 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Financial assets (Cont'd)

(iii) Impairment of financial assets (Cont'd)

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, relevant think-tanks 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; thinness of counterparties;
- 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.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Financial assets (Cont'd)

(iii) Impairment of financial assets (Cont'd)

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).

Credit-impaired financial assets

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

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

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in income statement.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Financial assets (Cont'd)

(iii) Impairment of financial assets (Cont'd)

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

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as the Group 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 Group expects to receive from the holder, the debtor or any other party.

For undrawn loan commitments, the expected credit loss is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

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. Loans to related parties 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 income statement for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Financial assets (Cont'd)

(iii) Impairment of financial assets (Cont'd)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. 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.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in income statement.

(w) Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered 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 an entity after deducting all of its liabilities. Equity instruments issued by a Group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

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

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Group, and commitments issued by the Group to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(w) Financial liabilities and equity instruments (Cont'd)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which SFRS(I) 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the Group is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and SFRS(I) 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in income statement to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in income statement incorporates any interest paid on the financial liabilities and is included in the "other income" or "other operating expenses" line item.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in income statement. The remaining amount of change in the fair value of liability is recognised in income statement. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to income statement; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts and loan commitments issued by the Group that are designated by the Group as at fair value through profit or loss are recognised in income statement.

Fair value is determined in the manner described in Note 36(e).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(w) Financial liabilities and equity instruments (Cont'd)

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not (1) contingent consideration of an acquirer in a business combination, (2) held-for-trading, or (3) designated as at FVTPL, 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 income” or “other operating expense” line item in income statement for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in income statement for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(x) Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group and the Company use a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analyses, are also used to determine the fair values of the financial instruments.

The fair values of currency forwards are determined using actively quoted forward exchange rates. The fair values of interest rate swaps are calculated as the present value of the estimated future cash flows discounted at actively quoted interest rates.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

(y) Borrowing costs

Borrowing costs are recognised in the income statement using the effective interest method except for those costs that are directly attributable to the construction or the production of the qualifying assets.

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 entity's accounting policies

In the process of applying the Group's accounting policy, management is of the view that there are no critical judgements involved that have significant effect on the accounts recognised in the financial statements, apart from those involving estimations (see below).

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(b) Critical accounting estimates and assumptions

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

(i) Estimation of impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(f)(i). The recoverable amounts of CGUs to which goodwill are allocated to have been determined based on value-in-use calculations which requires significant management's judgement about future market conditions, including growth rates and discount rates (Note 19(a)).

As disclosed in Note 19, the carrying amount of goodwill as at 31 December 2020 was $9,939,000 (2019 : $9,565,000).

(ii) Estimation of impairment of deferred development costs

Capitalised deferred development costs with finite useful lives are assessed for impairment whenever there is an indication that it may be impaired. Capitalised deferred development costs that are not yet available for use are assessed for impairment annually based on cash flows forecast which requires significant judgement about future market conditions, including growth rates and discount rates (Note 19(b)). During the year, an impairment loss of $6,221,000 (2019 : $1,531,000) was recognised.

As disclosed in Note 19, the carrying amount of the Group's deferred development costs as at 31 December 2020 was $1,597,000 (2019 : $7,861,000).

(iii) Estimation of impairment of property, plant and equipment

Property, plant and equipment are assessed for impairment whenever there is an indication that it may be impaired. Estimation of recoverable amount using the present value of the future cash flows expected from the assets, the growth rates and discount rates are required for the impairment assessment. Based on the review, no impairment loss is recognised during the year (2019 : $2,629,000).

As disclosed in Note 13, the carrying amount of the Group's property, plant and equipment as at 31 December 2020 was $99,810,000 (2019 : $90,357,000).

(iv) Estimation of lease term

When estimating the lease term of the respective lease arrangement, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Potential future cash outflows of $Nil (2019 : $3,659,000) have not been included in the lease liabilities because it is not reasonably certain that the leases will be extended (or not terminated).

If a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee, the above assessment will be reviewed further. During the financial year ended 31 December 2020, the effect of exercising extension and termination options was a decrease in recognised lease liabilities and right-of-use assets of $590,000 (2019 : $1,135,000).

4 RELATED PARTY TRANSACTIONS

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if the person: (i) has control or joint control over the Company; (ii) has significant influence over the Company; or (iii) is a member of the key management personnel of the Group or Company or of the parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions apply: (i) the entity and the Company 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 of the other entity (or an associate of a member of the Group of which the other entity is a member); (iii) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company; (iv) the entity is controlled or jointly controlled by a person identified in (a); (v) 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 the parent of the entity).

Other than those disclosed elsewhere in the financial statements, the following related party transactions took place during the financial year:

(a) Transactions with subsidiaries

	The Company	
	2020	**2019**
	$'000	**$'000**
Accounting services charged by a subsidiary	-	(39)
Management fee charged to subsidiaries	958	953
Management fee charged by a subsidiary	(535)	(396)
Interest charged to a subsidiary	90	184
Loan to a subsidiary	480	-
Expenses paid on behalf by a subsidiary	(45)	(220)

(b) Key management personnel compensation

The key management personnel compensation includes fees, salary, bonuses and other emoluments (including benefits-in-kind) computed based on the cost incurred by the Group, and where the Group did not incur any costs, the value of the benefits.

The key management personnel compensation is as follows:

	The Group	
	2020	**2019**
	$'000	**$'000**
Salaries, wages and other short-term employee benefits	4,691	4,105
Post-employment benefits - defined contribution plan	257	238
Share option expense	-	323

Total compensation to directors of the Company included in above amounted to $1,728,000 (2019 : $1,533,000).

5 REVENUE

The Group derives its revenue from transfer of goods and services at a point in time and over time in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable segment under SFRS(I) 8 *Operating Segments* (Note 33).

A disaggregation of the Group's revenue for the year is as follows:

	The Group	
	2020	**2019**
	$'000	**$'000**
At a point in time:		
Sale of goods	610,625	641,009
Installation services	5,480	13,560
Rental income	283	285
	616,388	654,854
Over time:		
Sale of moulds	4,228	4,297
	620,616	659,151

6 OTHER INCOME

	The Group	
	2020	**2019**
	$'000	**$'000**
Gain on disposal of property, plant and equipment	306	990
Government grants:		
COVID-19 grants - Job Support Scheme	2,536	-
COVID-19 grants - others	1,147	-
Others	1,611	1,691
Foreign exchange gain	3,175	1,053
Others	1,818	2,344
	10,593	6,078

In 2020, the Group received wage support for local employees under the Jobs Support Scheme ("JSS") from the Singapore Government as part of the Government's measures to support businesses during the period of economic uncertainty impacted by COVID-19. The Group assessed that there is reasonable assurance that it will comply with the conditions attached to the grants and the grants will be received. Grant income is recognised in the income statement on a systematic basis over the period of uncertainty in which the related salary costs for which the grant is intended to compensate is recognised as expenses. Management has determined the period of uncertainty to be 14 months commencing from April 2020. Government grant income of $2,536,000 was recognised during the year.

7 PROFIT FOR THE YEAR

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

	The Group	
	2020	**2019**
	$'000	**$'000**
Amortisation of intangible assets (Note 19)	(529)	(504)
Depreciation of property, plant and equipment (Note 13)	(15,563)	(15,548)
Depreciation of right-of-use assets (Note 14)	(5,518)	(5,007)
Depreciation of investment properties (Note 15)	(65)	(65)
Employee compensations (Note 7(b))	(129,373)	(131,345)
Purchase of raw materials, finished goods, toolings and consumables	(369,387)	(403,509)
Changes in inventories of raw materials, work-in-progress and finished goods	(3,922)	(1,966)
Transportation	(5,631)	(7,999)
Repairs and maintenance	(6,214)	(6,180)
Utilities	(7,440)	(7,957)
Insurance	(1,137)	(1,053)
Rental expense	(2,029)	(2,524)
Auditors remuneration paid and payable to:		
- auditors of the Company	(222)	(247)
- other auditors*	(561)	(452)
Non-audit fees paid and payable to:		
- auditors of the Company	(20)	(6)
- other auditors*	(18)	(111)
Other expenses	(24,651)	(21,403)
Total cost of sales, selling and distribution expenses, administrative and general expenses and other operating expenses	(572,280)	(605,876)

* Includes other auditors and member firms of Deloitte outside Singapore.

(b) Employee compensations

	The Group	
	2020	**2019**
	$'000	**$'000**
Salaries, wages and other short-term employee benefits	(120,820)	(121,347)
Employer's contribution to defined contributions plans	(8,553)	(9,639)
Employee share option expense	-	(359)
	(129,373)	(131,345)

8 FINANCE COSTS

	The Group	
	2020	2019
	$'000	$'000
Interest expense on:		
- lease	(718)	(783)
- bank borrowings	(1,693)	(2,122)
	(2,411)	(2,905)

9 EXCEPTIONAL ITEMS

		The Group	
	Note	2020	2019
		$'000	$'000
Exceptional items comprise:			
Impairment loss of deferred development costs	(i)	(6,221)	(1,531)
Impairment loss of property, plant and equipment	(ii)	-	(2,629)
		(6,221)	(4,160)

(i) This is in respect of impairment loss of deferred development costs in Frencken Europe B.V., an operating unit within Mechatronics division (Note 19).

(ii) In 2019, this was in respect of impairment loss of property, plant and equipment in Juken (Zhuhai) Co., Ltd, an operating unit within IMS division (Note 13).

10 INCOME TAX EXPENSE

	The Group	
	2020	2019
	$'000	$'000
Income tax expense attributable to profit is made up of:		
Current income tax:		
- Singapore	(3,315)	(4,019)
- Foreign	(7,168)	(7,292)
Deferred income tax (Note 30)	956	(373)
	(9,527)	(11,684)
Over/ (under) recognition in respect of previous financial years:		
- Current income tax	831	613
- Deferred income tax (Note 30)	73	(41)
	904	572
Withholding tax	(201)	(190)
	(8,824)	(11,302)

10 INCOME TAX EXPENSE (CONT'D)

The income tax expense on profit before income tax differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

	The Group	
	2020	2019
	$'000	$'000
Profit before income tax	51,870	53,900
Tax calculated at Singapore income tax rate of 17% (2019 : 17%)	(8,818)	(9,163)
Effects of:		
- Different income tax rates in other countries	(2,196)	(2,754)
- Expenses not deductible for tax purposes	(135)	(2,084)
- Income not subject to taxation	402	2,295
- Utilisation of previously unrecognised other temporary differences	729	77
- Tax incentives in other countries	1,029	60
- Withholding tax	(201)	(190)
- Others	(538)	(115)
Over/ (Under) recognition in respect of previous financial years:		
- Current income tax	831	613
- Deferred income tax	73	(41)
	(8,824)	(11,302)

11 EARNINGS PER SHARE

(a) Basic earnings per share

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

	The Group	
	2020	2019
	$'000	$'000
Profit attributable to equity holders of the Company	42,571	42,372
	Number of shares	Number of shares
Weighted average number of ordinary shares outstanding for basic earnings per share	425,394,253	423,166,203
	Cents	Cents
Basic earnings per share	10.01	10.01

11 EARNINGS PER SHARE (CONT'D)

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has one category of potential dilutive ordinary shares which are share options.

For share options, the weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the profit attributable to equity holders of the Company.

Diluted earnings per share attributable to equity holders of the Company is calculated as follows:

	The Group	
	2020	**2019**
	$'000	**$'000**
Profit attributable to equity holders of the Company	42,571	42,372
	Number of shares	**Number of shares**
Weighted average number of ordinary shares outstanding for basic earnings per share	425,394,253	423,166,203
Adjustment for share options	1,000,104	1,753,168
	426,394,357	424,919,371
	Cents	**Cents**
Diluted earnings per share	9.98	9.97

12 DIVIDEND

	The Company	
	2020	**2019**
	$'000	**$'000**
Ordinary dividends paid		
First and final tax exempt (one-tier) dividend paid in respect of the previous financial year of 3.00 cents (2018 : 2.14 cents per share)	12,760	9,063

At the forthcoming Annual General Meeting to be held on 29 April 2021, a first and final tax exempt (one-tier) dividend of 3.00 cents per share in respect of the financial year ended 31 December 2020 amounting to $12,794,000 will be proposed for the shareholders' approval.

The financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2021.

13 PROPERTY, PLANT AND EQUIPMENT

2020	Freehold land and buildings	Leasehold land and buildings	Plant, machinery, equipment, piping and electrical installation	Moulds and tooling	Office equipment, furniture and fittings and renovation	Motor vehicles	Construction-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
The Group								
Cost:								
At beginning of the financial year	24,786	5,416	172,852	21,187	40,357	1,992	3,390	269,980
Currency translation differences	1,214	127	5,954	408	943	7	251	8,904
Additions	-	6,366	12,042	1,030	2,860	100	194	22,592
Disposals	-	-	(1,845)	(381)	(727)	(91)	(1)	(3,045)
Written off	-	-	(334)	(64)	(477)	-	-	(875)
Reclassification	-	2,644	1,601	17	(2,426)	-	(1,836)	-
At end of the financial year	26,000	14,553	190,270	22,197	40,530	2,008	1,998	297,556
Accumulated depreciation:								
At beginning of the financial year	11,884	869	116,601	16,330	29,507	1,361	-	176,552
Currency translation differences	745	8	3,724	360	918	8	-	5,763
Charge for the financial year	729	502	10,184	1,258	2,724	166	-	15,563
Disposals	-	-	(1,676)	(234)	(651)	(88)	-	(2,649)
Written off	-	-	(295)	(1)	(397)	-	-	(693)
Reclassification	-	121	(24)	-	(97)	-	-	-
At end of the financial year	13,358	1,500	128,514	17,713	32,004	1,447	-	194,536
Accumulated impairment loss:								
At beginning of the financial year	-	-	3,071	-	-	-	-	3,071
Currency translation differences	-	-	152	-	-	-	-	152
Disposal	-	-	(13)	-	-	-	-	(13)
At end of the financial year	-	-	3,210	-	-	-	-	3,210
Carrying amount:								
At 31 December 2020	12,642	13,053	58,546	4,484	8,526	561	1,998	99,810

13 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

2019	Freehold land and buildings	Leasehold land and buildings	Plant, machinery, equipment, piping and electrical installation	Moulds and tooling	Office equipment, furniture and fittings and renovation	Motor vehicles	Construction-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
The Group								
Cost:								
At beginning of the financial year	25,873	7,295	169,426	20,401	37,107	2,120	1,997	264,219
Adoption of SFRS(I) 16	-	(1,866)	-	-	-	-	-	(1,866)
At beginning of the financial year (Restated)	25,873	5,429	169,426	20,401	37,107	2,120	1,997	262,353
Currency translation differences	(324)	(13)	(3,749)	181	(513)	17	1,123	(3,278)
Additions	101	-	9,317	691	4,525	264	360	15,258
Disposals	(864)	-	(2,051)	(76)	(666)	(345)	-	(4,002)
Written off	-	-	(91)	(10)	(96)	(64)	(90)	(351)
At end of the financial year	24,786	5,416	172,852	21,187	40,357	1,992	3,390	269,980
Accumulated depreciation:								
At beginning of the financial year	11,593	950	109,891	14,983	27,366	1,566	-	166,349
Adoption of SFRS(I) 16	-	(145)	-	-	-	-	-	(145)
At beginning of the financial year (Restated)	11,593	805	109,891	14,983	27,366	1,566	-	166,204
Currency translation differences	(198)	(1)	(1,391)	97	(354)	13	-	(1,834)
Charge for the financial year	738	65	10,143	1,328	3,108	166	-	15,548
Disposals	(249)	-	(1,995)	(69)	(519)	(327)	-	(3,159)
Written off	-	-	(47)	(9)	(94)	(57)	-	(207)
At end of the financial year	11,884	869	116,601	16,330	29,507	1,361	-	176,552
Accumulated impairment loss:								
At beginning of the financial year	-	-	517	-	-	-	-	517
Currency translation differences	-	-	(75)	-	-	-	-	(75)
Impairment loss	-	-	2,629	-	-	-	-	2,629
At end of the financial year	-	-	3,071	-	-	-	-	3,071
Carrying amount:								
At 31 December 2019	12,902	4,547	53,180	4,857	10,850	631	3,390	90,357

13 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

During the year, the Group carried out a review of the recoverable amount of its property, plant and equipment. The review led to the recognition of an impairment loss of $Nil (2019 : $2,629,000) that has been recognised in the consolidated income statement and included in the line item exceptional items (Note 9).

Bank borrowings are secured on certain freehold land and buildings, machineries and other fixed assets of the Group with carrying amounts of $6,635,000 (2019 : $6,692,000), $20,672,000 (2019 : $17,226,000) and $692,000 (2019 : $1,221,000) respectively (Note 27).

14 RIGHT-OF-USE ASSETS

The Group leases several assets including leasehold land, buildings, motor vehicles and other equipment. The lease terms of the assests are as follows:

Leasehold land	50 years to 99 years
Other assets	3 years to 10 years

2020	**Leasehold land**	**Buildings**	**Motor vehicles**	**Other equipment**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
The Group					
Cost:					
At beginning of the financial year	1,864	19,074	803	164	21,905
Additions	1,130	3,641	116	108	4,995
Termination	-	(537)	(39)	(14)	(590)
Exchange difference	21	608	63	7	699
At end of the financial year	3,015	22,786	943	265	27,009
Accumulated depreciation:					
At beginning of the financial year	169	4,606	254	55	5,084
Charge for the year	48	5,088	274	108	5,518
Termination	-	(520)	(39)	(14)	(573)
Exchange difference	1	194	28	4	227
At end of the financial year	218	9,368	517	153	10,256
Carrying amount:					
At 31 December 2020	2,797	13,418	426	112	16,753

14 RIGHT-OF-USE ASSETS (CONT'D)

2019	Leasehold land	Buildings	Motor vehicles	Other equipment	Total
	$'000	$'000	$'000	$'000	$'000
The Group					
Cost:					
At beginning of the financial year	1,866	17,205	605	130	19,806
Additions	-	3,254	279	36	3,569
Termination	-	(1,076)	(59)	-	(1,135)
Exchange difference	(2)	(309)	(22)	(2)	(335)
At end of the financial year	1,864	19,074	803	164	21,905
Accumulated depreciation:					
At beginning of the financial year	145	-	-	-	145
Charge for the year	25	4,663	264	55	5,007
Termination	-	-	(6)	-	(6)
Exchange difference	(1)	(57)	(4)	-	(62)
At end of the financial year	169	4,606	254	55	5,084
Carrying amount:					
At 31 December 2019	1,695	14,468	549	109	16,821

15 INVESTMENT PROPERTIES

	The Group	
	2020	2019
	$'000	$'000
Cost:		
At beginning of the financial year	1,803	1,806
Currency translation differences	1	(3)
At end of the financial year	1,804	1,803
Accumulated depreciation:		
At beginning of the financial year	167	102
Charge for the financial year	65	65
At end of the financial year	232	167
Carrying amount at end of the financial year	1,572	1,636

The Group has adopted the cost model under SFRS(I) 1-40 *Investment Property* for its investment properties.

15 INVESTMENT PROPERTIES (CONT'D)

Details of the Group's investment properties and information about the fair value hierarchy as of 31 December 2020 and 31 December 2019 are as follows:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 31 December 2020				
Leasehold buildings	-	-	2,289	2,289
At 31 December 2019				
Leasehold buildings	-	-	2,289	2,289

There were no transfers between the respective levels during the financial year.

The fair value of the Group's investment properties has been arrived at based on an indicative market value by reference to market evidence of transaction prices for similar properties.

The following amounts are recognised in income statement:

	The Group 2020 $'000	The Group 2019 $'000
Rental income	(283)	(285)
Direct operating expenses arising from:		
- Investment properties that generate rental income	29	22

As at 31 December 2020, the details of the investment properties are as follows:

Location	Tenure	Existing use
Block F89 (80 units) Taman Pelangi, Seberang Perai Tengah, Prai held under Strata Titles Nos. Pajakan Negeri 2377/M2/1/81 to 96, 2377/M2/2/97 to 112, 2377/M2/3/113 to 128, 2377/M2/4/129 to 144, 2377/M2/5/145 to 160, erected on part of Lot No. 5788, Mukim 11, Daerah Seberang Perai Tengah, Pulau Pinang, Malaysia	99 years lease expiring 22.04.2092	Rented
Block F104 (40 units) Taman Pelangi, Seberang Perai Tengah, Prai held under Strata Titles Nos. Pajakan Negeri 2374/M4/1/181 to 188, 2374/M4/2/189 to 196, 2374/M4/3/197 to 204, 2374/M4/4/205 to 212, 2374/M4/5/213 to 220 erected on part of Lot No. 5794, Mukim 11, Daerah Seberang Perai Tengah, Pulau Pinang, Malaysia	99 years lease expiring 22.04.2092	Rented

16 SUBSIDIARIES

	The Company	
	2020	2019
	$'000	$'000
Equity investment	124,647	124,647
Equity contributions to subsidiaries	3,378	3,378
	128,025	128,025

The Company's equity contributions to subsidiaries during the financial year are in respect of its share options granted to the eligible employees (including executive directors) of the Group and credited to share option reserve.

On 31 March 2020, the Group acquired the remaining 20% interest in its indirect subsidiary, Frencken America Inc. ("FAM"). Accordingly, FAM is now a wholly-owned subsidiary of the Group. The carrying amount of FAM's net assets in the Group's consolidated financial statements at the date of the acquisition was $4,485,000.

The following schedule shows the effects of changes in the Group's ownership interest in a subsidiary that did not result in change of control, on the equity attributable to owners of the Company:

	2020
	$'000
Carrying amount of non-controlling interests acquired ($4,485,000 x 20%)	897
Consideration paid to non-controlling interests	1,478
Decrease in equity attributable to owners of the Company	(581)

The details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation/ place of business	Effective equity interest held by the Group				Principal activities
		Company		Subsidiary		
		2020	2019	2020	2019	
		%	%	%	%	
Precico Singapore Pte Ltd [7]	Singapore	-	-	-	-	Dissolved.
Frencken International Sdn. Bhd. [2]	Malaysia	100	100	-	-	Investment holding, providing of management services including sales & marketing and sourcing.
Frencken Europe B.V. [6]	The Netherlands	100	100	-	-	Investment holding, management, sales and business development.

16 SUBSIDIARIES (CONT'D)

Name of subsidiary	Country of incorporation/ place of business	Effective equity interest held by the Group				Principal activities
		Company		Subsidiary		
		2020	2019	2020	2019	
		%	%	%	%	
ETLA Limited (1)	Singapore	100	100	-	-	Provision of value engineering, prototyping, program management, supply chain management, precision machining components and sheet metal parts manufacturing, modular and equipment system assembly, integration, testing and commissioning.
Juken Technology Limited (1)	Singapore	100	100	-	-	Investment holding and sale of machines.
Frencken Mechatronics B.V. (6)	The Netherlands	-	-	100	100	Assembly, testing and engineering of mechatronic modules and equipment.
Frencken Technical Projects Assembly B.V. (6)	The Netherlands	-	-	100	100	Provision of services to Group companies.
Machinefabriek Gebrs. Frencken B.V. (6)	The Netherlands	-	-	100	100	Manufacturing and assembly of precision mechanical parts, sheet metal and prototyping.
Optiwa B.V. (6)	The Netherlands	-	-	100	100	Manufacturing and/or assembly of precision mechanical parts, modules, sheet metal and prototyping.
Frencken Engineering B.V. (6)	The Netherlands	-	-	100	100	Research, development and engineering.
Frencken Logistics & Assembly B.V. (6)	The Netherlands	-	-	100	100	Provision of services to Group companies.
Frencken Investments B.V. (6)	The Netherlands	-	-	100	100	Property holding company.
NTZ International Holding B.V. (14)	The Netherlands	-	-	-	-	Legally merged with NTZ Nederland B.V..

16 SUBSIDIARIES (CONT'D)

Name of subsidiary	Country of incorporation/ place of business	Effective equity interest held by the Group				Principal activities
		Company		Subsidiary		
		2020	2019	2020	2019	
		%	%	%	%	
NTZ Nederland B.V. (8) (14)	The Netherlands	-	-	100	100	Design, engineering, manufacturing and sales of filters.
Allmepp Holding B.V. (14)	The Netherlands	-	-	-	-	Legally merged with NTZ Nederland B.V..
Frencken America Inc. (8)	USA	-	-	100	80	Designs, engineers and manufactures mechatronic modules, products and systems.
Frencken Mechatronics (M) Sdn. Bhd. (2)	Malaysia	-	-	100	100	Manufacturing of precision machining components and sheet metal parts and assembly of modular and equipment.
Precico D&E Sdn. Bhd. (7)	Malaysia	-	-	-	-	Dissolved.
Precico Sdn. Berhad (2)	Malaysia	-	-	100	100	Investment property holding company.
Juken Technology Engineering Sdn. Bhd. (2)	Malaysia	-	-	100	100	Manufacture of mould and die, plastic products and component sub-assembly.
ETLA Technology (Wuxi) Co., Ltd (3)	People's Republic of China	-	-	100	100	Manufacturing of precision machining components and sheet metal parts and assembly of modular and equipment.
Micro-Air (Tianjin) Technology Co., Ltd (12)	People's Republic of China	-	-	60	60	Vacuum coating, thermal treatment and other related services for plastic component.
Juken (Zhuhai) Co., Ltd (4)	People's Republic of China	-	-	100	100	Injection mould making and injection moulding.
Frencken (Chuzhou) Co., Ltd (4)	People's Republic of China	-	-	100	100	Manufacture of mould and die, plastic products and component sub-assembly.

16 SUBSIDIARIES (CONT'D)

Name of subsidiary	Country of incorporation/ place of business	Effective equity interest held by the Group				Principal activities
		Company		Subsidiary		
		2020	2019	2020	2019	
		%	%	%	%	
Juken (H.K.) Co., Limited [9]	Hong Kong	-	-	100	100	Sales office.
Juken (Thailand) Co., Ltd [10]	Thailand	-	-	100	100	Manufacture and distribution of plastic products.
Juken Uniproducts Pvt. Limited [11]	India	-	-	55	55	Manufacture and distribution of plastic components.
PT Juken Technology Indonesia [13]	Indonesia	-	-	100	100	Dormant.
Juken Swiss Technology AG [5]	Switzerland	-	-	100	100	Design and trading of micro-mechanical product components for automotive industry.

(1) Audited by Deloitte & Touche LLP, Singapore.

(2) Audited by Deloitte & Touche, Malaysia.

(3) Audited by Deloitte Touche Tohmatsu CPA LLP, People's Republic of China for consolidation purpose, and by BDO China Shu Lun Pan CPAs LLP, People's Republic of China for statutory purpose.

(4) Audited by Deloitte Touche Tohmatsu CPA LLP, People's Republic of China for consolidation purposes and by BDO China Dahua CPAs, People's Republic of China for statutory purpose.

(5) Audited by Deloitte AG, Switzerland for statutory purpose.

(6) Audited by BDO Audit & Assurance B.V., The Netherlands.

(7) De-consolidated as these subsidiaries were dissolved in the financial year 2019.

(8) Audited by BDO Audit & Assurance B.V., The Netherlands for consolidation purposes.

(9) Audited by W.M. Sum & Co., Hong Kong for statutory purpose.

(10) Audited by Ernst & Young, Thailand for statutory purpose.

(11) Audited by Dimpal Kumar Munjal & Associates, India for statutory purpose.

(12) Audited by Tianjin Guangxin Certified Public Accountant Co., Ltd, People's Republic of China for statutory purpose.

(13) This subsidiary is insignificant and unaudited.

(14) In the financial year 2019, NTZ Nederland B.V., NTZ International Holding B.V. and Allmepp Holding B.V. were legally merged and thereafter NTZ International Holding B.V. and Allmepp Holding B.V. ceased to exist.

16 SUBSIDIARIES (CONT'D)

Information about the composition of the Group at the end of the financial year is as follows:

Principal activities	Place of incorporation and operation	Number of wholly-owned subsidiaries	
		2020	2019
Investment holding			
Investment holding, providing of management services including sales & marketing and sourcing.	Malaysia	1	1
Mechatronics			
Investment holding, management, sales and business development.	The Netherlands	1	1
Manufacturing and assembly of precision mechanical parts, sheet metal and prototyping.	The Netherlands	2	2
Provision of value engineering, prototyping, program machining components and sheet metal parts manufacturing, modular and equipment system assembly, integration, testing and commissioning.	Singapore	1	1
Manufacturing of precision machining components, sheet metal and assembly modular and equipment.	Malaysia	1	1
Manufacturing of precision machining components, sheet metal and assembly of modular and equipment.	People's Republic of China	1	1
Designs, engineers and manufactures mechatronic modules, products and systems.	USA	1	-
Assembly, testing and engineering of mechatronic modules and equipment.	The Netherlands	1	1
Provision of services to Group companies.	The Netherlands	2	2
Research, development and engineering.	The Netherlands	1	1
Property holding.	The Netherlands	1	1
IMS			
Investment holding and sale of machines.	Singapore	1	1
Design, engineering, manufacturing and sales of filters.	The Netherlands	1	1
Manufacture of mould and die, plastic products and component sub-assembly.	Malaysia	1	1

16 SUBSIDIARIES (CONT'D)

Principal activities	Place of incorporation and operation	Number of wholly-owned subsidiaries 2020	2019
IMS (cont'd)			
Injection mould making and injection moulding.	People's Republic of China	1	1
Manufacture of mould and die, plastic products and component sub-assembly.	People's Republic of China	1	1
Manufacture and distribution of plastic products.	Thailand	1	1
Design and trading of micro-mechanical product components for automotive industry.	Switzerland	1	1
Sales office.	Hong Kong	1	1
Dormant.	Indonesia	1	1
Others			
Investment property holding.	Malaysia	1	1
		23	22

Principal activities	Place of incorporation and operation	Number of non-wholly owned subsidiaries 2020	2019
Mechatronics			
Designs, engineers and manufactures mechatronic modules, products and systems.	USA	-	1
IMS			
Vacuum coating, thermal treatment and other related services for plastic component.	People's Republic of China	1	1
Manufacture and distribution of plastic components.	India	1	1
		2	3

No disclosure was made for non-wholly owned subsidiaries that have material non-controlling interests in the financial year ended 31 December 2020 and 2019 as the non-controlling interests are not material to the financial statements.

17 INVESTMENTS IN ASSOCIATED COMPANIES

	The Group	
	2020	**2019**
	$'000	**$'000**
At beginning and end of financial year	132	132
Less: Accumulated impairment at beginning and end of financial year	132	132
Carrying value at beginning and end of financial year	-	-

The details of the associated companies are as follows:

Name of associate	**Country of incorporation/ place of business**	**Effective equity interest**		**Principal activities**
		2020	**2019**	
		%	%	
Held by Juken (H.K.) Co. Limited				
Hishiya Seiko International Company Limited	Hong Kong	40	40	Dormant.
Held by Hishiya Seiko International Company Limited				
Hishiya (Zhuhai) Company Limited	People's Republic of China	-	40	Dissolved.

18 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FINANCIAL ASSET AT FVTOCI")

	Group and Company	
	2020	**2019**
	$'000	**$'000**
Unquoted equity security designated as at FVTOCI	3,235	3,235

The investment in unquoted equity represent investment in a company that is engaged in the investment of healthcare companies. The recoverability of this investment is uncertain and dependent on the outcome of these activities, which cannot presently be determined. This investment in equity instruments are held for medium to long-term strategic purposes. Accordingly, management has elected to designate this investment in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in this investment's fair value in income statement would not be consistent with the Group's strategy of holding this investment for long-term purposes and realising its performance potential in the long run.

19 INTANGIBLE ASSETS

2020	Goodwill on consolidation	Deferred development costs	Patents	Club membership	Intellectual properties	Total
	$'000	$'000	$'000	$'000	$'000	$'000
The Group						
Cost:						
At beginning of the financial year	11,737	17,203	2,228	113	5,963	37,244
Currency translation differences	542	1,069	43	-	-	1,654
Additions	-	1	117	-	-	118
Disposal	-	-	-	(113)	-	(113)
At end of the financial year	12,279	18,273	2,388	-	5,963	38,903
Accumulated amortisation:						
At beginning of the financial year	-	4,185	2,158	-	5,963	12,306
Currency translation differences	-	263	36	-	-	299
Amortisation charge	-	511	18	-	-	529
At end of the financial year	-	4,959	2,212	-	5,963	13,134
Accumulated impairment:						
At beginning of the financial year	2,172	5,157	-	104	-	7,433
Currency translation differences	168	339	-	-	-	507
Impairment loss	-	6,221	-	-	-	6,221
Disposals	-	-	-	(104)	-	(104)
At end of the financial year	2,340	11,717	-	-	-	14,057
Carrying value:						
At 31 December 2020	9,939	1,597	176	-	-	11,712

19 INTANGIBLE ASSETS (CONT'D)

2019	Goodwill on consolidation	Deferred development costs	Patents	Club membership	Intellectual properties	Total
	$'000	$'000	$'000	$'000	$'000	$'000
The Group						
Cost:						
At beginning of the financial year	11,961	17,261	2,274	113	5,963	37,572
Currency translation differences	(224)	(337)	(52)	-	-	(613)
Additions	-	279	6	-	-	285
At end of the financial year	11,737	17,203	2,228	113	5,963	37,244
Accumulated amortisation:						
At beginning of the financial year	-	2,356	2,195	-	5,963	10,514
Currency translation differences	-	(32)	(52)	-	-	(84)
Amortisation charge	-	489	15	-	-	504
Adjustment	-	1,372	-	-	-	1,372
At end of the financial year	-	4,185	2,158	-	5,963	12,306
Accumulated impairment:						
At beginning of the financial year	2,241	5,063	-	70	-	7,374
Currency translation differences	(69)	(65)	-	-	-	(134)
Impairment loss	-	1,531	-	34	-	1,565
Adjustment	-	(1,372)	-	-	-	(1,372)
At end of the financial year	2,172	5,157	-	104	-	7,433
Carrying value:						
At 31 December 2019	9,565	7,861	70	9	-	17,505

19 INTANGIBLE ASSETS (CONT'D)

(a) Goodwill on consolidation

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to countries of operation and business segment.

The summary of the goodwill allocation is presented below:

	The Group	
	2020	**2019**
	$'000	**$'000**
Mechatronics:		
America	2,412	2,240
The Netherlands	7,527	7,325
	9,939	9,565

The recoverable amount of a CGU is determined based on value-in-use calculations. Cash flow projections used in these calculations were based on financial forecasts approved by management based on the estimated growth rates below. The growth rates do not exceed the long-term average growth rate for the components business in which the CGU operates.

Key assumptions used for value-in-use calculations:

	The Group	
	2020	**2019**
	%	%
Mechatronics		
Gross margin[1]	12.1 to 23.4	14.3 to 23.0
Growth rate[2]	0.0	0.0
Discount rate[3]	10.7 to 11.8	9.8 to 12.3

(1) Forecasted gross margin.
(2) Weighted average growth rate used to extrapolate cash flows beyond the forecast period.
(3) Discount rate applied to the pre-tax cash flow projections.

These assumptions were used for the analysis of each CGU within the business segment.

Management determined forecasted gross margin based on past performance and its expectations for market development. The weighted average growth rates used were consistent with forecast used and industry knowledge. The discount rates used reflect specific risks relating to the relevant segments.

Management believes that any reasonably possible change in the key assumptions on which the CGU's recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

19 INTANGIBLE ASSETS (CONT'D)

(b) Deferred development costs

Deferred development costs relate to the cost capitalised by its subsidiaries for developing certain products. Amortisation of the deferred development costs begins when the development is completed and are amortised on the expected units of production basis or over the estimated useful life of 5 to 10 years (2019 : 5 to 10 years).

For capitalised deferred development cost for the development of the products that is not yet available for use, they are assessed for impairment based on cash flow forecasts using a discount rate of 5.7% to 9.7% (2019 : 5.7% to 8.3%) to calculate its present value.

During the year, there is a change in strategic direction of a customer within the Group's Mechatronics Division, and arising from this, the Group will not have visibility on expected future revenue streams related to a certain product. Management performed a review of the recoverable amount for the deferred development costs and an impairment loss of $6,221,000 (2019 : $1,531,000) has been recognised in the income statement because the recoverable amount is lower than the carrying value of which the recoverable amount is determined based on the value-in-use calculations.

(c) Patents

Patents relate to certain design and specification of stepper motors, filter devices for micro filtration of oil and automation of material handling to laser welding machine for gearbox filters in cars.

Patents are amortised over their estimated useful life of 5 years.

(d) Intellectual properties

Intellectual properties mainly pertain to the intellectual property related to the current miniature stepper motor product offerings and the intellectual property related miniature stepper motor products under in-process research and development. These intellectual properties have finite useful lives, and are amortised on a straight-line basis over their estimated useful lives of 5 years and on the expected units sold respectively.

The amortisation expense has been included in the line item "cost of sales" in consolidated income statement.

20 INVENTORIES

	The Group	
	2020	**2019**
	$'000	**$'000**
Raw materials	58,373	56,060
Work-in-progress	36,522	42,410
Finished goods	48,305	42,209
	143,200	140,679

The cost of inventories recognised as an expense and included in "cost of sales" amounts to $373,309,000 (2019 : $405,475,000).

Inventories of $67,403,000 (2019 : $62,073,000) have been pledged as security for certain bank overdrafts of the Group (Note 27).

21 TRADE RECEIVABLES

	The Group	
	2020	2019
	$'000	$'000
Trade receivables	98,965	97,822
Loss allowance	(303)	(175)
	98,662	97,647

Trade receivables of $25,396,000 (2019 : $24,301,000) have been pledged as security for certain banking facilities of the Group (Note 27).

As at 31 December 2020, approximately 30% (2019 : 45%) of the trade receivables balance of the Group relates to four major customers that are involved in a different spectrum of industries and possess a variety of end markets to which they sell. Management has in place specific procedures to ensure that the related credit risks are closely monitored. Due to these factors, management believes that no additional credit risk beyond the amount of allowance for impairment made is inherent in the Group's trade receivables.

Trade receivables are non-interest bearing and are generally on 14 to 120 days (2019 : 14 to 120 days) credit term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Loss allowance has always been measured at an amount equal to lifetime expected credit losses ("ECL"). The ECL are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current 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 the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the financial year.

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.

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:

The Group	Lifetime ECL - credit - impaired
	$'000
Balance as at 1 January 2019	187
Amounts recovered	(87)
Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement	78
Currency translation difference	(3)
Balance as at 31 December 2019	175
Amounts recovered	(34)
Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement	158
Currency translation difference	4
Balance as at 31 December 2020	303

The exposure of trade receivables to currency risk and credit risks is disclosed in Notes 36(a)(i) and 36(b) respectively.

22 RECEIVABLES FROM SUBSIDIARIES

The receivables from subsidiaries are non-trade in nature, unsecured, interest free and repayable on demand.

The carrying values of receivables from subsidiaries approximated their fair values at balance sheet date.

For purpose of impairment assessment, the loan is considered to have low credit risk as the timing of payment is controlled by the ultimate holding company taking into account cash flow management within the ultimate holding company's group of companies and there has been no significant increase in the risk of default on the loan since initial recognition. Accordingly, for the purpose of impairment assessment for this loan, the loss allowance is measured at an amount equal to 12-month expected credit losses ("ECL").

In determining the ECL, management has taken into account the financial position of the related company, adjusted for factors that are specific to the related company and general economic conditions of the industry in which the related company operates, in estimating the probability of default of the loan as well as the loss upon default. Management determines the loan to related company is subject to immaterial credit loss.

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

The exposure of receivables from subsidiaries to currency risk is disclosed in Note 36(a)(i).

23 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Other receivables	3,903	4,254	12	40
Grant receivables	339	-	-	-
Deposits	1,298	4,734	-	-
Prepayments	5,564	4,492	13	11
Staff loans and advances	1,587	1,054	-	-
	12,691	14,534	25	51
Less: Loss allowance	-	(383)	-	-
	12,691	14,151	25	51
Less: Other receivables (non-current)	-	(360)	-	-
	12,691	13,791	25	51

Other receivables included an amount of $480,000 (2019 : $840,000) in respect of a loan to a company which ceased to be a subsidiary of the Group. This amount is repayable over a period of 3 years and bear interest at rate of 3.80% per annum. An amount of $Nil (2019 : $360,000) has been included under non-current asset as repayment is not expected to be received within the next 12 months.

For the purpose of impairment assessment, the 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. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses ("ECL").

23 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the financial year.

The Group	**12-month ECL financial assets at amortised cost**	
	2020	**2019**
	$'000	**$'000**
At beginning of financial year	383	383
Allowance utilised	(383)	-
At end of financial year	-	383

The exposure of other receivables, deposits, staff loans and advances to currency risk and credit risks is disclosed in Note 36(a)(i) and 36(b) respectively.

24 CASH AND CASH EQUIVALENTS

	The Group		**The Company**	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Short-term funds placed with Malaysian financial institutions	44,929	45,643	-	-
Deposits with licensed banks	12,417	11,551	12,200	11,400
Cash and bank balances	117,108	65,188	572	921
	174,454	122,382	12,772	12,321
Less: Bank overdrafts (Note 27)	(23,105)	(12,632)	-	-
Less: Deposits pledged as securities	(217)	(151)	-	-
Cash and cash equivalents in the statement of cash flows	151,132	109,599	12,772	12,321

Deposits with licensed banks of the Group amounting to $217,000 (2019 : $151,000) are pledged as guarantees to certain government authorities.

24 CASH AND CASH EQUIVALENTS (CONT'D)

The withdrawal/maturity period and effective interest rates of short-term funds placed with Malaysian financial institutions and deposits with licensed banks are as follows:

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
Short-term funds placed with Malaysian financial institutions:				
Effective interest rate (% per annum)	1.85 to 2.41	3.55 to 3.86	-	-
Withdrawal notice (days)	1	1	-	-
Deposits with licensed banks:				
Effective interest rate (% per annum)	0 to 7.65	0 to 7.65	0.40 to 1.68	1.63 to 1.80
Maturity period (months)	3 to 24	2 to 24	3 to 9	3

These deposits with licensed banks can be withdrawn before due date if required without having to incur significant costs, and therefore, the carrying amounts approximate their fair values.

The fair values of the cash and cash equivalents approximate their carrying values.

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $22,592,000 (2019 : $15,258,000) (Note 13) of which $203,000 (2019 : $1,629,000) was included in other payables at balance sheet date. Cash payments of $23,664,000 (2019 : $15,224,000) includes an amount of $1,275,000 (2019 : $1,595,000) for payment from other payables to purchase property, plant and equipment incurred in previous financial year.

The exposure of cash and cash equivalents to currency risk is disclosed in Note 36(a)(i).

25 TRADE PAYABLES

The carrying values of trade payables approximated their fair values at balance sheet date as these amounts are payable within the next 12 months.

The exposure of trade payables to currency risk is disclosed in Note 36(a)(i).

26 OTHER PAYABLES, ACCRUALS AND PROVISIONS

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Sundry payables	8,725	8,066	252	277
Other operating accruals	40,003	30,406	375	346
Deferred grant income	477	-	-	-
Provisions	308	308	308	308
	49,513	38,780	935	931

26 OTHER PAYABLES, ACCRUALS AND PROVISIONS (CONT'D)

Movements in provisions are as follow:

	Group and Company Provision for directors' fee	
	2020	2019
	$'000	$'000
Balance at beginning of financial year	308	308
Provision made	308	308
Provision utilised	(308)	(308)
Balance at end of financial year	308	308

The carrying values of other payables approximated their fair values at balance sheet date as these amounts are payable within the next 12 months.

27 BORROWINGS

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Current				
Short-term bank borrowings [(1)]:				
- Bank overdrafts	23,105	12,632	-	-
- Invoice financing	27,244	22,934	-	-
- Revolving credits	16,338	16,439	-	3,110
Term loans [(2)]	657	1,048	-	-
	67,344	53,053	-	3,110
Non-current				
Term loans [(2)]	-	169	-	-
	-	169	-	-

(1) Short-term bank borrowings:

Bank overdrafts of the Group include:

(a) $22,019,000 (2019 : $11,320,000) is secured by mortgage over properties (Note 13), pledged on machineries, other fixed assets and inventories (Note 20) and certain trade receivables (Note 21) of certain subsidiaries of the Company in The Netherlands.

(b) $1,081,000 (2019 : $1,220,000) is secured by exclusive charge on the entire present and future current assets and fixed assets of a subsidiary in India.

Bank overdrafts of the Group are repayable on demand and form an integral part of the Group's cash management. They are denominated in EUR, USD, INR and MYR (2019 : EUR, USD, INR and MYR) and bear interest at rates ranging from 1.23% to 10.75% (2019 : 1.38% to 10.75%) per annum.

27 BORROWINGS (CONT'D)

(1) Short-term bank borrowings: (Cont'd)

Invoice financing of the Group of $3,443,000 (2019 : $5,066,000) are pledged on trade receivables of subsidiaries in the People's Republic of China.

Invoice financing are denominated in USD, EUR, SGD, MYR and RMB (2019 : USD, EUR, SGD, MYR, RMB and THB), due within 1 to 5 months (2019 : 1 to 5 months) and bear interest at rates ranging from 0.75% to 5.66% (2019 : 0.75% to 5.66%) per annum.

Revolving credits of the Group are unsecured and denominated in EUR, SGD, USD and Yen (2019 : EUR, SGD, USD and Yen), due within 3 months and bear interest at rates ranging from 2.00% to 5.15% (2019 : 2.00% to 4.65%) per annum. In 2019, revolving credits of the Company were unsecured and denominated in SGD and EUR, due within 3 months and bore interest at rates ranging from 2.00% to 3.87% per annum.

(2) Term loans of:

(a) $190,000 (2019 : $746,000) of the Group are denominated in INR and RMB (2019 : INR and RMB) and bear interest at rate ranging from 6.18% to 10.50% (2019 : 6.18% to 10.50%) per annum. The term loans are repayable over a period of 3 to 4 years (2019 : 3 to 4 years) and are secured by exclusive charge on the entire present and future current assets and property, plant and equipment (Note 13) of a subsidiary in India and machinery of a subsidiary in the People's Republic of China; and

(b) $467,000 (2019 : $471,000) of the Group are denominated in EUR (2019 : EUR), unsecured and bear interest at rate of 1.40% (2019 : 1.40%) per annum. The term loans are repayable over 3 years (2019 : 3 years).

The carrying amounts of current portion of borrowings of the Group approximated their fair values at balance sheet date. The carrying amount of non-current portion of borrowings of the Group approximated their fair values as there are no significant differences between the historical interest rates at the points when the liabilities were undertaken and the current prevailing market interest rates.

The exposure of borrowings to currency risk is disclosed in Note 36(a)(i).

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 Cash Flow Statement as cash flows from financing activities.

					Non-cash changes			
	At beginning of the financial year	Adoption of SFRS(I) 16	At beginning of the financial year (Restated)	Financing cash flows *	Addition of lease liabilities	Termination of lease liabilities	Foreign exchange movement	At end of the financial year
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
The Group								
2020								
Short-term bank borrowings	39,373	-	39,373	3,969	-	-	240	43,582
Term loans	1,217	-	1,217	(611)	-	-	51	657
Lease liabilities	15,531	-	15,531	(6,334)	4,995	(19)	464	14,637
	56,121	-	56,121	(2,976)	4,995	(19)	755	58,876

27 BORROWINGS (CONT'D)

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

	At beginning of the financial year	Adoption of SFRS(I) 16	At beginning of the financial year (Restated)	Financing cash flows *	Non-cash changes			At end of the financial year
					Addition of lease liabilities	Termination of lease liabilities	Foreign exchange movement	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
The Group								
2019								
Short-term bank borrowings	44,004	-	44,004	(4,507)	-	-	(124)	39,373
Term loans	2,798	-	2,798	(1,554)	-	-	(27)	1,217
Lease liabilities	-	17,940	17,940	(4,571)	3,570	(1,135)	(273)	15,531
	46,802	17,940	64,742	(10,632)	3,570	(1,135)	(424)	56,121

* The cash flows make up the net amount of proceeds from borrowings, repayments of borrowings and lease liabilities in the Group's Consolidated Cash Flow Statement.

28 LEASE LIABILITIES

	The Group	
	2020	2019
	$'000	$'000
Less than 1 year	5,373	5,096
Between 1 and 2 years	8,102	7,355
Between 2 and 5 years	2,127	3,653
After 5 years	-	943
	15,602	17,047
Less: Unearned interest	(965)	(1,516)
	14,637	15,531
Analyses as:		
- Current	4,913	4,486
- Non-current	9,724	11,045
	14,637	15,531

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

29 RETIREMENT BENEFIT OBLIGATIONS

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group contributes at rates stipulated by each country's local legislation into separate entities and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. The Group's contribution to defined contribution plans are recognised in the financial year to which they relate.

29 RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

Retirement benefit plan

The Group operates a funded defined retirement benefit plan for qualifying employees of its subsidiary in Switzerland. Under the plan, the employees are entitled to retirement benefits on attainment of a retirement age of 64 to 65. No other post-retirement benefits are provided.

The plan in Switzerland typically exposes the Group to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	There is no investment risk related to the pension plan assets. The collective pension plan has been concluded with AXA Foundation LPP which is fully reinsured by the insurance AXA Vie for all the risks (invalidity, death and pension) as well as for the investment activity.
Interest risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out at 31 December 2020 by AXA Pension Solutions AG, a pension fund specialist in Switzerland. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method. This method is based on the amount of working years at the date of the actuarial valuation and considers the future by including:

- a discount rate;
- the salary development and leaving probability up to the beginning of the benefit payment; and
- inflation adjustments for the years after the first payment recurring benefits.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	Valuation at	
	2020	**2019**
Discount rate	0.20%	0.20%
Expected benefit increase	0.00%	0.00%
Inflation	0.50%	0.50%
Disability decrement	LPP 2015 GT tables[1]	LPP 2015 GT tables[1]
Mortality decrement	LPP 2015 GT tables	LPP 2015 GT tables
Turnover rates	LPP 2015 tables	LPP 2015 tables
Salary increase	1.00% flat	1.00% flat
Retirement	100% at regular retirement age	100% at regular retirement age
Long-term interest on retirement accounts	0.50%	0.50%

(1) LPP 2015 GT are a set of tables based on the observation of 15 large Swiss pension schemes between 2010 and 2014. The tables include rates of mortality, turnover, disability and etc.

29 RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

The amount recognised in the balance sheet in respect of the Group's defined benefit retirement benefit plan is as follows:

	The Group	
	2020	2019
	$'000	$'000
Present value of funded obligations	6,229	5,359
Fair value of plan assets	(3,572)	(3,012)
Net liability recognised in the balance sheet	2,657	2,347

Amounts recognised in comprehensive income in respect of these defined benefit plans are as follows:

	The Group	
	2020	2019
	$'000	$'000
Service cost:		
- Current service cost	331	320
Interest income	(7)	(25)
Interest cost	12	41
Components of defined benefit costs recognised in income statement	336	336
Remeasurement on the net defined benefit liability:		
Actuarial loss on defined benefit obligation	-	564
Loss on plan assets excluding interest income	31	28
Components of defined benefit costs recognised in other comprehensive income	31	592
Total	367	928

The charge for the year is included in the administrative and general expenses in income statement.

Changes in the present value of the defined benefit obligation are as follows:

	The Group	
	2020	2019
	$'000	$'000
Balance at beginning of financial year	5,359	4,344
Remeasurement gains: Actuarial gains and losses:		
- Actuarial loss on defined benefit obligation	-	564
Current service cost	331	320
Interest cost	12	41
Contribution by plan participants	161	152
Exchange differences	440	33
Benefits paid	(74)	(95)
Balance at end of financial year	6,229	5,359

29 RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

Changes in the fair value of plan assets are as follows:

	The Group	
	2020	2019
	$'000	$'000
Balance at beginning of financial year	3,012	2,720
Remeasurement loss:		
- Loss on plan assets exclude interest income	(31)	(28)
Interest income	7	25
Contributions by employer	248	221
Contributions by plan participants	161	152
Exchange difference	249	17
Benefits paid	(74)	(95)
Balance at end of financial year	3,572	3,012

The actual loss on plan assets amounts to $24,000 (2019 : $3,000).

The plan assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group.

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the financial year, while holding all other assumptions constant.

- If the discount rate increases (decreases) by 0.25%, the defined benefit obligation would decrease by $265,000 (increase by $287,000).
- If the expected salary growth increases (decreases) by 0.25%, the defined benefit obligation would increase by $53,000 (decrease by $50,000).
- If the life expectancy increases (decreases) by one year for both men and women, the defined benefit obligation would increase by $75,000 (decrease by $73,000).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

There has been no change in the process used by the Group to manage its risks from prior years.

The Group's subsidiaries fund the cost of the entitlements expected to be earned on a yearly basis. The benefits of the pension scheme are funded by employer and employee as a fixed percentage of the insured salaries. The funding requirements are based on the local actuarial measurement framework. In this framework the discount rate is set on a risk free rate. Furthermore, premiums are determined on a current salary base.

The average duration of the benefit obligation at 31 December 2020 is 17.8 years (2019 : 17.8 years).

The Group expects to contribute approximately $255,000 (2019 : $254,000) to its defined benefit plan in the subsequent financial year.

30 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same tax authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	The Group	
	2020	2019
	$'000	$'000
Deferred income tax assets	(1,437)	(1,456)
Deferred income tax liabilities	3,452	4,114
	2,015	2,658

The movements on the deferred income tax account are as follows:

	The Group	
	2020	2019
	$'000	$'000
Balance at beginning of financial year	2,658	2,404
Currency translation differences	(20)	(47)
(Credited) Charged to income statement (Note 10)		
- Current year	(956)	373
- Under (Over) recognition in previous financial year	(73)	41
	(1,029)	414
Utilisation	406	(113)
Balance at end of financial year	2,015	2,658

The movements in the deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the financial year are as follows:

The Group

Deferred income tax liabilities

	2020			2019		
	Accelerated tax depreciation	Others	Total	Accelerated tax depreciation	Others	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at beginning of financial year	1,785	2,329	4,114	1,456	2,393	3,849
Reclassifications	-	-	-	112	(112)	-
Currency translation differences	-	44	44	(13)	(57)	(70)
Utilisation	-	406	406	(113)	-	(113)
Charged (Credited) to income statement	333	(1,445)	(1,112)	343	105	448
Balance at end of financial year	2,118	1,334	3,452	1,785	2,329	4,114

30 DEFERRED INCOME TAX (CONT'D)

Deferred income tax assets

	Unutilised tax losses $'000	Accruals $'000	Reinvestment allowance $'000	Total $'000
2020				
Balance at beginning of financial year	(266)	(835)	(355)	(1,456)
Currency translation differences	-	(33)	(31)	(64)
Charged (Credited) to income statement	-	177	(94)	83
Balance at end of financial year	(266)	(691)	(480)	(1,437)
2019				
Balance at beginning of financial year	(438)	(735)	(272)	(1,445)
Currency translation differences	11	2	10	23
Charged (Credited) to income statement	161	(102)	(93)	(34)
Balance at end of financial year	(266)	(835)	(355)	(1,456)

Deferred income tax assets are recognised for unutilised tax losses, accruals, unutilised capital allowances and unutilised reinvestment allowances carried forward to the extent that realisation of the related income tax benefits through future taxable profits is probable.

The estimated amount of unutilised tax losses, unutilised capital allowances and unutilised reinvestment allowances, pending agreement with the relevant tax authorities in the countries in which the Group operates, for which the related income tax effects have not been accounted for are as follows:

	The Group 2020 $'000	The Group 2019 $'000
Unutilised tax losses	804	851
Unutilised capital allowances	2,476	2,494
Unutilised reinvestment allowances	349	350

The above unutilised tax losses, unutilised capital allowances and unutilised reinvestment allowances have no expiry dates. No deferred tax asset has been recognised in respect of the amounts above due to the unpredictability of future profit streams.

At the end of the reporting period, the aggregate amount of temporary differences associated with unremitted earnings of subsidiaries for which deferred tax liabilities have not been recognised is $11,358,000 (2019 : $22,519,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

31 SHARE CAPITAL AND SHARE-BASED PAYMENTS

	Issued share capital	
	Number of ordinary shares	$'000
Group and Company		
2020		
Beginning of the financial year	424,272,409	103,486
Exercise of share options	2,200,000	843
End of financial year	426,472,409	104,329
2019		
Beginning of the financial year	421,502,409	102,892
Exercise of share options	2,770,000	594
End of financial year	424,272,409	103,486

The Company has one class of ordinary shares which carries no right to fixed income.

All issued shares are fully paid. There is no par value for these ordinary shares and there is no authorised share capital.

The holders of ordinary shares of the Company are entitled to receive dividends as and when declared by the Company. All ordinary shares of the Company carry one vote per share without restriction.

(a) Share capital

The Company issued ordinary shares pursuant to the Company's employee share option scheme at the respective exercise price as shown below. The cost of issuing new ordinary shares amounted to $843,000 (2019 : $594,000). The newly issued shares rank *pari passu* in all respects with the existing ordinary shares.

	Issued during financial year	Exercise price	Exercise period
2020			
2010 Options	515,000	$0.224	1.12.2012 to 30.11.2020
2016 Options	-	$0.184	1.04.2018 to 31.03.2026
2017 Options	1,685,000	$0.432	6.12.2019 to 5.12.2027
	2,200,000		
2019			
2009 Options	1,030,000	$0.168	1.12.2011 to 30.11.2019
2010 Options	1,590,000	$0.224	1.12.2012 to 30.11.2020
2016 Options	-	$0.184	1.04.2018 to 31.03.2026
2017 Options	150,000	$0.432	6.12.2019 to 5.12.2027
	2,770,000		

31 SHARE CAPITAL AND SHARE-BASED PAYMENTS (CONT'D)

(a) Share capital (Cont'd)

The total consideration for the issue of new ordinary shares is as follow:

	Group and Company 2020 $'000	2019 $'000
Exercise price paid by employees	843	594
Value of employee services	505	308
Total net consideration	1,348	902

Accordingly, a gain on issuance of new ordinary shares of $505,000 (2019 : $308,000) is recognised in the capital reserve.

(b) Share options

Share options were granted to executive directors and Group employees who have been in the employment of the Group for a period of at least twelve (12) months under the Frencken Employee Share Option Scheme 2008 (the "ESOS 2008"), which became operative on 1 December 2008.

The duration of the ESOS 2008 was 10 years commencing on 18 April 2008 and accordingly, the ESOS 2008 had expired on 17 April 2018. The share options previously granted will remain valid until the expiry, cancellation or exercise of the share options.

The exercise price of the options is determined at the average of the closing prices of the Company's ordinary shares on the Singapore Exchange for three (3) market days immediately preceding the date of the grant. The vesting of the options is conditional on the executive director or employee of the Group completing another two (2) years of service to the Group from the date of grant of options.

Once the options have vested, they are exercisable for a contractual option term of eight (8) years. The options may be exercised in full or in part in respect of 1,000 shares or a multiple thereof, on the payment of the exercise price. The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of any other company. The Group has no legal or constructive obligation to repurchase or settle the options in cash. If the options remained unexercised after the contractual option term from the date of grant, the options will be forfeited. Options are forfeited if the employee leaves the Group before the options vest.

The ESOS 2008 became operative upon the Company granting options to subscribe for 8,960,000 ordinary shares of the Company on 1 December 2008 ("2008 Options"). The Company also granted options to subscribe for 8,880,000, 9,050,000, 6,000,000, 3,000,000 and 3,000,000 ordinary shares of the Company on 1 December 2009 ("2009 Options"), 1 December 2010 ("2010 Options"), 7 October 2013 ("2013 Options"), 1 April 2016 ("2016 Options") and 6 December 2017 ("2017 Options") respectively. Particulars of the 2008 Options, 2009 Options, 2010 Options, 2013 Options, 2016 Options and 2017 Options were set out in the Directors' Report for the financial year ended 31 December 2008, 31 December 2009, 31 December 2010, 31 December 2013, 31 December 2016 and 31 December 2017 respectively.

31 SHARE CAPITAL AND SHARE-BASED PAYMENTS (CONT'D)

(b) Share options (Cont'd)

Information in respect of share option granted under the ESOS 2008 is as follows:

	Number of ordinary shares under option						
	Beginning of financial year	**Granted during financial year**	**Forfeited during financial year**	**Exercised during financial year**	**End of financial year**	**Exercise price**	**Exercise period**
Group and Company							
2020							
2010 Options	675,000	-	(160,000)	(515,000)	-	$0.224	1.12.2012 to 30.11.2020
2016 Options	500,000	-	-	-	500,000	$0.184	1.04.2018 to 31.03.2026
2017 Options	2,850,000	-	-	(1,685,000)	1,165,000	$0.432	6.12.2019 to 5.12.2027
	4,025,000	-	(160,000)	(2,200,000)	1,665,000		
2019							
2009 Options	1,030,000	-	-	(1,030,000)	-	$0.168	1.12.2011 to 30.11.2019
2010 Options	2,265,000	-	-	(1,590,000)	675,000	$0.224	1.12.2012 to 30.11.2020
2016 Options	500,000	-	-	-	500,000	$0.184	1.04.2018 to 31.03.2026
2017 Options	3,000,000	-	-	(150,000)	2,850,000	$0.432	6.12.2019 to 5.12.2027
	6,795,000	-	-	(2,770,000)	4,025,000		

The weighted average share price at the time of exercise was $0.9730 (2019 : $0.641) per share.

32 STATUTORY RESERVE FUND

Statutory reserve fund arises from the following:

(a) Foreign Enterprise Law in the People's Republic of China ("PRC") requires the subsidiaries incorporated in PRC to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

(b) A subsidiary in Switzerland is required to place 5% of the annual net profits in a legal reserve before dividends may be distributed until the reserve reaches 20% of paid-in capital. Thereafter, 10% of any distributed amount that exceeds 5% of paid-in capital also must be placed in the reserve fund. These amounts must be appropriated until the reserve equals 50% of authorised and issued capital.

33 SEGMENT INFORMATION

(a) Business segments

Information reported to the key management personnel of the Group for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided, and in respect of the operations, the information is further analysed based on the different classes of customers. Management has chosen to organise the Group around differences in products and services. No operating segments have been aggregated in arriving at the reportable segments of the Group.

The Group has two principal business segments under SFRS(I) 8, as described below, which are the Group's strategic business units. The two strategic business units are organised and managed separately because they require differing technological skill sets and marketing strategies. They are as follows:

- Mechatronics - specialising in the design and manufacture of complex electro-mechanical assemblies and automation systems for original equipment manufacturers.

- Integrated Manufacturing Services ("IMS") - specialising in a one-stop integrated solution to manufacture plastic components (including design and fabrication of mould) and PCBAs for assembly into modules and finished products. It also designs and manufactures high quality oil filters.

The Investment Holding & Management Services segment is not a business segment but essentially are investment holding companies and providing management services to companies within the Group.

The other segment is an investment property holding company.

Inter-segment transactions are determined on terms agreed between the parties. Segment assets consist of non-current and current assets while segment liabilities comprise non-current and current liabilities. Capital expenditure comprises additions to property, plant and equipment.

The accounting policies of the reportable segments are materially similar as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment with allocation of various costs, income and share of results of associated companies. This is the measure reported to the key management personnel of the Group for the purposes of resource allocation and assessment of segment performance.

33 SEGMENT INFORMATION (CONT'D)

(a) Business segments (Cont'd)

	Mechatronics		IMS		Investment Holding & Management Services		Others		Eliminations		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External revenue	520,459	539,565	99,874	119,301	-	-	283	285	-	-	620,616	659,151
Inter-segment sales	-	-	1,066	1,702	9,371	8,444	-	-	(10,437)	(10,146)	-	-
	520,459	539,565	100,940	121,003	9,371	8,444	283	285	(10,437)	(10,146)	620,616	659,151
Segment results	48,120	50,869	7,756	6,095	2,924	2,223	129	145	-	21	58,929	59,353
Interest income	327	142	40	452	1,295	1,630	1	1	(90)	(613)	1,573	1,612
Finance costs	(1,494)	(1,497)	(958)	(1,871)	(49)	(129)	-	-	90	592	(2,411)	(2,905)
Impairment loss of deferred development costs	(6,221)	(1,531)	-	-	-	-	-	-	-	-	(6,221)	(1,531)
Impairment loss of property, plant and equipment	-	-	-	(2,629)	-	-	-	-	-	-	-	(2,629)
Profit before income tax											51,870	53,900
Income tax expense	(7,089)	(10,005)	(1,616)	(1,137)	(60)	(99)	(59)	(61)	-	-	(8,824)	(11,302)
Total profit											43,046	42,598
Segment assets	377,698	318,320	117,979	122,159	66,538	64,051	1,578	1,666	-	-	563,793	506,196
Segment liabilities	180,533	151,423	44,570	51,542	2,321	5,003	86	77	-	-	227,510	208,045
Other segment information:												
Capital expenditure	14,650	7,489	7,890	7,601	52	168	-	-	-	-	22,592	15,258
Addition of intangible assets	-	-	118	285	-	-	-	-	-	-	118	285
Depreciation and amortisation	12,355	11,513	9,120	9,413	135	133	65	65	-	-	21,675	21,124
Other non-cash expenses other than depreciation and amortisation	6,253	1,730	185	2,799	4	168	-	-	-	-	6,442	4,697

For the purposes of monitoring segment performance and allocating resources between segments, the key management personnel of the Group monitor the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments. Goodwill has been allocated to reportable segments as described in Note 19.

33 SEGMENT INFORMATION (CONT'D)

(b) Geographical segments

The Group operates in four principal geographical areas - The Netherlands, People's Republic of China, America and Singapore (country of domicile).

Revenue is attributed to geographical areas based on the location of the customers. Non-current assets (excluding deferred tax assets) are based on the location of those assets:

	Revenue from external customers		Non-current assets	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Based on location of customer				
The Netherlands	166,798	153,261	38,066	39,614
People's Republic of China	100,056	80,986	37,435	32,445
Malaysia	36,055	27,028	35,789	33,705
Czech Republic	34,891	41,678	-	-
Singapore	50,578	45,914	10,301	12,155
Hungary	7,843	11,119	-	-
America	62,587	42,033	5,476	4,425
Germany	40,825	50,747	-	-
Switzerland	12	100	1,299	1,598
Thailand	73,848	150,083	1,985	2,444
India	5,064	6,839	2,729	3,528
Indonesia	8,202	8,732	-	-
United Kingdom	2,042	3,657	-	-
Mexico	4,246	6,166	-	-
Italy	9,757	1,931	-	-
Slovakia	2,467	396	-	-
Others	15,345	28,481	2	-
	620,616	659,151	133,082	129,914

(c) Information about major customers

Included in revenue arising from Mechatronics division of $520,459,000 (2019 : $539,565,000) are revenue of approximately $109,085,000 (2019 : $182,698,000) which arose from sales to the Group's largest customer.

34 CAPITAL COMMITMENTS

	The Group	
	2020	2019
	$'000	$'000
Commitments in respect of contracts placed for the purchase of property, plant and equipment but not provided for	393	5,740

35 SHORT-TERM LEASE ARRANGEMENTS

At 31 December 2020, the Group is committed to $150,000 (2019 : $129,000) for short-term leases.

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. Significant risks and events, supported by financial reports are highlighted through the monthly and quarterly management reporting structure to the executive committee and audit committee respectively, who in turn advises the board of directors. The board reviews and approves policies for managing each of these risks.

There have been no change to the Group's exposure to these financial risks or the manner in which it manages and measure the risk except as disclosed below.

The Group and the Company do not hold or issue derivative financial instruments for trading purposes. The Group's and the Company's financial risks are summarised as follows:

(a) Market risk

(i) Currency risk

The Group operates mainly in Asia and Europe with dominant operations in Singapore, People's Republic of China, Malaysia, and The Netherlands. Entities in the Group transact in various foreign currencies and therefore, are exposed to movements in foreign currencies rates.

Foreign currencies exchange risk arises when the entities in the Group enter into transactions that are in a currency that is other than the functional currency such as United State Dollar ("USD"), Euro ("EUR"), Malaysian Ringgit ("MYR"), Japanese Yen ("Yen"), Renminbi ("RMB"), Thai Baht ("THB") and Swiss Franc ("CHF").

The Group's exposures to foreign currencies are primarily managed by natural hedges of matching financial assets and financial liabilities denominated in foreign currencies. Should the need arise, the Group will enter into forward currency contracts to hedge its uncovered position.

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Market risk (Cont'd)

(i) Currency risk (Cont'd)

The Group's currency exposure based on the information provided to key management is as follows:

	SGD $'000	USD $'000	EUR $'000	MYR $'000	Yen $'000	RMB $'000	THB $'000	CHF $'000	Others $'000	Total $'000
At 31 December 2020										
Financial assets										
Cash and cash equivalents	60,020	15,296	37,491	46,998	-	13,044	1,133	297	175	174,454
Trade and other receivables	3,636	39,941	27,706	8,548	2	21,854	1,622	1,135	1,345	105,789
Intercompany receivables	1,682	2,192	556	2,063	-	34	-	151	-	6,678
Dividend receivables	3,704	-	2,773	1,637	-	-	-	-	-	8,114
	69,042	57,429	68,526	59,246	2	34,932	2,755	1,583	1,520	295,035
Financial liabilities										
Borrowings	(4,612)	(21,307)	(25,902)	(8,155)	(633)	(5,564)	-	-	(1,171)	(67,344)
Lease liabilities	(3,641)	(952)	(3,401)	(945)	-	(5,572)	(15)	-	(111)	(14,637)
Other financial liabilities	(16,106)	(23,259)	(50,338)	(10,358)	(1,865)	(23,993)	(1,673)	(1,038)	(979)	(129,609)
Intercompany payables	(1,682)	(2,192)	(556)	(2,063)	-	(34)	-	(151)	-	(6,678)
Dividend payables	(3,704)	-	(2,773)	(1,637)	-	-	-	-	-	(8,114)
	(29,745)	(47,710)	(82,970)	(23,158)	(2,498)	(35,163)	(1,688)	(1,189)	(2,261)	(226,382)
Net financial assets/ (liabilities)	39,297	9,719	(14,444)	36,088	(2,496)	(231)	1,067	394	(741)	68,653
Less: Net financial assets/ (liabilities) denominated in the respective entities functional currencies	(35,889)	3,729	14,356	(36,106)	-	786	(1,067)	(408)	692	
Currency exposure	3,408	13,448	(88)	(18)	(2,496)	555	-	(14)	(49)	

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Market risk (Cont'd)

(i) Currency risk (Cont'd)

	SGD	USD	EUR	MYR	Yen	RMB	THB	CHF	Others	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2019										
Financial assets										
Cash and cash equivalents	20,866	39,107	6,954	48,234	-	5,830	1,136	149	106	122,382
Trade and other receivables	4,769	48,737	25,231	4,728	21	19,516	1,706	820	1,778	107,306
Intercompany receivables	6,394	1,391	2,325	888	-	6	-	176	-	11,180
Dividend receivables	1,000	-	1,162	1,407	-	-	-	-	-	3,569
	33,029	89,235	35,672	55,257	21	25,352	2,842	1,145	1,884	244,437
Financial liabilities										
Borrowings	(5,101)	(13,867)	(18,912)	(7,910)	(613)	(5,124)	(287)	-	(1,408)	(53,222)
Lease liabilities	(4,826)	(1,149)	(2,179)	(596)	-	(6,505)	(25)	-	(251)	(15,531)
Other financial liabilities	(16,155)	(40,723)	(36,202)	(9,047)	(1,967)	(18,229)	(1,681)	(1,184)	(1,401)	(126,589)
Intercompany payables	(6,394)	(1,391)	(2,325)	(888)	-	(6)	-	(176)	-	(11,180)
Dividend payables	(1,000)	-	(1,162)	(1,407)	-	-	-	-	-	(3,569)
	(33,476)	(57,130)	(60,780)	(19,848)	(2,580)	(29,864)	(1,993)	(1,360)	(3,060)	(210,091)
Net financial assets/ (liabilities)	(447)	32,105	(25,108)	35,409	(2,559)	(4,512)	849	(215)	(1,176)	34,346
Less: Net financial assets/ (liabilities) denominated in the respective entities functional currencies	2,647	168	24,854	(35,423)	-	4,815	(849)	198	1,152	
Currency exposure	2,200	32,273	(254)	(14)	(2,559)	303	-	(17)	(24)	

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Market risk (Cont'd)

(i) Currency risk (Cont'd)

With all other variables including tax rate being held constant, the effects arising from the major net currency exposure position will be as follows:

	2020	Increase/(Decrease)		2019	Increase/(Decrease)	
	Currency movement	Profit after income tax $'000	Other component of equity $'000	Currency movement	Profit after income tax $'000	Other component of equity $'000
The Group						
USD against MYR	2%			1%		
- strengthened		78	78		33	33
- weakened		(78)	(78)		(33)	(33)
EUR against MYR	1%			3%		
- strengthened		2	2		8	8
- weakened		(2)	(2)		(8)	(8)
SGD against MYR	1%			2%		
- strengthened		26	26		33	33
- weakened		(26)	(26)		(33)	(33)
EUR against SGD	1%			5%		
- strengthened		(28)	(28)		(114)	(114)
- weakened		28	28		114	114
USD against SGD	2%			3%		
- strengthened		(50)	(50)		501	501
- weakened		50	50		(501)	(501)
YEN against SGD	2%			6%		
- strengthened		(33)	(33)		(95)	(95)
- weakened		33	33		95	95
EUR against CHF	1%			4%		
- strengthened		11	11		44	44
- weakened		(11)	(11)		(44)	(44)
USD against RMB	4%			1%		
- strengthened		219	219		53	53
- weakened		(219)	(219)		(53)	(53)

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Market risk (Cont'd)

(i) Currency risk (Cont'd)

The Company's currency exposure based on the information provided to key management is as follows:

	SGD $'000	EUR $'000	MYR $'000	Total $'000
At 31 December 2020				
Financial assets				
Cash and cash equivalents	12,770	2	-	12,772
Other receivables	19	-	-	19
Dividend receivables	3,704	2,773	1,637	8,114
	16,493	2,775	1,637	20,905
Financial liabilities				
Borrowings	-	-	-	-
Other financial liabilities	(1,490)	-	-	(1,490)
	(1,490)	-	-	(1,490)
Net financial assets	15,003	2,775	1,637	19,415
Less: Net financial assets denominated in the Company's functional currency	(15,003)	-	-	
Currency exposure	-	2,775	1,637	

	SGD $'000	EUR $'000	MYR $'000	Total $'000
At 31 December 2019				
Financial assets				
Cash and cash equivalents	12,312	9	-	12,321
Other receivables	4,344	1,508	-	5,852
Dividend receivables	1,000	1,162	1,407	3,569
	17,656	2,679	1,407	21,742
Financial liabilities				
Borrowings	(1,600)	(1,510)	-	(3,110)
Other financial liabilities	(1,492)	-	-	(1,492)
	(3,092)	(1,510)	-	(4,602)
Net financial assets	14,564	1,169	1,407	17,140
Less: Net financial assets denominated in the Company's functional currency	(14,564)	-	-	
Currency exposure	-	1,169	1,407	

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Market risk (Cont'd)

(i) Currency risk (Cont'd)

With all other variables including tax rate being held constant, the effects arising from the major net currency exposure position will be as follows:

	2020 Increase/(Decrease)			2019 Increase/(Decrease)		
	Currency movement	Profit after income tax $'000	Other component of equity $'000	Currency movement	Profit after income tax $'000	Other component of equity $'000
The Company						
EUR against SGD	1%			5%		
- strengthened		23	23		49	49
- weakened		(23)	(23)		(49)	(49)
MYR against SGD	1%			2%		
- strengthened		14	14		23	23
- weakened		(14)	(14)		(23)	(23)

(ii) Price risk

The price risk does not impact the Group as it is not exposed to equity security price risk and commodity price risk from financial instruments.

(iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's exposure to changes in interest rates related primarily to its placement in fixed deposits, short-term funds, and bank borrowings. At balance sheet date, approximately 1.0% (2019 : 2.3%) of the Group's borrowings are at fixed rates of interest.

The Group's and the Company's deposits at fixed rates are denominated primarily in SGD, THB and INR.

The Group's borrowings (as disclosed in Note 27) at variable rates on which effective hedges have not been entered into are denominated mainly in MYR, SGD, EUR, RMB, INR, USD and Yen. If interest rate increases/decreases by 0.5% with all other variables including tax rate being held constant, the Group's net profit will be lower/higher by $333,000 (2019 : $260,000) as a result of higher/lower interest expense on these borrowings.

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Credit risk

(i) Overview of the Group's exposure to credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group at the end of the reporting period, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from the carrying amount of the respective recognised financial assets as stated in the balance sheet.

Financial assets, which potentially subject the Group to concentration of credit risk, consist principally of trade and other receivables, deposits, financial asset at fair value through other comprehensive income, short-term funds, deposits and bank balance. The Group's short-term funds, deposits and bank balance are placed with high creditworthiness financial institutions. The management does not expect any losses arising from non-performances by these counterparties.

Credit risk is controlled by the application of credit approvals, limits and monitoring procedures. Credit risk is minimised and monitored through limiting its associations to business partners with high creditworthiness. Trade receivables' payment profile and credit exposure are monitored on an ongoing basis through Group's management reporting procedures.

The Group's current credit risk framework comprises the following categories:

Category	**Description**	**Basis for recognising expected credit losses (ECL)**
Performing	The counterparty has a low risk of default.	Trade receivables: Lifetime ECL - not credit-impaired Other financial assets: 12-month ECL
Doubtful	Amount is past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL - not credit-impaired
In default	Amount is past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Credit risk (Cont'd)

(i) Overview of the Group's exposure to credit risk (Cont'd)

The table below details the credit quality of the Group's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades:

The Group	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
At 31 December 2020						
Trade receivables	21	Performing	Lifetime ECL	98,662	-	98,662
Trade receivables	21	In default	Lifetime ECL	303	(303)	-
Other receivables and deposits	23	Performing	12-month ECL	7,127	-	7,127
					(303)	
At 31 December 2019						
Trade receivables	21	Performing	Lifetime ECL	97,647	-	97,647
Trade receivables	21	In default	Lifetime ECL	175	(175)	-
Other receivables and deposits	23	Performing	12-month ECL	10,042	(383)	9,659
					(558)	

The table below details the credit quality of the Company's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades:

The Company	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
At 31 December 2020						
Receivables from subsidiaries	22	Performing	12-month ECL	7	-	7
Other receivables	23	Performing	12-month ECL	12	-	12
					-	
At 31 December 2019						
Receivables from subsidiaries	22	Performing	12-month ECL	5,812	-	5,812
Other receivables	23	Performing	12-month ECL	40	-	40
					-	

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Credit risk (Cont'd)

(i) Overview of the Group's exposure to credit risk (Cont'd)

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk without taking into account of the value of any collateral obtained.

Further details of credit risks on trade and other receivables are disclosed in Notes 21, 22 and 23 respectively.

(ii) Credit risk management

The Group's trade receivables comprise of mainly 4 debtors (2019 : 4 debtors) that individually represented 6% to 10% (2019 : 7% to 21%) of trade receivables.

As the Group and Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except as follows:

	The Company	
	2020	**2019**
	$'000	**$'000**
Guarantees for banking facilities granted to subsidiaries:		
- unsecured	18,586	19,270

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

	The Group	
	2020	**2019**
	$'000	**$'000**
By geographical areas		
America	6,487	7,468
Malaysia	16,471	12,756
Singapore	12,145	11,940
The Netherlands	13,798	12,648
People's Republic of China	24,915	24,051
Czech Republic	6,794	4,718
Other countries	18,052	24,066
	98,662	97,647

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Credit risk (Cont'd)

(ii) Credit risk management (Cont'd)

	The Group	
	2020	**2019**
	$'000	**$'000**
By business segments		
Mechatronics		
Semiconductors	30,259	17,001
Medical	3,443	4,973
Analytical	21,455	20,741
Industrial automation	10,479	19,641
Others	1,633	5,639
	67,269	67,995
IMS		
Automotive	24,739	23,374
Consumer and Industrial Electronics	3,427	2,197
Tooling	1,122	3,293
Others	2,105	788
	31,393	29,652
Total	98,662	97,647

Financial assets that are neither past due nor impaired

Bank deposits and other short-term funds that are neither past due nor impaired are mainly deposits with financial institutions with high creditworthiness. Trade receivables that are neither past due nor impaired are substantially companies with high creditworthiness.

Financial assets that are past due and/or impaired

(a) Trade receivables

The age analysis of trade receivables past due but not impaired is as follows:

	The Group	
	2020	**2019**
	$'000	**$'000**
Past due < 3 months	13,710	16,022
Past due 3 to 6 months	657	726
Past due > 7 months	217	628
	14,584	17,376

(b) Other receivables

As at the end of financial year 2020 and 2019, no other receivables are past due but not impaired.

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Liquidity risk

The Group maintains sufficient cash and cash equivalents, and internally generated cash flows from operating activities to finance their activities and minimises liquidity risk by keeping committed credit lines available.

Non-derivative financial liabilities

The table below analyses the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows:

	Weighted average effective interest rate	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	After 5 years	Adjustment	Total
		$'000	$'000	$'000	$'000	$'000	$'000
The Group							
At 31 December 2020							
Payables	-	(129,609)	-	-	-	-	(129,609)
Borrowings at variable interest rate	2.43%	(68,306)	-	-	-	1,619	(66,687)
Borrowings at fixed interest rate	3.41%	(679)	-	-	-	22	(657)
Lease liabilities at fixed interest rate	4.39%	(5,373)	(8,102)	(2,127)	-	965	(14,637)
		(203,967)	(8,102)	(2,127)	-	2,606	(211,590)
At 31 December 2019							
Payables	-	(126,589)	-	-	-	-	(126,589)
Borrowings at variable interest rate	3.16%	(53,647)	-	-	-	1,642	(52,005)
Borrowings at fixed interest rate	5.11%	(1,096)	(183)	-	-	62	(1,217)
Lease liabilities at fixed interest rate	4.56%	(5,096)	(7,355)	(3,653)	(943)	1,516	(15,531)
		(186,428)	(7,538)	(3,653)	(943)	3,220	(195,342)

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Liquidity risk (Cont'd)

The table below analyses the maturity profile of the Company's financial liabilities based on contractual undiscounted cash flows:

	Weighted average effective interest rate	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Adjustment	Total
		$'000	$'000	$'000	$'000	$'000
The Company						
At 31 December 2020						
Payables	-	(1,490)	-	-	-	(1,490)
		(1,490)	-	-	-	(1,490)
At 31 December 2019						
Payables	-	(1,492)	-	-	-	(1,492)
Borrowings at variable interest rate	2.94%	(3,201)	-	-	91	(3,110)
		(4,693)	-	-	91	(4,602)

Non-derivative financial assets

The table below analyses the maturity profile of the Group's financial assets based on contractual undiscounted cash flows:

	Weighted average effective interest rate	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	After 5 years	Adjustment	Total
		$'000	$'000	$'000	$'000	$'000	$'000
The Group							
At 31 December 2020							
Non-interest bearing	-	222,897	-	-	3,235	-	226,132
Fixed interest rate instruments	1.77%	57,822	-	-	-	(476)	57,346
		280,719	-	-	3,235	(476)	283,478
At 31 December 2019							
Non-interest bearing	-	171,653	-	-	3,235	-	174,888
Fixed interest rate instruments	3.24%	58,064	360	-	-	(389)	58,035
		229,717	360	-	3,235	(389)	232,923

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Liquidity risk (Cont'd)

The table below analyses the maturity profile of the Company's financial assets based on contractual undiscounted cash flows:

	Weighted average effective interest rate	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	After 5 years	Adjustment	Total
		$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
The Company							
At 31 December 2020							
Non-interest bearing	-	8,705	-	-	3,235	-	11,940
Fixed interest rate instruments	1.04%	12,327	-	-	-	(127)	12,200
		21,032	-	-	3,235	(127)	24,140
At 31 December 2019							
Non-interest bearing	-	10,342	-	-	3,235	-	13,577
Fixed interest rate instruments	1.74%	11,598	-	-	-	(198)	11,400
		21,940	-	-	3,235	(198)	24,977

(d) Capital risk

The Group's objectives when managing capital are:

(i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

(ii) to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

If the need for financing arises, the Group will monitor and manage the capital structure and make adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Certain subsidiaries of the Group are required by the relevant local regulations to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant local authorities.

The Group and the Company are in compliance with all externally imposed capital requirements for the financial year ended 31 December 2020 and 2019.

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(e) Fair value measurements

The fair value measurement of the Group's financial and non-financial assets and liabilities approximate their respective fair values due to their relatively short term maturity. The fair value of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

The fair value of non-current assets is equivalent to its carrying amount.

The following table gives information about how the fair value of this financial asset is determined.

	Group and Company		Fair value hierarchy	Valuation technique and key input
	2020	2019		
	$'000	$'000		
Financial asset at fair value through other comprehensive income				
Unquoted equity security	3,235	3,235	Level 3	Price/Book ratio of comparable industries.

There was no transfer between the different levels of the fair value hierarchy during the financial years ended 31 December 2020 and 2019.

The Group and the Company have no plans to dispose of this investment in the foreseeable future.

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheets and in Note 36 to the financial statements:

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Financial asset at FVTOCI (Note 18)	3,235	3,235	3,235	3,235
Loans and receivables:				
Trade receivables (Note 21)	98,662	97,647	-	-
Receivables from subsidiaries (Note 22)	-	-	7	5,812
Dividend receivable from subsidiaries	-	-	8,114	3,569
Other receivables, deposits and prepayments (Note 23)	12,691	14,151	25	51
Cash and cash equivalents (Note 24)	174,454	122,382	12,772	12,321
Less: Prepayments (Note 23)	(5,564)	(4,492)	(13)	(11)
Total	280,243	229,688	20,905	21,742

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(f) Financial instruments by category (Cont'd)

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Trade payables (Note 25)	80,096	87,809	-	-
Payable to a subsidiary	-	-	555	561
Other payables, accruals and provisions (Note 26)	49,513	38,780	935	931
Borrowings (Note 27)	67,344	53,222	-	3,110
Lease liabilities (Note 28)	14,637	15,531	-	-
Less: Deferred grant income (Note 26)	(477)	-	-	-
Financial liabilities at amortised cost	211,113	195,342	1,490	4,602

37 STANDARDS ISSUED BUT NOT EFFECTIVE

At the date of authorisation of these financial statements, the following SFRS(I)s pronouncements relevant to the Group and Company were issued but not effective:

<u>Effective for annual periods beginning on or after January 1, 2022</u> ·

- Amendments to SFRS(I) 3: *Reference to the Conceptual Framework*
- Amendments to SFRS(I) 1-16: *Property, Plant and Equipment – Proceeds before Intended Use*
- Annual Improvements to SFRS(I)s 2018-2020

<u>Effective for annual periods beginning on or after January 1, 2023</u>

- Amendments to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-current*

Management anticipates that the adoption of the above SFRS(I)s, SFRS(I) INTs and amendments to SFRS(I) in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

Amendments to SFRS(I) 1-16: *Property, Plant and Equipment - Proceeds before Intended Use*

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in consolidated income statement. The entity measures the cost of those items in accordance with SFRS(I) 1-2 *Inventories*.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. SFRS(I) 1-16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

37 STANDARDS ISSUED BUT NOT EFFECTIVE (CONT'D)

Amendments to SFRS(I) 1-16: *Property, Plant and Equipment - Proceeds before Intended Use* (Cont'd)

If not presented separately in the consolidated statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in consolidated income statement that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the consolidated statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Amendments to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-current*

The amendments to SFRS(I) 1-1 affect only the presentation of liabilities as current or non-current in the balance sheets and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Details of Properties Held by the Group

The properties owned by the Group are as follows:

	Location	Registered proprietor	Tenure	Gross land area	Net book value as at 31 Dec 2020 $'000	Use of property	Encumbrances
1.	No. 14 to 16 Hurksestraat, Eindhoven, The Netherlands	Frencken Investments B.V.	Freehold	12,300 sq m	3,614	Production and office	Legal charge in favour of Coöperatieve Rabobank Eindhoven - Veldhoven
2.	Molenweg 3, Reuver, The Netherlands	Frencken Investments B.V.	Freehold	11,300 sq m	3,021	Production and office	Legal charge in favour of Coöperatieve Rabobank Eindhoven - Veldhoven
3.	Lot No. P.T. 24044, Mukim of Kajang, District of Hulu Langat, Selangor Darul Ehsan, Malaysia	Frencken Mechatronics (M) Sdn. Bhd.	99 years lease expiring 29.03.2091	4.45 acres or 18,019 sq m	6,156	Production and office	-
4.	16, Jalan Masyhur 1, Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia	Juken Technology Engineering Sdn. Bhd.	Freehold	4,303 sq m	1,189	Production and office	-
5.	Lot 10, Jalan BRP 9/1C, Bukit Rahman Putra Industrial Park, 47000 Sungai Buloh, Selangor Darul Ehsan, Malaysia	Juken Technology Engineering Sdn. Bhd.	Freehold	1,754 sq m	1,184	Production and office	-
6.	Lot 11, Jalan BRP 9/1C, Bukit Rahman Putra Industrial Park, 47000 Sungai Buloh, Selangor Darul Ehsan, Malaysia	Juken Technology Engineering Sdn. Bhd.	Freehold	1,754 sq m	1,218	Production and office	-

Details of Properties Held by the Group (Cont'd)

	Location	Registered proprietor	Tenure	Gross land area	Net book value as at 31 Dec 2020 $'000	Use of property	Encumbrances
7.	Lot 12, Jalan BRP 9/1C, Bukit Rahman Putra Industrial Park, 47000 Sungai Buloh, Selangor Darul Ehsan, Malaysia	Juken Technology Engineering Sdn. Bhd.	Freehold	1,754 sq m	1,235	Production and office	-
8.	2413, M004, Bangna-Trad Road (KM 34.5), T. Bangpleenoi, Amphur Bangbor, Somatprakam 10560, Thailand	Juken (Thailand) Co., Ltd	Freehold	9,600 sq m	1,181	Production and office	-
9.	2368 Qingliu East Road, Chuzhou City, Anhui Province, China	Frencken (Chuzhou) Co., Ltd	50 years lease expiring 04.08.2067	28,083 sq m	9,694	Production and office	-

Statistic Of Shareholdings

As at 11 March 2021

Share Capital

No. of Issued Shares	:	426,972,409
No. of Treasury Shares	:	Nil
Class of Shares	:	Ordinary Shares
Voting Rights	:	One (1) vote per share

DISTRIBUTION OF SHAREHOLDERS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	151	4.54	5,500	0.00
100 - 1,000	366	11.01	234,523	0.06
1,001 - 10,000	1,962	58.99	9,612,026	2.25
10,001 - 1,000,000	815	24.50	41,893,345	9.81
1,000,001 and above	32	0.96	375,227,015	87.88
TOTAL	**3,326**	**100.00**	**426,972,409**	**100.00**

TWENTY (20) LARGEST SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1.	UOB Kay Hian Pte Ltd	130,181,594	30.49
2.	DBS Nominees Pte Ltd	51,486,899	12.06
3.	Citibank Nominees Singapore Pte Ltd	37,973,190	8.89
4.	Raffles Nominees (Pte) Limited	25,888,883	6.06
5.	Maybank Kim Eng Securities Pte Ltd	17,393,016	4.07
6.	OCBC Securities Private Ltd	13,270,032	3.11
7.	HSBC (Singapore) Nominees Pte Ltd	9,107,778	2.13
8.	BPSS Nominees Singapore (Pte) Ltd	8,008,300	1.88
9.	Teo Cheng Tuan Donald	7,719,000	1.81
10.	DBSN Services Pte Ltd	7,048,570	1.65
11.	Phillip Securities Pte Ltd	6,381,340	1.49
12.	CGS-CIMB Securities (Singapore) Pte Ltd	6,374,547	1.49
13.	Gooi Soon Chai	6,365,023	1.49
14.	Low Hock Peng	6,222,794	1.46
15.	K-Tee Holdings Sdn. Bhd.	4,060,000	0.95
16.	Low Te Jinn	4,000,000	0.94
17.	DB Nominees (Singapore) Pte Ltd	3,885,100	0.91
18.	Goh Gaik Ewe	3,800,000	0.89
19.	Low Trevor Jay	3,570,000	0.84
20.	Uhlmann Singapore LLP	3,556,000	0.83
		356,292,066	**83.44**

PERCENTAGE OF SHAREHOLDING IN PUBLIC HANDS

68.90% of the Company's issued paid-up capital is held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 11 MARCH 2021

Name of Substantial Shareholder	No. of shares in which shareholder has a direct interest		No. of shares in which shareholder is deemed to have an interest	
	No. of shares	%	No. of shares	%
Dato' Gooi Soon Chai [(a)]	6,465,023	1.51	93,187,668	21.83
Low Heang Thong [(b)]	-	-	27,825,300	6.52
Micro Compact (M) Sdn. Bhd. [(c)]	-	-	26,332,206	6.17
Precico Holdings Sdn. Bhd. [(d)]	-	-	52,487,076	12.29
Prime Logic (M) Sdn. Bhd. [(e)]	-	-	27,932,206	6.54
Sinn Hin Company Sdn. Bhd. [(f)]	-	-	89,144,021	20.88

Notes:

(a) Dato' Gooi Soon Chai is deemed to have an interest in the 3,891,647 shares held by his family, shares held by Micro Compact (M) Sdn. Bhd., Prime Logic (M) Sdn. Bhd., Sinn Hin Company Sdn. Bhd., Precico Holdings Sdn. Bhd., Pensyn Sdn. Bhd. and Cayman Resources Sdn. Bhd. by virtue of Section 4 of the Securities and Futures Act (Chapter 289) and Section 7 of the Companies Act (Chapter 50).

(b) Low Heang Thong is deemed to have an interest in the 1,290,000 shares held by his family, shares held by UOB Kay Hian Securities (M) Sdn. Bhd. (for the account of Meng Tak Corporation Sdn. Bhd.) and Maybank Investment Bank Berhad (for the account of Meng Tak Corporation Sdn. Bhd.) by virtue of Section 4 of the Securities and Futures Act (Chapter 289) and Section 7 of the Companies Act (Chapter 50) and shares held through UOB Kay Hian Pte Ltd and UOB Kay Hian Securities (M) Sdn. Bhd. in the capital of the Company.

(c) Micro Compact (M) Sdn. Bhd. is deemed to have an interest in the shares held through UOB Kay Hian Securities (M) Sdn. Bhd. in the capital of the Company.

(d) Precico Holdings Sdn. Bhd.'s deemed interest arising from its 60% direct interests in Micro Compact (M) Sdn. Bhd. and shares held through UOB Kay Hian Securities (M) Sdn. Bhd. in the capital of the Company.

(e) Prime Logic (M) Sdn. Bhd.'s deemed interest arising from its 40% direct interests in Micro Compact (M) Sdn. Bhd. and shares held through UOB Kay Hian Securities (M) Sdn. Bhd. in the capital of the Company.

(f) Sinn Hin Company Sdn. Bhd.'s deemed interest arising from its 35.7%, 49.9% and 35.3% direct interest in Precico Holdings Sdn. Bhd., Prime Logic (M) Sdn. Bhd. and Cayman Resources Sdn. Bhd. respectively. Therefore it is deemed to have an interest in which Precico Holdings Sdn. Bhd., Prime Logic (M) Sdn. Bhd. and Cayman Resources Sdn. Bhd. have an interest. Sinn Hin Company Sdn. Bhd. also have deemed interest in shares held through UOB Kay Hian Securities (M) Sdn. Bhd. in the capital of the Company.

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("AGM") of the Company will be convened and held by way of electronic means on **Thursday, 29 April 2021** at **2.30 p.m.** to transact the following business:-

ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2020 together with the Directors' Statement and Independent Auditor's Report thereon. **(Resolution 1)**

2. To declare a first and final tax exempt (one-tier) dividend of 3.0 cents per share for the financial year ended 31 December 2020. **(Resolution 2)**

3. To approve the Directors' fees of S$308,000 for the financial year ended 31 December 2020. **(Resolution 3)**

4. To re-elect Mr Chia Chor Leong, retiring pursuant to Article 89 of the Company's Constitution. **(Resolution 4)**
   [See Explanatory Note 1]

5. Contingent upon passing of Resolution 4 and pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") which will take effect from 1 January 2022, Shareholders to approve the continued appointment of Mr Chia Chor Leong as an Independent Director, and that upon due approval, the approval shall remain in force until the earlier of: (i) the retirement or resignation of the Director; or (ii) the conclusion of the third Annual General Meeting ("AGM") from the aforesaid approval. **(Resolution 5)**
   [See Explanatory Note 2]

6. Contingent upon passing of Resolution 5 and pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST which will take effect from 1 January 2022, Shareholders, excluding the directors, the chief executive officer and their associates, to approve the continued appointment of Mr Chia Chor Leong as an Independent Director, and that upon due approval, the approval shall remain in force until the earlier of: (i) the retirement or resignation of the Director; or (ii) the conclusion of the third Annual General Meeting ("AGM") from the aforesaid approval. **(Resolution 6)**
   [See Explanatory Note 2]

7. To re-elect Mr Melvin Chan Wai Leong, retiring pursuant to Article 89 of the Company's Constitution. **(Resolution 7)**
   [See Explanatory Note 3]

8. Pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST which will take effect from 1 January 2022, Shareholders to approve the continued appointment of Mr Ling Yong Wah as an Independent Director, and that upon due approval, the approval shall remain in force until the earlier of: (i) the retirement or resignation of the Director; or (ii) the conclusion of the third Annual General Meeting ("AGM") from the aforesaid approval. **(Resolution 8)**
   [See Explanatory Note 4]

9. Contingent upon passing of Resolution 8 and pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST which will take effect from 1 January 2022, Shareholders, excluding the directors, the chief executive officer and their associates, to approve the continued appointment of Mr Ling Yong Wah as an Independent Director, and that upon due approval, the approval shall remain in force until the earlier of: (i) the retirement or resignation of the Director; or (ii) the conclusion of the third Annual General Meeting ("AGM") from the aforesaid approval. **(Resolution 9)**
   [See Explanatory Note 4]

ORDINARY BUSINESS (CONT'D)

10. Pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST which will take effect from 1 January 2022, Shareholders to approve the continued appointment of Mr Yeo Jeu Nam as an Independent Director, and that upon due approval, the approval shall remain in force until the earlier of: (i) the retirement or resignation of the Director; or (ii) the conclusion of the third Annual General Meeting ("AGM") from the aforesaid approval. **(Resolution 10)**
[See Explanatory Note 5]

11. Contingent upon passing of Resolution 10 and pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST which will take effect from 1 January 2022, Shareholders, excluding the directors, the chief executive officer and their associates, to approve the continued appointment of Mr Yeo Jeu Nam as an Independent Director, and that upon due approval, the approval shall remain in force until the earlier of: (i) the retirement or resignation of the Director; or (ii) the conclusion of the third Annual General Meeting ("AGM") from the aforesaid approval. **(Resolution 11)**
[See Explanatory Note 5]

12. To re-appoint Messrs Deloitte & Touche LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 12)**

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolution with or without modifications:

13. **Authority to allot and issue shares** **(Resolution 13)**

(a) That pursuant to Section 161 of the Companies Act, Chapter 50, and the listing rules of the Singapore Exchange Securities Trading Limited, approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:

(i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;

(ii) make or grant offers, agreements or options (collectively, **"Instruments"**) that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;

(iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and

(b) (notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors while the authority was in force, provided always that:-

(i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 50% of the total number of issued shares excluding treasury shares of the Company, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro-rata basis to shareholders of the Company does not exceed 20% of the total number of issued shares excluding treasury shares of the Company. Unless prior shareholder approval is required under the Listing Rules, an issue of treasury shares will not require further shareholder approval, and will not be included in the aforementioned limits.

SPECIAL BUSINESS (CONT'D)

For the purpose of this resolution, the total number of issued shares excluding treasury shares is based on the Company's total number of issued shares excluding treasury shares at the time this resolution is passed, after adjusting for;

a) new shares arising from the conversion or exercise of convertible securities;

b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the Singapore Exchange Securities Trading Limited; and

c) any subsequent bonus issue, consolidation or subdivision of the Company's shares;

(ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

[See Explanatory Note 6]

OTHER BUSINESS

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

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that subject to approval being obtained at the Annual General Meeting to be held on 29 April 2021.

1. A first and final tax exempt (one-tier) dividend of 3.0 cents per share for the financial year ended 31 December 2020 will be paid on 19 May 2021.

2. The Share Transfer Books and Register of Members of the Company will be closed on 10 May 2021 for preparation of dividend warrants. Duly completed and stamped transfers received by the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte Ltd), 80 Robinson Road, #11-02, Singapore 068898, up to 5.00 p.m. on 7 May 2021 will be registered to determine members' entitlements to the proposed dividend. Members (being depositors) whose securities account with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on 7 May 2021 will be entitled to the payment of the proposed dividend.

On behalf of the Board,

Dennis Au
Executive Director

7 April 2021

Explanatory Notes on business to be transacted:

1. Mr Chia Chor Leong who is considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited, will, upon re-election as Director of the Company, remain as the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees. There are no relationships (including immediate family relationships) between Mr Chia Chor Leong and the other Directors of the Company or its shareholders. Please refer to pages 54 to 60 of the Corporate Governance Report in the Annual Report for the detailed information as required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.

2. Pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST which will take effect from 1 January 2022, Mr Chia Chor Leong, having served on the Board beyond nine (9) years from the date of his first appointment, will not be considered an Independent Director on 1 January 2022 unless his appointment as an Independent Director is approved in separate resolutions by (A) all Shareholders and (B) Shareholders, excluding the directors, the chief executive officer and their associates. The Company is seeking at this AGM to obtain the required approval in separate resolutions by (A) by all Shareholders and (B) Shareholders, excluding the directors, the chief executive officer and their associates prior to 1 January 2022 as required for his continued appointment as an Independent Director. Ordinary Resolutions 5 and 6, if passed, will enable Mr Chia Chor Leong to continue his appointment as an Independent Director (unless the appointment has been changed subsequent to the AGM) pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST and to Provisions 2.1 of the Code of Corporate Governance 2018 and the approvals shall remain in force until the earlier of (a) his retirement or resignation; or (b) the conclusion of the third AGM of the Company. Resolution 5 is conditional upon Resolution 6 being duly approved, else the aforesaid director will be designated as Non-Independent Director with effect from 1 January 2022.

3. Mr Melvin Chan Wai Leong who is considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited, will, upon re-election as Director of the Company, remain as a member of the Audit Committee. There are no relationships (including immediate family relationships) between Mr Melvin Chan Wai Leong and the other Directors of the Company or its shareholders. Please refer to pages 54 to 60 of the Corporate Governance Report in the Annual Report for the detailed information as required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.

4. Pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST which will take effect from 1 January 2022, Mr Ling Yong Wah, having served on the Board beyond nine (9) years from the date of his first appointment, will not be considered an Independent Director on 1 January 2022 unless his appointment as an Independent Director is approved in separate resolutions by (A) all Shareholders and (B) Shareholders, excluding the directors, the chief executive officer and their associates. The Company is seeking at this AGM to obtain the required approval in separate resolutions by (A) by all Shareholders and (B) Shareholders, excluding the directors, the chief executive officer and their associates prior to 1 January 2022 as required for his continued appointment as an Independent Director. Ordinary Resolutions 8 and 9, if passed, will enable Mr Ling Yong Wah to continue his appointment as an Independent Director (unless the appointment has been changed subsequent to the AGM) pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST and to Provisions 2.1 of the Code of Corporate Governance 2018 and the approvals shall remain in force until the earlier of (a) his retirement or resignation; or (b) the conclusion of the third AGM of the Company. Resolution 8 is conditional upon Resolution 9 being duly approved, else the aforesaid director will be designated as Non-Independent Director with effect from 1 January 2022.

5. Pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST which will take effect from 1 January 2022, Mr Yeo Jeu Nam, having served on the Board beyond nine (9) years from the date of his first appointment, will not be considered an Independent Director on 1 January 2022 unless his appointment as an Independent Director is approved in separate resolutions by (A) all Shareholders and (B) Shareholders, excluding the directors, the chief executive officer and their associates. The Company is seeking at this AGM to obtain the required approval in separate resolutions by (A) by all Shareholders and (B) Shareholders, excluding the directors, the chief executive officer and their associates prior to 1 January 2022 as required for his continued appointment as an Independent Director. Ordinary Resolutions 10 and 11, if passed, will enable Mr Yeo Jeu Nam to continue his appointment as an Independent Director (unless the appointment has been changed subsequent to the AGM) pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST and to Provisions 2.1 of the Code of Corporate Governance 2018 and the approvals shall remain in force until the earlier of (a) his retirement or resignation; or (b) the conclusion of the third AGM of the Company. Resolution 10 is conditional upon Resolution 11 being duly approved, else the aforesaid director will be designated as Non-Independent Director with effect from 1 January 2022.

Explanatory Notes on business to be transacted: (Cont'd)

6. The ordinary resolution in item no. 13 is to authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 50% of the issued share capital of the Company of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20% of the issued share capital of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

Important Notes:

1. The Annual General Meeting ("AGM") 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. Printed copies of this Notice of AGM (the "Notice of AGM") will not be sent to members. Instead, this Notice of AGM will be sent to members by electronic means via publication on the Company's website at https://frenckengroup.listedcompany.com/newsroom.html. This Notice of AGM will also be made available on the SGX website at https://www.sgx.com/securities/company-announcements.

2. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person.** Instead, alternative arrangements have been put in place to allow members to participate at the AGM by (a) watching or listening to the AGM proceedings via "live" webcast, (b) submitting questions in advance of the AGM, and (c) voting by appointing the Chairman of the AGM as proxy at the AGM, are set out below.

3. Members who wish to watch or listen to the "live" webcast of the AGM must pre-register at the following website https://conveneagm.sg/fgl_AGMEGM2021 by **2.30 p.m. on 26 April 2021.**

   Members who hold their Shares through relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 (including CPF and SRS investors) and who wish to watch or listen to the "live" webcast of the AGM and/or submit questions in advance of the AGM should approach their respective relevant intermediaries by **2.30 p.m. on 19 April 2021.**

   Following authentication of his/her/its status as members, authenticated members will receive an email notification, and would be able to access the webcast of the proceedings of the AGM using the account credentials created upon completion of registration.

   The access link, user identification and password details should only be used by the authenticated members, and should not be shared with anyone else. If it is established that the access link, user identification and password details are being used by someone other than the authenticated members, the Company reserves the right to revoke the respective user's access to the AGM.

   Members who do not receive the Confirmation Email by **5.00 p.m. on 27 April 2021**, but have registered by the **26 April 2021** deadline, should contact the Company by email to corp@frenckengroup.com.

4. Please note that members will not be able to ask questions at the AGM "live" during the webcast, and therefore members should submit their questions in advance of the AGM via email to the Company at corp@frenckengroup.com. All questions must be submitted by **2.30 p.m. on 26 April 2021.**

   The Management and the Board of Directors of the Company will endeavour to address substantial and relevant questions (as may be determined by the Company in its sole discretion) received from members prior to the AGM by publishing the responses to those questions on the SGX website at https://www.sgx.com/securities/company-announcements and the Company's website at https://frenckengroup.listedcompany.com/newsroom.html.

Important Notes: (Cont'd)

5. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such shareholder wishes to exercise his/her/its voting rights at the AGM. This proxy form may be accessed at the Company's website at https://frenckengroup.listedcompany.com/newsroom.html, and on the SGX website at https://www.sgx.com/securities/company-announcements. Printed copies of the proxy form will not be sent to members.

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

   Members who hold their Shares through relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 (including CPF and SRS investors) and who wish to exercise their votes by appointing the Chairman of the Meeting as proxy should approach their respective relevant intermediaries (including their respective CPF agent banks or SRS Approved Banks) to submit their voting instructions by **2.30 p.m. on 19 April 2021** 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 **2.30 p.m. on 27 April 2021**.

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

   (a) if submitted by post, be lodged with the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road, #11-02 Singapore 068898; or

   (b) if submitted electronically, via email to the Company's Share Registrar at sg.is.proxy@sg.tricorglobal.com

   in either case, by **2.30 p.m. on 27 April 2021.**

   A member who wishes to submit an instrument of proxy, must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

6. The Chairman of the Meeting, as proxy, need not be a member of the Company.

7. The Annual Report 2020 has been published on 7 April 2021 on the Company's website at https://frenckengroup.listedcompany.com/newsroom.html, and on the SGX website at https://www.sgx.com/securities/company-announcements.

8. Due to the constantly evolving COVID-19 situation in Singapore, we may be required to change our arrangements for the AGM at short notice. Members should check the Company's website at https://frenckengroup.listedcompany.com/newsroom.html, and on the SGX website at https://www.sgx.com/securities/company-announcements for the latest updates on the status of the AGM.

Personal Data Privacy:

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

FRENCKEN GROUP LIMITED
(Registration No. : 199905084D)
(Incorporated in the Republic of Singapore)

Proxy Form

IMPORTANT
Alternative Arrangements for Annual General Meeting ("AGM")
1. The AGM 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. Printed copies of the Notice of AGM will not be sent to members. Instead, the Notice of AGM will be sent to members by electronic means via publication on the Company's website at https://frenckengroup.listedcompany.com/newsroom.html. The Notice of AGM is also available on the SGX website at https://www.sgx.com/securities/company-announcements.
2. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person.** Instead, alternative arrangements have been put in place to allow members to participate at the AGM by (a) watching or listening to the AGM proceedings via "live" webcast, (b) submitting questions in advance of the AGM, and (c) voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the Notice of AGM.
3. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.
4. Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the Meeting as a member's proxy to attend, speak and vote on his/her/its behalf at the AGM.

CPF/SRS Investors
5. CPF/SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators **2.30 p.m. on 19 April 2021** to submit their votes by **2.30 p.m. on 27 April 2021**.

Personal Data
6. By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the Notes to this Proxy Form.

*I/We ______________________ (Name) * NRIC/Passport No. ______________________of

____(Address)

being a member/members of Frencken Group Limited (the "Company"), hereby appoint 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 convened and held by way of electronic means on Thursday, 29 April 2021 at 2.30 p.m. and at any adjournment thereof.

I/We* direct the Chairman of the Meeting to exercise all my/our votes* "For" or "Against" or to "Abstain" from voting the Ordinary Resolutions to be proposed at the Meeting as indicated with an "X" in the spaces provided hereunder. If no specific directions as to voting are given, the Chairman of the Meeting will vote or abstain from voting at his discretion.

**Alternatively, please indicate the number of votes as appropriate "For", "Against" or "Abstain" box as provided in respect of that resolution. If you wish the Chairman of the Meeting as your proxy abstain from voting on a resolution, please indicate with an "X" in the "Abstain" box provided in respect of that resolution.*

No.	Resolutions	No. of votes "For"*	No. of votes "Against"*	No. of votes "Abstain"*
1.	To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2020 together with the Directors' Statement and Independent Auditor's Report thereon.			
2.	To declare a first and final tax exempt (one-tier) dividend of 3.0 cents per share for the financial year ended 31 December 2020.			
3.	To approve the Directors' fees of S$308,000 for the financial year ended 31 December 2020.			
4.	To re-elect Mr Chia Chor Leong, retiring pursuant to Article 89 of the Company's Constitution.			
5.	To approve Mr Chia Chor Leong's continued appointment as an Independent Director by shareholders.			
6.	To approve Mr Chia Chor Leong's continued appointment as an Independent Director by shareholders (excluding the directors, the chief executive officer and their associates).			
7.	To re-elect Mr Melvin Chan Wai Leong, retiring pursuant to Article 89 of the Company's Constitution.			
8.	To approve Mr Ling Yong Wah's continued appointment as an Independent Director by shareholders.			
9.	To approve Mr Ling Yong Wah's continued appointment as an Independent Director by shareholders (excluding the directors, the chief executive officer and their associates).			
10.	To approve Mr Yeo Jeu Nam's continued appointment as an Independent Director by shareholders.			
11.	To approve Mr Yeo Jeu Nam's continued appointment as an Independent Director by shareholders (excluding the directors, the chief executive officer and their associates).			
12.	To re-appoint Messrs Deloitte & Touche LLP as auditors of the Company and to authorise the Directors to fix their remuneration.			
13.	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Chapter 50.			

Dated this ________day of ________________ 2021

Total Number of Shares Held	
CDP	
Register of Members	
Total	

____
Signature(s) of Member(s)/Common Seal

** Delete accordingly*

IMPORTANT. Please read notes overleaf

FRENCKEN GROUP LIMITED AND ITS SUBSIDIARIES
Incorporated in Singapore. Registration No. : 199905084D

Notes:-

1. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he 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.
2. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Annual General Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting if such member wishes to exercise his/her/its voting rights at the Annual General Meeting.** This proxy form may be accessed at the Company's website at https://frenckengroup.listedcompany.com/newsroom.html, and the SGX website at https://www.sgx.com/securities/company-announcements.

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

   Members who hold their Shares through relevant intermediaries* as defined in Section 181 of the Companies Act, Chapter 50 (including CPF and SRS investors) and who wish to exercise their votes by appointing the Chairman of the Meeting as proxy should approach their respective relevant intermediaries (including their respective CPF agent banks or SRS Approved Banks) to submit their voting instructions by **2.30 p.m. on 19 April 2021** 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 **2.30 p.m. on 27 April 2021.**
3. The Chairman of the Meeting, as proxy, need not be a member of the Company.
4. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:
   (a) if submitted by post, be lodged with the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road, #11-02 Singapore 068898; or
   (b) if submitted electronically, via email to the Company's Share Registrar at sg.is.proxy@sg.tricorglobal.com.

   in either case, by **2.30 p.m. on 27 April 2021**.

   A member who wishes to submit an instrument of proxy, must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

(1) Fold along this line

Affix
Postage
Stamp

The Company Secretary
FRENCKEN GROUP LIMITED
c/o Tricor Barbinder Share Registration Services
80 Robinson Road #11-02
Singapore 068898

(2) Fold along this line

5. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointer or by his attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy 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.
6. Where an instrument appointing the Chairman of the Meeting as proxy is signed on behalf of the appointer by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Constitution and Section 179 of the Companies Act.
8. The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the Meeting. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing the Chairman of the Meeting lodged if such members are not shown to have shares entered against their names in the Depository Register seventy-two (72) hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

   *A Relevant Intermediary is:
   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities Futures Act (Cap. 289) and who holds shares in that capacity; or
   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

PERSONAL DATA PRIVACY
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 7 April 2021.

www.frenckengroup.com