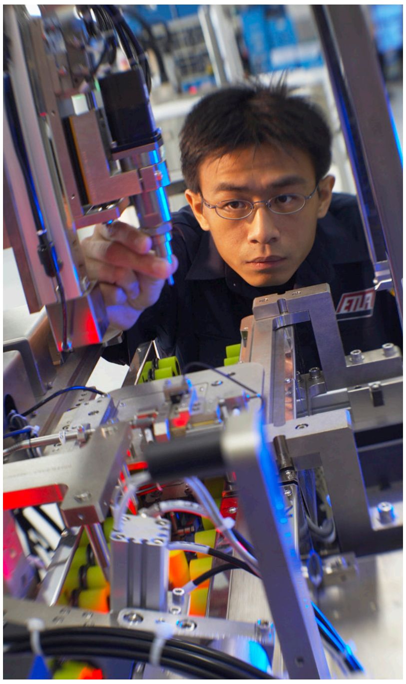
Frencken Group Limited




ANNUAL REPORT 2014

TRIBUTE TO THE LATE MR GOOI SOON HOCK

The passing of Mr Gooi Soon Hock on 30 December 2014 was an immensely sad day for all of us at Frencken Group.

Mr Gooi was our co-founder, President and Executive Director. His vision, passion and boundless energy during the past 35 years were the driving forces that transformed the Group from our humble beginnings as a Penang-based electronics contract manufacturing company into a global high-technology services group.

A man of exemplary integrity and with great capacity for generosity, Mr Gooi will always be remembered by our directors, management and staff for his guidance, leadership, friendship and the invaluable contributions that he made to Frencken Group over the years.

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.
  Liberty Lake, 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

- Precico Group Sdn. Bhd.
  Penang, Malaysia
- Precico Electronics Sdn. Bhd.
  Penang, Malaysia
- Precico Singapore Pte Ltd
  Singapore
- Juken Technology Limited
  Singapore
- Supertool Industries Pte Ltd
  Singapore
- Juken Technology Engineering Sdn. Bhd.
  Kuala Lumpur and Johor, Malaysia
- Juken (Thailand) Co., Ltd
  Thailand
- PT Juken Technology Indonesia
  Indonesia
- Juken (Zhuhai) Co., Ltd
  Zhuhai, People's Republic of China
- Micro-Air (Tianjin) Technology Co., Ltd
  Tianjin, People's Republic of China
- Juken Uniproducts Pvt. Limited
  India

Europe

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

CORPORATE INFORMATION

Company Registration No.:199905084D

Board of Directors

Tan Sri Larry Low Hock Peng (Non-Executive Non-Independent Chairman)
Hendrik Gezinus Tappel (Executive Director)
Tan Lai Heng (Executive Director)
Sim Mong Huat (Executive Director)
Dato' Gooi Soon Chai (Non-Executive Non-Independent Director)
Chia Chor Leong (Independent Director)
Ling Yong Wah (Lead Independent Director)
Yeo Jeu Nam (Independent Director)

Audit Committee

Ling Yong Wah (Chairman)
Chia Chor Leong
Yeo Jeu Nam

Remuneration Committee

Yeo Jeu Nam (Chairman)
Chia Chor Leong
Tan Sri Larry Low Hock Peng

Nominating Committee

Chia Chor Leong (Chairman)
Ling Yong Wah
Tan Sri Larry Low Hock Peng

Auditors

Deloitte & Touche LLP
Public Accountants and Chartered Accountants
6 Shenton Way
OUE Downtown 2, #33-00
Singapore 068809
Partner-in-charge: Chua How Kiat
Year of appointment: Financial year ended 31 December 2014

Registered Office

80 Robinson Road
#02-00
Singapore 068898
Tel: +65 6236 3333
Fax: +65 6236 4399

Principal Administrative Office

c/o Precico Group Sdn. Bhd.
Plot 410, Lorong Perusahaan 8B
Prai Industrial Estate
13600 Prai, Malaysia
Tel: +60 (04) 388 3177
Fax: +60 (04) 399 7877

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

Investor Relations Consultant

Octant Consulting
7500A Beach Road
The Plaza #08-318
Singapore 199591
Tel: +65 6296 3583

Company Secretaries

Low Mei Wan, ACIS
Toon Choi Fan, ACIS

Website

www.frenckengroup.com

CHAIRMAN'S STATEMENT

Dear Shareholders

On behalf of the Board of Directors, I present to you Frencken Group Limited's annual report for the 12 months ended 31 December 2014 ("FY2014").

It proved to be a challenging year for the Group and one that we will remember with immense sadness due to the demise of Mr Gooi Soon Hock, our Executive Director and President, on 30 December 2014. Being his fellow co-founder of our Group, Mr Gooi was not only my long-time business partner but also a close and dear friend.

An extraordinary entrepreneur with integrity, passion and vision, Mr Gooi was a man who commanded great respect in the manufacturing sector. In spite of his demanding work schedule, he was always able to draw a fine line between his business and private lives. Mr Gooi's devotion to his family was inspiring while his determination to honour business commitments was highly exemplary.

Over the past 35 years, Mr Gooi succeeded in overcoming many challenges in his drive to build the Group and bring it onto the global stage. He had envisioned an exciting future for Frencken but sadly, he was not able to see his dream coming to fulfilment. With this in mind, I wish to call on everyone in Frencken to honour Mr Gooi's legacy and work together towards turning his vision into reality.

Headwinds in FY2014

In terms of the Group's operating and financial performance, FY2014 turned out to be a year of two starkly contrasting halves. Despite the cautious business sentiment at the start of the year, the Group still managed to deliver a commendable set of results for the first half of FY2014 with higher sales and double-digit growth in net profit.

However, the deteriorating macroeconomic environment, coupled with softer gross profit margin, higher exceptional charges, foreign exchange loss and challenging operational conditions at our Penang plant, adversely affected the Group's profitability during the second half of the year. As a result the Group's revenue grew 6.3% to S$472.7 million in FY2014 but net profit attributable to equity holders declined by 36.0% to S$11.4 million.

Nonetheless, the Group remains in a sound financial position. At the end of FY2014, the Group had cash and cash equivalents of S$18.8 million while net bank borrowings stood at S$36.6 million. Shareholders' equity amounted to S$206.9 million, which is equivalent to a net asset value of 51.2 cents per share based on the total number of issued shares of 404.5 million shares. Accordingly, the Group had a net debt-to-equity ratio of 17.7% as at 31 December 2014.

Since listing on the SGX-ST in 2005, the Group has consistently paid an annual dividend of at least 30% of net profit attributable to equity holders. Despite the Group's softer performance in FY2014, the Board of Directors has recommended to pay a first and final tax-exempt (one-tier) dividend of 1.0 cent per share, which translates into a higher pay-out ratio of 35.6%. Upon approval by shareholders at the forthcoming Annual General Meeting on 23 April 2015, the dividend will be paid on 15 May 2015.

New management structure

Without a doubt, appointing a new President to lead the Group forward is high on our list of priorities. To this end, the Board has formed a Select Committee, which is presently in the process of identifying and shortlisting suitable candidates with the requisite experience, technical knowledge and leadership skills. In the meantime, I am serving as interim President of the Group to ensure continuity at the helm.

In addition, our Board of Directors also created two new executive positions in January 2015. Mr Sebastiaan Johannes (Jack) van Sprang was appointed as Chief Executive Officer (CEO) of the Mechatronics Division while Mr David Wong has stepped up as CEO of the IMS Division. Both Mr van Sprang and Mr Wong are well acquainted with Frencken's businesses. Mr van Sprang was formerly our Executive Director and Senior Vice President and worked at the Group from 1996 to 2009. He has over 30 years of experience in the capital equipment industry and in-depth knowledge of the mechatronics business. As CEO of the Mechatronics Division, Mr van Sprang is responsible for the strategic direction, business development and expansion plans of the Mechatronics Division's operations in Europe, Asia and the USA.

Mr Wong, who is the founder and Executive Chairman of our wholly-owned subsidiary Juken Technology Ltd, has already been overseeing the IMS Division's operations across Asia and Europe since May 2014. He has over 30 years of experience in the precision plastic injection moulding and fabrication business. As CEO of the IMS Division, Mr Wong will take charge of formulating its business strategies and development, particularly in building the scale of the automotive business in various markets.

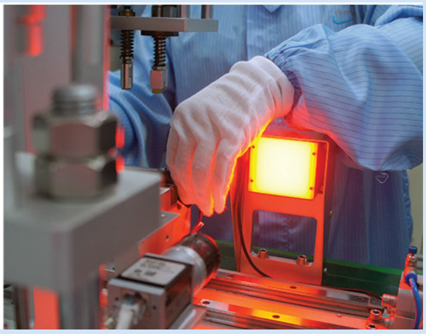
With the creation of these new CEO positions, the Group has recomposed our Executive Committee. From the current financial year, the new members will comprise Mr van Sprang, Mr Wong, Mr David Chin Yean Choon and also include the new Group President when appointed. We are confident that this new management structure will enable the Group to sharpen our focus with a well-defined roadmap and goals at the divisional and organizational levels.

Outlook and Strategy

Looking ahead, we expect the business environment to remain challenging. While the USA economy is showing signs of recovery, this is counterbalanced by lingering uncertainties about the direction of the Eurozone economies and decelerating economic growth in China. As a result, business sentiment of end-users in the markets served by our Group is likely to remain cautious. We are also mindful that there are certain risks which could adversely affect the Group's financial results, including pressure on selling prices of our products, rising operating costs, unfavourable movements in currency exchange rates and increasing interest rates. To navigate through the current headwinds, the Group will leverage on our intrinsic strengths and continue focusing on strategic initiatives to improve the performances of our two business divisions.

At the Mechatronics Division, the Group's aim is to build the division into a global player in the high-technology capital equipment sector to better support the requirements of our global customers in their target markets.





Over the last few years, the division has been making strong headway in Asia, particularly China which is becoming a key growth market for high technology capital equipment. With plants located in Wuxi and Southeast Asia, the Mechatronics Division has capabilities to provide local-to-local support to improve customers' time-to-market which places it in a strong position to capture business opportunities.

The Mechatronics Division is also continuing to pursue its ambitions of developing Original Design Manufacturer (ODM) products for the medical segment, based on the proprietary knowledge that it has accumulated over the years. While the Group does not expect this strategic initiative to yield immediate financial benefits, we believe the development of ODM products will enable the division to move up the value chain and strengthen its business model in the long term.

With its sharper focus on the automotive business, the IMS Division will be looking to strengthen its competitive position by leveraging its network of production bases in the region to better tap the demand from key global automotive markets, particularly the growth markets of China, India and Southeast Asia. To expand the scale of its business, the division is in the process of progressively developing integrated capabilities at its factories in China, India, Indonesia and Thailand. At the same time, it is also broadening its range of automotive products, such as the proprietary high-quality oil filtration products for engine and transmission applications, which would improve its share of the customer's wallet.

In tandem with the Group's plans to expand sales, both divisions will also be looking to mitigate the impact of pricing and cost pressures on profit margins by implementing a number of measures aimed at reducing costs, as well as improving operational efficiency and productivity.

Appreciation

In closing, I would like to thank my fellow directors for their valuable contributions. On behalf of the Board, I would like to express our appreciation to the management and staff for their contributions and commitment. We would also like to extend a warm welcome to Dato' Gooi Soon Chai who joins our Group as Non-Independent, Non-Executive Director. Dato' Gooi is a veteran in the global technology industry and has a wealth of experience and network of contacts that will prove beneficial to our Group. Last but not least, we extend our sincere thanks and appreciation to our valued customers, shareholders, business partners and suppliers for their continued support and patronage to Frencken Group.

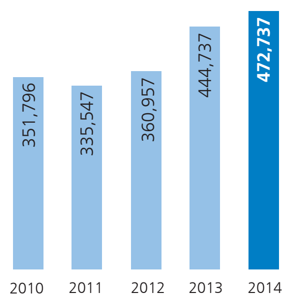
Tan Sri Larry Low Hock Peng
Non-Executive and Non-Independent Chairman

FINANCIAL SUMMARY

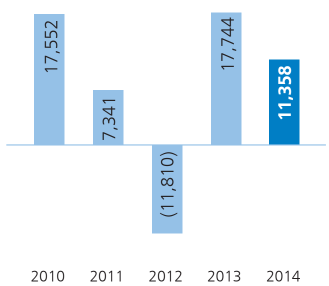
FINANCIAL YEAR	FY DEC 2010	FY DEC 2011	FY DEC 2012	FY DEC 2013	FY DEC 2014
Operating Results	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Revenue	351,796	335,547	360,957	444,737	**472,737**
Operating profit [1]	22,478	12,091	1,431	24,866	**17,806**
Profit/(Loss) attributable to equity holders	17,552	7,341	(11,810)	17,744	**11,358**
Financial Position	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Total assets	283,640	282,489	355,779	335,095	**352,262**
Total liabilities	87,350	86,127	167,773	128,030	**143,807**
Shareholders' equity	196,290	196,362	186,842	205,282	**206,916**
Key Ratios					
Net profit/(loss) on turnover (%)	5.0	2.2	(3.3)	4.0	**2.4**
Return on average equity (%)	9.0	3.7	(6.2)	9.1	**5.5**
Net (cash)/debts to equity (%)	(17.1)	(7.6)	20.5	15.4	**17.7**
Earnings/(Loss) per share - basic (cents)	4.7	2.0	(3.2)	4.5	**2.8**
- diluted (cents)	4.7	2.0	(3.2)	4.4	**2.8**
Net assets value per share (cents)	53.6	53.3	47.1	51.5	**51.2**
Dividend per share (cents)	1.44	0.61	0.50	1.40	**1.00**
Share Price and Market Capitalisation	**Cents**	**Cents**	**Cents**	**Cents**	**Cents**
Highest	35.0	35.0	26.0	28.0	**39.0**
Lowest	20.5	24.0	18.5	19.1	**21.5**
Average	26.6	28.5	22.0	22.2	**32.0**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Average market capitalisation	97,345	104,932	87,185	88,415	**129,431**
Average shareholders' equity	195,789	196,326	191,602	196,062	**206,099**
Market value differential [2]	(98,444)	(91,394)	(104,417)	(107,647)	**(76,668)**

[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

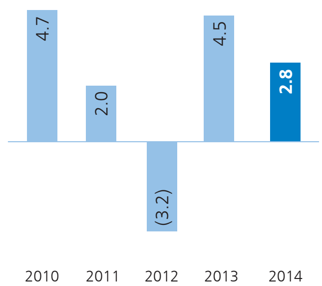
Revenue ($'000)



Profit/(Loss) attributable to equity holders ($'000)



Earnings/(Loss) per share - basic (cents)



FINANCIAL HIGHLIGHTS

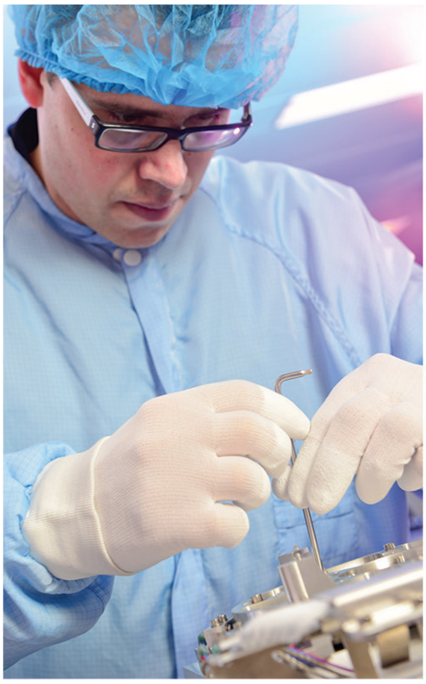
		2013	2014	Change
1 Operating Results		**$'000**	**$'000**	**%**
Revenue		444,737	472,737	6.3
Profit attributable to equity holders		17,744	11,358	(36.0)
Net profit on turnover (%)		4.0	2.4	(40.0)
2 Divisional Performance		**$'000**	**$'000**	**%**
Mechatronics	- Revenue	273,857	299,199	9.3
	- Operating profit [1]	11,152	12,796	14.7
IMS	- Revenue	170,861	173,519	1.6
	- Operating profit [1]	13,728	5,092	(62.9)
3 Solvency Profile		**$'000**	**$'000**	**%**
Cash and cash equivalents		19,634	18,770	(4.4)
Borrowings		51,213	55,359	8.1
Net debts		31,579	36,589	15.9
Interest cover ratio [2]		11.1	11.4	2.7
4 Shareholders' Value				**%**
Shareholders' equity ($'000)		205,282	206,916	0.8
Earnings per share - basic (cents)		4.5	2.8	(37.8)
- diluted (cents)		4.4	2.8	(36.4)
Return on average equity (%)		9.1	5.5	(39.6)
Net asset value per share (cents)		51.5	51.2	(0.6)
Dividend payout ratio (%)		31.4	35.6	13.4

[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

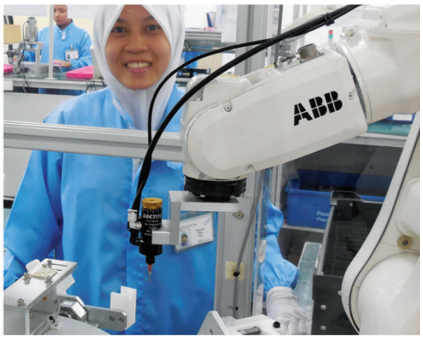
FINANCIAL CALENDAR

Financial year	31 December 2014	**31 December 2015**
Announcement of Results		
1st Quarter	8 May 2014	**7 May 2015**
2nd Quarter	14 August 2014	**6 August 2015**
3rd Quarter	7 November 2014	**5 November 2015**
4th Quarter	26 February 2015	**February 2016**
Delivery of Annual Report	8 April 2015	**April 2016**
Annual General Meeting	23 April 2015	**April 2016**

BUSINESS REVIEW



Group Financial Performance in FY2014



For the 12 months ended 31 December 2014 ("FY2014"), Group revenue increased 6.3% to S$472.7 million, driven mainly by higher revenue recorded at the Mechatronics Division.

As a result, the Mechatronics Division's contribution to Group revenue increased to 63.3% in FY2014, from 61.6% in FY2013. Correspondingly, the IMS Division's share of Group revenue declined to 36.7% in FY2014, from 38.4% previously.

The Group derives its revenue from a diversified base of industries comprising analytical, medical, semiconductor, industrial automation, automotive, consumer & industrial electronics and office automation segments. The top four segments in terms of revenue contribution in FY2014 were automotive (23.9%), analytical (20.1%), semiconductor (14.6%) and medical (14.4%).

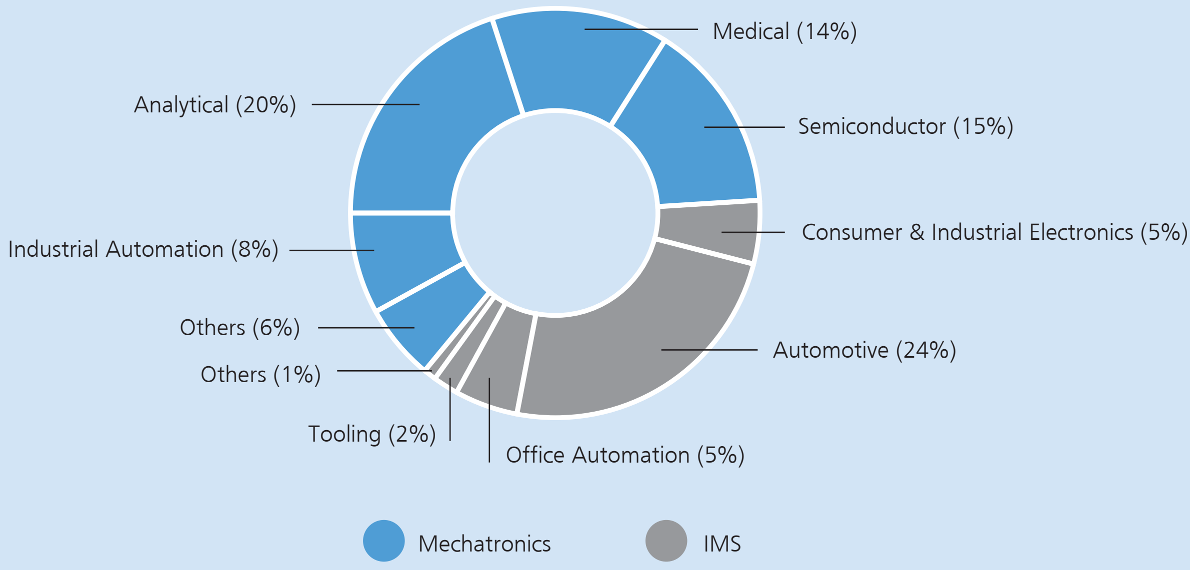
The Group's gross profit (GP) eased 1.4% to S$66.0 million in FY2014 from S$66.9 million in FY2013. GP margin was lower at 14.0% as compared to 15.1% in the previous year. While the Mechatronics Division maintained a relatively stable GP margin in FY2014, GP margin of the IMS Division softened due to depreciation of the Euro against the Malaysian Ringgit, increased operational costs and shift in sales mix.

Other income decreased by 18.5% to S$5.5 million in FY2014 from S$6.8 million in FY2013, due mainly to lower foreign exchange gain.

In FY2014, the Group's operating expenses (selling and distribution, administrative and general, and other operating expenses) rose by 9.9% to S$53.7 million from S$48.9 million previously. Selling and distribution expenses increased 10.8% to S$12.6 million due mainly to higher transport and freight costs, as well as the inclusion of expenses from NTZ International Holding B.V. ("NTZ") which the Group acquired in January 2014. Administrative and general expenses increased 8.4% to S$39.9 million, attributable mainly to the inclusion of NTZ's related expenses, increase in staff costs and higher export tax and duties. Other operating expenses increased to S$1.2 million in FY2014 from S$0.7 million in FY2013, contributed mainly by higher foreign exchange losses.

Finance costs in FY2014 decreased 29.6% to S$1.6 million following the repayment of the loan to finance the Group's acquisition of Juken Technology Limited in October 2013. The Group incurred expenses for exceptional items amounting to S$0.7 million in FY2014, compared to S$0.4 million in FY2013. The exceptional items in FY2014 comprised impairment loss of S$0.5 million for a financial asset, available-for-sale in respect of the Group's investment in MTIC Holdings Pte. Ltd. and impairment loss of S$0.2 million on goodwill of a subsidiary in the Mechatronics Division.

BUSINESS REVIEW (CONT'D)



Revenue breakdown by business segment

For FY2014, the Group reported a 36.0% decline in net profit attributable to equity holders to S$11.4 million, compared to S$17.7 million in FY2013. This was due mainly to lower gross profit, recognition of non-cash exceptional charges of S$0.7 million, and the absence of foreign exchange gain of S$2.2 million that was recognised for FY2013.

As at 31 December 2014, the Group had shareholders' equity of S$206.9 million. This is equivalent to net asset value of 51.2 cents per share, based on the total number of issued shares of 404.5 million shares.

Total assets as at 31 December 2014 increased to S$352.3 million from S$335.1 million at the end of December 2013, attributed mainly to increases in intangible assets, inventories, and trade receivables. Intangible assets increased to S$24.9 million from S$19.7 million as at 31 December 2013, attributable mainly to goodwill arising from the acquisition of NTZ and development costs incurred for on-going projects at the Europe operations.

Inventories increased to S$95.7 million from S$85.9 million at the end of FY2013 for fulfillment of customers' orders and higher stock of finished goods held for automotive customers. Trade receivables increased to S$87.2 million, from S$83.0 million as at 31 December 2013, due to higher sales in the fourth quarter of FY2014 as compared to the same period in FY2013.

Total liabilities increased to S$143.8 million as at 31 December 2014 from S$128.0 million at the end of FY2013, attributable mainly to increases in trade and other payables, and bank borrowings. Trade payables increased to S$49.1 million from S$40.5 million as at 31 December 2013, in tandem with higher purchases of materials required to fulfill customers' orders. As at 31 December 2014, the Group had net bank borrowings of S$36.6 million, compared to S$31.6 million at the end of FY2013. Accordingly, the Group's net debt-to-equity ratio increased to 17.7% from 15.4% as at 31 December 2013.

Mechatronics Division

Business segment review

In FY2014, the Mechatronics Division recorded a 9.3% increase in revenue to S$299.2 million from S$273.9 million previously. This was driven principally by higher sales from the semiconductor, analytical and medical segments.

The semiconductor segment witnessed strong sales growth of 36.0% to S$69.1 million in FY2014 from S$50.8 million previously. This is attributable to the operations in Asia which serves the back-end of the semiconductor equipment industry. The Europe operations focus mainly on front-end semiconductor equipment. Sales derived from the semiconductor segment are typically cyclical in nature.

The medical and analytical segments also registered revenue growth of 11.9% and 11.5% to S$68.2 million and S$94.9 million respectively. The improved performances of these segments were driven mainly by higher sales generated by the operations in Europe.

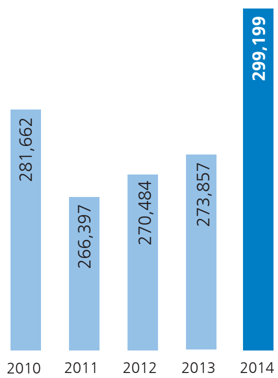
Due to four consecutive years of revenue growth since FY2011, the analytical segment accounted for the largest proportion of the Mechatronics Division's revenue in FY2014 with a contribution of 31.7%. The semiconductor segment contributed 23.1% while the medical segment accounted for 22.8% of the division's revenue.

Revenue from the industrial automation segment dipped as a result of slower sales of hard-disk drive equipment during the second half of FY2014. The industrial automation segment's sales are typically lumpy in nature.

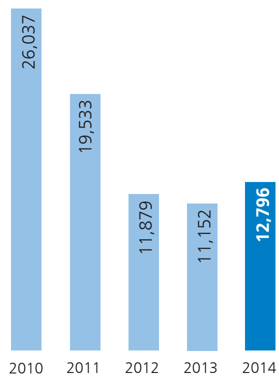
As a result of improved profitability of the Asia operations, the Mechatronics Division reported a higher net profit of S$9.2 million in FY2014, compared to S$9.1 million in FY2013.

MECHATRONICS DIVISION PERFORMANCE (FY2010 - FY2014)

Revenue ($'000)



Operating Profit ($'000)



Operational Initiatives

During FY2014, the Mechatronics Division continued to work on several initiatives to enhance its production capacity and capabilities, expand its customer base and elevate its position in the value chain.

As part of the division's plans to strengthen its business model, the Europe operations has been working on the development of Original Design Manufacturer (ODM) products for the medical segment by leveraging the proprietary knowledge that it has accumulated over the years.

During FY2014, the Europe operations also completed the extension of a manufacturing facility. It is currently planning to invest in a new advanced vacuum cleaning facility to offer industry leading cleaning capabilities and anticipate for future business volumes.

With established plants located in Southeast Asia and Wuxi (China), the Asia operations continues to make encouraging inroads into the region's markets. During FY2014, it successfully secured new production orders to manufacture a wider range of critical components and modules for both new and existing customers. These new orders include storage tester automation systems, medical, electronic assembly, semiconductor packaging, test and handling modules and systems.

As a testament of its commitment to high quality standards, the Asia operations was conferred the Best Supplier Award 2014 by a leading semiconductor assembly and packaging equipment player. To further raise the standards of technology, capability and productivity of its operations, the Mechatronics Division will continue to invest in new equipment for its production facilities in Europe, the USA and Asia.

IMS Division

Business segment review

The IMS Division reported a marginal increase in revenue to S$173.5 million in FY2014, from S$170.9 million in FY2013. Higher sales of the automotive segment were partially offset by declines in revenue from the office automation, consumer & industrial electronics, and tooling segments.

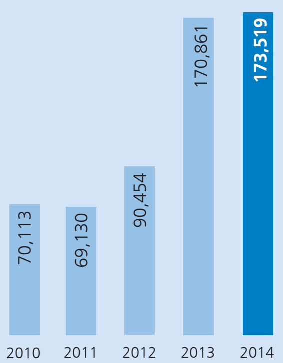
Revenue from the automotive segment increased 14.4% to S$113.0 million in FY2014 from S$98.8 million previously, attributable primarily to the inclusion of revenue contribution from NTZ. This segment witnessed a moderation in growth during the second half of FY2014 due to the slowdown in Europe and China economies. Nonetheless, the automotive segment increased its contribution to 65.1% of the division's revenue in FY2014, from 57.8% in FY2013.

The office automation segment registered sales of S$23.2 million in FY2014, a decrease of 21.5% from S$29.6 million previously, in line with the Group's decision to progressively wind down this business segment at the Penang plant. Sales of the consumer & industrial electronics segment declined 14.3% to S$22.5 million from S$26.3 million in FY2013, attributable primarily to lower sales of camera components in Thailand. Due to lower sales of these two product segments, tooling sales fell correspondingly by 13.8% to S$12.4 million. The office automation and consumer & industrial electronics and tooling segments accounted for 13.4%, 13.0% and 7.1% respectively of the IMS Division's revenue in FY2014.

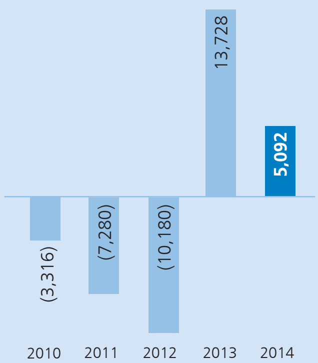
In FY2014, the IMS Division's net profit declined to S$2.7 million from S$9.7 million in FY2013. This is attributed mainly to softer GP margin, higher operating costs, foreign exchange loss (versus a foreign exchange gain previously) and increased transport and freight costs to expedite customer shipments.

IMS DIVISION'S PERFORMANCE (FY2010 - FY2014)

Revenue ($'000)



Operating Profit/(Loss) ($'000)



Note : FY2012 figures include 3 months (Oct to Dec 2012) of post acquisition revenue and operating profit of Juken group of companies.

BUSINESS REVIEW (CONT'D)

Operational Initiatives

In line with its long term growth strategy, the IMS Division continues to sharpen its focus on the automotive business which has now become the division's dominant revenue driver.

From an operational perspective, FY2014 was a difficult year for the automotive business due to unfavourable exchange rate movements, increased operating costs, pressure on selling prices and operational challenges experienced at the Penang plant.

On a brighter note, NTZ, which is headquartered in The Netherlands, has been making encouraging progress. Already, the IMS Division has secured orders from a major European customer for NTZ's proprietary high-quality oil filtration products that are used in automotive transmission applications. To build its capabilities in this niche oil filtration product for the China market, the division has invested in a new clean room at its plant in Zhuhai during FY2014.

To expand the scale of its automotive business, the IMS Division is in the process of progressively building a higher level of integrated capabilities at its factories in the region. The division also intends to focus on resolving the operational challenges at the Penang plant, while investing in new production and automation equipment at certain manufacturing sites to raise productivity and support future growth in sales volume. In addition, it is looking to develop the automotive business in the Thailand market to lower its dependence on consumer electronics products. The production facility in Johor Bahru was also awarded ISO/TS16949 certification during FY2014 which enables it to tap the automotive business.

PROFILE OF BOARD OF DIRECTORS AND KEY MANAGEMENT

TAN SRI LARRY LOW HOCK PENG

Tan Sri Larry Low Hock Peng is our co-founder and Non-Executive Non-Independent Chairman. He was appointed as our Director on 20 July 2000. He is also a member of our Remuneration and Nominating Committees. His areas of expertise are in matters relating to corporate finance, mergers and acquisitions. He has been the Non-Executive Non-Independent Chairman of our Group since its inception in 1995. Tan Sri Low also holds several board and advisory positions in companies in Malaysia, Singapore and other countries. He serves as Trustee of The Penang Chinese Chamber of Commerce and advisors of several cultural and clans bodies.

Tan Sri Low has received several prestigious awards as a result of his business leadership and community contributions. In recognition of his contribution to the state of Texas, USA, he was made an Honorary Citizen of the City of Austin (Texas) and Honorary Citizen of Dallas (Texas) in October 1993, and in the same year he was commissioned Admiral of the Texas Navy. He was awarded "Order of the Defender of State - Knight Commander" in July 1993, which carries the title "Dato" by the Governor of the State of Penang, Malaysia for his contribution to the state and its community. He was also conferred by the King of Malaysia in 2013 the "Commander of the Order of Loyalty to the Crown of Malaysia", which carries the title "Tan Sri", as a result of his significant economic and social contribution to Malaysia.

Tan Sri Low is an advisor of the Jynwel Charitable Foundation, which advances groundbreaking initiatives across several major global industries including health and education. He graduated with a Bachelor of Science in Economics (Honours) from London School of Economics & Political Science, The University of London in 1974 and pursued a Master in Business Administration at The University of California, Los Angeles before joining his father in running the family business.

HENDRIK GEZINUS TAPPEL

Hendrik Gezinus (Henk) Tappel was appointed as our Director on 31 December 2009. He is also the Vice President of our Executive Committee and also Managing Director of Frencken Europe B.V. ("FEBV") and its subsidiaries.

As FEBV's Managing Director, Mr Tappel is responsible for the day-to-day management and operations of the Group's Europe Mechatronics Division. He has extensive experience in design and product development in the specialised field of complex mechatronic systems. Prior to joining FEBV in February 2006, Mr Tappel was with Philips/FEI Electron Optics in The Netherlands since 1987, where he has held various engineering and management positions.

Starting as a mechanical designer, Mr Tappel attained a senior position of mechanical architect and product manager prior to his departure from FEI Company. He holds a number of patents.

He graduated from the Technical University of Twente in The Netherlands and holds a master degree in Precision Engineering.

PROFILE OF BOARD OF DIRECTORS AND KEY MANAGEMENT (CONT'D)

TAN LAI HENG

Tan Lai Heng was appointed as our Executive Director on 30 July 2009. He is the Chairman of ETLA Limited and its subsidiaries ("ETLA Group"), which forms the Asian Mechatronics Division of Frencken Group Limited.

Mr Tan has more than twenty (20) years of experience in the engineering industry and is the founder of ETLA Group, which he started in 1985. He has played an instrumental role in the expansion and growth of the ETLA Group.

SIM MONG HUAT

Sim Mong Huat was appointed as our Executive Director on 30 July 2009. He is also the Vice President of our Executive Committee. He joined ETLA Limited on 5 March 2007 and is currently the Managing Director responsible for managing ETLA Limited and its subsidiaries ("ETLA Group") strategic growth and business. He began his career in March 1990 with the Economic Development Board ("EDB"). In his 15-year tenure with EDB, he served in various management capacities, including being the senior vice president (Investments), EDB Ventures Management Pte Ltd where he played a leading role in the company's investments activities in the technology and precision engineering sectors. From 1988 to 2002, he was the director of industry (Electronics), charged with spearheading the growth and development of the largest segment of Singapore's manufacturing industry. Whilst in that latter role, he was concurrently the director for the EDB's North America operations, responsible for promoting US investments into Singapore as well as the forging of strategic business alliances between the two economies. Mr Sim was awarded the Public Administration Medal (Silver) in the 2001 National Day for his contributions to the Singapore public service. During 2003 to 2004, Mr Sim served as group managing director of Norelco Centreline Holdings Ltd, a public-listed company in the business of contract equipment manufacturing.

He holds a Masters of Business Administration (Sloan Fellows) from the Massachusetts Institute of Technology (MIT) USA, a post-graduate Diploma in Finance Management from the Singapore Institute of Management (SIM) and a Bachelor of Mechanical Engineering (First Class Honours) from the University of Newcastle, Australia.

PROFILE OF BOARD OF DIRECTORS AND KEY MANAGEMENT (CONT'D)

DATO' GOOI SOON CHAI

Dato' Gooi Soon Chai is our Non-Independent, Non-Executive Director. He was appointed as our Director on 10 February 2015.

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 of Keysight Technologies, overseeing the global operations of Keysight Technologies' Order Fulfillment & Infrastructure across the U.S.A., Europe and Asia. Dato' Gooi was previously Senior Vice President of Agilent Technologies and President of Agilent Order Fulfillment as well as Vice President and General Manager of Agilent Technologies' Electronic Instruments Business Unit.

Dato' Gooi is a board member of the Malaysian Investment Development Authority. He holds a Bachelor of Science degree with first class honors in engineering from University of London and a Masters of Science degree in computing science from Imperial College of Science and Technology, London.

CHIA CHOR LEONG

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 L.L.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 practising as an advocate and solicitor since 1981, and is presently a director in Citilegal LLC., a law corporation. Mr Chia is a distinguished solicitor, a Fellow of the Singapore Institute of Arbitrators and a member of that Institute's Panel of Arbitrators, and an accredited Adjudicator as well as an accredited Associate Mediator with the Singapore Mediation Centre. He is also a commissioner for oaths as well as a notary public.

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

PROFILE OF BOARD OF DIRECTORS AND KEY MANAGEMENT (CONT'D)

LING YONG WAH

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

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.

Mr Yeo is 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 twelve (12) years. Mr Yeo has more than twenty five (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 also sits on the Board of Directors of Swiber Holdings Limited and Vallianz Holdings Limited.

PROFILE OF BOARD OF DIRECTORS AND KEY MANAGEMENT (CONT'D)

DAVID CHIN YEAN CHOON

David Chin Yean Choon is the Vice President of our Executive Committee as well as the Financial Controller 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.

ROGER GERARDUS ELISABETH HENDRIKS

Roger Gerardus Elisabeth Hendriks is the Vice President of our Executive Committee and is also the Finance Director of the Frencken Europe B.V. ("FEBV") and its subsidiaries. He first joined Optiwa B.V. (a subsidiary of FEBV) in 1989 as an Accountant. From 1993 to 1996, he rose from the rank of an accountant in Optiwa B.V. and Machinefabriek Gebrs. Frencken B.V. to Financial Controller of FEBV. Mr Hendriks was appointed Finance Director of FEBV in 1999.

He is a qualified controller and treasurer and holds Diplomas in Treasury Management and Hoger Financieel Adminstratief Management (HOFAM) from Stichting Nederlandse Management Examens.

PROFILE OF BOARD OF DIRECTORS AND KEY MANAGEMENT (CONT'D)

DAVID WONG KENG YIN

David Wong Keng Yin is the Executive Chairman and founder of Juken Technology Ltd. ("Juken").

David has been instrumental in spearheading the strategic development and growth of Juken – from a single rented factory in Bedok Reservoir Industrial Park with 3 employees and 3 machines, to its present network of 9 production facilities in Singapore, Malaysia, Thailand, India, Indonesia and China.

With his 30 years of experience and knowledge of the precision plastic injection moulding and mould fabrication industry, David oversees the overall management, strategic planning, business development and financial supervision of Juken.

Prior to establishing Juken, from 1975 to 1984, David was employed as a Production Manager of Enplas Company (Singapore) Private Limited, in charge of the production and assembly department.

David holds a Certificate in Manufacturing Management from the Sanno Institute of Business Administration, Japan.

WILLIAM WONG LAI HUAT

William Wong Lai Huat is the Chief Executive Officer and Executive Director of Juken Technology Ltd. ("Juken").

With his vast technical knowledge coupled with more than 20 years experience in the plastic injection moulding industry – as CEO, William is in charge of Juken's overall business and operations. Additionally, William supports the Executive Chairman in jointly developing and executing the strategic directions of Juken.

Prior to joining Juken, William was employed as a Project Manager of a German MNC in Malaysia specialising in automotive products.

William holds a Bachelor's degree in Mechanical Engineering from University of Strathclyde, United Kingdom, and a Diploma in Mechanical Engineering from University Technology Malaysia.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (the "Board") and Management of Frencken Group Limited (the "Company") 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 2012 (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 2014.

BOARD MATTERS

Principle 1 ***Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.***

The Board's Conduct of Affairs

The Board has the responsibility for the overall management of the Group. It establishes the corporate strategies of the Group, sets direction and goals for the executive management. It supervises the executive management and monitors performance of these goals to enhance shareholders' value. The Board is responsible for the overall corporate governance of the Group.

Board Composition

The Board comprises eight (8) Directors of whom three (3) are Executive Directors, two (2) Non-Executive Non-Independent Directors and three (3) Independent Directors. The Directors of the Company as at the date of this statement are:

Tan Sri Larry Low Hock Peng	(Non-Executive Non-Independent Chairman)
Gooi Soon Hock	(Executive Director) (demised on 30 December 2014)
Hendrik Gezinus Tappel	(Executive Director)
Tan Lai Heng	(Executive Director)
Sim Mong Huat	(Executive Director)
Dato' Gooi Soon Chai	(Non-Executive Non-Independent Director) (appointed on 10 February 2015)
Chia Chor Leong	(Independent Director)
Ling Yong Wah	(Lead Independent Director)
Yeo Jeu Nam	(Independent Director)

The current size of the Board is appropriate for the facilitation of decision making. 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, strategic planning, business and management experience. 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 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. Newly appointed Directors will receive appropriate training including familiarisation with the Group's business, governance practices and relevant statutory and regulatory compliance issues.

The profile of the Directors are found on pages 15 to 20 of this Annual Report.

BOARD MATTERS (CONT'D)
Principle 1 (Cont'd)

Board Processes

To assist in the execution of its responsibilities, the Board has established an Audit Committee, Nominating Committee and Remuneration Committee. All these three (3) committees are chaired by an Independent Director and consist mainly of Non-Executive Directors, 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. In addition, an Executive Committee and an Employee Share Option Scheme ("ESOS") Committee were set up to support the Board and Remuneration Committee respectively.

The full Board meets quarterly and more often when required to address any specific significant matters that may arise.

The Company's Articles of Association provides for Directors to participate in meetings of Directors 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 2014 and the attendance of each Director, where relevant, are as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee	Executive Committee
Number of meetings	4	5	1	1	4
Tan Sri Larry Low Hock Peng	4	N/A	1	1	N/A
Gooi Soon Hock (demised on 30 December 2014)	1	N/A	N/A	N/A	1
Hendrik Gezinus Tappel	4	N/A	N/A	N/A	4
Tan Lai Heng	4	N/A	N/A	N/A	N/A
Sim Mong Huat	4	N/A	N/A	N/A	4
Chia Chor Leong	4	5	1	1	N/A
Ling Yong Wah	2	2	-	N/A	N/A
Yeo Jeu Nam	4	5	N/A	1	N/A
Dato' Gooi Soon Chai *	N/A	N/A	N/A	N/A	N/A

N/A: Not Applicable

** Dato' Gooi Soon Chai was appointed as director on 10 February 2015*

Matters Requiring Board Approval

The Board has identified a number of areas for which the Board has direct responsibility for decision making. Interested Persons Transactions and the Group's internal control procedures are also reviewed by the Board. Major investments and funding decisions are approved by the Board.

The Board also meets to review and consider the following corporate matters:

- Performance of the business;
- Approval of quarterly, half yearly and year end result announcements and the release thereof;
- Approval of the annual reports and accounts;
- Convening of shareholder's meetings;
- Approval of corporate strategies; and
- Material acquisitions and disposal of assets.

BOARD COMPOSITION AND GUIDANCE

Principle 2 ***There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.***

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 2012 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 targeting to increase the independent element to comply with the requirements of the Code.

Policy on the independence of Independent 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 judgment and whether there are any business or other relationships that could materially affect or interfere with the exercise of objective, unfettered or independent judgment 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. 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.

A Director is independent if he or she:

(a) is not employed by the Company or any of its related corporations for the current or any of the past three financial years;

(b) does not have close family ties to an executive director of the Company or any of its related corporations;

(c) does not have an immediate family member who is, or has been in any of the past three financial years, employed by the Company or any of its related corporations whose remuneration is determined by the Remuneration Committee;

(d) does not accept any compensation from the Company or any of its related corporations other than compensation for board service for the current or immediate past financial year;

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

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

(e) does not have an immediate family member who is accepting any compensation from the Company or any of its related corporations other than compensation for board service for the current or immediate past financial year;

(f) is not a 10% shareholder of or a partner in (with 10% or more stake), or an executive officer of, or a director of any organisation to which the Company or any of its subsidiaries made, or from which the Company or any of its subsidiaries received, significant payments or material services (in excess of an aggregate of S$200,000 per annum) in the current or immediate past financial year;

(g) does not have an immediate family member who is a 10% shareholder of or a partner in (with 10% or more stake), or an executive officer of, or a director of any organisation to which the Company or any of its subsidiaries made, or from which the Company or any of its subsidiaries received, significant payments or material services (in excess of an aggregate of S$200,000 per annum) in the current or immediate past financial year;

(h) does not have a relationship which would interfere or be reasonably perceived to interfere with the exercise of independent judgment in carrying out the functions as an Independent Director of the Company;

(i) is not a director who is a 10% shareholder or an immediate family member of a 10% shareholder of the Company;

(j) is not a director who is or has been directly associated with a 10% shareholder of the Company, in the current or immediate past financial year.

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.

Except for Mr Chia Chor Leong and Mr Ling Yong Wah, 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 and Mr Ling Yong Wah have served as Independent Director of the Company for more than nine years since their initial appointments on 22 September 2004 and 12 May 2005 respectively. The Board has subjected their independence to rigorous review.

Mr Chia Chor Leong and Mr Ling Yong Wah have exercised strong independent judgment in their deliberations in the interests of the Company and maintain their objectivity and independence at all times in the discharge of their duties as directors. In addition, the independence of character and judgment of each of the directors concerned was not in any way affected or impaired by the length of service. The Board is satisfied with their continued independence of character and judgment and both Mr Chia Chor Leong and Mr Ling Yong Wah are still considered independent.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER
Principle 3 There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual represents a considerable concentration of power.

There is a clear division of responsibilities between the Chairman and President (equivalent to the position of Chief Executive Officer), which ensures there is a balance of power and authority, such that no one individual represents a considerable concentration of power.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CONT'D)
Principle 3 (Cont'd)

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 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.

On 26 January 2015, Tan Sri Larry Low Hock Peng, Non-Executive Chairman, has been appointed as interim President of the Group and a Select Committee (the "Committee"), has been formed, led by Tan Sri Low, to identify and shortlist suitable candidates to serve as President of the Group. Besides Tan Sri Low, the Committee comprises Dato' Gooi Soon Chai, Mr David Chin Yean Choon and Mr Sebastiaan Johannes (Jack) van Sprang.

BOARD MEMBERSHIP
Principle 4 There should be a formal and transparent process for the appointment and re-appointment of directors to 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)
Tan Sri Larry Low Hock Peng	(Non-Executive Non-Independent Director)

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

The Nominating Committee under its term of reference 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 whether or not a Director is independent, and makes the appropriate disclosures;

(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; and

(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.

None of the Directors are appointed for any fixed term. In accordance with the Company's Articles of Association, 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 nominations of Mr Chia Chor Leong, Mr Sim Mong Huat and Dato' Gooi Soon Chai retiring at this forthcoming Annual General Meeting for re-election, which has been accepted by the Board.

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

Each member of the Nominating Committee shall abstains from voting on any resolutions and making any recommendation and or participating in respects of matters in which he has an 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
Tan Sri Larry Low Hock Peng	20 July 2000	24 April 2014
Gooi Soon Hock (demised on 30 December 2014)	4 July 2000	24 April 2014
Hendrik Gezinus Tappel	31 December 2009	25 April 2013
Chia Chor Leong	22 September 2004	26 April 2012
Ling Yong Wah	12 May 2005	24 April 2014
Tan Lai Heng	30 July 2009	25 April 2013
Sim Mong Huat	30 July 2009	26 April 2012
Yeo Jeu Nam	1 November 2010	25 April 2013
Dato' Gooi Soon Chai	10 February 2015	N/A

N/A: Not Applicable

Please refer to Board of Director's 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.

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 There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

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 attendance record at the meetings and also the contribution of each Director to the effectiveness of the Board.

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.

ACCESS TO INFORMATION

Principle 6 ***In order to fulfil their responsibilities, director should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.***

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 promptly by management. The Board is informed of all material events and transactions as and when they occurred. The management provides the Board with quarterly reports of the Group's performance. The management also consults with Board members regularly whenever necessary and appropriate. The Board is issued with board papers timely and prior to Board meetings.

The Company Secretary 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 Memorandum and Articles of Association and the relevant rules and regulations applicable to the Company are complied with.

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.

REMUNERATION MATTERS

Principle 7 ***There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his 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)
Tan Sri Larry Low Hock Peng	(Non-Executive Non-Independent Director)

The Remuneration Committee under its term of reference is responsible for the following:

(a) to recommend to the Board a framework of remuneration for the Board and key executives, determine specific remuneration packages for each Executive Director 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;

(b) 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

(c) to manage the Employee Share Option Scheme 2008 and administered by the Employee Share Option Scheme ("ESOS") Committee comprising of the following members:

Sebastiaan Johannes (Jack) van Sprang	(CEO of Mechatronics Division)
David Wong Keng Yin	(CEO of IMS Division)
David Chin Yean Choon	(Group Financial Controller)

The Remuneration Committee held one (1) meeting during the year under review and there is no meeting held by ESOS Committee during the year under review.

LEVEL AND MIX OF REMUNERATION

Principle 8 ***The level and structure of remuneration should be aligned with long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.***

In setting remuneration packages, the Remuneration Committee will take into consideration the pay and employment conditions within the industry and comparable companies and the broad guidelines recommended by the Singapore Institute of Directors. 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.

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

DISCLOSURE ON REMUNERATION

Principle 9 ***Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.***

A breakdown showing the level and mix of each individual Director's remuneration payable for financial year 2014 is as follows:

	2014	**2013**
$500,001 to $750,000	1	1
$250,000 to below $500,000	2	2
Below $250,000	5	5
Total	**8**	**8**

Name of Director	**Salary** %	**Bonus** %	**Fringe Benefits** %	**Directors' Fees** %	**Total** %
$500,001 to $750,000					
Hendrik Gezinus Tappel	53	16	31	-	100
$250,000 to $500,000					
Gooi Soon Hock* (demised on 30 December 2014)	86	-	14	-	100
Sim Mong Huat	76	15	9	-	100
Below $250,000					
Tan Lai Heng	89	-	11	-	100
Tan Sri Larry Low Hock Peng	-	-	8	92	100
Chia Chor Leong	-	-	8	92	100
Ling Yong Wah	-	-	4	96	100
Yeo Jeu Nam	-	-	8	92	100

* Remuneration for the period from 1 January 2014 to 30 December 2014

DISCLOSURE ON REMUNERATION (CONT'D)
Principle 9 (Cont'd)

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					
David Wong Keng Yin	53	30	17	-	100
$500,001 to $750,000					
William Wong Lai Huat	42	25	33	-	100
Roger Gerardus Elisabeth Hendriks	53	14	33	-	100
$250,000 to $500,000					
Antonius Aloysius Marie Wullms	57	10	33	-	100
Koh Ing Chin	46	30	24	-	100
Patsy Cheong Lye Yong	55	24	21	-	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 2014 is $3,317,259.

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.

Madam Yap Yock Ran, the spouse of Mr Tan Lai Heng, an Executive Director of the Company, is employed by ETLA Limited, a subsidiary of the Group, as Senior Director, Human Resource and Administration of ETLA Limited and has received remuneration in that capacity.

For financial year 2014, saved as disclosed in the following table which shows the breakdown of the remuneration (in percentage term) of Madam Yap Yock Ran, the Company and its subsidiary companies does not have any other employee who is an immediate family member of a director or the Chief Executive Officer and whose remuneration exceeds $50,000.

	Salary %	Bonus %	Total %
$50,000 to $99,999			
Yap Yock Ran	92	8	100

Information on the Company's Employee Share Option Scheme 2008 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 36 to 38 of the Annual Report

ACCOUNTABILITY AND AUDIT
Principle 10 The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is accountable to the shareholders and is mindful of its obligations to furnish timely information that present a balanced and understandable assessment of the company's performance, position and prospects and to ensure full disclosure of material information to shareholders in compliance with statutory requirements and the Listing Manual.

Price sensitive information will be publicly released either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Financial results and annual reports will be announced or issued within the legal prescribed periods.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11 The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

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 has received assurance from the President and Chief Financial Officer that:

(a) The financial records of the Group have been properly maintained and the financial statements for the year ended 31 December 2014 give true and fair view of the Group's operations and finances; and

(b) The system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risks in the group in its current business environment including material financial, operational, compliance and information technology risks.

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.

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 judgment in decision making, human error losses, fraud or other irregularities.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management and the Audit Committee, pursuant to Listing Rule 1207 (10), the Board, with concurrence of the Audit Committee, is of the opinion that the Group's internal controls addressing financial, operational and compliance risks were adequate as at 31 December 2014.

In line with Listing Rule 1207 (19) on Dealings in Securities, the Group issues a quarterly letter to its Directors, officers and employees prohibiting dealings in listed securities of the Company from two (2) weeks or one (1) month, as the case may be, before the announcement of the Company's first three (3) quarters and annual financial results, and at any time they are in possession of unpublished material price sensitive information. Directors and officers are also directed to refrain from dealing in securities on short-term considerations.

Directors and officers are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

AUDIT COMMITTEE

Principle 12 The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

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.

AUDIT COMMITTEE (CONT'D)
Principle 12 (Cont'd)

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

Ling Yong Wah	(Chairman & Lead Independent Director)
Chia Chor Leong	(Independent Director)
Yeo Jeu Nam	(Independent Director)

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

(a) review the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the independent auditors;

(b) review with the independent 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 quarterly, 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 independent 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 independent 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 of the Group's internal financial controls, operational and compliance controls and risk management policies and systems;

(h) consider the appointment or re-appointment of the independent auditors and matters relating to resignation or dismissal of the auditors;

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

(j) 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

(k) 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 12 (Cont'd)

The Company has in place a whistle-blowing policies 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 and co-operation from management and has full discretion to invite any Director or Executive Officer to attend its meetings, and has been given reasonable resources to enable it to discharge its functions.

The Group engages different audit firms for its subsidiaries and the names of these audit firms are disclosed on pages 85 to 89 of this Annual Report. Both the Audit Committee and Board have reviewed the appointment of these audit firms and are of the view that the appointments of these other audit firms would not compromise the standard and effectiveness of the audit of the Company and the Group. Accordingly, the Company has complied with Rules 712 and 716 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 independent auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the independent auditors. At the forthcoming Annual General Meeting of the Company, the Audit Committee has recommended to the directors the nomination of Deloitte and Touche LLP for re-appointment as independent auditors of the Group.

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

INTERNAL AUDIT
Principle 13 The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

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 Company's internal functions are carried out in-house. The Audit Committee reviews the adequacy of the internal audit function and its standing within the Company to ensure it is able to perform its function effectively and objectively.

During the year, the internal auditor carried out one (1) cycle of internal audit for the Mechatronics Division in Asia and three (3) cycles of internal audit for the IMS Division in Asia and 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.

SHAREHOLDERS RIGHTS AND RESPONSIBILITIES
Principle 14 Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Principle 15 Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Principle 16 Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

SHAREHOLDERS RIGHTS AND RESPONSIBILITIES (CONT'D)
Principle 16 (Cont'd)

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 and news releases
- Annual Report 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 conduct presentation to analyst and investors to keep the market and investors apprised of the Group's corporate development and financial performance.

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. The Chairman of the Audit, Remuneration and Nominating Committees 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 auditors' report.

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 has not adopted voting by poll for all resolutions this year. The Company will make arrangement to meet the requirement of the Listing Manual of the SGX-ST in relation to poll voting from 1 August 2015.

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.

EXECUTIVE COMMITTEE

The Executive Committee is responsible to the Board for the management of our Group's operational activities and the interests of its subsidiaries. The Executive Committee meets four (4) times each year and reports to the Board on a regular basis. The Directors as a whole, however, continue to hold statutory responsibility for the duties delegated to the Executive Committee and discharged by the Executive Committee on behalf of the Board.

The Executive Committee comprised the following members in FY2014:

Gooi Soon Hock	(President) (demised on 30 December 2014)
Hendrik Gezinus Tappel	(Vice President)
Sim Mong Huat	(Vice President)
David Chin Yean Choon	(Vice President)
Roger Gerardus Elisabeth Hendriks	(Vice President)

As at the date of the Corporate Governance Statement, and following the reorganisation of the Group's management structure, the Executive Committee comprises:

Group President	(pending appointment)
Sebastiaan Johannes (Jack) van Sprang	(CEO of Mechatronics Division)
David Wong Keng Yin	(CEO of IMS Division)
David Chin Yean Choon	(Vice President)

MATERIAL CONTRACTS

There was 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 2014.

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 was 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 2014.

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

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of Frencken Group Limited (the "Company") and its subsidiaries (the "Group") which comprise the balance sheets of the Group and the Company as at 31 December 2014, and the consolidated income statement, statement of comprehensive income, statement of changes in equity and cash flow statement of the Group for the financial year ended 31 December 2014.

1 DIRECTORS

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

Tan Sri Larry Low Hock Peng
Hendrik Gezinus Tappel
Tan Lai Heng
Sim Mong Huat
Chia Chor Leong
Ling Yong Wah
Yeo Jeu Nam
Dato' Gooi Soon Chai (Appointed on 10 February 2015)

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, other than as disclosed under "Share Options" on pages 36 to 38 of this report.

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 name of director		Holdings in which a director is deemed to have an interest	
Name of director and Company in which interests are held	At beginning of year	At end of year	At beginning of year	At end of year
Frencken Group Limited (Ordinary shares)				
Tan Sri Larry Low Hock Peng	200,000	200,000	41,176,794	41,176,794
Hendrik Gezinus Tappel	-	-	67,000	67,000
Tan Lai Heng	-	3,312,713	19,360,713	16,048,000
Sim Mong Huat	767,000	767,000	-	-

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 under "Share Options" on pages 36 to 38 of this report.

	Number of unissued ordinary shares under option	
	At beginning of year	**At end of year**
Hendrik Gezinus Tappel		
- 2008 Options	380,000	380,000
- 2009 Options	380,000	380,000
- 2010 Options	390,000	390,000
Sim Mong Huat		
- 2009 Options	290,000	290,000
- 2010 Options	220,000	220,000

The directors' interests in the shares and share options of the Company as at 21 January 2015 were the same at 31 December 2014.

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

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in the financial statements. Certain directors have received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

5 SHARE OPTIONS

(a) Frencken Employee Share Option Scheme 2008

The Frencken Employee Share Option Scheme 2008 (the "Scheme") for executive directors and employees of the Group ("Group Employees") was approved by members of the Company at an Extraordinary General Meeting on 18 April 2008 and it is managed by the Remuneration Committee and administered by the Employee Share Option Scheme Committee (the "Committee") comprising of the following members:

Sebastiaan Johannes (Jack) van Sprang	(CEO of Mechatronics Division)
David Wong Keng Yin	(CEO of IMS Division)
David Chin Yean Choon	(Group Financial Controller)

The Scheme will provide the Company with the means to use share options as part of a compensation plan for attracting as well as promoting long-term staff retention, by providing an opportunity for Group Employees who satisfy the eligibility criteria of the Scheme, to participate in the equity of the Company.

5 SHARE OPTIONS (CONT'D)

(a) Frencken Employee Share Option Scheme 2008 (Cont'd)

The Scheme 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 and 6,000,000 ordinary shares of the Company on 1 December 2009 ("2009 Options"), 1 December 2010 ("2010 Options") and 7 October 2013 ("2013 Options") respectively. Particulars of the 2008 Options, 2009 Options, 2010 Options and 2013 Options were set out in the Directors' Report for the financial year ended 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2013 respectively.

Options granted under the Scheme

Details of the options 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 31.12.2014**	**Aggregate granted since commencement of scheme to 31.12.2014**	**Aggregate exercised since commencement of scheme to 31.12.2014**	**Aggregate outstanding as at 31.12.2014**
Hendrik Gezinus Tappel	-	1,150,000	-	1,150,000
Sim Mong Huat	-	510,000	-	510,000

Eligibility

Group Employees 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 Scheme 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 Scheme.

Size of the Scheme

The total amount of new shares over which the Committee may grant options on any date, when added to the amount of new shares issued and issuable in respect of all shares available under the Scheme shall not exceed 15% of the number of issued shares of the Company on the day immediately preceding the date of grant of the option. Any shares which are held as treasury shares will be disregarded for the purpose of computing the 15% limit.

Exercise price and option period

The exercise price of the options is determined at a price which is set at a discount of 20% to the market price (a price equal to the average of the last dealt prices for the shares on the Singapore Exchange Securities Trading Limited over the last three consecutive trading days immediately preceding the date of grant of options). The vesting of the options is conditional on the Group Employees completing another two (2) years of service to the Group from the date of grant of options. Once the options are vested, they are exercisable for a period 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.

Except for Mr Sebastiaan Johannes (Jack) van Sprang, a former director of the Company, no participant under the Scheme has received 5% or more of the total number of shares under option available under the Scheme.

5 SHARE OPTIONS (CONT'D)

(b) Share options outstanding

The number of unissued ordinary shares of the Company under option in relation to the Frencken Employee Share Option Scheme 2008 outstanding at the end of the financial year was as follows:

	Number of unissued ordinary shares under option at 31.12.2014	Exercise price	Exercise period
2008 Options	2,746,000	$0.155	1.12.2010 – 30.11.2018
2009 Options	4,074,000	$0.168	1.12.2011 – 30.11.2019
2010 Options	5,835,000	$0.224	1.12.2012 – 30.11.2020
2013 Options	6,000,000	$0.208	7.10.2015 – 6.10.2023
	18,655,000		

6 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)

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

(a) review the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the independent auditors;

(b) review with the independent 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 quarterly, 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 independent 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);

6 AUDIT COMMITTEE (CONT'D)

(f) review and discuss with the independent 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 of the Group's internal financial controls, operational and compliance controls and risk management policies and systems;

(h) consider the appointment or re-appointment of the independent auditors and matters relating to resignation or dismissal of the auditors;

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

(j) 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

(k) 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 Company has in place a whistle-blowing policies 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 and co-operation from management and has full discretion to invite any Director or Executive Officer to attend its meetings, and has been given reasonable resources to enable it to discharge its functions.

The Group engages different audit firms for its subsidiaries and the names of these audit firms are disclosed in Note 14 to the financial statements. Both the Audit Committee and Board have reviewed the appointment of these audit firms and are of view that the appointments of these other audit firms would not compromise the standard and effectiveness of the audit of the Company and the Group. Accordingly, the Company has complied with Rules 712 and 716 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 independent auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the independent auditors. At the forthcoming Annual General Meeting of the Company, the Audit Committee has recommended to the directors the nomination of Deloitte and Touche LLP for re-appointment as independent auditors of the Group.

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

7 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

....
Tan Sri Larry Low Hock Peng

....
Sim Mong Huat

6 March 2015

STATEMENT BY DIRECTORS

In the opinion of the directors, the consolidated financial statements of the Group and the balance sheet of the Company as set out on pages 43 to 124 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and of the results, changes in equity and cash flows of the Group 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.

ON BEHALF OF THE DIRECTORS

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Tan Sri Larry Low Hock Peng

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Sim Mong Huat

6 March 2015

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF FRENCKEN GROUP LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Frencken Group Limited (the "Company") and its subsidiaries (the "Group"), which comprise the balance sheets of the Group and of the Company as at 31 December 2014, and the consolidated income statement, statement of comprehensive income, statement of changes in equity and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 43 to 124.

Management's Responsibility 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 Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and of the results, changes in equity and cash flows of the Group for the year ended on that date.

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 the subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Other Matters

The financial statements for the year ended 31 December 2013 were audited by another auditor who expressed an unmodified opinion on those financial statements in their report dated 7 March 2014.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

6 March 2015

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014 $'000	2013 $'000
Revenue	5	472,737	444,737
Cost of sales		(406,768)	(377,801)
Gross profit		65,969	66,936
Other income	6	5,538	6,796
Selling and distribution expenses		(12,630)	(11,400)
Administrative and general expenses		(39,874)	(36,786)
Other operating expenses		(1,197)	(680)
Interest income		293	257
Finance costs	8	(1,589)	(2,258)
Profit before income tax and exceptional items		16,510	22,865
Exceptional items			
Impairment loss of financial asset, available-for-sale	9(a), 16	(535)	(403)
Impairment loss of goodwill in subsidiary	9(b), 17(a)	(179)	-
		(714)	(403)
Profit before income tax		15,796	22,462
Income tax expense	10	(4,715)	(4,330)
Profit for the year	7(a)	11,081	18,132
Profit attributable to:			
Equity holders of the Company		11,358	17,744
Non-controlling interests		(277)	388
		11,081	18,132
Earnings per share			
Attributable to the equity holders of the Company (cents per share)	11		
Basic		2.82	4.47
Diluted		2.78	4.44

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014 $'000	2013 $'000
Profit for the year		11,081	18,132
Items that may be reclassified subsequently to income statement:			
Currency translation differences arising from consolidation		(5,535)	2,247
Total comprehensive income for the year		5,546	20,379
Total comprehensive income attributable to:			
Equity holders of the Company		5,790	20,000
Non-controlling interests		(244)	379
		5,546	20,379

See accompanying notes to financial statements.

BALANCE SHEETS
AS AT 31 DECEMBER 2014

		Group		Company	
	Note	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Non-current assets					
Property, plant and equipment	13	106,410	108,796	-	-
Subsidiaries	14	-	-	135,001	124,652
Investments in associated companies	15	-	-	-	-
Financial asset, available-for-sale	16	4,372	4,907	4,372	4,907
Intangible assets	17	24,880	19,720	-	-
Deferred income tax assets	28	1,147	1,165	-	-
Other receivables, deposits and prepayments	21	3,156	3,431	-	-
Total non-current assets		139,965	138,019	139,373	129,559
Current assets					
Inventories	18	95,669	85,948	-	-
Trade receivables	19	87,207	83,012	-	-
Receivables from subsidiaries	20	-	-	1,328	11,116
Dividend receivable from subsidiaries		-	-	4,295	2,947
Other receivables, deposits and prepayments	21	8,789	7,183	12	11
Tax recoverable		1,862	1,299	-	-
Cash and cash equivalents	22	18,770	19,634	2,092	3,499
Total current assets		212,297	197,076	7,727	17,573
Total assets		352,262	335,095	147,100	147,132
Current liabilities					
Trade payables	23	49,111	40,542	-	-
Other payables, accruals and provisions	24	31,345	27,417	360	330
Deferred gain	25	1,063	1,063	-	-
Borrowings	26	53,022	47,556	400	-
Income tax payable		1,234	1,606	2	6
Total current liabilities		135,775	118,184	762	336

BALANCE SHEETS
AS AT 31 DECEMBER 2014 (CONT'D)

	Note	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Non-current liabilities					
Other payables	24	-	43	-	-
Deferred gain	25	1,860	2,924	-	-
Borrowings	26	2,337	3,657	-	-
Deferred income tax liabilities	28	3,835	3,222	-	-
Total non-current liabilities		8,032	9,846	-	-
Total liabilities		143,807	128,030	762	336
NET ASSETS		208,455	207,065	146,338	146,796
Equity					
Capital and reserves attributable to the Company's equity holders					
Share capital	29	99,627	99,538	99,627	99,538
Treasury shares	29	-	(1,411)	-	(1,411)
Foreign currency translation reserve		(17,226)	(11,658)	-	-
Merger reserve		2,345	2,345	-	-
Capital reserve		(27)	(150)	(27)	(150)
Statutory reserve fund	30	1,042	654	-	-
Share option reserve		1,621	1,773	1,621	1,773
Retained profits		119,534	114,191	45,117	47,046
		206,916	205,282	146,338	146,796
Non-controlling interests		1,539	1,783	-	-
Total equity		208,455	207,065	146,338	146,796

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Group	Note	Share capital $'000	Treasury shares $'000	Foreign currency translation reserve $'000	Merger reserve $'000	Capital reserve $'000	Statutory reserve fund $'000	Share option reserve $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2014		99,538	(1,411)	(11,658)	2,345	(150)	654	1,773	114,191	205,282	1,783	207,065
Profit for the year		-	-	-	-	-	-	-	11,358	11,358	(277)	11,081
Other comprehensive income (loss):												
Currency translation differences arising from consolidation		-	-	(5,568)	-	-	-	-	-	(5,568)	33	(5,535)
Total comprehensive income for the financial year		-	-	(5,568)	-	-	-	-	11,358	5,790	(244)	5,546
Transactions with owners, recognised directly in equity												
Transfer to statutory reserve fund	30	-	-	-	-	-	388	-	(388)	-	-	-
Employees share option scheme												
-Value of employee services		-	-	-	-	-	-	375	-	375	-	375
-Treasury share re-issued	29	-	1,411	-	-	90	-	(467)	-	1,034	-	1,034
Issue of share capital	29	89	-	-	-	-	-	-	-	89	-	89
Transfer arising from exercised share options		-	-	-	-	33	-	(33)	-	-	-	-
Transfer arising from forfeited share options		-	-	-	-	-	-	(27)	27	-	-	-
Dividend relating to 2013 paid	12	-	-	-	-	-	-	-	(5,654)	(5,654)	-	(5,654)
Total		89	1,411	-	-	123	388	(152)	(6,015)	(4,156)	-	(4,156)
Balance at 31 December 2014		99,627	-	(17,226)	2,345	(27)	1,042	1,621	119,534	206,916	1,539	208,455

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

	Note	Share capital $'000	Treasury shares $'000	Foreign currency translation reserve $'000	Merger reserve $'000	Capital reserve $'000	Statutory reserve fund $'000	Share option reserve $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Group												
Balance at 1 January 2013		99,538	(1,903)	(13,914)	2,345	(112)	554	1,835	98,499	186,842	1,164	188,006
Profit for the year		-	-	-	-	-	-	-	17,744	17,744	388	18,132
Other comprehensive income (loss):												
Currency translation differences arising from consolidation		-	-	2,256	-	-	-	-	-	2,256	(9)	2,247
Total comprehensive income for the financial year		-	-	2,256	-	-	-	-	17,744	20,000	379	20,379
Transactions with owners, recognised directly in equity												
Transfer to statutory reserve fund	30	-	-	-	-	-	100	-	(100)	-	-	-
Employees share option scheme -Value of employee services		-	-	-	-	-	-	94	-	94	-	94
-Treasury share re-issued	29	-	492	-	-	(38)	-	(127)	-	327	-	327
Transfer arising from forfeited share options		-	-	-	-	-	-	(29)	29	-	-	-
Acquisition of a subsidiary		-	-	-	-	-	-	-	-	-	240	240
Dividend relating to 2012 paid	12	-	-	-	-	-	-	-	(1,981)	(1,981)	-	(1,981)
Total		-	492	-	-	(38)	100	(62)	(2,052)	(1,560)	240	(1,320)
Balance at 31 December 2013		99,538	(1,411)	(11,658)	2,345	(150)	654	1,773	114,191	205,282	1,783	207,065

See accompanying notes to financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	2014 $'000	2013 $'000
Cash Flows From Operating activities		
Profit after tax	11,081	18,132
Adjustments for:		
Income tax expense	4,715	4,330
Exchange differences	(563)	(1,110)
Employees share option expense	375	94
Depreciation of property, plant and equipment	19,513	19,970
Gain on disposal of property, plant and equipment, net	(190)	(297)
Property, plant and equipment written off	58	153
Interest income	(293)	(257)
Interest expense (Note 8)	1,589	2,258
Amortisation of deferred gain (Note 25)	(1,064)	(1,063)
Amortisation of intangible assets (Note 17)	2,384	1,789
Impairment loss of financial asset, available-for-sale (Note 9(a))	535	403
Impairment loss of property, plant and equipment (Note 13)	-	121
Impairment loss of goodwill in subsidiary (Note 9(b))	179	-
Operating cash flow before working capital changes	38,319	44,523
Changes in operating assets and liabilities:		
Inventories	(12,033)	(615)
Receivables	(6,194)	(4,417)
Payables	9,369	(4,749)
Cash flows generated from operations	29,461	34,742
Tax paid	(4,939)	(4,532)
Interest paid	(1,598)	(2,221)
Net cash from operating activities	22,924	27,989
Cash Flows From Investing activities		
Interest received	293	257
Additions of intangible assets (Note 17)	(4,506)	(2,816)
Purchase of property, plant and equipment (Note 22)	(16,320)	(15,040)
Proceeds from disposal of property, plant and equipment	506	1,241
Acquisition of a subsidiary, net of cash acquired (Note 22)	(4,249)	(416)
Net cash used in investing activities	(24,276)	(16,774)

CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

	2014 $'000	2013 $'000
Cash Flows From Financing activities		
Proceed from re-issuance of treasury shares	1,034	327
Proceeds from issuance of share capital	89	-
Repayment of finance lease liabilities	(3,020)	(2,185)
Repayment of short term bank borrowings	(79,655)	(93,401)
Repayment of term loans	(1,330)	(41,637)
Proceeds from short term bank borrowings	82,674	102,196
Proceeds from term loans	1,654	3,240
Dividend paid to shareholders	(5,654)	(1,981)
(Placement) Withdrawal of fixed deposits pledged as securities	(53)	18,139
Net cash used in financing activities	(4,261)	(15,302)
Net decrease in cash and cash equivalents	(5,613)	(4,087)
Cash and cash equivalents at the beginning of the financial year	(761)	5,498
Effect of exchange rate changes on cash and cash equivalents	1,445	(2,172)
Cash and cash equivalents at the end of the financial year (Note 22)	(4,929)	(761)

The accompanying notes form an integral part of these financial statements.

1 GENERAL

Frencken Group Limited (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 80 Robinson Road, #02-00, Singapore 068898.

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are set out in Note 14.

The consolidated financial statements of the Group and balance sheet of the Company for the year ended 31 December 2014 were authorised for issue by the Board of Directors on 6 March 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

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 financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 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.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

Interpretations and amendments to published standards effective in 2014

On 1 January 2014, the Group and the Company adopted all the new and revised FRSs and Interpretations to FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below:

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In September 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising FRS 110 *Consolidated Financial Statements,* FRS 111 *Joint Arrangements*, FRS 112 *Disclosure of Interests in Other Entities,* FRS 27 (as revised in 2011) *Separate Financial Statements* and FRS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*. Subsequent to the issue of these standards, amendments to FRS 110, FRS 111 and FRS 112 were issued to clarify certain transitional guidance on the first-time application of these Standards.

In the current year, the Group has applied for the first time FRS 110, FRS 111, FRS 112, FRS 27 (as revised in 2011) and FRS 28 (as revised in 2011) together with the amendments to FRS 110, FRS 111 and FRS 112 regarding the transitional guidance.

FRS 112 *Disclosure of Interests in Other Entities* is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of FRS 112 has resulted in more extensive disclosures in the consolidated financial statements (please see Note 14 for details).

Amendments to FRS 32 *Financial Instruments: Presentation relating to Offsetting Financial Assets and Financial Liabilities*

The amendments to FRS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of 'currently has a legal enforceable right of set-off' and 'simultaneous realisation and settlement'. The amendments to FRS 32 are effective for annual periods beginning on or after 1 January 2014, with retrospective application required.

At the date of authorisation of these financial statements, the following FRSs, INT FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- Amendments to FRS 19 (2011) *Defined Benefit Plans: Employee Contributions*
- Improvements to Financial Reporting Standards (January 2014)
- FRS 109 *Financial Instruments*
- FRS 115 *Revenue from Contracts with Customers*
- Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative*
- Amendments to FRS 27 *Separate Financial Statements: Equity Method in Separate Financial Statements*
- Amendments to FRS 16 *Property, Plant and Equipment* and FRS 38 *Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to FRS 110 *Consolidated Financial Statements* and FRS 28 *Investments in Associates and Joint Ventures: Sale of Contribution of Assets between an Investor and its Associate or Joint Venture*

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS 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 FRS 19 (2011) *Defined Benefit Plans: Employee Contributions*

The Amendments permit contributions that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to periods of service. Other contributions by employees or third parties that are not solely linked to current year service are required to be attributed to periods of service either using the plan's contribution formula or on a straight-line basis.

Improvements to Financial Reporting Standards (January 2014)

Standards included in this cycle of improvement project comprised of the following. Amendments apply for annual periods beginning on or after 1 July 2014, unless otherwise stated.

Standard	Topic	Key amendment
FRS 102 Share Based Payments	Definition of vesting condition	Amended definitions of 'vesting condition' and 'market condition' and added definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. Amendments apply prospectively to share-based payment transactions with a grant date on or after 1 July 2014, with earlier application permitted.
FRS 103 Business Combinations	Accounting for contingent consideration in a business combination	Clarified that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of FRS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss.
FRS 108 Operating Segments	Aggregation of Operating Segments	Amendments require an entity to disclose the judgement made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'.
	Reconciliation of the total of the reportable segments' assets to the entity's assets	Clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

Improvements to Financial Reporting Standards (January 2014) (Cont'd)

Standard	Topic	Key amendment
FRS 16 Property, Plant and Equipment and *FRS 38 Intangible assets*	Revaluation method: proportionate restatement of accumulated depreciation/ amortisation	Removed perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended requirements clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.
FRS 24 Related Party Disclosures	Key Management Personnel	Clarified that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity must disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However disclosure of the components for such compensation is not required.

The management is currently evaluating the impact of the above Improvements to Financial Reporting Standards (January 2014).

FRS 109 *Financial Instruments*

FRS 109 was issued in December 2014 to replace FRS 39 Financial Instruments: Recognition and Measurement and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) derecognition (iii) general hedge accounting (iv) impairment requirements for financial assets.

Key requirements of FRS 109:

- All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value through profit or loss (FVTPL). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

FRS 109 *Financial Instruments (Cont'd)*

- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented 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 to profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under FRS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL is presented in profit or loss.

- In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The management is currently evaluating the potential impact of the application of FRS 109 *Financial Instruments* on the financial statements of the Group and of the Company in the period of initial application.

FRS 115 *Revenue from Contracts with Customers*

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 Revenue, FRS 11 Construction Contracts and the related Interpretations when it becomes effective. The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

The management is currently evaluating the potential impact of the application of FRS 115 *Revenue from Contracts with Customers* on the financial statements of the Group in the period of initial application.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

Amendments to FRS 1 *Presentation of Financial Instruments: Disclosure Initiative*

The following amendments have been made to the following:

- Materiality and aggregation - An entity shall not obscure useful information by aggregating or disaggregating information and materiality considerations apply to the primary statements, notes and any specific disclosure requirements in FRSs.

- Balance sheet, income statement and statement of other comprehensive income - The list of line items to be presented in these statements can be aggregated or disaggregated as relevant. Guidance on subtotals in these statements has also been included.

- Notes - Entities have flexibility when designing the structure of the notes and guidance is introduced on how to determine a systematic order of the notes. In addition, unhelpful guidance and examples with regard to the identification of significant accounting policies are removed.

The management is currently evaluating the potential impact of the application of Amendments to FRS 1 *Presentation of Financial Instruments: Disclosure Initiative* on the financial statements of the Group and of the Company in the period of initial application.

Amendments to FRS 16 *Property, Plant and Equipment* and FRS 38 *Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to FRS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to FRS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or
b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The management is currently evaluating the potential impact of the application of Amendments to FRS 16 *Property, Plant and Equipment* and FRS 38 *Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation* on the financial statements of the Group and of the Company in the period of initial application.

(b) 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)

(b) 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 ensure consistency of accounting policies with those of the Group.

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(c) for the Company's accounting policy on investments in subsidiaries.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Group accounting (Cont'd)

Subsidiaries (Cont'd)

(ii) Acquisition of businesses

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(d)(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Group accounting (Cont'd)

Subsidiaries (Cont'd)

(iii) Disposals of subsidiaries or businesses (Cont'd)

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(c) for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

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 interested 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Group accounting (Cont'd)

Associated companies (Cont'd)

(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(c) the accounting policy on investments in associated companies in the separate financial statements of the Company.

(c) Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are stated at cost less accumulated impairment losses (Note 2(e)(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.

(d) Intangible assets

(i) Goodwill on consolidation

Goodwill on acquisitions of subsidiaries on or after 1 January 2010 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.

Goodwill on acquisition of subsidiaries prior to 1 January 2010 represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries at the date of acquisition.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Intangible assets (Cont'd)

(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.

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 sales from the related project or expected units of production basis over their estimated useful lives.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) 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.

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

Property, plant and equipment, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) 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.

(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 income statement. This is a non-distributable reserve. Movements in this reserve account are set out in consolidated statement of changes in equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and translated at the closing rate at the date of the balance sheet. For acquisitions prior to 1 January 2005, the exchange rates at the dates of acquisition are used.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Revenue recognition

Revenue comprises the fair value of consideration received or receivable for the sale of goods and rendering of services net of rebates, discounts and sales related taxes, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, when it is probable that the collectibility of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(i) Sale of goods

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer and collectibility of the related receivables is reasonably assured.

Revenue from the design and fabrication of moulds is recognised on the percentage of completion method. Percentage of completion is measured by reference to the completion of certain pre-determined milestones as certified by engineers.

(ii) Rendering of services

Revenue from rendering of services is recognised when the services are rendered.

(iii) Interest income

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

(iv) Dividend income

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

(h) 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(w) on borrowing costs).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(iii) Depreciation

Freehold land and capital work-in-progress are not depreciated. Leasehold land and buildings are depreciated on a straight line basis of the lease periods of between 60 to 99 years. 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	2% - 3%
Plant, machinery and equipment and piping and electrical installation	10% - 33%
Moulds and toolings	14% - 50%
Office equipment, furniture and fittings and renovation	2% - 100%
Motor vehicles	16% - 33%

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.

(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.

(i) 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.

(j) 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 at 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)

(k) Leases

When the Group is the lessee

(i) Lessee - Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expenses are recognised in the income statement on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(ii) Lessee - Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

(iii) Sales and lease back transaction

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset.

Sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any gain or loss shall be recognised immediately. If the sale price is below fair value, any loss shall be recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it shall be deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value shall be deferred and amortised over the period for which the asset is expected to be used.

(l) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the income statement over the period of the borrowings using the effective interest method.

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.

(n) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

(o) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Taxes (Cont'd)

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.

(p) Employee compensation

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

(i) 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.

(ii) Defined retirement benefit plans

For defined 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 profit or loss. Past service cost is recognised in profit or loss 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.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

(a) Funded defined retirement benefit plan

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 actuarial valuation of the plan assets and the present value of the defined obligation were carried out at 31 March 2010 and 31 December 2010 by Expertisa 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Employee compensation (Cont'd)

(ii) Defined retirement benefit plans (Cont'd)

(b) Unfunded defined retirement benefit plan

Under the plan for Thailand and Indonesia, the employees are entitled to a lump sum payment based on the length of employment service, on attainment of a retirement age of 55. No other post-retirement benefits are provided.

The actuarial valuation of the present value of the defined benefit obligation for both Thailand and Indonesia subsidiaries were carried out at 31 December 2011 by Team Excellence Consulting Co. Ltd. and Padma Radya Aktuaria respectively. 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.

No disclosure was made for the above retirement benefit plans in the financial year ended 31 December 2014 and 2013 as the impact to the financial statements is not material.

(iii) Employees' leave entitlements

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.

(iv) 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.

(q) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Government grants

Grants from government are recognised at their fair values when there is reasonable assurance that the conditions attached to the grants are complied with and the grants will be received. Expense related grants are recognised as income in the period in which the respective expenses are incurred.

(s) 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.

(t) 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.

(u) Financial assets

(i) Classification

The Group and the Company classify their financial assets as loans and receivables and available-for-sale. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are represented as trade receivables, receivables from subsidiaries, dividends receivables from subsidiaries, other receivables, deposits and cash and cash equivalents on the balance sheet.

(b) Financial assets, available-for-sale

Financial assets, available-for-sale are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Financial assets (Cont'd)

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group and the Company commit to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership.

On the disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is taken to the income statement. Any amount in the fair value reserve relating to that asset is also taken to the income statement.

(iii) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

(iv) Subsequent measurement

Financial assets, available-for-sale is subsequently carried at fair value. Loans and receivables is carried at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocates the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on 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 instrument, or where appropriate, a shorter period. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

Interest and dividend income on financial assets, available-for-sale are recognised separately in the income statement. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in the income statement and the other changes are recognised in the fair value reserve. Changes in fair value of available-for-sale equity securities (i.e. monetary items) are recognised in the fair value reserve, together with the related currency translation differences.

For available-for-sale equity investment that does not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivative that are linked to and must be settled by delivery of such unquoted equity instruments, it is measured at cost less any identified impairment loss at the end of each financial year subsequent to initial recognition.

(v) Impairment

The Group and the Company assess at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(a) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Financial assets (Cont'd)

(v) Impairment (Cont'd)

(a) Loans and receivables (Cont'd)

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in the income statement.

The allowance for impairment loss account is reduced through the income statement in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost, had no impairment been recognised in prior periods.

(b) Financial assets, available-for-sale

In the case of an equity security classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the security is impaired.

When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that has been recognised directly in the fair value reserve is removed from the fair value reserve within equity and recognised in the income statement. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in income statement.

(v) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(w) 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

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) 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(e)(i). The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 17).

No impairment loss was recognised during the financial year except as disclosed in Note 9(b) (2013 : $Nil). As disclosed in Note 17, the carrying amount of goodwill as at 31 December 2014 was $11,578,000 (2013 : $9,824,000).

(ii) Estimation of impairment of deferred development costs

During the year, management performed a review of the development costs capitalised as part of intangible assets for indicators of impairment. Based on the review, no impairment is required. Key assumptions used in the review included capturing a 3% global market share, revenue forecast based on expected sales orders from a customer and discount rate of 8.66% which represent pre-tax discount rate applied to the pre-tax cash flow projections. As disclosed in Note 17, the carrying amount of the Group's deferred development costs as at 31 December 2014 was $10,915,000 (2013 : $7,480,000).

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(a) Critical accounting estimates and assumptions (Cont'd)

(iii) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

The estimate is reviewed on an ongoing basis. The carrying amounts of the Group's and Company's current income tax payable as at 31 December 2014 was $1,234,000 (2013: $1,606,000) and $2,000 (2013: $6,000) respectively. The carrying amount of the Group's current tax recoverable as at 31 December 2014 was $1,862,000 (2013: $1,299,000).

(iv) Deferred taxes

Deferred income tax assets are recognised to the extent that it is probable that the taxable profit will be available against which the deferred income tax assets recognised can be utilised. Management's judgement is required to determine the amount of deferred income tax assets that can be recognised, based upon the likely timing and level of future tax planning strategies. As disclosed in Note 28, the carrying amount of the Group's recognised deductible temporary differences as at 31 December 2014 was $1,147,000 (2013: $1,165,000). Management is of the view that these deferred income tax assets are considered to be fully recoverable based on anticipated future profitability of the Group.

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 $13,630,000 (2013 : $11,402,000). 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.

(v) Impairment of loans and receivables

The provision policy for doubtful debts of the Group is based on the ageing analysis and management's on-going evaluation of the recoverability of the outstanding receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, as discussed in Note 34(b), including the assessment of the creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. As disclosed in Note 34(f), the carrying amounts of the Group's and the Company's loans and receivables (excluding prepayments) as at 31 December 2014 were $114,024,000 (2013 : $109,293,000) and $7,716,000 (2013 : $17,563,000) respectively.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(a) Critical accounting estimates and assumptions (Cont'd)

(vi) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the depreciation rates of these assets ranges from 1% to 100%. As disclosed in Note 13, the carrying amounts of the Group's property, plant and equipment as at 31 December 2014 were $106,410,000 (2013 : $108,796,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of these assets. Therefore, future depreciation charges could be revised.

(vii) Inventories

Inventories are stated at the lower of cost and net realisable value. The management primarily determines cost of inventories using the "first-in, first-out" method. The management estimates the net realisable value of inventories based on assessment of receipt or committed sales prices and provide for excess and obsolete inventories based on historical usage, estimated future demand and related pricing. In determining excess quantities, the management considers recent sales activities, related margin and market positioning of its products. However, factors beyond its control, such as demand levels, technological advances and pricing competition, could change from period to period. Such factors may require the Group to reduce the value of its inventories. As disclosed in Note 18, the carrying amount of the Group's inventories as at 31 December 2014 was $95,669,000 (2013 : $85,948,000).

(b) Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimations that management has made in the process of applying the Group's and the Company's accounting policies and which have the significant effect on the amounts recognised in the financial statements.

(i) Impairment of financial assets, available-for-sale

As disclosed in Note 16, unquoted equity investment classified as financial assets, available-for-sale amounts to $4,372,000 (2013 : $4,907,000). As at the balance sheet date, an impairment loss of $535,000 (2013 : $403,000) is recognised during the financial year as disclosed in Note 16. In making this judgement, the Group has considered, among other factors, a significant decline and the financial health and short-term business outlook of the investee.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(b) Critical judgements in applying the entity's accounting policies (Cont'd)

(ii) Impairment of investments in subsidiaries and financial assets

The Group and the Company follow the guidance FRS 36 and FRS 39 in determining whether investments in subsidiaries or financial assets are impaired. This determination requires the assumption made regarding the duration and extent to which the fair value of an investment or a financial asset is less than its costs and the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Management's assessment for impairment of investments in subsidiaries is based on the fair value less cost to sell or the estimation of value-in-use of the cash-generating unit ("CGU") by forecasting the expected future cash flows for a period of up to 5 years, using a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of investment in subsidiaries as at 31 December 2014 was $135,001,000 (2013 : $124,652,000).

(iii) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currency of the entities in the Group, judgment is required in determining the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

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 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 a parent of the entity).

4 RELATED PARTY TRANSACTIONS (CONT'D)

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	
	2014	**2013**
	$'000	**$'000**
Accounting services charged by a subsidiary	47	48
Management fee expense charged to subsidiaries	603	591
Expenses paid on behalf by a subsidiary	83	92

(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 benefit.

The key management personnel compensation is as follows:

	The Group	
	2014	**2013**
	$'000	**$'000**
Salaries, wages and other short term employee benefits	4,326	4,463
Post-employment benefits – defined contribution plan	396	376
Share option expense	250	63

Total compensation to directors of the Company included in above amounted to $1,656,000 (2013 : $1,671,000).

5 REVENUE

	The Group	
	2014	**2013**
	$'000	**$'000**
Sale of goods	472,718	444,718
Rendering of services	19	19
	472,737	444,737

6 OTHER INCOME

	The Group	
	2014	2013
	$'000	$'000
Gain on disposal of property, plant and equipment	190	401
Government grants	1,589	1,208
Foreign exchange gain	1,013	2,477
Amortisation of deferred gain (Note 25)	1,064	1,063
Others	1,682	1,647
	5,538	6,796

7 PROFIT FOR THE YEAR

(a)

	The Group	
	2014	2013
	$'000	$'000
Amortisation of intangible assets (Note 17)	(2,384)	(1,789)
Depreciation of property, plant and equipment	(19,513)	(19,970)
Impairment of property, plant and equipment (Note 13)	-	(121)
Employee compensations (Note 7(b))	(116,013)	(103,793)
Purchase of raw materials, finished goods, toolings and consumables	(271,494)	(238,692)
Changes in inventories of raw materials, work-in-progress and finished goods	11,746	802
Transportation	(8,457)	(7,006)
Repairs and maintenance	(7,350)	(5,956)
Rework charges	(2,239)	(1,247)
Utilities	(10,742)	(9,429)
Insurance	(1,677)	(1,289)
Rental expense on operating leases	(4,756)	(4,648)
Auditors remuneration paid and payable to:		
- auditors of the Company	(283)	(143)
- other auditors*	(356)	(405)
Other non-audit fees paid and payable to:		
- other auditors*	(89)	(214)
Other expenses	(26,862)	(32,767)
Total cost of sales, selling and distribution expenses, administrative and general expenses and other operating expenses	(460,469)	(426,667)

* Includes other auditors and member firms of Deloitte outside Singapore.

7 PROFIT FOR THE YEAR (CONT'D)

(b) Employee compensations

	The Group	
	2014 $'000	2013 $'000
Salaries, wages and other short-term employee benefits	(106,915)	(96,136)
Employer's contribution to defined contributions plans	(8,723)	(7,563)
Employee share option expense	(375)	(94)
	(116,013)	(103,793)

8 FINANCE COSTS

	The Group	
	2014 $'000	2013 $'000
Interest expense on:		
- finance lease	(80)	(203)
- bank borrowings	(1,509)	(2,055)
	(1,589)	(2,258)

9 EXCEPTIONAL ITEMS

(a) Impairment loss on the financial asset, available-for-sale (Note16)
This is in respect of impairment loss on investment in MTIC Holdings Pte. Ltd.

(b) Impairment loss of goodwill in subsidiary (Note 17 (a))
The impairment loss on goodwill was arising from acquisition of Allmepp Holding B.V..

10 INCOME TAX EXPENSE

	The Group	
	2014 $'000	2013 $'000
Income tax expense attributable to profit is made up of:		
Current income tax:		
- Singapore	(3)	14
- Foreign	(3,245)	(4,121)
Deferred income tax (Note 28)	(1,187)	(247)
	(4,435)	(4,354)
(Under) Over recognition in respect of previous financial years:		
- Current income tax	(37)	211
- Deferred income tax (Note 28)	41	84
	4	295
Withholding tax	(284)	(271)
	(4,715)	(4,330)

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	
	2014 $'000	2013 $'000
Profit before income tax	15,796	22,462
Tax calculated at Singapore income tax rate of 17% (2013:17%)	(2,685)	(3,819)
Effects of:		
- Different income tax rates in other countries	(1,959)	(1,810)
- Expenses not deductible for tax purposes	(959)	(845)
- Income not subject to taxation	1,523	1,031
- Utilisation of previously unrecognised other temporary differences	546	1,482
- Deferred tax assets not recognised	(1,087)	(122)
- Tax incentives in other countries	9	18
- Withholding tax	(719)	(598)
- Others	-	38
- Utilisation of previously unrecognised tax losses	612	-
(Under) Over recognition in respect of previous financial years:		
- Current income tax	(37)	211
- Deferred income tax	41	84
	(4,715)	(4,330)

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	
	2014 $'000	2013 $'000
Profit attributable to equity holders of the Company	11,358	17,744
	Number of shares	Number of shares
Weighted average number of ordinary shares outstanding for basic earnings per share	402,576,319	397,044,094
	Cents	Cents
Basic earnings per share	2.82	4.47

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	
	2014	**2013**
	$'000	**$'000**
Profit attributable to equity holders of the Company	11,358	17,744
	Number of shares	**Number of shares**
Weighted average number of ordinary shares outstanding for basic earnings per share	402,576,319	397,044,094
Adjustment for share options	6,298,686	2,750,131
	408,875,005	399,794,225
	Cents	**Cents**
Diluted earnings per share	2.78	4.44

12 DIVIDEND

	The Company	
	2014	**2013**
	$'000	**$'000**
Ordinary dividends paid		
First and final exempt (one-tier) dividend paid in respect of the previous financial year of 1.40 cents (2013: 0.50 cents per share)	5,654	1,981

At the forthcoming Annual General Meeting to be held on 23 April 2015, a first and final exempt (one-tier) dividend in respect of the financial year ended 31 December 2014 of 1.00 cents per share amounting to $4,045,000 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 2015.

13 PROPERTY, PLANT AND EQUIPMENT

2014 The Group	Freehold land and buildings $'000	Leasehold land and buildings $'000	Plant, machinery and equipment and piping and electrical installation $'000	Moulds and toolings $'000	Office equipment, furniture and fittings and renovation $'000	Motor vehicles $'000	Construction-in-progress $'000	Total $'000
Cost:								
At beginning of the financial year	26,504	22,619	174,118	17,720	39,923	3,654	766	285,304
Currency translation differences	(1,451)	(490)	(4,304)	(151)	(802)	(81)	35	(7,244)
Acquisition of subsidiaries	-	-	2,152	-	77	-	-	2,229
Additions	1,640	-	9,215	1,511	3,090	560	1,716	17,732
Disposals	-	-	(1,781)	(16)	(73)	(444)	-	(2,314)
Written off	-	-	(590)	(86)	(1,466)	-	-	(2,142)
Reclassifications	-	-	127	173	(186)	(105)	(1,203)	(1,194)
At end of the financial year	26,693	22,129	178,937	19,151	40,563	3,584	1,314	292,371
Accumulated depreciation:								
At beginning of the financial year	8,657	4,503	119,641	12,315	28,980	2,192	-	176,288
Currency translation differences	(579)	(96)	(3,459)	(141)	(468)	(39)	-	(4,782)
Charge for the financial year	781	406	12,536	2,109	3,254	427	-	19,513
Disposals	-	-	(1,494)	(25)	(68)	(391)	-	(1,978)
Written off	-	-	(591)	(68)	(1,409)	-	-	(2,068)
Reclassifications	-	-	(869)	68	(288)	(105)	-	(1,194)
At end of the financial year	8,859	4,813	125,764	14,258	30,001	2,084	-	185,779
Accumulated impairment loss:								
At beginning of the financial year	-	-	99	121	-	-	-	220
Currency translation differences	-	-	(1)	(1)	-	-	-	(2)
Charge for the financial year	-	-	-	-	-	-	-	-
Written off	-	-	-	(16)	-	-	-	(16)
Disposals	-	-	(20)	-	-	-	-	(20)
At end of the financial year	-	-	78	104	-	-	-	182
Carrying amount:								
At 31 December 2014	17,834	17,316	53,095	4,789	10,562	1,500	1,314	106,410

13 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

2013 The Group	Freehold land and buildings $'000	Leasehold land and buildings $'000	Plant, machinery and equipment and piping and electrical installation $'000	Moulds and toolings $'000	Office equipment, furniture and fittings and renovation $'000	Motor vehicles $'000	Construction-in-progress $'000	Total $'000
Cost:								
At beginning of the financial year	22,960	23,280	165,737	12,728	35,736	3,441	1,446	265,328
Currency translation differences	939	(778)	2,179	(125)	545	35	74	2,869
Acquisition of subsidiaries	-	-	-	3,805	750	110	-	4,665
Additions	2,605	8	9,219	1,880	2,111	439	159	16,421
Disposals	-	-	(2,711)	(316)	(113)	(371)	-	(3,511)
Written off	-	-	(85)	(313)	(59)	-	(11)	(468)
Reclassifications	-	109	(221)	61	953	-	(902)	-
At end of the financial year	26,504	22,619	174,118	17,720	39,923	3,654	766	285,304
Accumulated depreciation:								
At beginning of the financial year	7,516	4,223	106,665	8,016	25,227	2,104	-	153,751
Currency translation differences	492	(137)	1,467	(5)	166	2	-	1,985
Acquisition of subsidiaries	-	-	-	2,782	565	47	-	3,394
Charge for the financial year	650	417	13,541	1,872	3,188	372	-	20,040
Disposals	-	-	(1,947)	(182)	(105)	(333)	-	(2,567)
Written off	-	-	(83)	(176)	(56)	-	-	(315)
Reclassifications	(1)	-	(2)	8	(5)	-	-	-
At end of the financial year	8,657	4,503	119,641	12,315	28,980	2,192	-	176,288
Accumulated impairment loss:								
At beginning of the financial year	-	-	100	-	-	-	-	100
Currency translation differences	-	-	(1)	-	-	-	-	(1)
Charge for the financial year	-	-	-	121	-	-	-	121
At end of the financial year	-	-	99	121	-	-	-	220
Carrying amount:								
At 31 December 2013	17,847	18,116	54,378	5,284	10,943	1,462	766	108,796

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 (2013 : $121,000) that has been recognised in the income statement and included in the line item other operating expense.

Included in the depreciation charge for plant, machinery and equipment and piping and electrical installation of $12,536,000 (2013 : $13,541,000) is an amount of $Nil (2013 : $70,000) capitalised as deferred development costs (Note 17).

Included in additions are plant and machinery, and motor vehicles acquired under finance leases amounting to $29,000 (2013 : $800,000) and $Nil (2013 : $92,000) respectively.

The carrying amounts of plant and equipment, and motor vehicles held under finance leases are $1,115,000 (2013 : $4,470,000) and $231,000 (2013 : $335,000) respectively.

Bank borrowings are secured on freehold land and buildings, and machineries of the Group with carrying amounts of $15,327,000 (2013 : $15,273,000) and $1,097,000 (2013 : $2,406,000) respectively (Note 26).

14 SUBSIDIARIES

	The Company	
	2014	2013
	$'000	$'000
Equity investment	122,597	122,597
Equity contributions to subsidiaries	2,404	2,055
Advances to subsidiary	10,000	-
	135,001	124,652

Advances to subsidiary which forms part of the net investment in subsidiaries, is unsecured, interest-free and are not expected to be repaid in the foreseeable future, and are classified in equity of the subsidiaries.

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 28 January 2014, the Group's subsidiary company, Frencken Europe B.V. acquired 100% equity interest in NTZ International Holding B.V. ("NTZ") for a cash consideration of $4,356,000 (net of escrow amount of $520,000).

The fair value of identifiable net assets of the NTZ at the date of acquisition amounted to $2,043,000, resulting in goodwill of $2,313,000. Details of identifiable net assets acquired are disclosed in Note 22.

On 31 July 2013, the Group's subsidiary company, Juken Technology Limited acquired 51% equity interest in Supertool Industries Pte Ltd ("Supertool") for a cash consideration of $255,000.

The fair value of identifiable net assets of the Supertool at the date of acquisition amounted to $489,000, resulting in goodwill of $6,000 and non-controlling interests of $240,000. Details of identifiable net assets acquired were disclosed in Note 22.

On 8 October 2013, the Group's subsidiary company, Frencken Europe B.V. acquired 100% equity interest in Allmepp Holding B.V. ("Allmepp") for a cash consideration of $86,000.

The fair value of identifiable net liabilities of the Allmepp at the date of acquisition amounted to $51,000, resulting in goodwill of $179,000. Details of identifiable net liabilities assumed are disclosed in Note 22.

14 SUBSIDIARIES (CONT'D)

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		
		2014 %	2013 %	2014 %	2013 %	
Precico Singapore Pte Ltd [6]	Singapore	100	100	-	-	Sales and servicing of tools
Precico Group Sdn. Bhd. [2]	Malaysia	100	100	-	-	Management and investment holding
Frencken Europe B.V.[7]	The Netherlands	100	100	-	-	Investment holding, management, sales and business development
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.[7]	The Netherlands	-	-	100	100	Assembly, testing and engineering of mechatronic modules and equipment
Frencken Technical Projects Assembly B.V.[7]	The Netherlands	-	-	100	100	Provision of services to Group companies

14 SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows: (Cont'd)

Name of subsidiary	Country of incorporation/ place of business	Effective equity interest held by the Group				Principal activities
		Company		Subsidiary		
		2014 %	2013 %	2014 %	2013 %	
Machinefabriek Gebrs. Frencken B.V.(7)	The Netherlands	-	-	100	100	Manufacturing and assembly of precision mechanical parts, sheet metal and prototyping
Optiwa B.V.(7)	The Netherlands	-	-	100	100	Manufacturing and/or assembly of precision mechanical parts and modules
Frencken Engineering B.V. (7)	The Netherlands	-	-	100	100	Research, development and engineering
Frencken Logistics & Assembly B.V. (7)	The Netherlands	-	-	100	100	Provision of services to Group companies
Frencken Investments B.V. (7)	The Netherlands	-	-	100	100	Property holding company
NTZ International Holding B.V. (9)	The Netherlands	-	-	100	-	Investment holding company
NTZ Nederland B.V. (9)	The Netherlands	-	-	100	-	Design, engineering, manufacturing and sales of filters
NTZ Micro Filtration Inc. (9)	USA	-	-	100	-	Investment holding company
NTZ Micro Filtration LLC. (9)	USA	-	-	100	-	Design, engineering and sales of filters
Allmepp Holding B.V. (14)	The Netherlands	-	-	100	100	Investment holding, management, sales and business development

14 SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows: (Cont'd)

Name of subsidiary	Country of incorporation/ place of business	Effective equity interest held by the Group				Principal activities
		Company		Subsidiary		
		2014 %	2013 %	2014 %	2013 %	
Frencken Allmepp Projects B.V. (14)	The Netherlands	-	-	100	100	Research, development and engineering
Frencken America Inc.(9)	USA	-	-	80	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.(2)	Malaysia	-	-	100	100	Dormant
Precico Sdn. Berhad (2)	Malaysia	-	-	100	100	Dormant
Precico Electronics Sdn. Bhd.(2)	Malaysia	-	-	100	100	Manufacture of plastic injection moulded parts/ components, printed circuit board assemblies, final test and assembly of modules and products
ETLA Technology (M) Sdn. Bhd. (8)	Malaysia	-	-	100	100	Dormant
Juken Technology (M) Sdn. Bhd. (15)	Malaysia	-	-	100	100	Investment holding
Juken Technology (Johor) Sdn. Bhd. (15)	Malaysia	-	-	100	100	Dormant
Juken Technology Engineering Sdn. Bhd.(2)	Malaysia	-	-	100	100	Manufacture of mould and die, plastic products and component sub-assembly

14 SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows: (Cont'd)

Name of subsidiary	Country of incorporation/ place of business	Effective equity interest held by the Group				Principal activities
		Company		Subsidiary		
		2014 %	2013 %	2014 %	2013 %	
Inplas Engineering Sdn. Bhd.[15]	Malaysia	-	-	100	100	Dormant
Juken Mecplas Technology Pte Ltd [1]	Singapore	-	-	100	100	Dormant
Juken International Pte Ltd [1]	Singapore	-	-	100	100	Dormant
Zelor Technology Pte Ltd [1]	Singapore	-	-	100	100	Dormant
Supertool Industries Pte Ltd [1]	Singapore	-	-	51	51	Manufacturing of mould dies and tools
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 [13]	People's Republic of China	-	-	60	60	Vacuum coating, thermal treatment and other related services for plastic component
Juken Technology (Suzhou) Co., Ltd. [8]	People's Republic of China	-	-	100	100	Dormant
Juken (Zhuhai) Co., Ltd. [4]	People's Republic of China	-	-	100	100	Injection mould making and injection moulding
Juken (H.K.) Co., Limited [10]	Hong Kong	-	-	100	100	Sales office

14 SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows: (Cont'd)

Name of subsidiary	Country of incorporation/ place of business	Effective equity interest held by the Group				Principal activities
		Company		Subsidiary		
		2014 %	2013 %	2014 %	2013 %	
Juken (Thailand) Co., Ltd [11]	Thailand	-	-	100	100	Manufacture and distribution of plastic products
Juken Uniproducts Pvt. Limited [12]	India	-	-	55	55	Manufacture and distribution of plastic components
PT Juken Technology Indonesia	Indonesia	-	-	100	100	Manufacture and distribution of plastic products
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.
(6) Audited by Lim Chee Yong & Co, Singapore.
(7) Audited by BDO Audit & Assurance B.V., The Netherlands.
(8) The Company is under member's voluntary winding-up. The financial statements are not audited.
(9) Audited by BDO Audit & Assurance B.V., The Netherlands for consolidation purposes.
(10) Audited by W.M. Sum & Co., Hong Kong for statutory purpose.
(11) Audited by Ernst & Young, Thailand.
(12) Audited by Dimpal Kumar Munjal & Associates, India for statutory purpose.
(13) Audited by Tianjin Guangxin Certified Public Accountant Co., Ltd, People's of China for statutory purpose.
(14) Audited by Mema Beheer B.V., The Netherlands.
(15) Audited by Chew & Associates.

14 SUBSIDIARIES (CONT'D)

Information about the composition of the Group at the end of the financial year is as follows:

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries	
		31 December 2014	31 December 2013
Investment holding			
Management and investment holding	Malaysia	1	1
Mechatronics			
Investment holding, management, sales and business development	The Netherlands	2	2
Manufacturing and assembly of precision mechanical parts, sheet metal and prototyping	The Netherlands	2	2
Manufacturing and assembly of precision mechanical parts, sheet metal and prototyping	Singapore	1	1
Manufacturing of precision machining components, sheet metal and assembly of 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
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	2	2
Property holding	The Netherlands	1	1
Dormant	Malaysia	1	1
IMS			
Investment holding and sale of machines	Singapore	1	1
Management and investment holding	The Netherlands	1	-
Investment holding	Malaysia	1	1
Design, engineering, manufacturing and sales of filters	The Netherlands	1	-
Design, engineering, manufacturing and sales of filters	USA	1	-
Sales and servicing of tools	Singapore	1	1
Manufacture of plastic injection moulded parts/components, printed circuit board assemblies, final test and assembly of modules and products	Malaysia	2	2
Investment holding	USA	1	-
Injection mould making and injection moulding	People's Republic of China	1	1

14 SUBSIDIARIES (CONT'D)

Information about the composition of the Group at the end of the financial year is as follows: (Cont'd)

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries	
		31 December 2014	31 December 2013
IMS (Cont'd)			
Manufacture and distribution of plastic products	Thailand	1	1
Manufacture and distribution of plastic products	Indonesia	1	1
Design and trading of micro-mechanical product components for automotive industry	Switzerland	1	1
Sales office	Hong Kong	1	1
Dormant	People's Republic of China	1	1
Dormant	Singapore	3	3
Dormant	Malaysia	4	4
		37	33

Principal activity	Place of incorporation and operation	Number of non-wholly owned subsidiaries	
		31 December 2014	31 December 2013
Mechatronics			
Designs, engineers and manufactures mechatronic modules, products and systems	USA	1	1
IMS			
Manufacturing of mould dies and tools	Singapore	1	1
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
		4	4

No disclosure was made for non-wholly owned subsidiaries that have material non-controlling interests in the financial year ended 31 December 2014 and 2013 as the non-controlling interests are not material to the financial statements.

15 INVESTMENTS IN ASSOCIATED COMPANIES

	The Group	
	2014	2013
	$'000	$'000
Unquoted equity shares, at cost		
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 held by the Group		Principal activities
		2014	2013	
		%	%	
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	40	Dormant
Held by NTZ International Holding B.V.				
NTZ Manufacturing USA LLC	USA	33	-	Manufacturing and sales of filters

16 FINANCIAL ASSET, AVAILABLE-FOR-SALE

Available-for-sale financial asset is analysed as follows:

	Group and Company	
	2014	2013
	$'000	$'000
Unquoted security, at cost		
- Equity security - Singapore		
At beginning/end of financial year	6,400	6,400
Less : Accumulated impairment:		
Beginning of financial year	1,493	1,090
Impairment loss (Note 9(a))	535	403
End of financial year	2,028	1,493
Carrying value at end of financial year	4,372	4,907

The recoverable value of the investment is determined based on the net assets of the available-for-sale financial asset which approximates the fair value less costs to sell. The fair value hierarchy for determining the fair value of the available-for-sale financial asset is Level 3 and the key assumption include the carrying value of its investments in associates by the investee company.

17 INTANGIBLE ASSETS

2014 The Group	Goodwill on consolidation $'000	Deferred development costs $'000	Patents $'000	Club membership $'000	Intellectual properties $'000	Total $'000
Cost:						
At beginning of the financial year	16,532	9,873	447	415	5,950	33,217
Currency translation differences	(389)	(631)	(174)	(1)	(14)	(1,209)
Acquisition of subsidiaries	2,313	-	1,970	-	14	4,297
Addition	-	4,506	-	-	-	4,506
At end of the financial year	18,456	13,748	2,243	414	5,950	40,811
Accumulated amortisation:						
At beginning of the financial year	-	740	233	-	4,163	5,136
Currency translation differences	-	(34)	(36)	-	(14)	(84)
Amortisation charge	-	510	435	-	1,439	2,384
At end of the financial year	-	1,216	632	-	5,588	7,436
Accumulated impairment:						
At beginning of the financial year	6,708	1,653	-	-	-	8,361
Currency translation differences	(9)	(36)	-	-	-	(45)
Impairment loss (Note 9(b))	179	-	-	-	-	179
At end of the financial year	6,878	1,617	-	-	-	8,495
Carrying value:						
At 31 December 2014	11,578	10,915	1,611	414	362	24,880

17 INTANGIBLE ASSETS (CONT'D)

2013 The Group	Goodwill on consolidation $'000	Deferred development costs $'000	Patents $'000	Club membership $'000	Intellectual properties $'000	Total $'000
Cost:						
At beginning of the financial year	16,149	6,815	324	416	5,950	29,654
Currency translation differences	198	92	74	(1)	-	363
Acquisition of subsidiaries	185	129	-	-	-	314
Addition	-	2,837	49	-	-	2,886
At end of the financial year	16,532	9,873	447	415	5,950	33,217
Accumulated amortisation:						
At beginning of the financial year	-	623	32	-	2,734	3,389
Currency translation differences	-	(102)	60	-	-	(42)
Amortisation charge	-	219	141	-	1,429	1,789
At end of the financial year	-	740	233	-	4,163	5,136
Accumulated impairment:						
At beginning of the financial year	6,708	1,710	-	-	-	8,418
Currency translation differences	-	(57)	-	-	-	(57)
Impairment loss (Note 9(b))	-	-	-	-	-	-
At end of the financial year	6,708	1,653	-	-	-	8,361
Carrying value:						
At 31 December 2013	9,824	7,480	214	415	1,787	19,720

(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:

	2014 ($'000)			2013 ($'000)		
	IMS	Mechatronics	Total	IMS	Mechatronics	Total
America	-	2,383	2,383	-	2,585	2,585
The Netherlands	2,141	7,048	9,189	-	7,233	7,233
Singapore	6	-	6	6	-	6
	2,147	9,431	11,578	6	9,818	9,824

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 covering a five-year period and extrapolates cash flows for the following five years 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.

17 INTANGIBLE ASSETS (CONT'D)

(a) Goodwill on consolidation (Cont'd)

Key assumptions used for value-in-use calculations:

	Mechatronics	IMS
	%	%
Gross margin [1]	12.9 to 23.0	14.8 to 31.6
Growth rate [2]	0.0 to 4.0	0.0 to 10.0
Discount rate [3]	4.0 to 6.4	7.1 to 14.0

[1] Forecasted gross margin
[2] Weighted average growth rate used to extrapolate cash flows beyond the forecast period
[3] Pre-tax 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 were pre-tax and 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.

An impairment loss on goodwill amounting to $179,000 (2013 : $ Nil) relating to a subsidiary within the Mechatronics division, has been recognised in the income statement for the financial year because the recoverable amount is lower than the carrying value of which the recoverable amount is determined based on the value-in-use calculations.

(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 begin when the development is completed and are amortised on the expected units of production basis over the estimated useful life of 5 to 11.5 years.

The additions to deferred development costs of $4,506,000 (2013 : $2,837,000) include an amount of $Nil (2013 : $70,000) (Note 13) relating to depreciation expense on plant and machinery and equipment capitalised as part of the total deferred development costs.

During the year, management performed a review of the recoverable amount for the deferred development costs. No impairment loss has been recognised in income statement for the financial year. Key assumptions used in the review included capturing a 3% global market share, revenue forecast based on expected sales orders from a customer and discount rate of 8.66% which represent pre-tax discount rate applied to the pre-tax cash flow projections.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

(c) Patents

Patents relate to certain design and specification of stepper motors and filter devices for micro filtration of oil. Patents are amortised over their estimated useful life of 5 years.

17 INTANGIBLE ASSETS (CONT'D)

(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.

The amortisation expense has been included in the line item "cost of sales" in income statement.

18 INVENTORIES

	The Group	
	2014	**2013**
	$'000	**$'000**
Raw materials	35,969	34,025
Work-in-progress	25,318	22,506
Finished goods	34,382	29,417
	95,669	85,948

The cost of inventories recognised as an expense and included in "cost of sales" amounts to $251,684,000 (2013 : $237,890,000).

Inventories of $35,599,000 (2013 : $34,658,000) have been pledged as security for certain bank overdrafts of the Group (Note 26).

19 TRADE RECEIVABLES

	The Group	
	2014	**2013**
	$'000	**$'000**
Trade receivables	87,857	83,548
Allowance for impairment of doubtful receivables (Note 34(b)(ii)(a))	(650)	(536)
	87,207	83,012

Trade receivables of $23,877,000 (2013 : $19,187,000) have been pledged as security for certain banking facilities of the Group (Note 26).

The carrying values of trade receivables approximated their fair values at balance sheet date as these amounts are recoverable within the next 12 months.

As at 31 December 2014, approximately 43% (2013 : 40%) 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.

The exposure of trade receivables to currency risk and credit risks is disclosed in Note 34(a) and Note 34(b) respectively.

20 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.

The exposure of receivables from subsidiaries to currency risk is disclosed in Note 34(a).

21 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Other receivables	7,541	6,306	1	1
Deposits	1,727	1,917	-	-
Prepayments	3,898	3,967	11	10
Staff loans and advances	225	122	-	-
	13,391	12,312	12	11
Less: Allowance for impairment of doubtful other receivables (Note 34(b)(ii)(b))	(1,446)	(1,698)	-	-
	11,945	10,614	12	11
Less: Other receivables (non-current)	(3,156)	(3,431)	-	-
	8,789	7,183	12	11

Other receivables include an amount of $3,477,000 (2013 : $3,954,000) in respect of project cost incurred which will be reimbursable by a customer. This amount will be repayable based on the future sales orders of this project.

The carrying values under the current portion of other receivables, deposits, staff loans and advances approximated their fair values as these amounts are expected to be recovered within the next 12 months.

The carrying amount of the non-current other receivables approximates its fair value.

The exposure of other receivables, deposits, staff loans and advances to currency risk and credit risks is disclosed in Note 34(a) and Note 34(b) respectively.

22 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Short-term funds placed with a Malaysian financial institution	4,181	406	-	-
Deposits with licensed banks	165	6,382	-	2,400
Cash and bank balances	14,424	12,846	2,092	1,099
	18,770	19,634	2,092	3,499

22 CASH AND CASH EQUIVALENTS (CONT'D)

Deposits with licensed banks of the Group amounting to $165,000 are pledged as guarantees to government authority and pledged to secure bank loan.

Deposits with licensed banks of the Group amounting to $112,000 in the financial year 2013 were pledged as guarantees to certain government authorities. The withdrawal/maturity period and effective interest rates of short-term funds placed with a Malaysian financial institution and deposits with licensed banks are as follows:

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
Short-term funds placed with a Malaysian financial institution:				
Effective interest rate (% per annum)	2.63 to 3.27	2.68 to 2.84	-	-
Withdrawal notice (days)	7 and 30	7 and 30	-	-
Deposits with licensed banks:				
Effective interest rate (% per annum)	0 to 9.00	0.55 to 3.30	-	0.55
Maturity period (days)	365	7 to 220	-	85

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.

For the purposes of the consolidated cash flow statement, the consolidated cash and cash equivalents comprise the following:

	The Group	
	2014 $'000	**2013 $'000**
Short-term funds placed with a Malaysian financial institution	4,181	406
Deposits with licensed banks	165	6,382
Cash and bank balances	14,424	12,846
Less: Bank overdrafts (Note 26)	(23,534)	(20,283)
	(4,764)	(649)
Less: Deposits pledged as securities	(165)	(112)
	(4,929)	(761)

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $17,732,000 (2013 : $16,421,000) of which $29,000 (2013: $892,000) was acquired by means of finance lease arrangements and $1,383,000 (2013 : $489,000) was included in other payables at balance sheet date. Cash payments of $16,320,000 (2013 : $15,040,000) were made to purchase these property, plant and equipment.

The exposure of cash and cash equivalents to currency risk is disclosed in Note 34(a).

The Group acquired 100% of equity interest in NTZ International Holding B.V.("NTZ") during the financial year.

In the financial year 2013, the Group acquired 51% of equity interest in Supertool Industries Pte Ltd ("Supertool") and 100% of equity interest in Allmepp Holding B.V. ("Allmepp").

22 CASH AND CASH EQUIVALENTS (CONT'D)

Details of the consideration paid, the assets acquired and liabilities assumed, the non-controlling interest recognised and the effect on the cash flows of the Group, at the acquisition date, are as follows:

(a) Purchase consideration

2014	NTZ
	$'000
Cash paid as purchase consideration	4,356

2013	Supertool	Allmepp	Total
	$'000	$'000	$'000
Cash paid	255	86	341
Contingent consideration (Note (e) below)	-	42	42
Total purchase consideration	255	128	383

(b) Effect on cash flows of the Group

2014	NTZ
	$'000
Cash paid (as above)	4,356
Less: Cash and cash equivalents (net of bank overdrafts) in subsidiaries acquired	(107)
Cash outflow on acquisition	4,249

2013	Supertool	Allmepp	Total
	$'000	$'000	$'000
Cash paid (as above)	255	86	341
Less: Cash and cash equivalents (net of bank overdrafts) in subsidiaries acquired	(34)	109	75
Cash outflow on acquisition	221	195	416

22 CASH AND CASH EQUIVALENTS (CONT'D)

(c) Identified assets acquired and liabilities assumed

2014	At fair values NTZ $'000
Property, plant and equipment	2,229
Intellectual Properties	14
Patents	1,970
Inventories	1,009
Trade and other receivables	1,472
Cash and cash equivalent	107
Trade and other payables	(4,072)
Other bank borrowings	(686)
Identifiable net assets acquired	2,043
Add: Goodwill arising from acquisition	2,313
Consideration transferred for the business	4,356

2013		At fair values	
	Supertool $'000	Allmepp $'000	Total $'000
Property, plant and equipment	1,124	147	1,271
Intangible assets	-	129	129
Inventories	643	143	786
Trade and other receivables	330	168	498
Cash and cash equivalent	34	1	35
Tax recoverable	-	93	93
Trade and other payables	(1,298)	(622)	(1,920)
Bank overdrafts	-	(110)	(110)
Other bank borrowings	(218)	-	(218)
Deferred income tax liabilities	(126)	-	(126)
Identifiable net assets acquired/ (liabilities assumed)	489	(51)	438
Less: Non-controlling interest at fair value	(240)	-	(240)
Add: Goodwill arising from acquisition	6	179	185
Consideration transferred for the business	255	128	383

(d) Acquisition-related costs

Acquisition-related costs of $14,000 (2013 : $31,000) are included in "administrative expenses" in the consolidated income statement and in operating cash flows in the consolidated cash flow statement during the financial year.

22 CASH AND CASH EQUIVALENTS (CONT'D)

(e) Contingent consideration

For the acquisition of Allmepp in 2013, the Group was required to pay to the former owners of Allmepp certain amounts in addition to the Consideration under the conditions set out below:

(i) If Allmepp is profitable in the period from 1 July 2013 to 31 December 2013, 30% of its profit after tax ("PAT") shall be paid to the former owners on or before 1 March 2014;
(ii) If Allmepp is profitable in the period from 1 January 2014 to 31 December 2014, 30% of its PAT shall be paid to the former owners on or before 1 March 2015;
(iii) If Allmepp is profitable in the period from 1 January 2015 to 31 December 2015, 25% of its PAT shall be paid to the former owners on or before 1 March 2016;
(iv) If Allmepp is profitable in the period from 1 January 2016 to 31 December 2016, 20% of its PAT shall be paid to the former owners on or before 1 March 2017; and
(v) If Allmepp is profitable in the period from 1 January 2017 to 31 December 2017, 15% of its PAT shall be paid to the former owners on or before 1 March 2017.

In the event that Allmepp makes a loss in any of the aforesaid periods, such loss shall be compensated by its PAT in the subsequent period before any additional amount (based on the remaining PAT after compensation of the loss) can be paid to the former owners. In addition, no additional amounts shall be paid to the former owners if they cease to be employed by the Group.

The fair value of the contingent consideration as at the acquisition date was estimated to amount to $42,000. This fair value was based on an estimated profit after tax of Allmepp for the period from 8 October 2013 to 31 December 2017, discounted at 8% per annum.

As at 31 December 2013, the fair value of the contingent consideration was estimated to have increased by $1,000, due to the currency translation differences. The fair value of the contingent consideration as at 31 December 2013 was $43,000 (Note 24).

As at 31 December 2014, there is no contingent consideration as Allmepp has suffered losses during the financial year and does not expect to be profitable in the near future. The change in contingent consideration has accordingly been credited to the income statement for the year ended 31 December 2014.

(f) Non-controlling interests

Supertool Industries Pte Ltd

In the financial year 2013, the Group had chosen to recognise the 49% non-controlling interest at its fair value of $240,000.

(g) Goodwill

The goodwill of $2,313,000 arising from the acquisition of NTZ is the cost of combination that included a control premium. Another important factor for the goodwill arising is the creation of synergistic value between NTZ and the automotive business within the IMS segment. These benefits are not separately recognised from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

In the financial year 2013, the goodwill of $179,000 arising from the acquisition of Allmepp was attributable to the intellectual know how of its coating system for the application of hydrophilic coating on vascular and urinary catheters. This goodwill is fully impaired in current financial year.

In the financial year 2013, the goodwill of $6,000 arising from the acquisition of Supertool was attributable to the synergies expected with the greater in-house manufacturing support for tools and moulds, the Group will benefit from cost saving and improved operational efficiencies.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

22 CASH AND CASH EQUIVALENTS (CONT'D)

(h) Revenue and profit contribution

The subsidiaries acquired in 2014 contributed revenue of $10,238,000 and net profit of $734,000 to the Group since the dates of acquisitions to 31 December 2014. If the acquisition had occurred on 1 January 2014, Group's revenue would have been $473,492,000 and net profit would have been $11,131,000.

In the financial year 2013, the acquired subsidiaries contributed revenue of $3,748,000 and net profit of $155,000 to the Group since the dates of acquisitions to 31 December 2013. If the acquisition had occurred on 1 January 2013, Group's revenue would have been $447,646,000 and net profit would have been $16,997,000.

23 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 34(a).

24 OTHER PAYABLES, ACCRUALS AND PROVISIONS

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Current				
Sundry payables	9,434	7,591	48	43
Other operating accruals	21,666	19,586	127	102
Provisions	245	240	185	185
	31,345	27,417	360	330
Non-current				
Contingent consideration payable (Note 22(e))	-	43	-	-

Movements in provisions are as follow:

	The Group			The Company
	Provision for directors' fee $'000	Provision for interest expense $'000	Total $'000	Provision for directors' fee $'000
2014				
Balance at beginning of financial year	185	55	240	185
Provision made	185	197	382	185
Provision utilised	(185)	(192)	(377)	(185)
Balance at end of financial year	185	60	245	185

24 OTHER PAYABLES, ACCRUALS AND PROVISIONS (CONT'D)

Movements in provisions are as follow: (Cont'd)

	The Group			The Company
	Provision for directors' fee $'000	Provision for interest expense $'000	Total $'000	Provision for directors' fee $'000
2013				
Balance at beginning of financial year	185	42	227	185
Provision made	185	194	379	185
Provision utilised	(185)	(181)	(366)	(185)
Balance at end of financial year	185	55	240	185

The carrying values of other payables approximated their fair values at balance sheet date as these amounts are payable within the next 12 months.

25 DEFERRED GAIN

In the financial year 2010, one of the subsidiaries of the Company sold its leasehold land and buildings, 1 and 2 Changi North Street 2 Singapore to RBC Dexia Trust Services Singapore Limited (in its capacity as trustee of Cambridge Industrial Trust) and under the terms of sale and purchase agreement, leaseback the properties for the next 7 years from the date of the sale on 19 October 2010 to 18 October 2017. The excess of the net sale price of $21,742,000 above the fair value of $14,300,000 which amounted to $7,442,000 was deferred and amortised over the leaseback period of 7 years, which will be ending on 18 October 2017. The fair value calculation was arrived based on valuation performed by independent valuer. The deferred gain was presented in the consolidated balance sheet as follows:

	The Group	
	2014 $'000	2013 $'000
Balance at beginning of financial year	3,987	5,050
Amortisation of deferred gain (Note 6)	(1,064)	(1,063)
Balance at end of financial year	2,923	3,987
Less: Deferred gain (non-current)	(1,860)	(2,924)
	1,063	1,063

26 BORROWINGS

	The Group		The Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Current				
Short term bank borrowings [1]:				
- Bank overdrafts	23,534	20,283	-	-
- Bankers' acceptances	10,912	7,028	-	-
- Bills payables	8,304	9,627	-	-
- Revolving credits	8,424	8,033	400	-
Finance lease liabilities [2] (Note 27)	404	1,513	-	-
Term loans [3]	1,444	1,072	-	-
	53,022	47,556	400	-
Non-Current				
Finance lease liabilities [2] (Note 27)	350	1,592	-	-
Term loans [3]	1,987	2,065	-	-
	2,337	3,657	-	-

(1) Short term bank borrowings

Bank overdrafts of the Group of:

(a) $21,854,000 (2013: $19,844,000) is secured by mortgage over properties (Note 13), pledged on the inventories (Note 18) and trade receivables (Note 19) of all subsidiaries of the Company in The Netherlands; and

(b) $341,000 (2013: $289,000) is secured over first charge on the entire present and future fixed assets of a subsidiary in India; and

(c) $470,000 (2013 : $Nil) is secured by properties of a subsidiary in Malaysia.

Bank overdrafts of the Group are repayable of demand and form an integral part of the Group's cash management. They are denominated in Euro, USD, SGD, INR and MYR (2013: Euro, USD, SGD, INR and MYR) and bear interest at rates ranging from 1.41% to 14.50% (2013: 1.62% to 14.50%) per annum.

Bankers' acceptances of the Group of $6,185,000 (2013: $4,351,000) are secured over the properties of a subsidiary in Malaysia and pledged on trade receivables of subsidiaries in China.

Bankers' acceptances are denominated in USD, Euro, SGD, MYR and RMB (2013 : USD, Euro, SGD, AUD and RMB), due within 12 months (2013: 3 months) and bear interest at rates ranging from 0.90% to 6.72% (2013 : 0.25% to 3.71%) per annum.

Bills payables of the Group are unsecured and denominated in USD (2013 : USD), due within 1 to 4 months and bear interest at rates ranging from 2.13% to 2.29% (2013 : 2.35% to 2.41%) per annum.

Revolving credits of the Group are unsecured and denominated in SGD (2013 : SGD), due within 3 months and bear interest at rates ranging from 2.40% to 3.09% (2013 : 2.20% to 3.06%) per annum.

26 BORROWINGS (CONT'D)

(2) The finance lease liabilities of the Group are denominated in SGD, MYR, EUR and USD (2013 : SGD, MYR and USD). The finance lease liabilities of the Group are secured by the rights to the leased equipment and motor vehicles (Note 13), which will revert to the lessor in the event of default by the Group. The finance lease liabilities of the Group bear interest at rates ranging from 2.38% to 5.60% (2013: 2.38% to 6.75%) per annum.

(3) Term loans of:

(a) $2,150,000 (2013 : $1,725,000) of the Group is denominated in MYR, INR, and RMB (2013 : MYR, INR and RMB) and bear interest at rates ranging from 3.58% to 14.43% (2013 : 5.33% to 14.43%) per annum. The term loans are repayable over a period of 3 to 6 years (2013 : 3 to 10 years) and are secured by properties (Note 13) of a subsidiary in Malaysia, first charge on the entire present and future fixed assets (Note 13) of a subsidiary in India, and machineries (Note 13) of subsidiaries in China; and

(b) $1,281,000 (2013 : $1,412,000) of the Group is denominated in SGD and CHF (2013 : SGD), unsecured and bear interest at rates ranging from 2.25% to 3.15% (2013 : 1.92% to 5.50%) per annum. The term loans are repayable over 1 to 5 years (2013 : 3 to 5 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 Company and 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 34(a).

27 FINANCE LEASE LIABILITIES

The future minimum finance lease payments together with their present values are as follows:

	The Group			
	Minimum payments 2014 $'000	**Present value of payments 2014 $'000**	**Minimum payments 2013 $'000**	**Present value of payments 2013 $'000**
Not later than 12 months	412	404	1,628	1,513
Between two and five years	354	350	1,662	1,592
	766	754	3,290	3,105
Less: Future finance charges	(12)	-	(185)	-
Present value of finance lease liabilities	754	754	3,105	3,105

28 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	
	2014 $'000	2013 $'000
Deferred income tax assets	(1,147)	(1,165)
Deferred income tax liabilities	3,835	3,222
	2,688	2,057

The movements on the deferred income tax account are as follows:

	The Group	
	2014 $'000	2013 $'000
Balance at beginning of financial year	2,057	2,621
Currency translation differences	(157)	(45)
Acquisition of subsidiaries	-	126
Charged(Credited) to income statement (Note 10)		
- current year	1,187	247
- Over recognition in previous financial year	(41)	(84)
	1,146	163
Utilisation	(358)	(808)
Balance at end of financial year	2,688	2,057

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

	2014				2013			
	Accelerated tax depreciation $'000	Others $'000	Unremitted earnings $'000	Total $'000	Accelerated tax depreciation $'000	Others $'000	Unremitted earnings $'000	Total $'000
Balance at beginning of financial year	1,780	1,192	250	3,222	2,468	759	529	3,756
Currency translation differences	(42)	(86)	-	(128)	(40)	41	-	1
Acquisition of subsidiaries	-	-	-	-	-	126	-	126
Utilisation	-	(170)	(188)	(358)	-	(279)	(529)	(808)
Charged (Credited) to income statement	197	871	31	1,099	(648)	545	250	147
Balance at end of financial year	1,935	1,807	93	3,835	1,780	1,192	250	3,222

28 DEFERRED INCOME TAX (CONT'D)

Deferred income tax assets

	Unutilised tax losses $'000	Accruals $'000	Total $'000
2014			
Balance at beginning of financial year	(276)	(889)	(1,165)
Currency translation differences	(9)	(20)	(29)
Charged(Credited) to income statement	65	(18)	47
Balance at end of financial year	(220)	(927)	(1,147)
2013			
Balance at beginning of financial year	(276)	(859)	(1,135)
Currency translation differences	-	(46)	(46)
Charged(Credited) to income statement	-	16	16
Balance at end of financial year	(276)	(889)	(1,165)

Deferred income tax assets are recognised for unutilised tax losses, 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	
	2014 $'000	2013 $'000
Unutilised tax losses	15,763	25,531
Unutilised capital allowances	14,233	15,068
Unutilised reinvestment allowances	9,947	10,472

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 $13,630,000 (2013 : $11,402,000). 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.

29 SHARE CAPITAL, TREASURY SHARES AND SHARE-BASED PAYMENTS

	Issued share capital	Treasury shares	Issued share capital	Treasury shares
	Number of ordinary share		$'000	$'000
Group and Company				
2014				
Beginning of the financial year	403,918,409	(5,651,000)	99,538	(1,411)
Exercise of share options	554,000	5,651,000	89	1,411
End of financial year	404,472,409	-	99,627	-
2013				
Beginning of the financial year	403,918,409	(7,621,000)	99,538	(1,903)
Exercise of share options	-	1,970,000	-	492
End of financial year	403,918,409	(5,651,000)	99,538	(1,411)

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 294,000 (2013 : Nil) and 260,000 (2013 : Nil) ordinary shares pursuant to the Company's employee share option scheme at the exercise price of $0.155 (2013 : $Nil) and $0.168 (2013 : $Nil) each respectively. The cost of issuing new ordinary shares amounted to $89,000 (2013 : $Nil). The newly issued shares rank pari passu in all respects with the existing ordinary shares.

The total consideration for the issue of new ordinary shares is as follow:

	2014 $'000	2013 $'000
Exercise price paid by employees	89	-
Value of employee services	33	-
Total net consideration	122	-

Accordingly, a gain on re-issue of new ordinary shares of $33,000 (2013 : $Nil) is recognised in the capital reserve.

29 SHARE CAPITAL, TREASURY SHARES AND SHARE-BASED PAYMENTS (CONT'D)

(b) Treasury shares

The Company re-issued 2,360,000 (2013: 340,000), 1,236,000 (2013: 1,630,000) and 2,055,000 (2013: Nil) treasury shares during the financial year pursuant to the Frencken Employee Share Option Scheme 2008 at the exercise price of $0.155 (2013: $0.155), $0.168 (2013: $0.168) and $0.224 (2013: $Nil) each respectively. The cost of treasury shares re-issued amounted to $1,411,000 (2013: $492,000). The total consideration (net of expense) for the treasury shares is as follows:

	2014 $'000	2013 $'000
Exercise price paid by employees	1,034	327
Value of employee services	467	127
Total net consideration	1,501	454

Accordingly, a gain on re-issue of treasury shares of $90,000 (2013 : loss of $38,000) is recognised in the capital reserve.

(c) 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 "Scheme"), which became operative on 1 December 2008.

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.

The Scheme 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 and 6,000,000 ordinary shares of the Company on 1 December 2009 ("2009 Options"), 1 December 2010 ("2010 Options") and 7 October 2013 ("2013 Option") respectively. Particulars of the 2008 Options, 2009 Options, 2010 Options and 2013 Options were set out in the Directors' Report for the financial year ended 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2013 respectively.

The total fair value of the 2013 Options granted was estimated to be $750,600 using the Black-Scholes Valuation Model. The significant inputs into the model were share price of $0.26 at the grant date, exercise price of $0.208, standard deviation of expected share price returns of 38%, the option life shown above and annual risk-free interest rate of 2.7%. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

29 SHARE CAPITAL, TREASURY SHARES AND SHARE-BASED PAYMENTS (CONT'D)

(c) Share options (Cont'd)

Information in respect of share option granted under the Scheme 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
2014							
Group and Company							
2008 Options	5,400,000	-	-	(2,654,000)	2,746,000	$0.155	1.12.2010 - 30.11.2018
2009 Options	5,690,000	-	(120,000)	(1,496,000)	4,074,000	$0.168	1.12.2011 - 30.11.2019
2010 Options	8,040,000	-	(150,000)	(2,055,000)	5,835,000	$0.224	1.12.2012 - 30.11.2020
2013 Options	6,000,000	-	-	-	6,000,000	$0.208	7.10.2015 - 6.10.2023
	25,130,000	-	(270,000)	(6,205,000)	18,655,000		

Out of the unexercised options of 18,655,000 (2013: 25,130,000) shares, 12,655,000 shares (2013: 19,130,000) are exercisable at the balance sheet date. Options exercised in 2014 resulted in:

(i) 294,000 (2013: Nil) and 260,000 (2013 : Nil) new ordinary shares being issued at the exercise price of $0.155 (2013: $Nil) and $0.168 (2013 : $Nil) each respectively.

(ii) 2,360,000 (2013: 340,000), 1,236,000 (2013: 1,630,000) and 2,055,000 (2013: Nil) treasury share being re-issued at the exercise price of $0.155 (2013: $0.155), $0.168 (2013: $0.168) and $0.224 (2013: $Nil) each respectively.

The weighted average share price at the time of exercise was $0.181 (2013: $0.236) per share.

30 STATUTORY RESERVE FUND

In accordance with the Foreign Enterprise Law applicable to the subsidiary in the People's Republic of China ("PRC"), the subsidiary is required 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.

31 SEGMENT INFORMATION

(a) Business segments

The Group has two principal business segments, 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.

31 SEGMENT INFORMATION (CONT'D)

(a) Business segments (Cont'd)

- 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 segment is not a business segment but essentially an investment holding and management companies at sub-group and the ultimate holding company level.

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.

	Mechatronics		IMS		Investment holding		Eliminations		Total	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
External revenue	299,199	273,857	173,519	170,861	19	19	-	-	472,737	444,737
Inter-segment sales	-	-	-	-	743	734	(743)	(734)	-	-
	299,199	273,857	173,519	170,861	762	753	(743)	(734)	472,737	444,737
Segment results	12,796	11,152	5,092	13,728	(82)	(14)	-	-	17,806	24,866
Interest income	121	10	24	29	148	218	-	-	293	257
Finance costs	(858)	(796)	(731)	(694)	-	(768)	-	-	(1,589)	(2,258)
Profit before income tax and exceptional items									16,510	22,865
Exceptional items:										
Impairment loss of financial asset, available-for-sale	-	-	-	-	(535)	(403)	-	-	(535)	(403)
Impairment loss of goodwill in subsidiary	(179)	-	-	-	-	-	-	-	(179)	-
Profit before income tax									15,796	22,462
Income tax expense	(2,679)	(1,264)	(2,025)	(3,029)	(11)	(37)	-	-	(4,715)	(4,330)
Total profit									11,081	18,132
Segment assets	179,530	168,642	161,454	153,063	11,278	13,390	-	-	352,262	335,095
Segment liabilities	87,398	75,525	55,542	52,028	867	477	-	-	143,807	128,030

31 SEGMENT INFORMATION (CONT'D)

(a) Business segments (Cont'd)

	Mechatronics		IMS		Investment holding		Eliminations		Total	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Other segment information:										
Capital expenditure	6,330	10,179	11,389	6,236	13	6	-	-	17,732	16,421
Addition of intangible assets	4,506	2,672	-	214	-	-	-	-	4,506	2,886
Depreciation and amortisation	8,752	8,862	13,141	12,895	4	2	-	-	21,897	21,759
Other non-cash expenses other than depreciation and amortisation	6	66	427	302	-	-	-	-	433	368
Amortisation of deferred gain	1,064	1,063	-	-	-	-	-	-	1,064	1,063

(b) Geographical segments

The Group operates in four principal geographical areas – The Netherlands, Republic of China, Singapore (country of domicile) and Malaysia.

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	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Based on location of customer				
The Netherlands	128,187	127,195	43,635	36,771
Republic of China	63,340	56,411	20,470	19,933
Singapore	46,422	46,492	12,160	13,705
Czech Republic	45,464	39,440	-	-
Malaysia	39,962	31,991	50,207	52,709
Germany	33,107	22,657	-	-
United Kingdom	24,459	30,551	-	-
America	18,648	14,727	3,071	3,173
Hungary	17,743	15,360	-	-
Thailand	12,447	16,739	3,477	3,694
Others	42,958	43,174	5,798	6,869
	472,737	444,737	138,818	136,854

(c) Information about major customers

Included in revenues arising from Mechatronics division of $299,199,000 (2013 : $273,857,000) are revenues of approximately $54,631,000 (2013 : $50,605,000) which arose from sales to the Group's largest customer.

32 CAPITAL COMMITMENTS

	The Group	
	2014	**2013**
	$'000	**$'000**
Commitments in respect of contracts placed for the purchase of property, plant and equipment but not provided for	1,614	393

33 OPERATING LEASE COMMITMENTS

The Group leases factories under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under the non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	The Group	
	2014	**2013**
	$'000	**$'000**
Not later than one year	4,215	4,980
Between one and five years	10,883	13,673
Later than five years	848	3,752
	15,946	22,405

34 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, Republic of China, Malaysia, and The Netherlands. Entities in the Group transacted 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, 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.

34 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	Euro $'000	MYR $'000	Yen $'000	RMB $'000	THB $'000	CHF $'000	Others $'000	Total $'000
31 December 2014										
Financial assets										
Cash and cash equivalents	2,993	4,268	2,266	5,096	3	1,896	711	1,431	106	18,770
Trade and other receivables	2,131	33,037	32,752	8,028	9	14,688	1,312	1,076	2,221	95,254
Intercompany receivables	1,155	156	762	310	-	-	-	-	-	2,383
Dividend receivables	2,760	-	1,535	-	-	-	-	-	-	4,295
	9,039	37,461	37,315	13,434	12	16,584	2,023	2,507	2,327	120,702

	SGD $'000	USD $'000	Euro $'000	MYR $'000	Yen $'000	RMB $'000	THB $'000	CHF $'000	Others $'000	Total $'000
31 December 2014										
Financial liabilities										
Borrowings	(10,339)	(13,364)	(23,436)	(1,995)	-	(4,469)	-	(667)	(1,089)	(55,359)
Other financial liabilities	(8,804)	(12,815)	(27,858)	(15,871)	(1,639)	(10,107)	(825)	(1,068)	(1,469)	(80,456)
Intercompany payables	(1,155)	(156)	(762)	(310)	-	-	-	-	-	(2,383)
Dividend payables	(2,760)	-	(1,535)	-	-	-	-	-	-	(4,295)
	(23,058)	(26,335)	(53,591)	(18,176)	(1,639)	(14,576)	(825)	(1,735)	(2,558)	(142,493)
Net financial assets/ (liabilities)	(14,019)	11,126	(16,276)	(4,742)	(1,627)	2,008	1,198	772	(231)	(21,791)
Less: Net financial assets/ (liabilities) denominated in the respective entities functional currencies	14,407	2,229	25,087	4,743	-	(1,818)	(1,197)	(782)	239	
Currency exposure	388	13,355	8,811	1	(1,627)	190	1	(10)	8	

34 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: (Cont'd)

	SGD $'000	USD $'000	Euro $'000	MYR $'000	Yen $'000	RMB $'000	THB $'000	CHF $'000	Others $'000	Total $'000
31 December 2013										
Financial assets										
Cash and cash equivalents	4,300	3,125	2,205	5,827	11	1,393	2,208	365	200	19,634
Trade and other receivables	2,220	31,109	32,669	5,068	63	14,141	1,365	1,536	1,488	89,659
Intercompany receivables	11,143	-	465	63	-	-	-	-	-	11,671
Dividend receivables	2,947	-	-	-	-	-	-	-	-	2,947
	20,610	34,234	35,339	10,958	74	15,534	3,573	1,901	1,688	123,911
Financial liabilities										
Borrowings	(11,893)	(12,800)	(20,914)	(1,743)	-	(2,677)	-	-	(1,186)	(51,213)
Other financial liabilities	(6,842)	(8,920)	(24,140)	(15,912)	(1,769)	(6,990)	(1,215)	(1,054)	(1,160)	(68,002)
Intercompany payables	(11,143)	-	(465)	(63)	-	-	-	-	-	(11,671)
Dividend payables	(2,947)	-	-	-	-	-	-	-	-	(2,947)
	(32,825)	(21,720)	(45,519)	(17,718)	(1,769)	(9,667)	(1,215)	(1,054)	(2,346)	(133,833)
Net financial assets/ (liabilities)	(12,215)	12,514	(10,180)	(6,760)	(1,695)	5,867	2,358	847	(658)	(9,922)
Less: Net financial assets/ (liabilities) denominated in the respective entities functional currencies	12,867	722	21,108	6,760	-	(5,863)	(2,356)	(790)	882	
Currency exposure	652	13,236	10,928	-	(1,695)	4	2	57	224	

34 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:

	2014			2013		
		Increase/(Decrease)			Increase/(Decrease)	
	Currency movement	Profit after income tax	Other component of equity	Currency movement	Profit after income tax	Other component of equity
		$'000	$'000		$'000	$'000
Group						
USD against MYR	5%			1%		
- strengthened		61	61		26	26
- weakened		(61)	(61)		(26)	(26)
Euro against MYR	6%			1%		
- strengthened		(219)	(219)		(61)	(61)
- weakened		219	219		61	61
Euro against SGD	9%			1%		
- strengthened		(21)	(21)		4	4
- weakened		21	21		(4)	(4)
USD against SGD	1%			3%		
- strengthened		33	33		57	57
- weakened		(33)	(33)		(57)	(57)
YEN against SGD	3%			4%		
- strengthened		29	29		42	42
- weakened		(29)	(29)		(42)	(42)

The Company's currency exposure based on the information provided to key management is as follows:

	SGD $'000	Euro $'000	Total $'000
31 December 2014			
Financial assets			
Cash and cash equivalents	2,092	-	2,092
Other receivables	967	361	1,328
Dividend receivables	2,760	1,535	4,295
	5,819	1,896	7,715
Financial liabilities			
Other financial liabilities	(360)	-	(360)
Borrowings	(400)	-	(400)
	(760)	-	(760)
Net financial assets	5,059	1,896	6,955
Less: Net financial assets denominated in the Company's functional currency	(5,059)	-	
Currency exposure	-	1,896	

34 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	Euro $'000	Total $'000
31 December 2013			
Financial assets			
Cash and cash equivalents	3,499	-	3,499
Other receivables	11,117	-	11,117
Dividend receivables	2,947	-	2,947
	17,563	-	17,563
Financial liabilities			
Other financial liabilities	(330)	-	(330)
Borrowings	-	-	-
	(330)	-	(330)
Net financial assets	17,233	-	17,233
Less : Net financial assets denominated in the Company's functional currency	(17,233)	-	
Currency exposure	-	-	

If the Euro changes against the SGD by 9% (2013: 1%) with all other variables including tax rate being held constant, the effects arising from the net currency exposure position will be as follows:

	2014		2013	
	Increase/(Decrease)			
	Profit after income tax $'000	Other component of equity $'000	Profit after income tax $'000	Other component of equity $'000
Company				
Euro against SGD				
- strengthened	142	142	-	-
- weakened	(142)	(142)	-	-

(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.

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Market risk (Cont'd)

(iii) Cash flow and fair value interest rate risks (Cont'd)

The Group's exposure to changes in interest rates related primarily to its placement in fixed deposits, short-term funds, bank borrowings and finance lease arrangement. At balance sheet date, approximately 5% (2013: 8%) of the Group's borrowings are at fixed rates of interest.

The Group's and the Company's deposits at fixed rate are denominated primarily in SGD, MYR, THB and INR.

The Group's borrowings (as disclosed in Note 26) at variable fixed rates on which effective hedges have not been entered into are denominated mainly in SGD, Euro, RMB, INR and USD. If interest rate increase/decrease by 0.5% with all other variables including tax rate being held constant, the Group's net profit will be lower/higher by $262,000 (2013: $235,000) as a result of higher/lower interest expense on these borrowings.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

Financial assets, which potentially subject the Group to concentration of credit risk, consist principally of trade and other receivables, financial asset, available-for-sale, 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.

The Group's trade receivables comprise 4 debtors (2013: 4 debtors) that individually represented 8% to 14% (2013: 7% to 13%) of trade receivables.

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.

As the Group and Company does 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	
	2014	**2013**
	$'000	**$'000**
Guarantees for banking facilities granted to subsidiaries		
– unsecured	9,125	3,418

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Credit risk (Cont'd)

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

	The Group	
	2014 $'000	2013 $'000
By geographical areas		
America	3,959	3,041
Malaysia	11,046	8,913
Singapore	10,793	9,288
The Netherlands	8,407	8,570
China	21,148	21,943
Other countries	31,854	31,257
	87,207	83,012
By business segments		
Mechatronics		
Semiconductors	10,983	7,478
Medical	3,392	2,711
Analytical	17,968	16,336
Industrial automation	7,638	7,332
Others	3,589	5,359
	43,570	39,216
IMS		
Office automation	2,679	3,518
Automotive	28,324	26,921
Consumer and Industrial Electronics	3,399	5,373
Tooling	8,831	7,268
Others	404	716
	43,637	43,796

(i) 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.

(ii) 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	
	2014 $'000	2013 $'000
Past due < 3 months	12,087	12,107
Past due 3 to 6 months	1,708	1,406
Past due 7 to 12 months	1,286	1,004
	15,081	14,517

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Credit risk (Cont'd)

(ii) Financial assets that are past due and/or impaired

(a) Trade receivables (Cont'd)

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	The Group	
	2014	**2013**
	$'000	**$'000**
Gross amount	650	536
Less: Allowance for impairment (Note 19)	(650)	(536)
	-	-

	The Group	
	2014	**2013**
	$'000	**$'000**
Beginning of financial year	536	224
Currency translation difference	(6)	15
Allowance made	149	361
Allowance utilised	(29)	(64)
End of financial year	650	536

In the opinion of the management, based on the review of the trade receivables, including balances that are past due, allowance for doubtful receivables at the end of the financial year is adequate.

(b) Other receivables

As at the end of financial year 2014 and 2013, no other receivables are past due but not impaired.

The carrying amount of other receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	The Group	
	2014	**2013**
	$'000	**$'000**
Gross amount	1,446	1,698
Less: Allowance for impairment (Note 21)	(1,446)	(1,698)
	-	-

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Credit risk (Cont'd)

(ii) Financial assets that are past due and/or impaired (Cont'd)

(b) Other receivables (Cont'd)

The carrying amount of other receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows (continued):

	The Group	
	2014	**2013**
	$'000	**$'000**
Beginning of financial year	1,698	1,740
Currency translation difference	(74)	50
Allowance utilised	(178)	(92)
End of financial year	1,446	1,698

(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 and Company's financial liabilities based on contractual undiscounted cash flows.

	Weighted average effective interest rate	**Less than 1 year $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Adjustment $'000**	**Total $'000**
Group						
At 31 December 2014						
Payables	-	(80,456)	-	-	-	(80,456)
Borrowings at variable interest rate	2.46%	(52,870)	(440)	(457)	1,291	(52,476)
Borrowings at fixed interest rate	7.37%	(1,488)	(779)	(828)	212	(2,883)
		(134,814)	(1,219)	(1,285)	1,503	(135,815)
At 31 December 2013						
Payables	-	(67,959)	-	(43)	-	(68,002)
Borrowings at variable interest rate	2.12%	(46,825)	(333)	(871)	997	(47,032)
Borrowings at fixed interest rate	7.21%	(1,787)	(1,890)	(805)	301	(4,181)
		(116,571)	(2,223)	(1,719)	1,298	(119,215)

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Liquidity risk (Cont'd)

	Weighted average effective interest rate	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Adjustment $'000	Total $'000
Company						
At 31 December 2014						
Payables	-	(360)	-	-	-	(360)
Borrowings at variable rate	2.96%	(412)	-	-	12	(400)
Financial guarantee	2.44%	(8,684)	(247)	(227)	33	(9,125)
		(9,456)	(247)	(227)	45	(9,885)
At 31 December 2013						
Payables	-	(330)	-	-	-	(330)
Borrowings	-	-	-	-	-	-
Financial guarantee	1.22%	(3,460)	-	-	42	(3,418)
		(3,790)	-	-	42	(3,748)

Non-derivative financial assets

The table below analyses the maturity profile of the Group's and Company's financial assets based on contractual undiscounted cash flows.

	Weighted average effective interest rate	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	After 5 years $'000	Adjustment $'000	Total $'000
Group							
At 31 December 2014							
Non-interest bearing		106,519	2,187	970	4,372	-	114,048
Fixed interest rate instruments	3.01%	4,467	-	-	-	(119)	4,348
		110,986	2,187	970	4,372	(119)	118,396
At 31 December 2013							
Non-interest bearing		99,071	1,366	2,066	4,907	-	107,410
Fixed interest rate instruments	2.00%	6,902	-	-	-	(112)	6,790
		105,973	1,366	2,066	4,907	(112)	114,200

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Liquidity risk (Cont'd)

Non-derivative financial assets (Cont'd)

	Weighted average effective interest rate	Less than 1 year $'000	Between 2 and 5 years $'000	After 5 years $'000	Adjustment $'000	Total $'000
Company						
At 31 December 2014						
Non-interest bearing		7,716	-	4,372	-	12,088
		7,716	-	4,372	-	12,088
At 31 December 2013						
Non-interest bearing		15,163	-	4,907	-	20,070
Fixed interest rate instruments	0.6%	2,413	-	-	(13)	2,400
		17,576	-	4,907	(13)	22,470

(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 2014 and 2013.

34 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 value 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 receivables is equivalent to its carrying amount.

For unquoted equity investments classified as financial asset available-for-sale, it is not practicable to determine its fair value because of the lack of market prices and assumptions used in the valuation models to value the investments cannot be reasonably determined. In the opinion of the management, fair value of unquoted equity investment is measured at cost less impairment loss at the end of financial year because range of reasonable fair value cannot be measured reliably.

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 34 to the financial statements:

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Financial asset, available-for-sale (Note 16)	4,372	4,907	4,372	4,907
Loans and receivables:				
Trade receivables (Note 19)	87,207	83,012	-	-
Receivables from subsidiaries (Note 20)	-	-	1,328	11,116
Dividend receivable from subsidiaries	-	-	4,295	2,947
Other receivables, deposits and prepayments (Note 21)	11,945	10,614	12	11
Cash and cash equivalents (Note 22)	18,770	19,634	2,092	3,499
Less: Prepayments (Note 21)	(3,898)	(3,967)	(11)	(10)
Total	114,024	109,293	7,716	17,563
Trade payables (Note 23)	49,111	40,542	-	-
Other payables, accruals and provisions (Note 24)	31,345	27,460	360	330
Borrowings (Note 26)	55,359	51,213	400	-
Financial liabilities at amortised cost	135,815	119,215	760	330

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 2014 $'000	Use of property	Encumbrances
1.	No. 14 to 16 Hurksestraat, Eindhoven, The Netherlands	Frencken Investments B.V.	Freehold	12,300 sq m	5,932	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	3,813	Production and office	Legal charge in favour of Coöperatieve Rabobank Eindhoven - Veldhoven
3.	Lot No. 670, No.H.S.(M) 52, Mukim 2, Tempat Tasek, Daerah Seberang Perai Selatan, Pulau Pinang, Malaysia	Precico Electronics Sdn. Bhd.	Freehold	7,945 sq m	763	Production and office	-
4.	Lot No.P.T. 1559, No.H.S.(D) 2833, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang, Malaysia	Precico Electronics Sdn. Bhd.	Leasehold expiring 24.06.2046	2.67 acres or 10,815.59 sq m	2,204	Production, office and canteen for employees	-
5.	Lot No.P.T. 1573, No.H.S. (D) 2845, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang, Malaysia	Precico Electronics Sdn. Bhd.	Leasehold expiring 14.07.2046	3.20 acres or 12,957.95 sq m	499	Production, office and car park	-
6.	Lot No.P.T. 1574, No.H.S. (D) 2846, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang, Malaysia	Precico Electronics Sdn. Bhd.	Leasehold expiring 11.08.2046	3.79 acres	3,162	Production and office	-
7.	Lot No.P.T. 1576, No.H.S. (D) 2847, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang, Malaysia	Precico Electronics Sdn. Bhd.	Leasehold expiring 11.08.2046	1.92 acres or 7,750.38 sq m	1,743	Production and office	-

DETAILS OF PROPERTIES HELD BY THE GROUP (CONT'D)

The properties owned by the Group are as follows: (cont'd)

	Location	Registered proprietor	Tenure	Gross land area	Net book value as at 31 Dec 2014 $'000	Use of property	Encumbrances
8.	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	Precico Electronics Sdn. Bhd.	99 years lease expiring 22.04.2092	63.03 sq m per unit	590	Hostel for employees	-
9.	Block F89 (80 units) Taman Pelangi, Seberang Perai Tengah, Prai held under Strata Titles Nos. Pajakan Negeri HBM57/M2/1/81 to 96, HBM57/M2/2/97 to 112, HBM57/M2/3/113 to 128, HBM57/M2/4/129 to 144, HBM57/M2/5/145 to 160 erected on part of Lot No. 5788, Mukim 11, Daerah Seberang Perai Tengah, Pulau Pinang, Malaysia	Precico Electronics Sdn. Bhd.	99 years lease expiring 22.04.2092	63.03 sq m per unit	1,219	Hostel for employees	-
10.	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	7,899	Production and office	-
11.	16, Jalan Masyhur 1, Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia	Juken Technology Engineering Sdn. Bhd.	Freehold	4,303 sq m	1,466	Production and office	Legal charge in favour of AmBank (M) Berhad

DETAILS OF PROPERTIES HELD BY THE GROUP (CONT'D)

The properties owned by the Group are as follows: (cont'd)

	Location	Registered proprietor	Tenure	Gross land area	Net book value as at 31 Dec 2014 $'000	Use of property	Encumbrances
12.	Lot 10, Jalan BRP 9/1C, Rahman Putra Industrial Park, 47000 Sungai Buloh, Selangor Darul Ehsan, Malaysia	Juken Technology Engineering Sdn. Bhd.	Freehold	1,754 sq m	1,395	Production and office	Legal charge in favour of AmBank (M) Berhad
13.	Lot 11, Jalan BRP 9/1C, Rahman Putra Industrial Park, 47000 Sungai Buloh, Selangor Darul Ehsan, Malaysia	Juken Technology Engineering Sdn. Bhd.	Freehold	1,754 sq m	1,372	Production and office	Legal charge in favour of AmBank (M) Berhad
14.	Lot 12, Jalan BRP 9/1C, Rahman Putra Industrial Park, 47000 Sungai Buloh, Selangor Darul Ehsan, Malaysia	Juken Technology Engineering Sdn. Bhd.	Freehold	1,754 sq m	1,349	Production and office	Legal charge in favour of AmBank (M) Berhad
15.	2413, M004, Bangna-Trad Road (KM 34.5), T. Bangpleenoi, Amphur Bangbor, Somatprakam 10560, Thailand	Juken (Thailand) Co., Ltd	Freehold	9,600 sq m	1,744	Production and office	-

STATISTIC OF SHAREHOLDINGS
AS AT 10 MARCH 2015

Share Capital

No. of Issued Shares	: 404,472,409
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	59	2.32	1,909	0.00
100 - 1,000	156	6.12	92,006	0.02
1,001 - 10,000	1,325	52.00	5,619,687	1.39
10,001 - 1,000,000	968	37.99	65,782,944	16.27
1,000,001 and above	40	1.57	332,975,863	82.32
TOTAL	**2,548**	**100.00**	**404,472,409**	**100.00**

TWENTY (20) LARGEST SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1.	DBS Nominees Pte Ltd	44,671,781	11.04
2.	Micro Compact (M) Sdn. Bhd.	26,332,206	6.51
3.	Precico Holdings Sdn. Bhd.	26,154,870	6.47
4.	Raffles Nominees (Pte) Ltd	24,409,900	6.03
5.	Citibank Nominees Singapore Pte Ltd	19,862,500	4.91
6.	UOB Kay Hian Pte Ltd	17,731,184	4.38
7.	Strategic Equities Ltd	17,522,794	4.33
8.	Hong Leong Finance Nominees Pte Ltd	16,226,916	4.01
9.	Sinn Hin Company Sdn. Bhd.	15,080,000	3.73
10.	DB Nominees (S) Pte Ltd	14,809,000	3.66
11.	Cayman Resources Sdn. Bhd.	14,407,445	3.56
12.	Meng Tak Corporation Sdn. Bhd.	13,434,000	3.32
13.	Primespot Sdn. Bhd.	10,300,000	2.55
14.	HSBC (Singapore) Nominees Pte Ltd	9,047,000	2.24
15.	ABN AMRO Nominees Singapore Pte Ltd	7,932,000	1.96
16.	GBC Holdings Sdn. Bhd.	5,470,000	1.35
17.	CIMB Securities (Singapore) Pte Ltd	4,621,664	1.14
18.	K-Tee Holdings Sdn. Bhd.	4,060,000	1.00
19.	Uhlmann Singapore LLP	3,556,000	0.88
20.	Wong Lai Huat	3,459,863	0.86
	TOTAL	**299,089,123**	**73.93**

PERCENTAGE OF SHAREHOLDING IN PUBLIC HANDS

59.86% 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 10 MARCH 2015

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	%
Tan Sri Larry Low Hock Peng [a]	200,000	0.05	41,176,794	10.18
Dato' Gooi Soon Chai [b]	3,002,723	0.74	88,784,568	21.95
Low Heang Thong [c]	1,996,000	0.49	22,576,000	5.58
Gim Thye Realty Sdn. Bhd. [d]	-	-	73,874,677	18.26
Micro Compact (M) Sdn. Bhd.	26,332,206	6.51	-	-
Precico Holdings Sdn. Bhd. [e]	26,154,870	6.47	26,332,206	6.51
Prime Logic (M) Sdn. Bhd. [f]	1,600,000	0.40	26,332,206	6.51
Sinn Hin Company Sdn. Bhd. [g]	15,080,000	3.73	68,494,521	16.93

Notes:

(a) Tan Sri Larry Low Hock Peng is deemed to have an interest in the 9,482,000 shares held by his family, shares held by Meng Tak Corporation Sdn. Bhd. and Coswell Corporation by virtue of Section 4 of the Securities and Futures Act (Chapter 289 of Singapore) and Section 7 of the Companies Act and shares held through Strategic Equities Ltd and Citibank Nominees Singapore Pte Ltd in the capital of the Company.

(b) Dato' Gooi Soon Chai is deemed to have an interest in the 3,858,047 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., Cayman Resources Sdn. Bhd. and Sim Hin Realty Sdn. Bhd. by virtue of Section 4 of the Securities and Futures Act (Chapter 289 of Singapore) and Section 7 of the Companies Act.

(c) Low Heang Thong is deemed to have an interest in the 1,200,000 shares held by his family, shares held by Meng Tak Corporation Sdn. Bhd. by virtue of Section 4 of the Securities and Futures Act (Chapter 289 of Singapore) and Section 7 of the Companies Act and shares held through ABN AMRO Nominees Singapore Pte Ltd in the capital of the Company.

(d) Gim Thye Realty Sdn. Bhd.'s deemed interest arising from its 20.3% direct interest in Precico Holdings Sdn. Bhd. and therefore it is deemed to have an interest in which Precico Holdings Sdn. Bhd. has an interest. Gim Thye Realty Sdn. Bhd. also have deemed interest in shares held by Cayman Resources Sdn. Bhd. by way of its 24.2% direct interest in Cayman Resources Sdn. Bhd. and shares held through HSBC (Singapore) Nominees Pte Ltd in the capital of the Company.

(e) Precico Holdings Sdn. Bhd.'s deemed interest arising from its 60% direct interests in Micro Compact (M) Sdn. Bhd..

(f) Prime Logic (M) Sdn. Bhd.'s deemed interest arising from its 40% direct interests in Micro Compact (M) Sdn. Bhd..

(g) Sinn Hin Company Sdn. Bhd.'s deemed interest arising from its 25.5%, 38.4% and 31.1% 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.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Orchard Parade Hotel, Level 2 Antica I, 1 Tanglin Road, Singapore 247905 on Thursday, 23 April 2015 at 2.30 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Financial Statements of the Company for the financial year ended 31 December 2014 together with the Auditor's Report thereon. **(Resolution 1)**

2. To declare a first and final exempt (one-tier) dividend of 1.00 cents per share for the financial year ended 31 December 2014. **(Resolution 2)**

3. To approve the Directors' fees of $184,700 for the financial year ended 31 December 2014. **(Resolution 3)**

4. To re-elect Mr Chia Chor Leong, retiring pursuant to Article 89 of the Company's Articles of Association. [See Explanatory Note 1] **(Resolution 4)**

5. To re-elect Mr Sim Mong Huat, retiring pursuant to Article 89 of the Company's Articles of Association. [See Explanatory Note 2] **(Resolution 5)**

6. To re-elect Dato' Gooi Soon Chai, retiring pursuant to Article 88 of the Company's Articles of Association. [See Explanatory Note 3] **(Resolution 6)**

7. To re-appoint Messrs Deloitte & Touche LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolution with or without modifications:

8. **Authority to allot and issue shares** **(Resolution 8)**

   (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

SPECIAL BUSINESS (CONT'D)

(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.

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 4]

9. **Authority to grant options and to issue shares under the Company Employee Share Option Scheme 2008 (the "Scheme")** **(Resolution 9)**

That authority be and is hereby given to the Directors of the Company to offer and grant options in accordance with the provisions with the Scheme and pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, to allot and issue from time to time such number of shares as may be required to be issued pursuant to the exercise of the options under the Scheme always that the total number of new shares issued and issuable in respect of all options granted thereunder, shall not exceed fifteen per cent (15%) of the total number of issued shares of the Company from time to time.

[See Explanatory Note 5]

OTHER BUSINESS

10. 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 at 23 April 2015.

1. A first and final exempt (one-tier) dividend of 1.00 cents per share for the financial year ended 31 December 2014 will be paid on 15 May 2015.

2. The Share Transfer Books and Register of Members of the Company will be closed on 4 May 2015 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, #02-00, Singapore 068898, up to 5.00 p.m. on 30 April 2015 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 30 April 2015 will be entitled to the payment of the proposed dividend.

ON BEHALF OF THE BOARD

Sim Mong Huat
Executive Director

8 April 2015

Explanatory Notes:

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 Committee. There are no relationships (including immediate family relationships) between Mr Chia Chor Leong and the other Directors of the Company or its shareholders. Detailed information on Mr Chia Chor Leong can be found on the Profile of Board of Directors and Key Management section of the Annual Report 2014.

2. There are no relationships (including immediate family relationships) between Mr Sim Mong Huat and the other Directors of the Company or its shareholders. Detailed information on Mr Sim Mong Huat can be found on the Profile of Board of Directors and Key Management section of the Annual Report 2014.

3. There are no relationships (including immediate family relationships) between Dato' Gooi Soon Chai and the other Directors of the Company. Detailed information on Dato' Gooi Soon Chai can be found on the Profile of Board of Directors and Key Management section of the Annual Report 2014.

4. The ordinary resolution in item no. 8 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.

5. The ordinary resolution proposed in item no. 9 is to authorise the Directors of the Company to offer and grant options under the Company Share Option Scheme 2008 and to allot and issue shares pursuant to the exercise of such shares under the Scheme not exceeding fifteen per cent (15%) of the Company from time to time.

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy in his stead.

2. A proxy need not be a member of the Company.

3. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

4. The instrument appointing a proxy must be deposited at the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 not later than 48 hours before the time appointed for the Meeting.

Personal Data Privacy

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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FRENCKEN GROUP LIMITED
(Registration No. : 199905084D)
(Incorporated in the Republic of Singapore)

IMPORTANT
1. For investors who have used their CPF monies to buy **Frencken Group Limited's shares**, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

*I/We____ (Name) * NRIC/Passport No. _____________________________of

____(Address)
being * a member/members of Frencken Group Limited (the "Company"), hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of shareholdings to be represented by proxy (%)

*and/or

or failing him/her, the Chairman of the Annual General Meeting of the Company as *my/our *proxy/proxies to vote for *me/us on *my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at Orchard Parade Hotel, Level 2 Antica I, 1 Tanglin Road, Singapore 247905 on Thursday, 23 April 2015 at 2.30 p.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated with an "X" in the spaces provided hereunder. If no specified directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/their discretion.

No.	Resolutions	For	Against
1.	To receive and adopt the Directors' Report and Financial Statements of the Company for the financial year ended 31 December 2014 together with the Auditor's Report thereon.		
2.	To declare a first and final exempt (one-tier) dividend of 1.00 cents per share for the financial year ended 31 December 2014.		
3.	To approve the Directors' fees of $184,700 for the financial year ended 31 December 2014.		
4.	To re-elect Mr Chia Chor Leong, retiring pursuant to Article 89 of the Company's Articles of Association.		
5.	To re-elect Mr Sim Mong Huat, retiring pursuant to Article 89 of the Company's Articles of Association.		
6.	To re-elect Dato' Gooi Soon Chai, retiring pursuant to Article 88 of the Company's Articles of Association.		
7.	To re-appoint Messrs Deloitte & Touche LLP as auditors of the Company and to authorise the Directors to fix their remuneration.		
8.	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Chapter 50.		
9.	To authorise the grant of options in accordance with the provisions of the Company Employee Share Option Scheme 2008.		

Dated this ________day of ____________________ 2015

Total Number of Shares Held	
CDP	
Register of Members	
Total	

____
Signature(s) of Member(s)/Common Seal
** Delete accordingly*
IMPORTANT
Please read notes overleaf

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Such proxy need not be a member of the Company.

2. Where a member of the Company appoints two (2) proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.

3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.

4. 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 Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.

5. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 80 Robinson Road, #02-00 Singapore 068898 not later than 48 hours before the time set for the Annual General Meeting.

(1) Fold along this line

Affix
Postage
Stamp

THE SECRETARY
FRENCKEN GROUP LIMITED
80 ROBINSON ROAD
#02-00
SINGAPORE 068898

(2) Fold along this line

6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the 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 of the Company, 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 of the Company.

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies 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 a proxy or proxies. 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 a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 48 hours before the time set for the Annual General Meeting.

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 Annual General Meeting dated 8 April 2015.

www.frenckengroup.com