Frencken Group Limited

ANNUAL REPORT 2017

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About this Annual Report

Our annual report showcases Frencken Group's reach – with our global footprint, unique capabilities, and cutting-edge technology solutions that create value for all stakeholders.

The cover design of a world held together by a digital mesh underlines the increasing importance of technology in every aspect of our daily lives. The tree's roots growing and integrated in the digital mesh shows our deep relationships with customers and the ever growing and evolving technology world. The deep, spreading roots also embodies the extent of Frencken's Global Reach and the depth of our Local Expertise. The spreading branches and lush leaves represent growth of the different segments and products within our business.

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Group Operating Structure

Mechatronics Division

Europe

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

America

- Frencken America Inc.
  Spokane, USA

Asia

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

Integrated Manufacturing Services Division

Asia

- Precico Singapore Pte Ltd
  Singapore
- Juken Technology Limited
  Singapore
- Supertool Industries Pte Ltd
  Singapore
- Juken Technology Engineering Sdn. Bhd.
  Selangor 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

Our Business

The Frencken Advantage

Frencken Group Limited (“Frencken”) is a Global Integrated Technology Solutions Company that is listed on the Singapore Exchange.

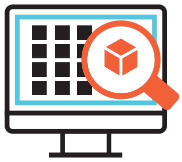
We provide comprehensive Original Design, Original Equipment and Diversified Integrated Manufacturing solutions for world-class multinational companies in the automotive, healthcare, industrial, life sciences and semiconductor industries.

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

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

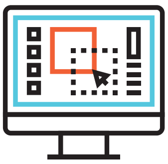
Integrated Solutions

Product Conceptualisation



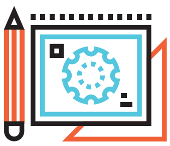
Supply Chain Design & Management

Integrated Design



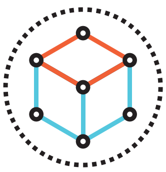
Value & Volume Manufacturing Services

Prototyping



Logistics Solutions

New Product Introductions



ONE-STOP GLOBAL INTEGRATED TECHNOLOGY SOLUTIONS PROVIDER

Our Business (Cont'd)

Mechatronics Division

Frencken designs and manufactures high precision and complex systems for renowned global OEMs in the healthcare, life sciences, semiconductor and industrial automation markets. The Group serves market and technology leaders from 6 global centres spread across Europe, Asia and the USA.

Frencken has core competencies in development & engineering, complex and high precision components, high level assembly, global supply chain management and process & quality control.

Build to the customer's Product Design

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

Build to the customer's Requirements

- Jointly develop product specification
- Product Conceptualisation
- Develop and build prototype
- Develop process for production
- Production and managing the product's life cycle

Build to the customer's Roadmap

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

6 Global Centres

- Eindhoven, Netherlands
- Reuver, Netherlands
- Bangi, Malaysia
- Singapore
- Wuxi, China
- Spokane, USA

IMS Division

Frencken offers integrated contract design and manufacturing services to the automotive, office automation, consumer and industrial electronics segments. With more than 30 years of experience, the Group has built extensive in-house capabilities and boasts 10 design and manufacturing facilities worldwide.

IMS

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

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

IMS Coating

Frencken proprietary technology PVD (Physical Vapour Deposition) solution. "Sustainable Green" environmentally friendly PVD surface coating technologies for plastic.

Cost effective surface coating for automotive interior panels and parts utilising our "Green" coating processes. Qualified 1st and 2nd automotive surface interior.

IMS Filter

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

Automotive gearbox and engine filters. Designed to customers' needs and specifications for superior filtration. Delivering cost effective performance and superior reliability.

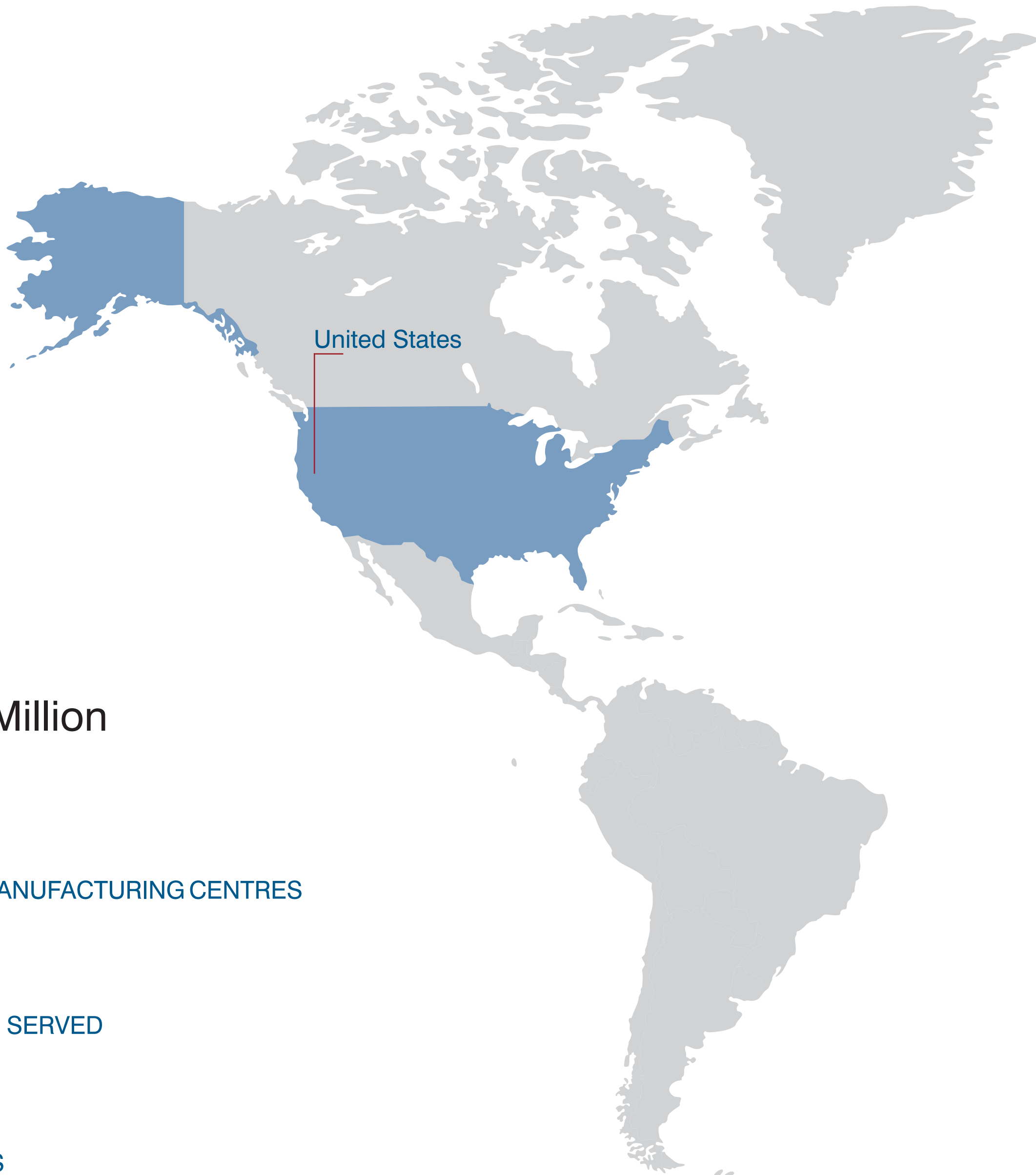
10 Global Centres

- Noida, India
- Bangkok, Thailand
- Selangor, Malaysia
- Johor, Malaysia
- Singapore
- Jakarta, Indonesia
- Zhuhai, China
- Tianjin, China
- Rotterdam, Netherlands
- Grenchen, Switzerland

Our Value Proposition

Global Reach, Local Expertise

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



AROUND
S$515 Million
REVENUE

17
DESIGN & MANUFACTURING CENTRES

50+
COUNTRIES SERVED

3,400
EMPLOYEES

Public Corporation listed on
SGX

United States	Netherlands	China	Thailand	Indonesia
Spokane	Eindhoven	Tianjin	Bangkok	Jakarta
	Rotterdam	Zhuhai		
	Reuver	- Jinding	Malaysia	Singapore
		- Nanshui	Sungai Buloh	Singapore
	Switzerland	Chuzhou (End 2018)	Bangi	
	Grenchen	Wuxi	Johor	India
				Noida

Our Value Proposition (Cont'd)

Diversity Brings Resilience and Stability

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

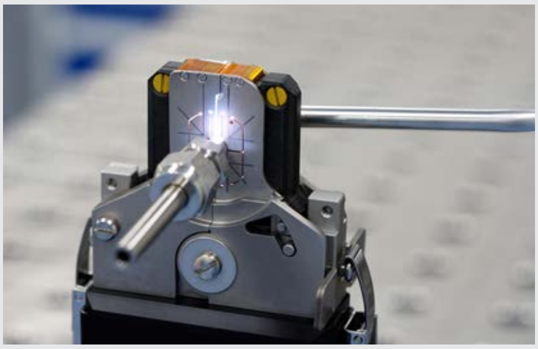
We take pride in our partnerships with customers to create world-class products. Our solutions, while not immediately visible to end-users, enable the products that surround us in our everyday lives.

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

Breadth of Capabilities

Automotive

- Filters
- Interior plastic decorative parts
- Dashboard clusters, pointers and clocks

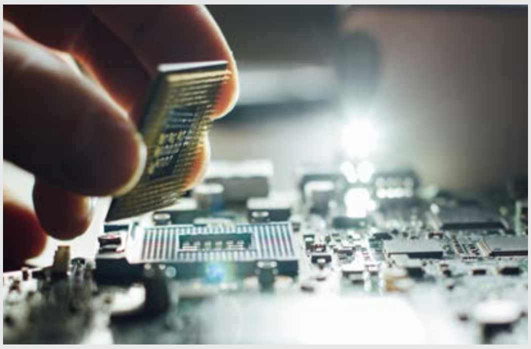


Life Sciences

Components and sub assemblies for
- Scanning electron microscope
- Mass spectrometry
- Gas / Liquid chromatography
- Spectroscopy
- Vacuum systems

Healthcare

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



Semiconductor

Components and sub assemblies for
- Lithography
- Die bonding
- IC testers and manipulators
- Vacuum systems

Industrial

Components and sub assemblies for
- Industrial automation
- Electric motors for custom applications
- Industrial robots
- Electrical switch-gear for industrial and home applications

OUR SOLUTIONS SURROUND AND ENABLE THE PRODUCTS AROUND YOU

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present Frencken Group Limited's annual report for the 12 months ended 31 December 2017 ("FY2017").

Dato' Gooi Soon Chai
Chairman

FY2017 was a momentous year for Frencken. The global technology sector benefited from a more upbeat business backdrop, thanks to accelerating market trends in cloud computing, big data, artificial intelligence, the proliferation of connected devices and Internet of Things ("IOT"), as well as the transformation of the automotive industry. This upturn in the industry's operating environment, combined with the positive outcomes of our strategic initiatives, enabled the Group to deliver a commendable set of financial results with profitable growth in FY2017.

Financial Performance for FY2017

The Group's revenue grew 10.4% to reach a record S$515.1 million in FY2017 from S$466.4 million in FY2016. This was lifted mainly by the higher revenue contribution from the Mechatronics Division as the IMS Division posted lower revenue due to the absence of sales from Valeo Malaysia CDA Sdn. Bhd. (formerly known as Precico Electronics Sdn. Bhd.) ("PESB") which the Group divested on 31 March 2017. The improvement in the Group's top line can be attributed to our success in securing new programs with both existing and new customers in the semiconductor, medical, analytical and automotive segments.

Indeed, if the revenue contributions from PESB in FY2016 and the first quarter of FY2017 are excluded, the Group would have registered even higher revenue growth of 20.4% in FY2017.

The increase in Group revenue, coupled with the positive impact of initiatives to strengthen our business and operational efficiencies, led to a substantial improvement at the bottom line. Net profit attributable to equity holders for FY2017 surged 108.2% to S$33.1 million from S$15.9 million in FY2016.

If the net gain on disposal of subsidiaries and impairment loss of financial asset, available-for-sale in FY2017 are excluded, the Group would still have achieved a creditable performance with a net profit of S$23.0 million compared with S$15.9 million in FY2016, an increase of 44.5%.

I am also pleased to report that Frencken closed the year with a stronger financial position. The Group ended FY2017 with net cash of S$4.5 million as compared to net borrowings of S$40.3 million at the end of FY2016. This was due mainly to proceeds from the strategic divestment of PESB to Valeo Bayen. Shareholders' equity as at 31 December 2017 was S$247.2 million, equivalent to net asset value of 59.37 cents per share, which is an increase from S$212.7 million in the previous year.

To reward shareholders for their support of Frencken, the Board of Directors has recommended a higher dividend for FY2017, comprising a final tax exempt (one-tier) dividend of 1.66 cents per share and a special tax exempt (one-tier) dividend of 0.73 cents per share. The total dividends of 2.39 cents represent a pay-out ratio of approximately 30% of the Group's FY2017 net profit. Upon approval by shareholders at the forthcoming Annual General Meeting on 25 April 2018, these dividends will be paid on 11 May 2018.

Pursuing Operational Excellence

During FY2017, our strategic objective was to continue building a stronger foundation for the Group to deliver sustainable profitable growth in coming years. A significant part of this ongoing strategy is focused on executing plans to raise the efficiency of the Group's core businesses and improve our overall profit margins.

Major initiatives implemented during FY2017 included the relaunch of the Group's Quality Policy, the introduction of the *Frencken Operations eXcellence* ("FOX") culture and a new Global Reward System.

Through the FOX initiative, we hope to foster a culture of excellence that emphasises an organisation driven by rigorous financial and operational management. As part of the FOX initiative, we have developed our *Frencken Production System* ("FPS") which comprises a set of tools built around "Identifying Waste, Eliminating Waste and Lean Thinking". In FY2017, we introduced FPS at the IMS Division to work towards achieving manufacturing excellence.

The Group also introduced a new Global Reward System to ensure that contributions by all our people are recognised and rewarded through a fair and transparent process. We believe this reward system will better align our people's performance with the Group's objectives and targets. Our creation of a Sales Organisation for the Group is also reaping rewards as it has led to unified branding across all our business units, as well as growth in both our wallet share and market share.

FY2017 was also an eventful year for Frencken in terms of structural changes. The strategic divestment of PESB enabled the Group to unlock the value of this business unit at a profit. The IMS Division is presently setting up a new manufacturing facility in Chuzhou, Anhui Province, as well as developing an "IMS Centre of Technology" at its factory in Johor, Malaysia which will focus on mould design and fabrication, moulding technology, and engineering support for new programs.

At our Mechatronics Division, the Group has expanded the factory space at our manufacturing facility in Bangi, Malaysia as well as instituted structural and organisational changes at our Europe operations to extract greater efficiencies and effectiveness.

Outlook and Strategy

While the world economy is generally expected to continue on a recovery path during 2018, uneven demand conditions may persist across the different business sectors. Frencken operates in a broad array of market segments, end-user and geographical markets. As such, the Group is confident that our business diversity and long-term partnerships with leading companies in the global automotive, healthcare, industrial, life sciences and semiconductor markets will continue to provide resilience and stability in our performance. Indeed, market forecasters are projecting the semiconductor, life sciences and automotive markets to continue growing in 2018 which bodes well for Frencken as these are the Group's three largest business segments.

The Group's goal remains consistent, which is to deliver sustainable and profitable long-term growth. To achieve this, the Group will continue executing strategies and implementing initiatives to strengthen our position as a premier *Global Integrated Technology Solutions Company*.

To ensure the Group can continue to secure new programs and expand our market share, the Mechatronics and IMS divisions are working in close collaboration with both new and existing customers to develop the next generation of products and technology.

The Mechatronics Division has forged an excellent reputation in the high-technology capital equipment sector for its ability to provide leading edge technologies that mirror customers' needs, timely solutions, coupled with high quality support to customers on a global scale. To position the division for the next generation of products, the Group is committed to upgrading the capabilities of its world-wide operating sites and enhancing its skill sets to stay abreast of the latest technology. The Mechatronics Division will continue to invest in state-of-the-art facilities and cutting-edge equipment to maintain its competitive advantage and ensure it has the requisite know-how to support customers' technology and product roadmaps.

The IMS Division is also working to enhance its competencies and increase its differentiation in the automotive segment. The division has been making good progress to expand the automotive business by securing new programs from existing and new customers. The development of an "IMS Centre of Technology" will further strengthen the division's capabilities in tool design and manufacturing, which will ensure a downstream advantage in both quality and productivity. Additionally, the new factory in Chuzhou will enable the IMS Division to expand its wallet share with existing customers and capture new opportunities.

The Group is confident that the initiatives being undertaken at both divisions will strengthen Frencken's organisation structure and lead to operational excellence which will ensure the Group remains competitive and relevant to our customers.

Appreciation

In closing, I would like to welcome Mr Melvin Chan to our Board of Directors. Mr Chan, who has a wealth of experience in the technology industry, was appointed as our Independent Director in April 2017. I also wish to express my appreciation to Mr David Wong, the CEO of our IMS Division, who retired at the end of 2017 for his valuable contributions to the Group over the years.

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

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

Fostering a Culture of Excellence

Frencken's greatest asset is our people. From production operators on the shopfloor to senior executives in the boardroom, our people's skills, knowledge and experience are the drivers of our continued growth.

In today's marketplace, Frencken's success lies in our ability to create value for customers through continuous improvement, maintaining high quality standards, and ensuring efficient and sustainable manufacturing processes.

To achieve these goals, the Group has been fostering the *Frencken Operations eXcellence* ("FOX") culture at all our worldwide operating sites. Through a series of training programs, FOX encourages a positive working attitude, going beyond job scopes to attain professional growth, and the adoption of best practices. It also encompasses the *Frencken Production System* ("FPS") which is a set of tools to drive continuous improvement and make our production plants more effective and efficient.

Fostering a Culture of Excellence (Cont'd)

Our FOX training programs enable our people to upgrade their skill sets which are beneficial to both personal development and organisation excellence in the long run.

CHEN ZHIQIANG

Automation Engineer at Micro-Air (Tianjin) Technology Co., Ltd

Mr Chen is Green Belt certified and is expecting to receive his Black Belt certification

"It has really been an honour to get this opportunity to attend the FOX Lean Training program. This program has helped me to learn new advanced methods for production and analysis. This has made a great impact on the way I think when faced with a problem. To solve the problem, I now ask 'why' in addition to 'how'.

Using these methods for a new project, we were able to improve our manufacturing processes which allowed us to save a lot of time during mass production. I believe FOX training will enable us to make further improvements and reap better benefits. I intend to keep learning and hope to enjoy greater progress."

PREETI RAUTHAN

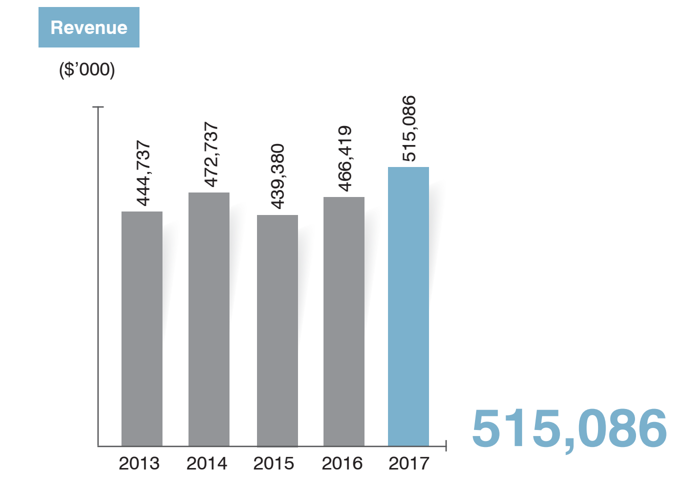
Assistant Project Manager at Juken Uniproducts Pvt. Limited

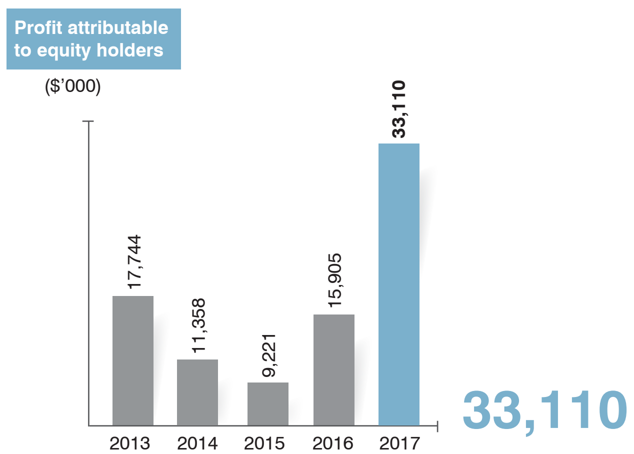
Ms Preeti is expecting to receive her Green Belt certification

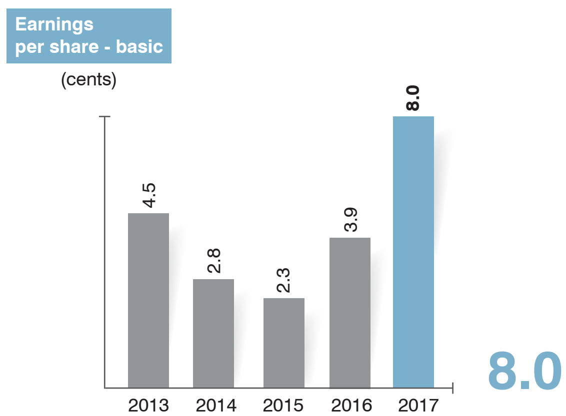
"Frencken's introduction of FPS training is a great initiative and I am really grateful for it. I learned about discipline, problem solving tricks and time study. But I believe the most important benefits of this training are the value-add I can bring to my employer and improvement of my future opportunities.

The training has taught me that implementing Lean thinking enables an organisation to remain competitive which will help it to win more business and grow. In my opinion, a successful program will result in effective trained people who are open minded, committed to change and adopt a strategic approach to solving problems. These are benefits that we can apply to improve our daily work."

Financial Summary







Financial Summary (Cont'd)

FINANCIAL YEAR	FY DEC 2013	FY DEC 2014	FY DEC 2015	FY DEC 2016	FY DEC 2017
Operating Results	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Revenue	444,737	472,737	439,380	466,419	**515,086**
Operating profit [(1)]	24,866	17,806	22,031	21,647	**30,293**
Profit attributable to equity holders	17,744	11,358	9,221	15,905	**33,110**
Financial Position	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Total assets	335,095	352,262	339,475	362,995	**420,155**
Total liabilities	128,030	143,807	133,871	148,323	**170,613**
Shareholders' equity	205,282	206,916	203,631	212,652	**247,199**
Key Ratios					
Net profit on turnover (%)	4.0	2.4	2.1	3.4	**6.4**
Return on average equity (%)	9.1	5.5	4.5	7.6	**14.4**
(Net debts)/ Net cash to equity (%)	(15.4)	(17.7)	(18.3)	(18.9)	**1.8**
Earnings per share - basic (cents)	4.5	2.8	2.3	3.9	**8.0**
- diluted (cents)	4.4	2.8	2.3	3.9	**7.9**
Net assets value per share (cents)	51.5	51.2	50.3	52.3	**59.4**
Dividend per share (cents)	1.40	1.00	0.75	1.20	**2.39**
Share Price and Market Capitalisation	**Cents**	**Cents**	**Cents**	**Cents**	**Cents**
Highest	28.0	39.0	24.5	28.0	**60.5**
Lowest	19.1	21.5	17.7	17.0	**24.0**
Average	22.2	32.0	20.6	23.3	**45.2**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Average market capitalisation	88,415	129,431	83,360	94,748	**188,205**
Average shareholders' equity	196,062	206,099	205,274	208,142	**229,926**
Market value differential [(2)]	(107,647)	(76,668)	(121,914)	(113,394)	**(41,721)**

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

Financial Highlights

		2016	2017	Change
1	**Operating Results**	$'000	$'000	%
	Revenue	466,419	**515,086**	10.4
	Profit attributable to equity holders	15,905	**33,110**	108.2
	Net profit on turnover (%)	3.4	**6.4**	88.2
2	**Divisional Performance**	$'000	$'000	%
	Mechatronics - Revenue	301,930	**373,324**	23.6
	- Operating profit (1)	18,975	**30,337**	59.9
	IMS - Revenue	164,481	**141,554**	(13.9)
	- Operating profit (1)	2,970	**1,952**	(34.3)
3	**Solvency Profile**	$'000	$'000	%
	Cash and cash equivalents	18,482	**68,153**	268.8
	Borrowings	58,742	**63,607**	8.3
	(Net debts)/Net Cash	(40,260)	**4,546**	N.M.
	Interest cover ratio (2)	14.3	**19.4**	35.7
4	**Shareholders' Value**			%
	Shareholders' equity ($'000)	212,652	**247,199**	16.2
	Earnings per share - basic (cents)	3.9	**8.0**	105.1
	- diluted (cents)	3.9	**7.9**	102.6
	Return on average equity (%)	7.6	**14.4**	89.5
	Net asset value per share (cents)	52.3	**59.4**	13.6
	Dividend payout ratio (%)	30.7	**30.1**	(2.0)

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

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

N.M. Not meaningful

Financial Calendar

Financial year	31 December 2017	31 December 2018
Announcement of Results		
1st Quarter	11 May 2017	**10 May 2018**
2nd Quarter	10 August 2017	**8 August 2018**
3rd Quarter	9 November 2017	**8 November 2018**
4th Quarter	22 February 2018	**February 2019**
Delivery of Annual Report	10 April 2018	**April 2019**
Annual General Meeting	25 April 2018	**April 2019**

Business Review

Group Financial Performance in FY2017

For the 12 months ended 31 December 2017 ("FY2017"), Group revenue increased 10.4% to S$515.1 million from S$466.4 million in FY2016, lifted by higher sales of the Mechatronics Division. The IMS Division posted lower sales due mainly to the absence of sales from Valeo Malaysia CDA Sdn. Bhd. (formerly known as Precico Electronics Sdn. Bhd.) ("PESB") following the completion of the disposal of PESB on 31 March 2017. Excluding the revenue contributions from PESB in FY2016 and first quarter of FY2017, the Group would have registered revenue growth of 20.4% in FY2017.

The Mechatronics Division accounted for 72.5% of Group revenue in FY2017, while the remaining 27.5% was contributed by the IMS Division.

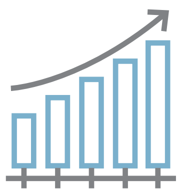
In tandem with higher sales, the Group's gross profit in FY2017 gained 18.5% to S$83.9 million from S$70.8 million in FY2016. Gross profit margin in FY2017 climbed to 16.3% from 15.2% in FY2016 due mainly to improved capacity utilisation.

Other income, net of other operating expenses, decreased 6.9% to S$4.2 million in FY2017 from S$4.5 million in FY2016. This was attributed mainly to the foreign exchange loss in FY2017 as opposed to a foreign exchange gain in FY2016.

Selling and distribution expenses in FY2017 declined to S$10.9 million, down 3.5% from S$11.3 million in FY2016. Administrative and general expenses increased 10.7% to S$46.9 million in FY2017 from S$42.4 million in FY2016, due primarily to higher staff costs, provision for bonuses and performance incentive, consultancy fees and IT-related expenses. Finance costs in FY2017 were marginally higher at S$1.6 million compared to S$1.5 million in FY2016.

The Group's profit before income tax ("PBT") in FY2017 jumped 97.6% to S$40.1 million from S$20.3 million in FY2016. Excluding the exceptional gain of S$10.1 million arising mainly from a net gain on disposal of subsidiaries and impairment loss of financial asset, available-for-sale in FY2017, the Group would have recorded PBT of S$30.0 million, up 47.7% compared to FY2016.

Net profit attributable to equity holders for FY2017 surged 108.2% to S$33.1 million from S$15.9 million in FY2016. Excluding the net gain on disposal of subsidiaries and impairment loss of financial asset, available-for-sale in FY2017, the Group would have registered net profit of S$23.0 million, an increase of 44.5% compared to FY2016. This was driven mainly by higher profit generated from the Mechatronics Division.

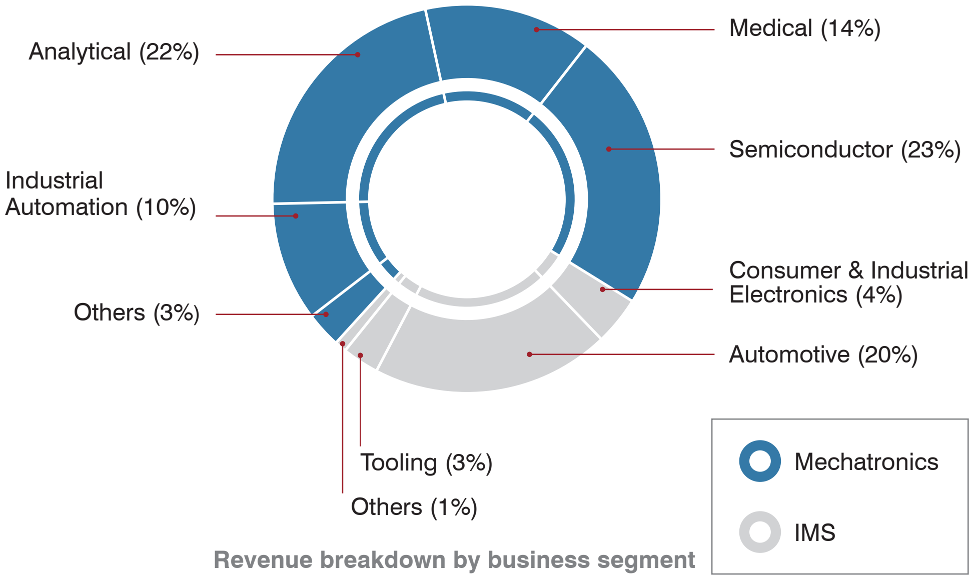


Group revenue
S$515.1 million

Gross profit
S$83.9 million

Profit before income tax
S$40.1 million

Business Review (Cont'd)



Revenue breakdown by business segment

As at 31 December 2017, the Group had shareholders' equity of S$247.2 million, equivalent to net asset value of 59.37 cents per share based on the total number of issued shares of 416.4 million shares.

Total assets as at 31 December 2017 increased to S$420.2 million from S$363.0 million at the end of December 2016. This was attributable mainly to higher inventories, trade receivables, as well as cash and cash equivalents.

Property, plant and equipment as at 31 December 2017 decreased to S$93.9 million from S$100.0 million as at 31 December 2016, attributable mainly to the disposal of subsidiaries and depreciation charges which were partially offset by additions to property, plant and equipment during FY2017.

Cash and cash equivalents as at 31 December 2017 increased to S$68.2 million from S$18.5 million as at 31 December 2016 due mainly to proceeds from disposal of subsidiaries. Inventories increased to S$112.2 million from S$109.3 million at the end of FY2016 to meet the fulfillment of orders to customers. Trade receivables also increased to S$100.3 million from S$90.7 million as at 31 December 2016 in line with higher sales.

Total liabilities as at 31 December 2017 increased to S$170.6 million from S$148.3 million as at 31 December 2016, attributable mainly to higher trade and other payables as well as borrowings. Trade payables increased to S$61.9 million as at 31 December 2017 from S$51.5 million as at 31 December 2016, attributed to higher purchases of materials required to fulfill customers' orders. Total borrowings also increased to S$63.6 million from S$58.7 million as at 31 December 2016 due to higher requirement for working capital purposes. At the end of FY2017, the Group had net cash of S$4.5 million compared to net borrowings of S$40.3 million as at 31 December 2016.

Mechatronics Division

Business segment review

The Mechatronics Division recorded a 23.6% increase in revenue to S$373.3 million in FY2017 from S$301.9 million in FY2016, lifted by higher sales from the semiconductor, medical and analytical segments.

The Mechatronics Division's semiconductor segment registered sales growth of 56.5% to S$116.4 million in FY2017 from S$74.4 million in FY2016 amid robust growth of the global semiconductor industry since the start of 2017. The buoyant demand conditions spurred the increase in orders for products related to both front-end and back-end semiconductor equipment.

The analytical segment also showed positive progress in FY2017 with sales growing 34.3% to S$114.5 million from S$85.2 million in the previous year. This reflected the improvement in market demand especially from end-users in the life sciences and semiconductor industries.

Sales of the medical segment climbed 12.9% to S$72.0 million in FY2017 from S$63.8 million in FY2016 primarily on the back of higher demand from existing customers.

On the other hand, sales of the industrial automation segment, which is typically lumpy in nature, decreased 14.4% to S$50.9 million in FY2017 from S$59.4 million in the previous year due mainly to lower customer orders for storage drive production equipment.

As a percentage of the Group's total revenue in FY2017, the semiconductor and analytical segments contributed 22.6% and 22.2% respectively. The medical segment accounted for 14.0% while the industrial automation segment made up 9.9% of Group revenue in FY2017.

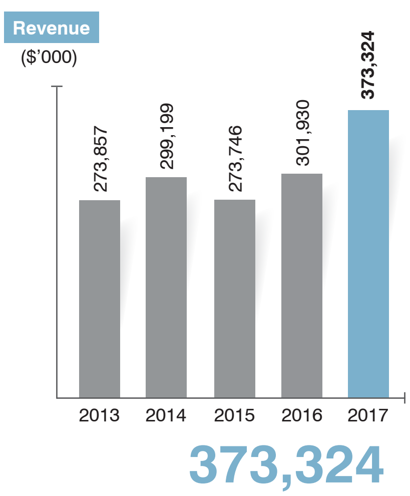
With higher revenue, the Mechatronics Division benefited from an improvement in capacity utilisation during FY2017. Coupled with efforts to raise operational efficiencies, the Mechatronics Division's net profit increased by 51.7% to S$23.1 million in FY2017 from S$15.3 million in FY2016.

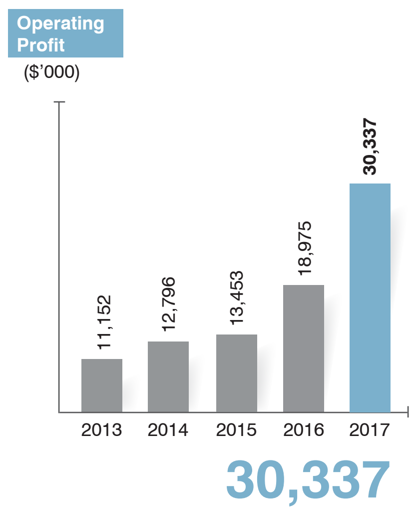
Operational initiatives

Riding on better market demand, our Europe operations secured additional programs with existing customers, as well as acquired new customers in the semiconductor and analytical segments. The Europe operations also benefited from our continuous efforts to raise operational efficiency and control costs.

To better position ourselves for the next generation of products, we invested in an automated precision cleaning line which boasts the highest degree of cleanliness standards in manufacturing. At the same time, we also added orbital welding technology and high precision machining equipment to raise the capacity of our Europe operations.

MECHATRONICS DIVISION'S PERFORMANCE (FY2013 - FY2017)





Our significant product knowledge and manufacturing expertise are core competencies that underpin our value-add to customers. The key thrusts of our operational strategy in 2018 are to increase our customer value-add as we extend the division's portfolio, and to continue driving operational excellence programs. In tandem with business requirements, our Europe operations plan to set up new cleanroom facilities and expand high precision machining equipment.

Our Asia operations continued to win new projects with existing customers in the semiconductor, medical and analytical segments. We also clinched new customers from the semiconductor and analytical segments.

As a testament to our service quality, our Asia team bagged several supplier awards last year, including "Best Performance Supplier Award 2017" and "Best Quality Commitment Award 2017" from leading semiconductor equipment Original Equipment Manufacturers.

During FY2017, we expanded the factory space of our facility at Bangi in Malaysia, as well as purchased new robotic machines and more advanced machining equipment for higher speeds and precision. Going forward, we intend to purchase equipment to increase the level of automation for our manufacturing operations. In parallel with initiatives to drive productivity and operational excellence, our Asia operations will continue with its efforts to build a diversified customer portfolio with greater stability.

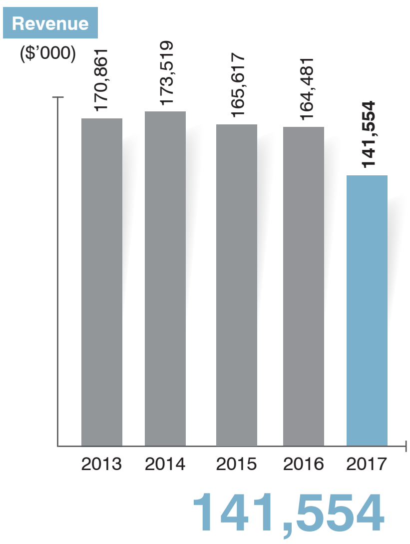
IMS Division

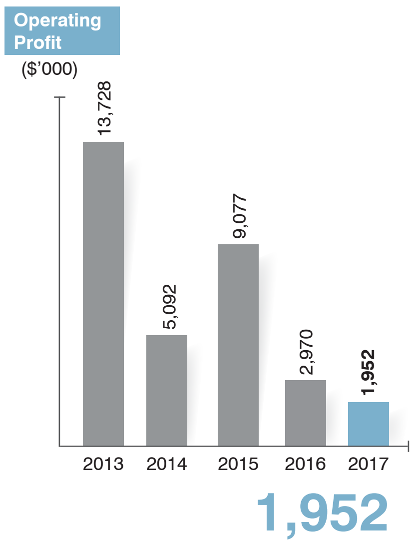
Business segment review

The IMS Division reported revenue of S$141.6 million in FY2017, down 13.9% from S$164.5 million in FY2016. This was attributed mainly to reduction in sales of the automotive segment following the disposal of PESB. Sales of the automotive segment declined 18.6% to S$102.8 million in FY2017 from S$126.2 million in FY2016.

Excluding the contribution of PESB in FY2016 and the first quarter of FY2017, the automotive segment would have registered a sales growth of 13.8% in FY2017 compared to FY2016. This increase was led by higher sales of high-precision automotive plastic parts as well as automotive filters.

IMS DIVISION'S PERFORMANCE (FY2013 - FY2017)





The consumer & industrial electronics segment registered higher revenue of S$21.3 million in FY2017, up 4.9% from S$20.3 million in FY2016, attributed mainly to increased sales with a key customer.

The automotive segment accounted for 19.9% of Group revenue in FY2017, while the consumer & industrial electronics segment contributed to 4.1% of total revenue.

For FY2017, the IMS Division posted net profit of S$0.6 million compared to S$0.8 million in FY2016. This was attributed mainly to price pressure, and supply chain management issues for which we have already initiated actions to address the situation.

Operational initiatives

During FY2017, the IMS Division saw several automotive projects entering the mass production phase. These projects, involving precision automotive plastic parts and filters, were awarded by existing and new customers. The IMS team also secured new programs in FY2017, which will contribute to the division in coming years after the start of mass production.

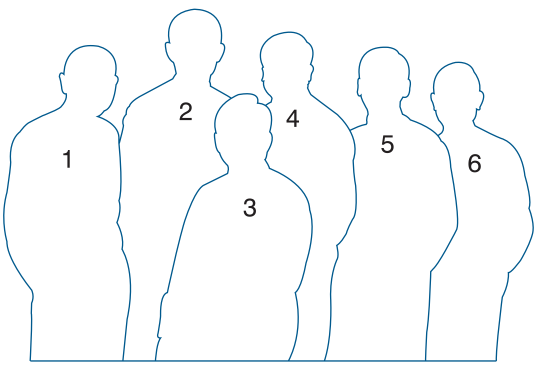
As part of our plans to grow the automotive business, we are setting up a new manufacturing facility in Chuzhou, Anhui Province of the PRC to capture business opportunities with existing and potential customers. We also invested in multiple fully automated lines and additional spray painting line at various factories to increase productivity, capacity and quality of our automotive products. Some of these new production / assembly lines are expected to come onstream progressively in FY2018.

To enhance our core competencies and increase differentiation, we are developing an "IMS Centre of Technology" at our factory in Johor, Malaysia that will focus on mould design and fabrication, moulding technology and engineering support for new programs. This will allow the IMS Division to centralise tool design and manufacturing capabilities to support all our factories. We also continued to enhance our PVD (Physical Vapour Deposition) technology which is an environmentally friendly solution for surface coating of automotive interior panels and parts. We believe this will sharpen our edge in providing high quality surface coating solutions to automotive customers.

As we build the *Frencken Operations eXcellence* ("FOX") culture in the Group, the IMS Division will focus on executing programs to share best practices across our subsidiaries, increase the level of automation as well as implement lean manufacturing to reduce cost and wastage, improve efficiency and quality as well as quicken our time-to-market.

The automotive segment will remain as a key business driver of our IMS Division. Although the automotive business is envisaged to benefit from ongoing projects and new projects in the pipeline that are expected to kick-start gradually in coming years, the IMS Division may face higher organisation costs this year due to start-up costs of the new factory in Chuzhou, and product development costs. We are working towards mitigating such costs through operational excellence programs within the IMS Division.

Profile of Board of Directors



1. Yeo Jeu Nam
2. Ling Yong Wah
3. Dato' Gooi Soon Chai
4. Dennis Au
5. Melvin Chan Wai Leong
6. Chia Chor Leong

Profile of Board of Directors (Cont'd)

DATO' GOOI SOON CHAI

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

In an illustrious career spanning 30 years, Dato' Gooi has amassed a wealth of experience and extensive network of contacts in the global technology industry. He is presently Senior Vice President of Keysight Technologies, and President of Keysight's Electronic Industrial Solutions Group, driving Keysight's business across a broad set of electronic industrial end markets, focusing on high-growth applications in automotive and energy, consumer electronics, education and semiconductor industries. He also oversees Keysight's global operations in Order Fulfillment & Information Technology across the USA, 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.

DENNIS AU

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

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

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

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

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 LL.B. (Honours) degree from the University of Singapore in 1980 and was admitted as an advocate and solicitor of the Supreme Court of Singapore in 1981. He has been practising as an advocate and solicitor since 1981, and is presently a consultant at Central Chambers Law Corporation. Mr Chia is a distinguished solicitor, a senior adjudicator, an arbitrator and a mediator. 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, and as a member of the Singapore Road Safety Council. He is the Chairman of the External Placement Review Board and a member of the Independent Review Panel, under the Ministry of Home Affairs. In recognition of his voluntary public service since 1987, Mr Chia was awarded the Pingat Bakti Masyarakat (Public Service Medal) in 2000 and the Bintang Bakti Masyarakat (Public Service Star) in 2007.

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 12 years. Mr Yeo has more than 25 years of consultancy experience, specialising in Strategic Change and Organisational Transformation, Integration Management and Organisational Realignment, Corporate Regeneration and Restructuring, Business Performance Improvement as well as Human Capital Solutions. He has advised numerous private and public sector companies from a broad spectrum of industries. Mr Yeo has a B. Soc. Sci (Class II, Upper Hons) degree from the University of Singapore. He is also an alumnus of INSEAD.

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

MELVIN CHAN WAI LEONG

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

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

Mr Chan also sits on the board of JEP Holdings Ltd, a SGX Catalist-listed company. He holds a Bachelor's degree in Electrical & Electronics Engineering and a Master of Business Administration degree from the National University of Singapore.

Profile of Key Management

DAVID CHIN YEAN CHOON

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

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

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

WANG LIANG HORNG

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

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

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

Corporate Information

Company Registration No.:199905084D

Board of Directors

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

Mohamad Anwar Au
President, Executive Director

Chia Chor Leong
Independent Director

Ling Yong Wah
Lead Independent Director

Yeo Jeu Nam
Independent Director

Melvin Chan Wai Leong
Independent Director

Audit Committee

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

Remuneration Committee

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

Nominating Committee

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

Auditors

Deloitte & Touche LLP
Public Accountants and Chartered Accountants
6 Shenton Way
OUE Downtown 2, #33-00
Singapore 068809
Partner-in-charge: 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

Corporate Office

Suite 2.1, Level 2, Wisma Great Eastern
No. 25 Lebuh Light
10200 Penang, Malaysia
Tel: +60 (04) 371 7000
Fax: +60 (04) 262 5000

Share Registrar and Share Transfer Office

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

Principal Bankers

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

Investor Relations Consultant

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

Company Secretaries

Low Mei Wan, ACIS
Toon Choi Fan, ACIS

Website

www.frenckengroup.com

Sustainability Report

G4-3

Frencken is pleased to present its **inaugural** Sustainability Report (the "Report") for the financial year ended 31 December 2017 ("FY2017"). The Report is in accordance with Global Reporting Initiative ("GRI") G4 Guidelines that contains the key materiality issues identified through materiality assessment. For references to the GRI content index, please refer to pages 46 and 48 of this Annual Report.

About This Report

G4-17, G4-18, G4-23, G4-28, G4-30, G4-31

Scope of the Report

- This is the inaugural sustainability report following the GRI G4 Guidelines.
- This report focuses on two subsidiaries (Frencken Mechatronics (M) Sdn. Bhd., Selangor, Malaysia and Juken Technology Engineering Sdn. Bhd., Johor, Malaysia) to begin our sustainability reporting journey.
- This report does not include outsourced activities, joint ventures and suppliers. We have attempted to report only issues that are material to Frencken Group Limited.

Reporting Period

This report, which will be produced annually, covers the period from 1 January 2017 to 31 December 2017 (Financial Year 2017). For selected indicators that have been only tracked recently, we have mentioned the reporting duration within the report. There are no significant restatements of data compared to prior years as this report is Frencken Group Limited's earliest.

Availability and Coverage

This report will be made available to shareholders and key stakeholders including business partners, regulators, industry groups, media and the community. It is publicly available online via our website http://www.frenckengroup.com. The report is embedded within the 2017 annual report.

Boundary

The report refers to the period from 1 January 2017 to 31 December 2017 (unless indicated otherwise), and:

- refers to all activities of Frencken Group Limited (Frencken Mechatronics (M) Sdn. Bhd., Selangor, Malaysia and Juken Technology Engineering Sdn. Bhd., Johor, Malaysia)
- addresses company's operations (offices, products and sales); and
- contains quantitative and qualitative results for indicators presented for the reporting year.

Feedback for the Report

We welcome your comments, thoughts and remarks, which can be directed to:
E-mail: corp@frenckengroup.com

Awards and Recognition

ISO 14001
ENVIRONMENTAL MANAGEMENT SYSTEM

ISO 9001
QUALITY MANAGEMENT SYSTEM

ELECTRONIC INDUSTRY CITIZENSHIP
COALITION (EICC) CODE OF CONDUCT

Board Statement

G4-1

In this ever-changing operating landscape, we see sustainability as a commitment of the current and necessity of the future. As a high-tech capital and consumer equipment service provider, we are exposed to multiple risk factors that could impact the longevity of the business. We are committed to embrace sustainability to minimise the impact of those risks and even change it to opportunities that matters to all our stakeholders.

Our first Sustainability Report further demonstrates our commitment and values forward to operate in a sustainable and responsible manner. This year, we have captured information primarily from the Group in Singapore and our subsidiaries in Malaysia. Frencken Group Limited is pleased to publish the inaugural Sustainability Report 2017. The report enunciates what sustainability means to our Group, prepared in accordance with GRI G4 Guidelines. At Frencken Group Limited, we are dedicated in improving the integration of sustainability into our working environment and business processes. We are committed to accountability and transparency in our sustainability performance.

The Sustainability Governance Structure is being established to ensure sustainability measures is managed across the business through relevant policies, programmes and operating procedures that are in place. This guides the management on its decision-making processes and ensures that we continually deliver on our business principles across all of our operations.

Since this is our inaugural report, we hope to establish better tracking points and strategies to evaluate and consider future changes that need to be addressed. We are looking forward to move beyond data collection and management towards measuring outcomes and the impact of our work in the near future. We have identified our gaps and understood our challenges, and we aspire to improve these areas, especially our key priorities.

We believe more target based approaches will be done within the coming years and more strategic monitoring factors will be laid out. We trust you will find this Sustainability Report informative and delivers a fair and balanced view of our position and performance on identified material issues.

Materiality

G4-18

It is crucial that Frencken Group Limited's sustainability strategy and reporting addresses the issues of great importance to the Group and our stakeholders, and which have significant influence on society, the planet and the communities.

Thus, we conducted a materiality assessment, which aligned with the Global Reporting Initiative (GRI) G4 Guidelines, to define issues of relevance to the business and the stakeholders.

Sustainability areas assessed in the materiality assessment:

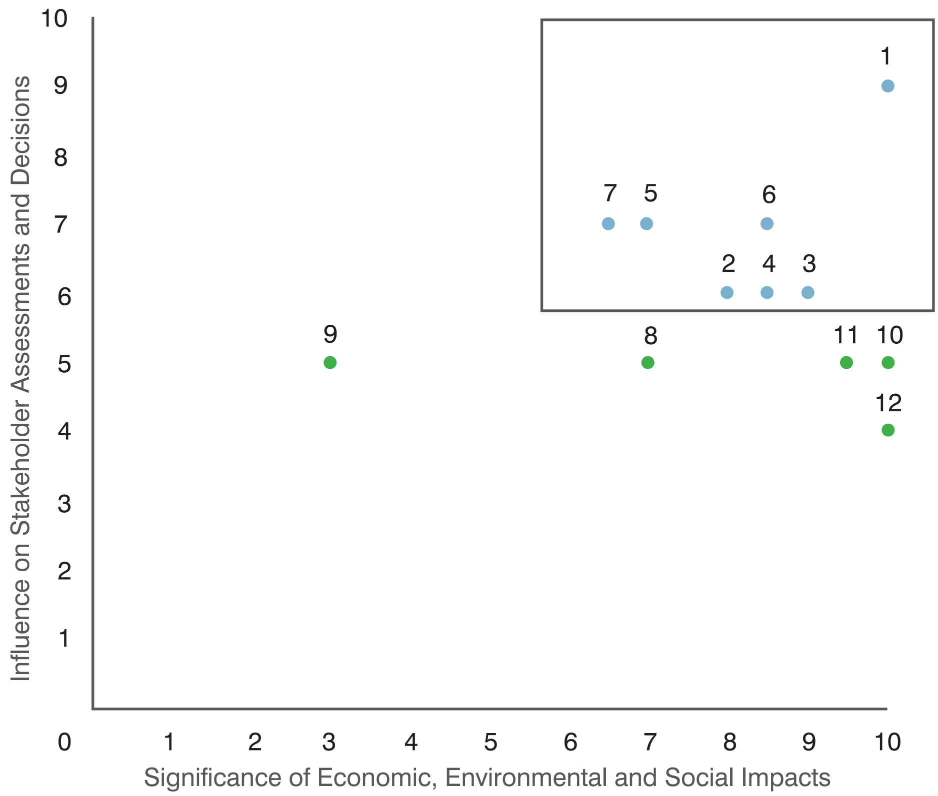
Economic

Environment

Social

Materiality Matrix

G4-18, G4-19, G4-20, G4-21



The results of the assessment were then used to develop a materiality matrix, with the level of importance to Frencken Group Limited plotted along the X axis and importance to stakeholders on the Y axis. The matrix is presented as shown in the diagram.

Category	No.	Material Aspects	List of Indicators
Economic	1	Economic Performance	G4-EC1: Direct economic value generated and distributed (Please refer to Page 15 - 22)
Environmental	2	Compliance	G4-EN29: Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations (Page 39)
Social	3	Occupational Health and Safety	G4-LA6: Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender (Page 40)
	4	Training and Education	G4-LA9: Average hours of training per year per employee by gender, and by employee category (Page 41)
	5	Labour Practices Grievance Mechanisms	G4-LA16: Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms (Page 42)
	6	Product and Service Labelling	G4-PR5: Results of surveys measuring customer satisfaction (Page 43)
	7	Compliance	G4-PR9: Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services (Page 39)

Material Indicators: For full disclosure of material disclosures, refer to GRI Content Index pages 46 - 48.

Stakeholder Engagement

G4-25

Our stakeholders are highly diverse, reflecting the depth of our footprint within local reach of global market. We have identified our main stakeholder's groups using the GRI G4 Guidelines.

Based on the guidelines, we have identified five (5) main stakeholder groups and their sustainability concerns.

G4-20, G4-21, G4-24, G4-26, G4-27

Stakeholders	Stakeholder Concerns / Sustainability Issues	
Internal Management	• Product and Service Labelling • Environmental Compliance • Labour Practices Grievance Mechanisms • Product Responsibility Compliance • Energy • Effluents and Waste	• Employment • Economic Performance • Foreign Labour Retention Rate • Yield Loss • Occupational Health and Safety • Training and Education
Customers	• Training and Education • Products and Service Labelling • Economic Performance • Product Responsibility Compliance • Employment • Occupational Health and Safety	• Labour Practices Grievance Mechanisms • Energy • Environmental Compliance • Yield Loss • Effluents and Waste • Foreign Labour Retention Rate
Investors	• Economic Performance • Product and Service Labelling • Environmental Compliance • Yield Loss • Product Responsibility Compliance • Labour Practices Grievance Mechanisms	• Effluents and Waste • Training and Education • Occupational Health and Safety • Energy • Foreign Labour Retention Rate • Employment
Suppliers	• Economic Performance • Product and Service Labelling • Product Responsibility Compliance • Labour Practices Grievance Mechanisms • Environmental Compliance	• Effluents and Waste • Occupational Health and Safety • Energy • Training and Education • Employment • Foreign Labour Retention Rate
Regulators	• Labour Practices Grievance Mechanisms • Occupational Health and Safety • Effluents and Waste • Environmental Compliance • Economic Performance • Product Responsibility Compliance	• Energy • Training and Education • Foreign Labour Retention Rate • Employment • Product and Service Labelling • Yield Loss

Corporate Governance

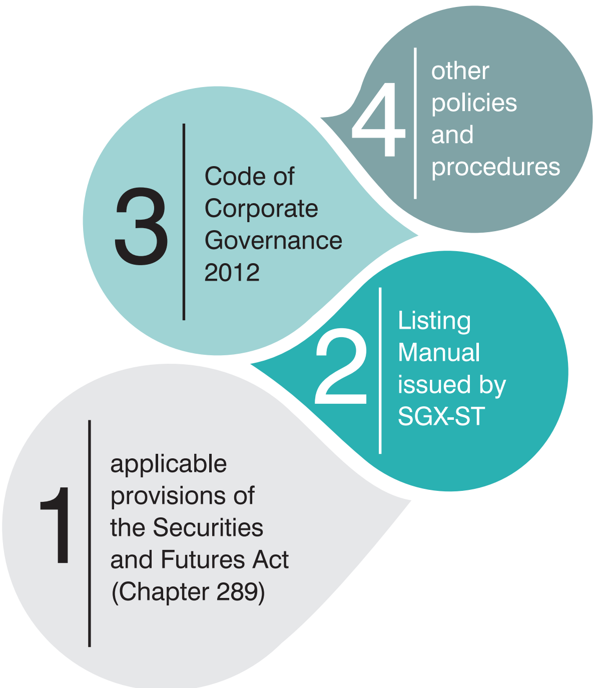
G4-DMA

Governance Statement

"Corporate governance is at the heart of our business in realising our sustainability goals. Building a system in which high standards are maintained and best practices are applied business-wide is essential to our successful long-term performance. We endeavour to maintain integrity, transparency, accountability and discipline in all our practices and have put in place a robust governance framework to ensure we meet our objectives."

Sustainability Policy and Codes of Ethics

At Frencken, we believe that good governance is more than just a pursuit towards complying with all the prescripts but that it translates into better business performance and creates a more sustainable value for the company. We are committed to upholding high standards of corporate governance in our management of Frencken and operate in keeping with the spirit of the Code of Corporate Governance issued by Monetary Authority of Singapore ("MAS") on 2 May 2012 ("2012 Code"). The code sets out wide-range area of focuses, principles and specific recommendations to ensure that good corporate governance becomes an essential part of business ecosystem and culture. Frencken's policies and business activities are aligned to the global standards and are supported by a variety of external charters and principles. These include but are not limited to:



Accordingly, we have developed and adopted a range of corporate policies and internal controls that support the Board and Management. These policies and controls cover matters such as personal data protection, anti-money laundering and countering terrorism financing, conflicts of interest, business continuity, insider dealing, enterprise risk management, and outsourcing.

Note: Other policies and procedures can be found on pages 49 to 64 of the corporate governance statement section in this Annual Report

Corporate Governance

G4-DMA

Whistle-Blowing Mechanism

As part of its corporate governance framework, the Group has adopted a whistle-blowing policy that ensures an avenue for employees to raise concerns in confidence and provide assurance that the party involved in the whistle-blowing will be protected from reprisals, victimisation, harassment or disciplinary proceedings.

Frencken Group's whistle-blowing policy reinforces the value that it places on staff to be honest and upright in their dealings and conduct. It should be emphasized that this policy is intended to assist individuals who believe they have discovered malpractice or impropriety. It is not designed to question financial or business decisions taken by the Group nor should it be used to air grievances or as a platform to maliciously attack a superior for personal gain.

The Group's whistle-blowing policy applies to all employees of the group as well as suppliers, customers, outsourced partners, agents and consultants that have dealings with the Group.

Whistle-Blowing Policy Framework

Expectations of appropriate conduct to be made known to all employees

Employees are forewarned upfront that the Group expects honesty, integrity and high moral and ethics from all its employees. Expectations of appropriate conduct are communicated as follows:

- All executives have to make a "Declaration of Conduct" upon confirmation of employment.
- A code of misconduct is also spelled out in the employee handbook that is issued to each and every employee.

Ensure independence and impartiality of review

The channel of communicating the whistle-blowing event is separated from the management of Frencken Group to ensure there are independent and internal checks.

Mode of communication disseminated to all employees

All whistle-blowing communications will be directed confidentially to the Chairman of the Audit Committee who shall be an independent director of the board and not involved in the management of the Group.

G4-PR9

Compliance

Frencken remains committed to all regulations set by the government body where it operates. We are closely monitoring all regulated aspects to minimize or to have zero significant fines and non-monetary sanctions. We have set a much stringent set of regulations for ourselves in operational areas where we feel important. We make a great deal of effort in complying with all the requirements. As of 2017, Frencken has continued being an exemplary organisation as we have not identified any non-compliance with laws or regulations.

Environmental Compliance

For us at Frencken, we give our utmost commitment to all environmental regulations by setting stringent requirements throughout the production processes, from cradle to grave. We make sure all environmental parameters such as waste management are monitored closely to prevent any non-compliances. As of 2017, Frencken has received **ZERO** report on environment related non-compliances.

Product and Services Compliance

Customer should always be well informed about our products. This has become our value to the buyers. We view product knowledge as an important customer engagement process. We are responsible to inform our stakeholders with full transparency about our products or services. In year 2017, there were **ZERO** report on non-compliance with regulations and voluntary codes concerning product and service information.

Social

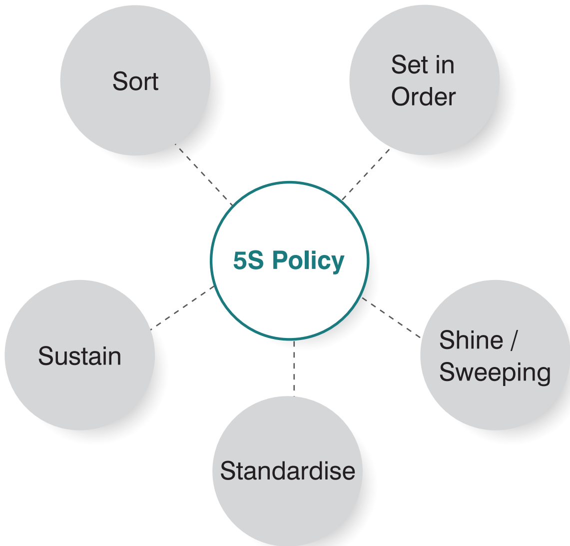
G4-DMA, G4-LA6

Occupational Health and Safety

Acknowledging that our employees are our Group's most valuable assets, we recognise the importance in delivering and sustaining safe and healthy work environment throughout all our business operations and facilities. In order to portray our commitment and continuously enhance employee's health and safety performance, our Safety Committees have carried out several annual health and safety initiatives such as:

- Chemical Hazard Risk Assessment (CHRA);
- Chemical Exposure Monitoring (CEM);
- Training Need Analysis (TNA);
- Medical surveillance;
- Noise monitoring;
- Incident occurrence monitoring; and
- Safety audit compliance to Occupational Safety and Health Act (OSHA) 1994.

We have put in place **5S Policy** and Environment Safety and Health (ESH) procedures to promote awareness to the Group's employees.



5S Workplace Organisation Methodology Program

Reported Injuries for Non-Executive Employee Working On Site in 2017

Juken Technology Engineering Sdn. Bhd. (Johor, Malaysia)		Frencken Mechatronics (M) Sdn. Bhd. (Selangor, Malaysia)	
Type of Injuries	**No. of reported injuries for non-executive employee**	**Type of Injuries**	**No. of reported injuries for non-executive employee**
A non-fatal or fatal injury arising out of or in the course of work.	1	A non-fatal or fatal injury arising out of or in the course of work.	9
A disease arising from the work situation or activity (such as stress or regular exposure to harmful chemicals), or from a work-related injury.	1	A disease arising from the work situation or activity (such as stress or regular exposure to harmful chemicals), or from a work-related injury.	0

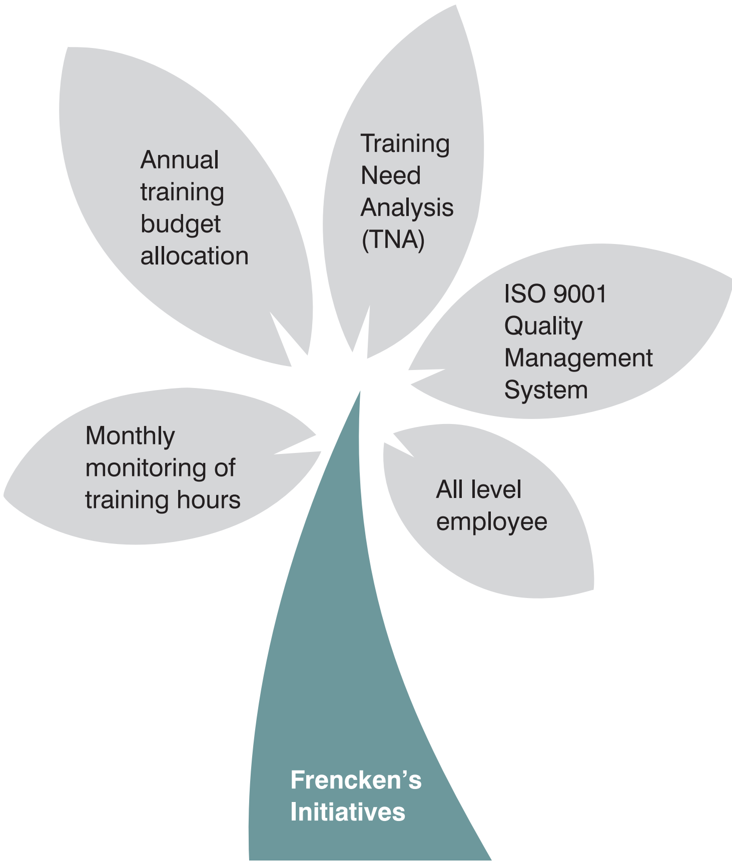
**No injuries were reported for Management and Executive level employee in 2017*

With relation to the table, we have set targets to achieve **zero** number of incident related to health and safety as well as to comply with the authority requirements issued by the local Department of Occupational Safety and Health (DOSH).

We have also published and communicated accident cases to create awareness among the employees. One of our initiatives is through posting the accident data on our Safety Notice Board and conveying information via Employee Communication Session.

Training and Education

The Group is committed in developing and retaining our highly-skilled and talented professionals. Continuous development and training provide our employees with opportunities to be trained according to both their needs and strengths. This action, in return, leads to innovation and elevates individual job satisfaction, thus attracting and maintaining our talents over the long term. In addition, the Human Resource Managers and Head of Departments are responsible to ensure that our training will equip employees with skills and knowledge to perform their jobs accordingly. We carry out Training Need Analysis on yearly basis for all departments to determine the gap between employee training and need(s) of training.



Certified

UKAS MANAGEMENT SYSTEMS

229

ISO 9001 Quality Management System

Employee Category	Average Training Hours	Gender	Average Training Hours
Management	16.3	Male	21.1
		Female	10.1
Executive	17.9	Male	20.7
		Female	14.3
Non-Executive	8.0	Male	8.8
		Female	4.3

Average training hours shown in the table is collated from both Juken Technology Engineering Sdn. Bhd. (Johor, Malaysia) and Frencken Mechatronics (M) Sdn. Bhd. (Selangor, Malaysia).

- **Management and Executive-level Employee** received **1001** hours of training in total.
- **Non-executive Employee** received **3217** hours of training in total.

- **Management and Executive-level Employee** received **458** hours of training in total.
- **Non-executive Employee** received **342** hours of training in total.

Social

G4-DMA, G4-LA16

Grievance Mechanism

We take all grievances seriously. The Group has established a **Whistle-Blowing Policy** to provide a platform for employees to raise their concerns about possible improprieties in matters of financial reporting or other issues.

Our Frencken Mechatronics (M) Sdn. Bhd.(Selangor, Malaysia) is in compliance with **Electronic Industry Citizenship Coalition (EICC) Code of Conduct**,

standards that ensure working conditions in the electronics industry supply chain are safe, that workers are treated with respect and dignity and that business operations are environmentally responsible and conducted ethically.

Some other initiatives that have been put in place by our Group to comply with applicable laws and regulations on grievance are:

- Staff suggestion program;
- Daily toolbox meeting;
- Periodically published KPI results on the noticeboard;
- Quarterly and yearly employee communication session with top management;
- Yearly employee satisfaction survey*; and
- Orientations on the requirements for all new employees.

We received **ZERO** report on labour practices grievance through our formal grievance mechanisms for 2017**

Employee Count by Gender and Category

56% Management-level Male Employee
57% Executive-level Male Employee
82% Non-Executive-level Male Employee

44% Management-level Female Employee
43% Executive-level Female Employee
18% Non-Executive-level Female Employee

Data derived from Juken Technology Engineering Sdn. Bhd. (Johor, Malaysia).
** *Data derived from both Juken Technology Engineering Sdn. Bhd. (Johor, Malaysia) and Frencken Mechatronics (M) Sdn. Bhd. (Selangor, Malaysia).*

Customer

Guaranteeing customer satisfaction – the fundamental core principle on which we have built our quality mission. We are confident that quality is the foundation of customer satisfaction and delivers the cornerstone for long-lasting relationship with our customers.

Our outstanding services and quality proven products are attained through an effective customer satisfaction survey process, a compliance with applicable regulatory requirements and a mindset to constantly enhance and sustain the success of our Quality Management System.

We are also in compliance with the Handling, Storage, Packing, Preservation and Delivery Policy that satisfies the requirement of international standards including **Quality Management System ISO 9001:2008** procedures,

QMS ISO 9001:2008 CERTIFIED

which is under the responsibility of a person in charge with a specifically documented Job Description and is being overseen by the Head of Department. In addition, there is a periodical QMS ISO 9001 Internal Audit at least once a year.

2017 Scoring

Customer Quality Control	: 99.61%
Internal Quality Control	: 99.88%
Defective Parts Per Million	: 564

Source: Frencken Mechatronics (M) Sdn. Bhd. (Selangor, Malaysia)

Product Responsibility Goal and Initiatives

Goal:
To receive rating of ≤ 3 for all criteria under the Company Yearly Quality Objectives/KPIs

Source: Juken Technology Engineering Sdn. Bhd. (Johor, Malaysia)

Goal:
To achieve Defective Parts Per Million (DPPM) below 2500

Source: Frencken Mechatronics (M) Sdn. Bhd. (Selangor, Malaysia)

Initiative:
Continuous process improvement (Kaizen) and implementing improvement plans align with industry standard

Source: Frencken Mechatronics (M) Sdn. Bhd. (Selangor, Malaysia)

Initiative:
Improvement action plans will be taken for all criteria that received rating of ≥ 4

Source: Juken Technology Engineering Sdn. Bhd. (Johor, Malaysia)

Environment

G4-DMA

Environmental Policies

At Frencken, we are committed to protect and improve the environment by seeking continual improvement to our activities. We acknowledge and understand that the nature of manufacturing industry entails direct and indirect implications towards the environment. Hence we are taking proactive measures to control our environmental impacts.

We strive to achieve a high standard of environmental compliance with applicable regulations, in addition to ensuring efficient use of resources. Furthermore, we understand the importance of appropriate employee training, in particular pertaining to chemical spillage and internal auditing. Frencken Mechatronics (M) Sdn. Bhd. (Selangor, Malaysia), for instance, provides employees with safety trainings on chemical handling and chemical spillage. Our commitment to setting and implementing environmental policies build a solid foundation for effective environmental management that goes hand-in-hand with economic performance.

Environmental Procedures

As part of the Environmental Management System (EMS), we practise efficient monitoring, internal control and periodical audit systems. This is particularly relevant to key environmental parameters. For example, Juken Technology Engineering Sdn. Bhd. (Johor, Malaysia) has identified noise, Local Exhaust Ventilation, effluent and sewage as well as air quality. We also oversee both water and energy use every month to encourage consumption within a limit. Similarly, Frencken Mechatronics (M) Sdn. Bhd. (Selangor, Malaysia) has recognised Air Emission monitoring, competent person responsible for performance monitoring and preventive maintenance of Bag Filter as well as Scheduled Waste to keep track of dust collector and chemical waste disposal on monthly basis in compliance to Department of Environment (DOE) requirements. The monitoring process is done on a periodical basis to facilitate data collection thus encouraging continual improvement and control plan through a proactive-driven mechanism.

Environmental Targets

In 2017, we successfully achieved **ZERO** monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.

Scope	Target	Frequency of Monitoring
Storage of fresh chemical at storage areas	No spillage of chemical that flow into open drain or ground	Monthly
Waste water discharge at perimeter drain and septic tank	100% comply with EQA	Annually
Waste disposal management for toxic wastes	100% comply with EQA	Weekly or when disposal area is full
Boundary noise emission	100% comply with EQA	Annually
Water consumption	Less than RM 4,000	Monthly
Energy consumption	Less than RM 180,000	Monthly

EQA – Environmental Quality Act

Our Juken Technology Engineering Sdn. Bhd.
(Johor, Malaysia) is proud to be certified

ISO14001:2015

for upholding best practices
in three of our industrial activities:

- Design, Fabrication of Plastic Injection Moulds
- Plastic Injection Moulding of Precision Plastic Components
- Modular Assembly of Mechanical Components

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General Standard Disclosures			
General Standard Disclosures	**Description**	**Chapter**	**Page Reference**
Strategy & Analysis			
G4-1	Statement from the most senior decision maker of the organisation	Board Statement	32
Organisational Profile			
G4-3	Name of the organisation	Front Cover	-
G4-4	Primary brands, products and services	Frencken Businesses	3 - 9
G4-5	Location of organisation's headquarters	Corporate Information	28
G4-6	Number and names of countries where the organisation operates	Group Operating Structure, Our Value Proposition	2 and 6
G4-7	Nature of ownership and legal form	Group Operating Structure	2
G4-8	Markets served	Our Value Proposition	6 - 7
G4-9	Scale of organisation	Our Value Proposition	6 - 7
G4-10	Workforce	Our Value Proposition	6
G4-11	Percentage of employees covered by collective bargaining agreements	N/A	-
G4-13	Significant changes during the reporting period	Chairman's Statement, Business Review	10 - 12 and 18 - 22
Identified Material Aspects And Boundaries			
G4-17	Entities included in the organisation's consolidated financial statements. Report whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report	About This Report	30
G4-18	Process for defining report content and Aspect Boundaries, and how the organisation has implemented the Reporting Principles for Defining Report Content	About This Report, Materiality	30 and 33 - 34
G4-19	List of all Material Aspects identified in the process for defining report content	Materiality	33 - 34
G4-20	For each Material Aspect, report the Aspect Boundary within the organisation	Materiality, Stakeholder Engagement	33 - 35
G4-21	For each Material Aspect, report the Aspect Boundary outside the organisation	Materiality, Stakeholder Engagement	33 - 35
G4-23	Significant changes in Scope and Aspect Boundary	About This Report	30

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General Standard Disclosures	**Description**	**Chapter**	**Page Reference**
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G4-25	Basis for identification and selection of stakeholders	Stakeholder Engagement	35
G4-26	Organisation's approach to stakeholder engagement	Stakeholder Engagement	35
G4-27	Key topics raised through stakeholder engagement	Stakeholder Engagement	35
Report Profile			
G4-28	Report profile	About This Report	30
G4-29	Date of most recent previous report	This is an inaugural report	-
G4-30	Reporting cycle	About This Report	30
G4-31	Contact point	About This Report	30
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G4-34	Governance structure and composition	Corporate Governance Statement	49 - 64
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G4-56	Values, principles, standards and codes of conduct and ethics	Corporate Governance	36 - 38

Specific Standard Disclosures			
Specific Standard Disclosures	**Description**	**Chapter**	**Page Reference**
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G4-DMA	Disclosures on Management Approach	Chairman's Statement	10 - 12
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G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Environment	45

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Specific Standard Disclosures			
Specific Standard Disclosures	**Description**	**Chapter**	**Page Reference**
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Sub-Category: Labour Practices And Decent Work			
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G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Social	40
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G4-DMA	Disclosures on Management Approach	Social	42
G4-LA16	Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	Social	42
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Material Aspect: Product And Service Labelling			
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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 2017.

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 and ensure that the financial and human resources procedures are in place for the Group to meet its objective. 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.

Apart from its statutory responsibilities, the principal functions of the Board include, but are not limited to the following:-

(a) establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders’ interests and the Company’s assets;
(b) reviewing management and financial performance of the Group;
(c) identifying the key stakeholder groups and recognise that their perceptions affect the Company’s reputation;
(d) setting the Group’s values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and
(e) considering sustainability issues, e.g. environmental and social factors, as part of its strategic formulations.

All directors recognise that they have to discharge their duties and responsibilities at all times as fiduciaries in the interests of the Group. The Board is a representation of the shareholders in the Group and is accountable to them through effective governance of the business.

All newly appointed directors are given briefings by management on the history, business operations and corporate governance practices of the Group. The Company provides for the directors to attend seminars and training to enable them to keep pace with regulatory changes, where changes to regulations and accounting standards have a material bearing on the Company and to enable them to discharge their duties with due care and diligence.

Corporate Governance Statement (Cont'd)

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

Board Composition

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

Dato' Gooi Soon Chai	(Non-Executive Non-Independent Chairman)
Mohamad Anwar Au	(Executive Director)
Ling Yong Wah	(Lead Independent Director)
Chia Chor Leong	(Independent Director)
Yeo Jeu Nam	(Independent Director)
Melvin Chan Wai Leong	(Independent Director) (appointed on 27 April 2017)

Taking into account the scope and nature of the Group's businesses and operations, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees, the Board considers the current size of the Board is appropriate for the facilitation of decision making. The Board believes that its current board size and composition effectively serves the Group and is not so large as to be unwieldy. It provides sufficient diversity without interfering with efficient discussion and decision-making.

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

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

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.

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

The profile of the Directors are found on pages 23 to 26 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 Employee Share Option Scheme ("ESOS") Committee was 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 Constitution 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 2017 and the attendance of each Director, where relevant, are as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Number of meetings	4	5	1	2
Dato' Gooi Soon Chai	4	5	N/A	2
Mohamad Anwar Au	4	5	N/A	N/A
Chia Chor Leong	4	5	1	2
Ling Yong Wah	3	4	1	N/A
Yeo Jeu Nam	4	5	N/A	2
Melvin Chan Wai Leong [1]	3	1	N/A	N/A

1 Melvin Chan Wai Leong was appointed as Independent Director on 27 April 2017 and a member of Audit Committee on 1 November 2017.

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

On an annual basis, the Nominating Committee shall require each Independent Director to complete, confirm and sign a Confirmation of Independence, the content and form of which has been approved. Each declaration shall be reviewed by the other members of the Nominating Committee. 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;

Corporate Governance Statement (Cont'd)

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

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

(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;

(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 judgement 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; and

(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 judgement 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 judgement 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 judgement and both Mr Chia Chor Leong and Mr Ling Yong Wah are still considered independent.

Corporate Governance Statement (Cont'd)

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.

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

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

The Chairman is responsible to, among others:-

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

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

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

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

BOARD MEMBERSHIP

Principle 4 ***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)
Dato' Gooi Soon Chai	(Non-Executive Non-Independent Chairman)

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

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

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;

(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; and

(e) the review of board succession plans for directors, in particular, the Chairman and for the President and key management.

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

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

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

Directors	Date of initial appointment	Date of last re-election
Dato' Gooi Soon Chai	10 February 2015	23 April 2015
Mohamad Anwar Au	28 April 2016	27 April 2017
Chia Chor Leong	22 September 2004	23 April 2015
Ling Yong Wah	12 May 2005	27 April 2017
Yeo Jeu Nam	1 November 2010	28 April 2016
Melvin Chan Wai Leong	27 April 2017	N/A

Please refer to Profile of 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.

Currently, the Company does not have any alternate directors.

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

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 board structure, conducts of meetings, corporate strategy and planning, risk management and internal control, measuring and monitoring performance, compensation, financial reporting and communication with shareholders to evaluate the Board's performance as a whole.

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

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. Information provided to the Board also include papers pertaining to matters requiring the Board's decision, updates on key outstanding issues, strategic plans and developments in the Group. 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 or representative from the Secretary's office administers, attends and prepares minutes of all Board and Board Committee meetings. The Company Secretary assists the Chairman in ensuring that Board procedures are followed and regularly reviewed so that the Board functions effectively and the Company's Constitution and the relevant rules and regulations applicable to the Company are complied with.

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

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

Corporate Governance Statement (Cont'd)

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

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:

Mohamad Anwar Au (also known as Dennis Au)	(President and Executive Director)
David Chin Yean Choon	(Chief Financial Officer)

If necessary, the Remuneration Committee shall seek expert advice on remuneration of all directors. The Remuneration Committee shall ensure that any relationship between the appointed consultant and any of its director or Company will not affect the independence and objectivity of the remuneration consultant.

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

No directors participate in decisions on their own remunerations.

The Remuneration Committee and ESOS Committee held two (2) meetings and one (1) meeting respectively 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.***

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

LEVEL AND MIX OF REMUNERATION (CONT'D)
Principle 8 (Cont'd)

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 believes that the current remuneration of Non-Executive Directors is at a level that will not compromise the independence of the Directors.

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

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

DISCLOSURE ON REMUNERATION

Principle 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 2017 is as follows:

	2017	**2016**
$750,001 to $1,000,000	1	-
$500,001 to $750,000	-	-
$250,000 to below $500,000	-	1
Below $250,000	5	8
Total	**6**	**9**

Name of Director	**Salary %**	**Bonus %**	**Fringe Benefits %**	**Directors' Fees %**	**Total %**	**Employee Share Option Scheme**	
						Shares Granted and Accepted	**Value [1] $**
$750,001 to $1,000,000							
Mohamad Anwar Au (also known as Dennis Au)	60	12	28	-	100	700,000	182,980
Below $250,000							
Dato' Gooi Soon Chai	-	-	5	95	100	-	-
Chia Chor Leong	-	-	6	94	100	-	-
Ling Yong Wah	-	-	5	95	100	-	-
Yeo Jeu Nam	-	-	6	94	100	-	-
Melvin Chan Wai Leong [2]	-	-	9	91	100	-	-

1 Refer to the total fair value of share option granted during the financial year, estimated using the Black-Scholes Option Pricing Model.

2 Remuneration for the period from 27 April 2017 to 31 December 2017.

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 %	Employee Share Option Scheme	
						Shares Granted and Accepted	Value [1] $
$500,001 to $750,000							
David Wong Keng Yin	70	17	13	-	100	-	-
Fokko Leutscher [2]	60	-	40	-	100	400,000	104,560
Sim Mong Huat	57	35	8	-	100	400,000	104,560
$250,000 to $500,000							
William Wong Lai Huat	60	21	19	-	100	-	-
Roger Gerardus Elisabeth Hendriks	47	23	30	-	100	-	-
Leong Kwok Choon	57	33	10	-	100	400,000	104,560

1 Refer to the total fair value of share option granted during the financial year, estimated using the Black-Scholes Option Pricing Model.
2 Remuneration for the period from 9 January 2017 to 31 December 2017.

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 2017 is $3,035,432.

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.

For financial year 2017, 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.

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 66 to 68 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 quarterly and annual financial statements 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.

The management currently provides the Board with appropriately detailed management reports of the Group's performance and position on a quarterly basis.

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

The Board has received assurance from the President and Chief Financial Officer as well as the internal auditors that:

(a) The financial records of the Group have been properly maintained and the financial statements for the year ended 31 December 2017 give true and fair view of the Group's operations and finances; and

(b) The Group's system of internal controls, including financial, operational, compliance and information technology controls, and risk management systems are adequate and effective.

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

Based on reports submitted by the external and internal auditors, and the system of internal controls, including financial, operational, compliance and information technology controls, and risk management systems maintained by the management that was in place throughout the financial year and up to date of the Annual Report for the financial year ended 31 December 2017, the Board, with the concurrence of the Audit Committee and the assurance of the management (including the President and Chief Financial Officer as well as the internal auditors) are of the opinion that the Group's system of internal controls, including financial, operational, compliance and information technology controls, and risk management systems are adequate and effective.

In line with 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.

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)
Melvin Chan Wai Leong	(Independent Director) (Appointed on 1 November 2017)

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

No former partner or director of the Company's auditing firm has acted as a member of the Company's Audit Committee.

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 external auditors;

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

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

(d) review the 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 external auditors and management, reviewing the assistance given by the management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of our management);

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

(g) review the adequacy 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 external 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;

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

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

The 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 111 to 116 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 external auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. At the forthcoming Annual General Meeting of the Company, the Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group.

During the year under review, the Audit Committee met with the internal auditor and 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 by qualified and experienced internal audit staff. The internal auditor's primary line of reporting is to the Chairman of the Audit Committee. The Company co-operates fully with the internal auditor in terms of allowing access to documents and information. The Audit Committee reviews annually the adequacy and effectiveness of the internal audit function and its standing within the Company to ensure it is able to perform its function effectively and objectively.

INTERNAL AUDIT (CONT'D)
Principle 13 (Cont'd)

During the year, the internal auditor carried out one (1) cycle of internal audit for the Mechatronics Division in Europe 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.***

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 auditor's report.

Minutes of general meeting are made available to shareholders upon their request.

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

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.

Corporate Governance Statement (Cont'd)

SHAREHOLDERS RIGHTS AND RESPONSIBILITIES (CONT'D)
Principle 14 (Cont'd)
Principle 15 (Cont'd)
Principle 16 (Cont'd)

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

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

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

DIVIDEND POLICY

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

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

MATERIAL CONTRACTS

There were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the President, any Director, or controlling shareholder subsisting at the end of financial year ended 31 December 2017.

INTERESTED PERSON TRANSACTIONS

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

There were no interested person transactions between the Company or its subsidiaries and any of its interested persons subsisting at the end of the financial year ended 31 December 2017.

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

Directors' Statement

The directors present their statement together with the audited consolidated financial statements of Frencken Group Limited (the "Company") and its subsidiaries (the "Group") and balance sheet of the Company for the financial year ended 31 December 2017.

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 74 to 159 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and the financial performance, 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.

1 DIRECTORS

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

Dato' Gooi Soon Chai
Mohamad Anwar Au
Chia Chor Leong
Ling Yong Wah
Yeo Jeu Nam
Melvin Chan Wai Leong (Appointed on 27 April 2017)

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, except for the options mentioned in paragraph 4 of the Directors' Statement.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Holdings registered in the name of director		**Holdings in which a director is deemed to have an interest**	
Name of director and Company in which interests are held	**At beginning of year or date of appointment*, if later**	**At end of year**	**At beginning of year or date of appointment*, if later**	**At end of year**
<u>Frencken Group Limited</u>				
(Ordinary shares)				
Dato' Gooi Soon Chai	4,102,723	4,902,723	88,784,568	91,325,868
Mohamad Anwar Au	450,000	687,000	-	-
Melvin Chan Wai Leong*	-	-	439,500	439,500

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

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

	Number of unissued ordinary shares under option	
	At beginning of year	**At end of year**
Mohamad Anwar Au		
- 2016 Options	3,000,000	3,000,000
- 2017 Options	-	700,000

The directors' interests in the shares and share options of the Company as at 21 January 2018 were the same at 31 December 2017.

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

4 SHARE OPTIONS

(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:

Mohamad Anwar Au (also known as Dennis Au)	(President and Executive Director)
David Chin Yean Choon	(Chief Financial Officer)

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.

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, 6,000,000 and 3,000,000 ordinary shares of the Company on 1 December 2009 ("2009 Options"), 1 December 2010 ("2010 Options"), 7 October 2013 ("2013 Options") and 1 April 2016 ("2016 Options") respectively. Particulars of the 2008 Options, 2009 Options, 2010 Options, 2013 Options and 2016 Options were set out in the Directors' Report for the financial year ended 31 December 2008, 31 December 2009, 31 December 2010, 31 December 2013 and 31 December 2016 respectively.

4 SHARE OPTIONS (CONT'D)

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

Options granted under the Scheme

On 6 December 2017, the Company granted options to subscribe for 3,000,000 ordinary shares of the Company at exercise price of $0.432 per share ("2017 Options"). The 2017 Options are exercisable from 6 December 2019 and expire on 5 December 2027. The total fair value of the 2017 Options granted was estimated to be $784,200 using the Black-Scholes Valuation Model.

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 31.12.2017**	**Aggregate granted since commencement of scheme to 31.12.2017**	**Aggregate exercised since commencement of scheme to 31.12.2017**	**Aggregate outstanding as at 31.12.2017**
Mohamad Anwar Au	700,000	3,700,000	-	3,700,000

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 Mohamad Anwar Au, the Executive 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.

4 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 31.12.2017	Exercise price	Exercise period
2008 Options	770,000	$0.155	01.12.2010 - 30.11.2018
2009 Options	1,840,000	$0.168	01.12.2011 - 30.11.2019
2010 Options	3,305,000	$0.224	01.12.2012 - 30.11.2020
2013 Options	-	$0.208	07.10.2015 - 06.10.2023
2016 Options	3,000,000	$0.184	01.04.2018 - 31.03.2026
2017 Options	3,000,000	$0.432	06.12.2019 - 05.12.2027
	11,915,000		

5 AUDIT COMMITTEE

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

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

Ling Yong Wah	(Chairman and Lead Independent Director)	
Chia Chor Leong	(Independent Director)	
Yeo Jeu Nam	(Independent Director)	
Melvin Chan Wai Leong	(Independent Director)	(Appointed on 1 November 2017)

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

No former partner or director of the Company's auditing firm has acted as a member of the Company's Audit Committee.

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 external auditors;

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

5 AUDIT COMMITTEE (CONT'D)

(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 external auditors and management, reviewing the assistance given by the management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of our management);

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

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

The 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.

5 AUDIT COMMITTEE (CONT'D)

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 15 to the financial statements. 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 external auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. At the forthcoming Annual General Meeting of the Company, the Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group.

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

6 AUDITORS

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

ON BEHALF OF THE DIRECTORS

....
Melvin Chan Wai Leong

....
Mohamad Anwar Au

7 March 2018

Independent Auditor's Report

To The Members Of Frencken Group Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Frencken Group Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2017, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 74 to 159.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters	How the matter was addressed in the audit
Carrying value of goodwill and deferred development cost **Goodwill** The Group has $11,560,000 (2016 : $11,344,000) of goodwill arising from its previous acquisition of subsidiaries. The carrying amount of the cash-generating units ("CGU") to which the goodwill are allocated to represent 22.5% (2016 : 23.8%) of the Group net asset. The impairment review of goodwill is based on cash flows forecast of the attributed CGU which requires significant management's judgement about future market conditions, including growth rates and discount rates. **Deferred development cost** The Group has $12,676,000 (2016 : $12,633,000) of deferred development cost capitalised for the development of products. For capitalised deferred development cost that is not yet available for use, management assessed the recoverability based on cash flows forecast which requires judgement about future market conditions, including growth rates and discount rates. Significant amount of the deferred development cost are part of the CGU to which the goodwill are allocated to as described above.	Our audit procedures focused on evaluating and challenging the key assumptions used by management in conducting the impairment review using the cash flow forecast. These procedures include: a) assessing the growth rate and cash flow forecasts used, with comparison to recent performance; b) assessing the discount rate by assessing the cost of capital for the Company and comparable organisation; c) evaluating management's sensitivity analysis around the key assumptions above to ascertain the impact of reasonably possible changes would have on the value in use calculation and determine whether the Group's assessment is reasonable; and d) by reference to prior years' forecasts, where relevant, assessing whether the Group has achieved the forecasted results to evaluate historical accuracy of the forecast.

Key Audit Matters (Cont'd)

Key Audit Matters	How the matter was addressed in the audit
As disclosed in Note 18, the total carrying value of the Group's goodwill and deferred development cost amounted to $24,236,000 (2016 : $23,977,000) as at 31 December 2017 which represented 5.8% (2016 : 6.6%) of the total assets. The accounting policies and key assumptions to the impairment are disclosed in Notes 2, 3 and 18 to the financial statements.	Based on our procedures, we noted management's key assumptions to be within a reasonable range of our expectations. We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

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

Management is responsible for the other information. The other information comprises Group Operating Structure, Our Business, Our Value Proposition, Chairman's Statement, Fostering a Culture of Excellence, Financial Summary, Financial Highlights, Financial Calendar, Business Review, Profile of Board of Directors, Profile of Key Management, Sustainability Report, Corporate Information, Corporate Governance Statement, Directors' Statement, Details of Properties held by the Group, Notice of Annual General Meeting and Proxy Form, but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the information on Statistic of Shareholdings, which are expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Independent Auditor's Report

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

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

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

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

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

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

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

e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Mr Chua How Kiat.

Public Accountants and
Chartered Accountants
Singapore

7 March 2018

Consolidated Income Statement

For The Financial Year Ended 31 December 2017

	Note	2017 $'000	2016 $'000
Revenue	5	515,086	466,419
Cost of sales		(431,226)	(395,661)
Gross profit		83,860	70,758
Other income	6	6,346	5,896
Selling and distribution expenses		(10,855)	(11,250)
Administrative and general expenses		(46,914)	(42,376)
Other operating expenses		(2,144)	(1,381)
Interest income		1,293	162
Finance costs	8	(1,631)	(1,523)
Exceptional items	9	10,132	-
Profit before income tax		40,087	20,286
Income tax expense	10	(6,595)	(4,317)
Profit for the year	7(a)	33,492	15,969
Profit attributable to:			
Equity holders of the Company		33,110	15,905
Non-controlling interests		382	64
		33,492	15,969
Earnings per share			
Attributable to the equity holders of the Company (cents per share)	11		
Basic		8.01	3.93
Diluted		7.92	3.90

See accompanying notes to financial statements.

Consolidated Statement Of Comprehensive Income

For The Financial Year Ended 31 December 2017

	Note	2017 $'000	2016 $'000
Profit for the year		33,492	15,969
Other comprehensive income			
Item that will not be reclassified subsequently to income statement:			
Remeasurement of defined benefit obligation	30	(3)	(994)
Item that may be reclassified subsequently to income statement:			
Currency translation differences arising from consolidation		4,248	(3,358)
Other comprehensive income for the year, net of tax		4,245	(4,352)
Total comprehensive income for the year		37,737	11,617
Total comprehensive income attributable to:			
Equity holders of the Company		37,414	11,570
Non-controlling interests		323	47
		37,737	11,617

See accompanying notes to financial statements.

Balance Sheets
As At 31 December 2017

		GROUP		COMPANY	
	Note	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Non-current assets					
Property, plant and equipment	13	93,904	100,022	-	-
Investment properties	14	1,795	-	-	-
Subsidiaries	15	-	-	127,234	127,347
Investments in associated companies	16	-	-	-	-
Financial asset, available-for-sale	17	3,805	4,132	3,805	4,132
Intangible assets	18	24,961	25,184	-	-
Deferred income tax assets	31	1,562	2,214	-	-
Other receivables, deposits and prepayments	22	-	1,661	-	-
Total non-current assets		126,027	133,213	131,039	131,479
Current assets					
Inventories	19	112,154	109,274	-	-
Trade receivables	20	100,314	90,668	-	-
Receivables from subsidiaries	21	-	-	5,767	282
Dividend receivable from subsidiaries		-	-	8,209	4,210
Other receivables, deposits and prepayments	22	12,549	10,631	34	13
Receivable from an associated company	23	-	108	-	-
Tax recoverable		958	619	-	-
Cash and cash equivalents	24	68,153	18,482	5,632	5,044
Total current assets		294,128	229,782	19,642	9,549
Total assets		420,155	362,995	150,681	141,028
Current liabilities					
Trade payables	25	61,896	51,523	-	-
Payable to a subsidiary		-	-	286	-
Other payables, accruals and provisions	26	37,478	30,385	598	377
Deferred gain	27	-	797	-	-
Borrowings	28	61,739	57,420	3,319	-
Income tax payable		2,380	2,059	8	3
Total current liabilities		163,493	142,184	4,211	380

Balance Sheets
As At 31 December 2017 (Cont'd)

	Note	GROUP 2017 $'000	GROUP 2016 $'000	COMPANY 2017 $'000	COMPANY 2016 $'000
Non-current liabilities					
Borrowings	28	1,868	1,322	-	-
Retirement benefit obligations	30	1,519	1,474	-	-
Deferred income tax liabilities	31	3,733	3,343	-	-
Total non-current liabilities		7,120	6,139	-	-
Total liabilities		170,613	148,323	4,211	380
NET ASSETS		249,542	214,672	146,470	140,648
Equity					
Capital and reserves attributable to the Company's equity holders					
Share capital	32	101,943	100,031	101,943	100,031
Foreign currency translation reserve		(25,009)	(29,302)	-	-
Merger reserve		2,345	2,345	-	-
Capital reserve		1,193	167	1,193	167
Statutory reserve fund	33	3,032	2,284	-	-
Share option reserve		888	1,723	888	1,723
Other reserve		(983)	(994)	-	-
Retained profits		163,790	136,398	42,446	38,727
		247,199	212,652	146,470	140,648
Non-controlling interests		2,343	2,020	-	-
Total equity		249,542	214,672	146,470	140,648

See accompanying notes to financial statements.

Consolidated Statement Of Changes In Equity

For The Financial Year Ended 31 December 2017

Group	**Note**	**Share capital $'000**	**Foreign currency translation reserve $'000**	**Merger reserve $'000**	**Capital reserve $'000**	**Statutory reserve fund $'000**	**Share option reserve $'000**	**Other reserve $'000**	**Retained profits $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total equity $'000**
Balance at 1 January 2017		100,031	(29,302)	2,345	167	2,284	1,723	(994)	136,398	212,652	2,020	214,672
Profit for the year		-	-	-	-	-	-	-	33,110	33,110	382	33,492
Other comprehensive income (loss):												
Remeasurement of defined benefit obligation	30	-	-	-	-	-	-	(3)	-	(3)	-	(3)
Currency translation differences arising from consolidation		-	4,293	-	-	-	-	14	-	4,307	(59)	4,248
Total comprehensive income for the financial year		-	4,293	-	-	-	-	11	33,110	37,414	323	37,737
Transactions with owners, recognised directly in equity												
Transfer to statutory reserve fund	33	-	-	-	-	748	-	-	(748)	-	-	-
Employees share option scheme												
-Value of employee services		-	-	-	-	-	191	-	-	191	-	191
-Issue of share capital	32	1,912	-	-	1,026	-	(1,026)	-	-	1,912	-	1,912
Dividend relating to 2016 paid	12	-	-	-	-	-	-	-	(4,970)	(4,970)	-	(4,970)
Total		1,912	-	-	1,026	748	(835)	-	(5,718)	(2,867)	-	(2,867)
Balance at 31 December 2017		101,943	(25,009)	2,345	1,193	3,032	888	(983)	163,790	247,199	2,343	249,542

Consolidated Statement Of Changes In Equity

For The Financial Year Ended 31 December 2017 (Cont'd)

<u>Group</u>	Note	Share capital $'000	Foreign currency translation reserve $'000	Merger reserve $'000	Capital reserve $'000	Statutory reserve fund $'000	Share option reserve $'000	Other reserve $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2016		99,659	(25,961)	2,345	(15)	1,622	1,787	-	124,194	203,631	1,973	205,604
Profit for the year		-	-	-	-	-	-	-	15,905	15,905	64	15,969
Other comprehensive income (loss):												
Remeasurement of defined benefit obligation	30	-	-	-	-	-	-	(994)	-	(994)	-	(994)
Currency translation differences arising from consolidation		-	(3,341)	-	-	-	-	-	-	(3,341)	(17)	(3,358)
Total comprehensive income for the financial year		-	(3,341)	-	-	-	-	(994)	15,905	11,570	47	11,617
Transactions with owners, recognised directly in equity												
Transfer to statutory reserve fund	33	-	-	-	-	662	-	-	(662)	-	-	-
Employees share option scheme												
-Value of employee services		-	-	-	-	-	118	-	-	118	-	118
-Issue of share capital	32	372	-	-	182	-	(182)	-	-	372	-	372
Dividend relating to 2015 paid	12	-	-	-	-	-	-	-	(3,039)	(3,039)	-	(3,039)
Total		372	-	-	182	662	(64)	-	(3,701)	(2,549)	-	(2,549)
Balance at 31 December 2016		100,031	(29,302)	2,345	167	2,284	1,723	(994)	136,398	212,652	2,020	214,672

See accompanying notes to financial statements.

Consolidated Cash Flow Statement

For The Financial Year Ended 31 December 2017

	2017 $'000	2016 $'000
Cash Flows From Operating Activities		
Profit after tax	33,492	15,969
Adjustments for:		
Income tax expense	6,595	4,317
Exchange differences	984	(711)
Employees share option expense (Note 7(b))	191	118
Depreciation of property, plant and equipment (Note 13)	14,505	16,123
Depreciation of investment properties (Note 14)	40	-
Loss on disposal of club membership	14	-
Loss (Gain) on disposal of property, plant and equipment, net	2	(148)
Property, plant and equipment written off (Note 13)	132	41
Investment properties written off (Note 14)	8	-
Interest income	(1,293)	(162)
Interest expense (Note 8)	1,631	1,523
Amortisation of deferred gain (Note 27)	(797)	(1,063)
Amortisation of intangible assets (Note 18)	1,263	1,101
Impairment loss of financial asset, available-for-sale (Note 9)	327	-
Impairment loss of club membership (Note 18)	125	-
(Write back of impairment loss) Impairment loss of property, plant and equipment (Note 13)	(16)	4
Net gain on disposal of subsidiaries (Note 24)	(10,459)	-
Operating cash flow before working capital changes	46,744	37,112
Changes in operating assets and liabilities:		
Inventories	(11,681)	(11,661)
Receivables	(19,447)	(6,374)
Payables	26,504	6,218
Associated company	2	(109)
Cash flows generated from operations	42,122	25,186
Tax paid	(5,622)	(5,190)
Interest paid	(1,631)	(1,532)
Net cash from operating activities	34,869	18,464
Cash Flows From Investing Activities		
Interest received	1,293	162
Additions of intangible assets (Note 18)	(889)	(2,688)
Purchase of property, plant and equipment (Note 24)	(25,240)	(17,316)
Purchase of investment properties (Note 14)	(206)	-
Proceeds from intangible assets	298	-
Proceeds from disposal of property, plant and equipment	364	299
Disposal of subsidiaries, net of cash disposed of (Note 24)	38,583	-
Net cash generated from (used in) investing activities	14,203	(19,543)

Consolidated Cash Flow Statement

For The Financial Year Ended 31 December 2017 (Cont'd)

	2017 $'000	2016 $'000
Cash Flows From Financing Activities		
Proceeds from issuance of share capital (Note 32)	1,912	372
Repayment of finance lease liabilities	(158)	(282)
Repayment of short term bank borrowings	(118,848)	(133,790)
Repayment of term loans	(620)	(1,931)
Proceeds from short term bank borrowings	128,063	140,026
Proceeds from term loans	1,388	1,204
Dividend paid to shareholders	(4,970)	(3,039)
Placement of fixed deposits pledged as securities	-	(3)
Net cash generated from financing activities	6,767	2,557
Net increase in cash and cash equivalents	55,839	1,478
Cash and cash equivalents at the beginning of the financial year	(9,966)	(11,613)
Effect of exchange rate changes on cash and cash equivalents	(1,269)	169
Cash and cash equivalents (overdrawn) at the end of the financial year (Note 24)	44,604	(9,966)

See accompanying notes to financial statements.

Notes To Financial Statements

For The Financial Year Ended 31 December 2017

1 GENERAL

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

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are set out in Note 15.

The consolidated financial statements of the Group and balance sheet of the Company for the year ended 31 December 2017 were authorised for issue by the Board of Directors on 7 March 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of 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.

Adoption of new and revised standards - On 1 January 2017, 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 for certain presentation improvements arising from Amendments to FRS 7 Statement of Cash Flows: Disclosure Initiative.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of accounting (cont'd)

Amendments to FRS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes. The Group's liabilities arising from financing activities and a reconciliation between the opening and closing balances of these liabilities are set out in Note 28. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in Note 28, the application of these amendments has had no impact on the Group's consolidated financial statements.

(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.

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Group accounting (Cont'd)

Subsidiaries (Cont'd)

(i) Consolidation (Cont'd)

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.

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

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

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Group accounting (Cont'd)

Subsidiaries (Cont'd)

(iii) Disposals of subsidiaries or businesses

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

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

Please refer to the Note 2(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 interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations to make or has made payments on behalf of the associated company. Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

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

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

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

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

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

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 units of production or based on the estimated useful lives of the related projects.

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, investment properties, investments in subsidiaries and associates and intangible assets (excluding goodwill)

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Revenue recognition

Revenue comprises the fair value of the 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

1) 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 sale of goods is recognised when all the following conditions are satisfied:

   - The group has transferred to the buyer the significant risks and rewards of ownership of the goods;
   - The group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
   - The amount of revenue can be measured reliably;
   - It is probable that the economic benefits associated with the transaction will flow to the entity; and
   - The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2) Revenue from the design and fabrication of moulds is recognised using the percentage of completion method. Percentage of completion is measured by reference to the cost incurred over the total estimated costs.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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(x) on borrowing costs).

(iii) Depreciation

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

Buildings on freehold land	2% to 3%
Leasehold land and buildings	1%
Plant, machinery, equipment, piping and electrical installation	10% to 33%
Moulds and toolings	10% to 33%
Office equipment, furniture and fittings and renovation	8% to 100%
Motor vehicles	16% to 30%

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

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Investment properties

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

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

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

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

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

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

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

(j) 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.

(k) Cash and cash equivalents

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) 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) Sale and leaseback 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.

(m) 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)

(n) Borrowings

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

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

(o) 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.

(p) Taxes

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

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

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

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

Deferred income tax is measured:

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) 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.

(q) Employee compensation

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

(i) Retirement benefit costs

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

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

Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to 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. Defined benefit costs are categorised as follows:

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

The group presents the first two components of defined benefit costs in profit or loss in the line item administration and general expense. Curtailment gains and losses are accounted for as past service costs.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Employee compensation (Cont'd)

(ii) Employees' leave entitlement

Employees' entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(iii) Share-based compensation

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

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

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

(r) Segment reporting

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

(s) Government grants

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.

(t) Dividend to Company's shareholders

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

(u) Share capital and treasury shares

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Share capital and treasury shares (Cont'd)

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

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

(v) Financial assets

(i) Classification

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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Financial assets (Cont'd)

(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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Financial assets (Cont'd)

(v) Impairment (Cont'd)

(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.

(w) 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.

(x) Borrowing costs

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

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

(b) Critical accounting estimates and assumptions

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimation of impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(e)(i). The recoverable amounts of CGUs to which goodwill are allocated to have been determined based on value-in-use calculations which requires significant management's judgement about future market conditions, including growth rates and discount rates (Note 18(a)).

As disclosed in Note 18, the carrying amount of goodwill as at 31 December 2017 was $11,560,000 (2016 : $11,344,000).

(ii) Estimation of impairment of deferred development costs

Capitalised deferred development cost with finite useful lives are assessed for impairment whenever there is an indication that it may be impaired. Capitalised deferred development cost that is not yet available for use is assessed for impairment annually based on cash flows forecast which requires significant judgement about future market conditions, including growth rates and discount rates (Note 18(b)). Based on the review, no impairment loss (2016 : no impairment loss) is recognised during the year.

As disclosed in Note 18, the carrying amount of the Group's deferred development costs as at 31 December 2017 was $12,676,000 (2016 : $12,633,000).

4 RELATED PARTY TRANSACTIONS

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if the person: (i) has control or joint control over the Company; (ii) has significant influence over the Company; or (iii) is a member of the key management personnel of the Group or Company or of the parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions apply: (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); (ii) one entity is an associate of the other entity (or an associate of a member of the group of which the other entity is a member); (iii) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company; (iv) the entity is controlled or jointly controlled by a person identified in (a); (v) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of the parent of the entity).

Other than those disclosed elsewhere in the financial statements, the following related party transactions took place during the financial year:

(a) Transactions with subsidiaries

	The Company	
	2017 $'000	**2016 $'000**
Accounting services charged by a subsidiary	(38)	(40)
Management fee expense charged to subsidiaries	950	948
Expenses paid on behalf by a subsidiary	(240)	(295)

(b) Key management personnel compensation

The key management personnel compensation includes fees, salary, bonuses and other emoluments (including benefits-in-kind) computed based on the cost incurred by the Group, and where the Group did not incur any costs, the value of the benefits.

The key management personnel compensation is as follows:

	The Group	
	2017 $'000	**2016 $'000**
Salaries, wages and other short term employee benefits	3,680	3,781
Post-employment benefits - defined contribution plan	252	270
Share option expense	179	118

Total compensation to directors of the Company included in above amounted to $1,076,000 (2016 : $1,048,000).

5 REVENUE

	The Group	
	2017 $'000	**2016 $'000**
Sale of goods	514,878	466,411
Rendering of services	208	8
	515,086	466,419

6 OTHER INCOME

	The Group	
	2017 $'000	2016 $'000
Gain on disposal of property, plant and equipment	73	175
Government grants	2,194	1,593
Foreign exchange gain	1,068	1,589
Amortisation of deferred gain (Note 27)	797	1,063
Reversal of allowance for doubtful other receivables	777	-
Others	1,437	1,476
	6,346	5,896

7 PROFIT FOR THE YEAR

(a)

	The Group	
	2017 $'000	2016 $'000
Amortisation of intangible assets (Note 18)	(1,263)	(1,101)
Depreciation of property, plant and equipment (Note 13)	(14,505)	(16,123)
Depreciation of investment properties (Note 14)	(40)	-
Write back of impairment loss (Impairment loss) of property, plant and equipment (Note 13)	16	(4)
Employee compensations (Note 7(b))	(124,355)	(117,124)
Purchase of raw materials, finished goods, toolings and consumables	(305,235)	(270,218)
Changes in inventories of raw materials, work-in-progress and finished goods	11,950	11,750
Transportation	(8,641)	(9,253)
Repairs and maintenance	(6,379)	(6,399)
Rework charges	(302)	(1,852)
Utilities	(7,995)	(9,262)
Insurance	(1,304)	(1,939)
Rental expense	(6,657)	(6,864)
Auditors remuneration paid and payable to:		
- auditors of the Company	(254)	(254)
- other auditors*	(361)	(370)
Non-audit fees paid and payable to:		
- auditors of the Company	(8)	-
- other auditors*	(106)	(153)
Other expenses	(25,700)	(21,502)
Total cost of sales, selling and distribution expenses, administrative and general expenses and other operating expenses	(491,139)	(450,668)

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

7 PROFIT FOR THE YEAR (CONT'D)

(b) Employee compensations

	The Group	
	2017	2016
	$'000	$'000
Salaries, wages and other short-term employee benefits	(115,101)	(107,445)
Employer's contribution to defined contributions plans	(9,063)	(9,561)
Employee share option expense	(191)	(118)
	(124,355)	(117,124)

8 FINANCE COSTS

	The Group	
	2017	2016
	$'000	$'000
Interest expense on:		
- finance lease	(3)	(19)
- bank borrowings	(1,628)	(1,504)
	(1,631)	(1,523)

9 EXCEPTIONAL ITEMS

		The Group	
	Note	2017	2016
		$'000	$'000
Exceptional items comprise:			
- Net gain on disposal of subsidiaries	(i)	10,459	-
- Impairment loss of financial asset, available-for-sale	(ii)	(327)	-
		10,132	-

(i) Net gain on disposal of subsidiaries (Note 24)

The net gain on disposal of subsidiaries relates to the Group disposed of its equity interest in the following entities:

a) entire equity interest in Valeo Malaysia CDA Sdn. Bhd. (formerly known as Precico Electronics Sdn. Bhd.) ("PESB"); and

b) entire equity interest in NTZ Micro Filtration USA Inc., NTZ Micro Filtration, LLC as well as an associated company NTZ Manufacturing USA LLC (collectively referred to as the "American Entities").

(ii) This is in respect of impairment loss of investment in MTIC Holdings Pte Ltd (Note 17).

10 INCOME TAX EXPENSE

	The Group	
	2017	2016
	$'000	$'000
Income tax expense attributable to profit is made up of:		
Current income tax:		
- Singapore	(1,501)	(4)
- Foreign	(4,377)	(3,981)
Deferred income tax (Note 31)	(966)	(287)
	(6,844)	(4,272)
Over (Under) recognition in respect of previous financial years:		
- Current income tax	568	473
- Deferred income tax (Note 31)	43	(5)
	611	468
Withholding tax	(362)	(513)
	(6,595)	(4,317)

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	
	2017	2016
	$'000	$'000
Profit before income tax	40,087	20,286
Tax calculated at Singapore income tax rate of 17% (2016 : 17%)	(6,815)	(3,449)
Effects of:		
- Different income tax rates in other countries	(3,499)	(2,154)
- Expenses not deductible for tax purposes	(1,217)	(386)
- Income not subject to taxation	4,271	1,232
- Utilisation of previously unrecognised other temporary differences	494	1,024
- Deferred tax assets not recognised	(81)	(681)
- Tax incentives in other countries	121	426
- Withholding tax	(511)	(665)
- Others	27	(132)
- Utilisation of previously unrecognised tax losses	4	-
Over (Under) recognition in respect of previous financial years:		
- Current income tax	568	473
- Deferred income tax	43	(5)
	(6,595)	(4,317)

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	
	2017	**2016**
	$'000	**$'000**
Profit attributable to equity holders of the Company	33,110	15,905
	Number of shares	**Number of shares**
Weighted average number of ordinary shares outstanding for basic earnings per share	413,145,053	405,156,008
	Cents	**Cents**
Basic earnings per share	8.01	3.93

(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.

11 EARNINGS PER SHARE (CONT'D)

(b) Diluted earnings per share (Cont'd)

Diluted earnings per share attributable to equity holders of the Company is calculated as follows:

	The Group	
	2017	**2016**
	$'000	**$'000**
Profit attributable to equity holders of the Company	33,110	15,905
	Number of shares	**Number of shares**
Weighted average number of ordinary shares outstanding for basic earnings per share	413,145,053	405,156,008
Adjustment for share options	5,021,614	2,436,104
	418,166,667	407,592,112
	Cents	**Cents**
Diluted earnings per share	7.92	3.90

12 DIVIDEND

	The Company	
	2017	**2016**
	$'000	**$'000**
Ordinary dividends paid		
First and final tax exempt (one-tier) dividend paid in respect of the previous financial year of 1.20 cents (2015 : 0.75 cents per share)	4,970	3,039

At the forthcoming Annual General Meeting to be held on 25 April 2018, a final tax exempt (one-tier) dividend of 1.66 cents per share and a special tax exempt (one-tier) dividend of 0.73 cents per share in respect of the financial year ended 31 December 2017 amounting to $9,952,000 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 2018.

13 PROPERTY, PLANT AND EQUIPMENT

2017 The Group	Freehold land and buildings $'000	Leasehold land and buildings $'000	Plant, machinery, equipment, 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	25,128	18,840	184,880	21,335	42,747	3,233	2,701	298,864
Currency translation differences	957	38	2,132	2	(33)	30	(2)	3,124
Additions	84	-	15,555	2,645	3,617	280	2,591	24,772
Disposals	-	-	(6,008)	(260)	(886)	(453)	-	(7,607)
Disposal of subsidiary	-	(9,647)	(34,916)	(1,602)	(6,249)	(708)	-	(53,122)
Written off	-	-	(525)	(9)	(82)	-	-	(616)
Transfer to investment property	-	(1,919)	-	-	(169)	-	-	(2,088)
Reclassifications	-	-	4,136	2	58	-	(4,196)	-
At end of the financial year	26,169	7,312	165,254	22,113	39,003	2,382	1,094	263,327
Accumulated depreciation:								
At beginning of the financial year	9,861	4,775	132,525	16,690	32,522	2,383	-	198,756
Currency translation differences	458	(42)	1,367	(57)	52	14	-	1,792
Charge for the financial year	750	140	9,061	1,413	2,860	281	-	14,505
Disposals	-	-	(5,673)	(255)	(880)	(394)	-	(7,202)
Disposal of subsidiary	-	(3,605)	(26,664)	(1,376)	(5,155)	(673)	-	(37,473)
Written off	-	-	(394)	(8)	(82)	-	-	(484)
Transfer to investment property	-	(407)	-	-	(96)	-	-	(503)
At end of the financial year	11,069	861	110,222	16,407	29,221	1,611	-	169,391
Accumulated impairment loss:								
At beginning of the financial year	-	-	70	3	2	11	-	86
Currency translation differences	-	-	1	-	-	-	-	1
Written back	-	-	-	(3)	(2)	(11)	-	(16)
Disposal	-	-	(39)	-	-	-	-	(39)
At end of the financial year	-	-	32	-	-	-	-	32
Carrying amount:								
At 31 December 2017	15,100	6,451	55,000	5,706	9,782	771	1,094	93,904

13 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

2016 The Group	Freehold land and buildings $'000	Leasehold land and buildings $'000	Plant, machinery, equipment, 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	25,348	19,199	174,295	20,160	40,588	3,306	3,833	286,729
Currency translation differences	(228)	(376)	(2,802)	(249)	(609)	(40)	(182)	(4,486)
Additions	8	17	14,199	1,530	3,106	227	1,330	20,417
Disposals	-	-	(1,713)	(106)	(1,158)	(244)	-	(3,221)
Written off	-	-	(216)	-	(343)	(16)	-	(575)
Reclassifications	-	-	1,117	-	1,163	-	(2,280)	-
At end of the financial year	25,128	18,840	184,880	21,335	42,747	3,233	2,701	298,864
Accumulated depreciation:								
At beginning of the financial year	9,210	4,537	126,190	15,272	31,445	2,279	-	188,933
Currency translation differences	(88)	(88)	(1,945)	(115)	(431)	(29)	-	(2,696)
Charge for the financial year	739	326	10,106	1,639	2,968	345	-	16,123
Disposals	-	-	(1,627)	(106)	(1,138)	(199)	-	(3,070)
Written off	-	-	(194)	-	(327)	(13)	-	(534)
Reclassifications	-	-	(5)	-	5	-	-	-
At end of the financial year	9,861	4,775	132,525	16,690	32,522	2,383	-	198,756
Accumulated impairment loss:								
At beginning of the financial year	-	-	67	3	2	11	-	83
Currency translation differences	-	-	(1)	-	-	-	-	(1)
Charge for the financial year	-	-	4	-	-	-	-	4
At end of the financial year	-	-	70	3	2	11	-	86
Carrying amount:								
At 31 December 2016	15,267	14,065	52,285	4,642	10,223	839	2,701	100,022

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 write back of an impairment loss of $16,000. In financial year 2016, the review led to the recognition of an impairment loss of $4,000 that has been recognised in the income statement and included in the line item other operating expense.

Included in additions are plant and machinery acquired under finance leases amounting to $112,000 in financial year 2016.

The carrying amounts of plant and equipment, and motor vehicles held under finance leases are $783,000 and $32,000 respectively in financial year 2016.

Bank borrowings are secured on certain freehold land and buildings, machineries and other fixed assets of the Group with carrying amounts of $8,019,000 (2016 : $8,113,000), $15,294,000 (2016 : $14,606,000) and $1,320,000 (2016 : $2,516,000) respectively (Note 28).

14 INVESTMENT PROPERTIES

	The Group	
	2017	**2016**
	$'000	**$'000**
Cost:		
At beginning of the financial year	-	-
Currency translation differences	52	-
Additions	206	-
Written off	(8)	-
Transfer from property, plant and equipment	1,585	-
At end of the financial year	1,835	-
Accumulated depreciation:		
At beginning of the financial year	-	-
Currency translation differences	-	-
Charge for the financial year	40	-
At end of the financial year	40	-
Carrying amount at end of the financial year	1,795	-

The Group have adopted the cost model under FRS 40 for its investment properties.

14 INVESTMENT PROPERTIES (CONT'D)

Details of the Group's investment properties and information about the fair value hierarchy as of 31 December 2017 and 2016 are as follows:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 31 December 2017				
Leasehold buildings	-	-	1,981	1,981
At 31 December 2016				
Leasehold buildings	-	-	-	-

There were no transfers between the respective levels during the financial year.

The fair value of the Group's investment properties has been arrived at based on an indicative market value by reference to market evidence of transaction prices for similar properties.

The following amounts are recognised in income statement:

	The Group 2017 $'000	2016 $'000
Rental income	(208)	-
Direct operating expenses arising from:		
- Investment properties that generate rental income	26	-

As at 31 December 2017, the details of the investment properties are as follows:

Location	Tenure	Existing use
Block F89 (80 units) Taman Pelangi, Seberang Perai Tengah, Prai held under Strata Titles Nos. Pajakan Negeri 2377/M2/1/81 to 96, 2377/M2/2/97 to 112, 2377/M2/3/113 to 128, 2377/M2/4/129 to 144, 2377/M2/5/145 to 160, erected on part of Lot No. 5788, Mukim 11, Daerah Seberang Perai Tengah, Pulau Pinang, Malaysia	99 years lease expiring 22.04.2092	Rented

14 INVESTMENT PROPERTIES (CONT'D)

As at 31 December 2017, the details of the investment properties are as follows: (Cont'd)

Location	Tenure	Existing use
Block F104 (40 units) Taman Pelangi, Seberang Perai Tengah, Prai held under Strata Titles Nos. Pajakan Negeri 2374/M4/1/181 to 188, 2374/M4/2/189 to 196, 2374/M4/3/197 to 204, 2374/M4/4/205 to 212, 2374/M4/5/213 to 220 erected on part of Lot No. 5794, Mukim 11, Daerah Seberang Perai Tengah, Pulau Pinang, Malaysia	99 years lease expiring 22.04.2092	Rented

15 SUBSIDIARIES

	The Company	
	2017 $'000	2016 $'000
Equity investment	124,647	124,647
Equity contributions to subsidiaries	2,587	2,700
	127,234	127,347

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.

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		
		2017 %	2016 %	2017 %	2016 %	
Precico Singapore Pte Ltd (6)	Singapore	100	100	-	-	Sales and servicing of tools
Frencken International Sdn. Bhd. (formerly known as Precico Group Sdn. Bhd.) (2)	Malaysia	100	100	-	-	Management and investment holding

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15 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		
		2017 %	2016 %	2017 %	2016 %	
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
Machinefabriek Gebrs. Frencken B.V. (7)	The Netherlands	-	-	100	100	Manufacturing and assembly of precision mechanical parts, sheet metal and prototyping

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15 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		
		2017 %	2016 %	2017 %	2016 %	
Optiwa B.V. (7)	The Netherlands	-	-	100	100	Manufacturing and/or assembly of precision mechanical parts, modules, sheet metal and prototyping
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	100	Investment holding company
NTZ Nederland B.V. (9)	The Netherlands	-	-	100	100	Design, engineering, manufacturing and sales of filters
NTZ Micro Filtration Inc. (15)	USA	-	-	-	100	Disposed
NTZ Micro Filtration LLC (15)	USA	-	-	-	100	Disposed
Allmepp Holding B.V. (7)	The Netherlands	-	-	100	100	Intellectual property and patent holding company
Frencken America Inc. (9)	USA	-	-	80	80	Designs, engineers and manufactures mechatronic modules, products and systems

15 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		
		2017 %	2016 %	2017 %	2016 %	
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	Investment property holding company
Valeo Malaysia CDA Sdn. Bhd. (formerly known as Precico Electronics Sdn. Bhd.) (15)	Malaysia	-	-	-	100	Disposed
Juken Technology Engineering Sdn. Bhd. (2)	Malaysia	-	-	100	100	Manufacture of mould and die, plastic products and component sub-assembly
Juken Mecplas Technology Pte Ltd (8)	Singapore	-	-	-	100	Dissolved
Juken International Pte Ltd (8)	Singapore	-	-	-	100	Dissolved
Zelor Technology Pte Ltd (8)	Singapore	-	-	-	100	Dissolved
Supertool Industries Pte Ltd (1)	Singapore	-	-	51	51	Manufacturing of moulds, dies and tools

15 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		
		2017	2016	2017	2016	
		%	%	%	%	
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 (Zhuhai) Co., Ltd (4)	People's Republic of China	-	-	100	100	Injection mould making and injection moulding
Frencken (Chuzhou) Co., Ltd (14) (16)	People's Republic of China	-	-	100	-	Dormant
Juken (H.K.) Co., Limited (10)	Hong Kong	-	-	100	100	Sales office
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 (16)	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

15 SUBSIDIARIES (CONT'D)

(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 purpose, 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) De-consolidated as these subsidiaries are dissolved during the financial year.

(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 Republic of China for statutory purpose.

(14) Newly incorporated during the financial year.

(15) These subsidiaries have been disposed of during the financial year (Note 24).

(16) These subsidiaries are insignificant and unaudited.

15 SUBSIDIARIES (CONT'D)

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

Principal activities	Place of incorporation and operation	Number of wholly-owned subsidiaries	
		31 December 2017	31 December 2016
Investment holding			
Management and investment holding	Malaysia	1	1
Mechatronics			
Investment holding, management, sales and business development	The Netherlands	1	1
Manufacturing and assembly of precision mechanical parts, sheet metal and prototyping	The Netherlands	2	2
Manufacturing and assembly of precision mechanical parts, sheet metal and prototyping	Singapore	1	1
Manufacturing of precision machining components, sheet metal and assembly modular and equipment	Malaysia	1	1
Manufacturing of precision machining components, sheet metal and assembly of modular and equipment	People's Republic of China	1	1
Assembly, testing and engineering of mechatronic modules and equipment	The Netherlands	1	1
Provision of services to Group Companies	The Netherlands	2	2
Research, development and engineering	The Netherlands	1	1
Property holding	The Netherlands	1	1
IMS			
Investment holding and sale of machines	Singapore	1	1
Management and investment holding	The Netherlands	1	1
Design, engineering, manufacturing and sales of filters	The Netherlands	1	1
Intellectual property and patent holding	The Netherlands	1	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	1	2

15 SUBSIDIARIES (CONT'D)

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

Principal activities	Place of incorporation and operation	Number of wholly-owned subsidiaries	
		31 December 2017	31 December 2016
IMS (cont'd)			
Investment holding	USA	-	1
Injection mould making and injection moulding	People's Republic of China	1	1
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	-
Dormant	Singapore	-	3
Dormant	Malaysia	1	2
Others			
Investment property holding		1	-
		26	31

Principal activities	Place of incorporation and operation	Number of non-wholly owned subsidiaries	
		31 December 2017	31 December 2016
Mechatronics			
Designs, engineers and manufactures mechatronic modules, products and systems	USA	1	1
IMS			
Manufacturing of moulds 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 2017 and 2016 as the non-controlling interests are not material to the financial statements.

16 INVESTMENTS IN ASSOCIATED COMPANIES

	The Group	
	2017 $'000	2016 $'000
At beginning and end of financial year	132	132
Less: Accumulated impairment at beginning and end of financial year	132	132
Carrying value at beginning and end of financial year	-	-

The details of the associated companies are as follows:

Name of associate	Country of incorporation/ place of business	Effective equity interest held by the Group		Principal activities
		2017 %	2016 %	
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 [1]	USA	-	33	Disposed

[1] This company has been disposed of during the financial year (Note 24)

17 FINANCIAL ASSET, AVAILABLE-FOR-SALE

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

	Group and Company	
	2017 $'000	2016 $'000
Unquoted equity security, at cost		
- Equity security - Singapore At beginning/end of the financial year	6,400	6,400
Less: Accumulated impairment:		
At beginning of financial year	2,268	2,268
Impairment loss (Note 9(ii))	327	-
At end of financial year	2,595	2,268
Carrying value at end of the financial year	3,805	4,132

The investment in unquoted equity represent investment in a company that is engaged in the investment of healthcare companies. The above investment held by the Group is stated at cost less impairment as a reasonable estimate of fair value could not be made.

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18 INTANGIBLE ASSETS

2017 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	18,213	18,691	2,176	410	5,962	45,452
Currency translation differences	224	468	70	1	1	764
Addition	-	851	38	-	-	889
Disposal	-	-	-	(19)	-	(19)
Cost recovered	-	(298)	-	-	-	(298)
Written off	(6,708)	(1,609)	-	-	-	(8,317)
Disposal of subsidiary	-	(132)	-	-	-	(132)
At end of the financial year	11,729	17,971	2,284	392	5,963	38,339
Accumulated amortisation:						
At beginning of the financial year	-	2,390	1,379	-	5,962	9,731
Currency translation differences	-	(9)	47	-	1	39
Amortisation charge	-	863	400	-	-	1,263
Written off	-	(1,609)	-	-	-	(1,609)
At end of the financial year	-	1,635	1,826	-	5,963	9,424
Accumulated impairment:						
At beginning of the financial year	6,869	3,668	-	-	-	10,537
Currency translation differences	8	(8)	-	-	-	-
Impairment loss	-	-	-	125	-	125
Written off	(6,708)	-	-	-	-	(6,708)
At end of the financial year	169	3,660	-	125	-	3,954
Carrying value:						
At 31 December 2017	11,560	12,676	458	267	-	24,961

18 INTANGIBLE ASSETS (CONT'D)

2016 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	18,273	16,179	2,201	411	5,962	43,026
Currency translation differences	(60)	(176)	(25)	(1)	-	(262)
Addition	-	2,688	-	-	-	2,688
At end of the financial year	18,213	18,691	2,176	410	5,962	45,452
Accumulated amortisation:						
At beginning of the financial year	-	1,592	1,095	-	5,962	8,649
Currency translation differences	-	(9)	(10)	-	-	(19)
Amortisation charge	-	725	376	-	-	1,101
Reclassification	-	82	(82)	-	-	-
At end of the financial year	-	2,390	1,379	-	5,962	9,731
Accumulated impairment:						
At beginning of the financial year	6,871	3,696	-	-	-	10,567
Currency translation differences	(2)	(28)	-	-	-	(30)
At end of the financial year	6,869	3,668	-	-	-	10,537
Carrying value:						
At 31 December 2016	11,344	12,633	797	410	-	25,184

18 INTANGIBLE ASSETS (CONT'D)

(a) Goodwill on consolidation

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to countries of operation and business segment.

The summary of the goodwill allocation is presented below:

	2017 ($'000)			2016 ($'000)		
	IMS	Mechatronics	Total	IMS	Mechatronics	Total
America	-	2,373	2,373	-	2,259	2,259
The Netherlands	2,132	7,049	9,181	2,030	7,049	9,079
Singapore	6	-	6	6	-	6
	2,138	9,422	11,560	2,036	9,308	11,344

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 based on the estimated growth rates below. The growth rates do not exceed the long-term average growth rate for the components business in which the CGU operates.

Key assumptions used for value-in-use calculations:

	2017		2016	
	Mechatronics	IMS	Mechatronics	IMS
	%	%	%	%
Gross margin(1)	13.7 to 24.8	20.6 to 27.7	13.6 to 22.2	18.4 to 27.7
Growth rate(2)	0.0	0.0	0.0	0.0
Discount rate(3)	6.4 to 7.8	5.6 to 9.6	3.9 to 6.5	4.0 to 5.6

(1) Forecasted gross margin
(2) Weighted average growth rate used to extrapolate cash flows beyond the forecast period
(3) Discount rate applied to the cash flow projections

These assumptions were used for the analysis of each CGU within the business segment. Management determined forecasted gross margin based on past performance and its expectations for market development. The weighted average growth rates used were consistent with forecast used and industry knowledge. The discount rates used reflect specific risks relating to the relevant segments.

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

(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 or over the estimated useful life of 5 to 10 years (2016 : 5 to 11.5 years).

18 INTANGIBLE ASSETS (CONT'D)

(b) Deferred development costs (Cont'd)

For capitalised deferred development cost for the development of the products that is not yet available for use, they are assessed for impairment based on cash flows forecast using a discount rate of 4.4% to 7.0% (2016 : 2.9% to 4.0%) to calculate its present value.

During the year, management performed a review of the recoverable amount for the deferred development costs for the development of the products that is not yet available for use and no impairment loss has been recognised in the income statement (2016 : no impairment loss).

(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.

(d) Intellectual properties

Intellectual properties mainly pertain to the intellectual property related to the current miniature stepper motor product offerings and the intellectual property related miniature stepper motor products under in-process research and development. These intellectual properties have finite useful lives, and are amortised on a straight-line basis over their estimated useful lives of 5 years and on the expected units sold respectively.

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

19 INVENTORIES

	The Group	
	2017 $'000	2016 $'000
Raw materials	46,258	45,237
Work-in-progress	31,059	27,188
Finished goods	34,837	36,849
	112,154	109,274

The cost of inventories recognised as an expense and included in "cost of sales" amounts to $293,285,000 (2016 : $258,468,000).

Inventories of $47,113,000 (2016 : $43,217,000) have been pledged as security for certain bank overdrafts of the Group (Note 28).

20 TRADE RECEIVABLES

	The Group	
	2017 $'000	2016 $'000
Trade receivables	100,504	90,856
Allowance for impairment of doubtful receivables (Note 37(b)(ii)(a))	(190)	(188)
	100,314	90,668

Trade receivables of $30,154,000 (2016 : $18,332,000) have been pledged as security for certain banking facilities of the Group (Note 28).

20 TRADE RECEIVABLES (CONT'D)

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 2017, approximately 30% (2016 : 42%) 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 Notes 37(a)(i) and 37(b) respectively.

21 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 37(a)(i).

22 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Other receivables	5,952	5,372	23	2
Deposits	1,633	1,453	-	-
Prepayments	4,156	5,767	11	11
Staff loans and advances	1,191	885	-	-
	12,932	13,477	34	13
Less: Allowance for impairment of doubtful other receivables (Note 37(b)(ii)(b))	(383)	(1,185)	-	-
	12,549	12,292	34	13
Less: Other receivables (non-current)	-	(1,661)	-	-
	12,549	10,631	34	13

In financial year 2016, other receivables included an amount of $2,267,000 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. An amount of $1,661,000 in financial year 2016 was included under non-current asset as repayment is not expected to be received within the next 12 months.

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 37(a)(i) and Note 37(b) respectively.

23 RECEIVABLES FROM AN ASSOCIATED COMPANY

In financial year 2016, the receivables from an associated company was non-trade in nature, unsecured, interest free and repayable on demand.

The carrying values of receivables from an associated company approximated its fair values at balance sheet date.

The exposure of receivables from an associated company to currency risk is disclosed in Note 37(a)(i).

24 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Short-term funds placed with a Malaysian financial institution	44,583	2,956	-	-
Deposits with licensed banks	4,120	442	4,000	-
Cash and bank balances	19,450	15,084	1,632	5,044
	68,153	18,482	5,632	5,044
Less: Bank overdrafts (Note 28)	(23,430)	(28,329)	-	-
Less: Deposits pledged as securities	(119)	(119)	-	-
Cash and cash equivalents (overdrawn) in the statement of cash flows	44,604	(9,966)	5,632	5,044

Deposits with licensed banks of the Group amounting to $119,000 (2016 : $119,000) are 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	
	2017	2016	2017	2016
Short-term funds placed with a Malaysian financial institution:				
Effective interest rate (% per annum)	2.99 to 3.66	3.12 to 3.58	-	-
Withdrawal notice (days)	1 and 30	7 and 30	-	-
Deposits with licensed banks:				
Effective interest rate (% per annum)	0 to 7.65	0 to 8.12	1.00	-
Maturity period (months)	3 to 36	2 to 48	3	-

These deposits with licensed banks can be withdrawn before due date if required without having to incur significant costs, and therefore, the carrying amounts approximate their fair values.

The fair values of the cash and cash equivalents approximate their carrying values.

24 CASH AND CASH EQUIVALENTS (CONT'D)

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $24,772,000 (2016 : $20,417,000) (Note 13) of which Nil (2016 : $112,000) was acquired by means of finance lease arrangements and $4,453,000 (2016 : $4,977,000) was included in other payables at balance sheet date. Cash payments of $25,240,000 (2016 : $17,316,000) includes an amount of $4,921,000 (2016 : $1,988,000) for payment from other payables to purchase property, plant and equipment incurred in previous financial year.

The exposure of cash and cash equivalents to currency risk is disclosed in Note 37(a)(i).

During the financial year, the Group disposed of its equity interest in the following entities:

(a) entire equity interest in Valeo Malaysia CDA Sdn. Bhd. (formerly known as Precico Electronics Sdn. Bhd.) ("PESB"); and

(b) entire equity interest in NTZ Micro Filtration Inc., NTZ Micro Filtration LLC as well as an associated company NTZ Manufacturing USA LLC (collectively referred to as the "American Entities")

Details of the disposal are as follows:

Carrying amounts of net assets over which control was lost	**PESB $'000**	**American Entities $'000**	**Total $'000**
Non-current assets			
Property, plant and equipment	15,268	381	15,649
Deferred development costs	-	132	132
	15,268	513	15,781
Current assets			
Inventories	10,778	332	11,110
Trade and other receivables	9,644	661	10,305
Receivable from an associated company	-	107	107
Cash and cash equivalents	3,667	374	4,041
	24,089	1,474	25,563
Current liabilities			
Trade and other payables	(7,949)	(1,648)	(9,597)
Bank borrowings	-	(131)	(131)
Intercompany payables	(69)	(71)	(140)
Income tax payable	(4)	-	(4)
	(8,022)	(1,850)	(9,872)
Net assets derecognised	31,335	137	31,472

24 CASH AND CASH EQUIVALENTS (CONT'D)

Details of the disposal are as follows: (Cont'd)

	PESB $'000	American Entities $'000	Total $'000
Consideration received			
Cash	42,798	15	42,813
Less: Transaction costs related to disposal of subsidiaries	(189)	-	(189)
Total consideration received	42,609	15	42,624
Gain/(Loss) on disposal			
Consideration received	42,609	15	42,624
Net assets derecognised	(31,335)	(137)	(31,472)
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity on loss of control of subsidiaries	62	(755)	(693)
Gain/(Loss) on disposal	11,336	(877)	10,459
Net cash outflow arising on disposal			
Cash consideration received	42,609	15	42,624
Cash and cash equivalents disposed of	(3,667)	(374)	(4,041)
	38,942	(359)	38,583

25 TRADE PAYABLES

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

The exposure of trade payables to currency risk is disclosed in Note 37(a)(i).

26 OTHER PAYABLES, ACCRUALS AND PROVISIONS

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Sundry payables	10,277	10,066	103	33
Other operating accruals	26,875	20,078	208	142
Provisions	326	241	287	202
	37,478	30,385	598	377

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

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**
2017				
Balance at beginning of financial year	202	39	241	202
Provision made	367	57	424	367
Provision utilised	(282)	(57)	(339)	(282)
Balance at end of financial year	287	39	326	287
2016				
Balance at beginning of financial year	210	35	245	210
Provision made	202	135	337	202
Provision utilised	(210)	(131)	(341)	(210)
Balance at end of financial year	202	39	241	202

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

27 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 Investor Services Trust Singapore Limited (formerly known as 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 ended 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	
	2017 $'000	**2016 $'000**
Balance at beginning of financial year	797	1,860
Amortisation of deferred gain (Note 6)	(797)	(1,063)
Balance at end of financial year	-	797

During the financial year, this subsidiary of the Company renewed the leaseback agreement with RBC Investor Services Trust Singapore Limited (in its capacity as trustee of Cambridge Industrial Trust) for 6 years commencing from 19 October 2017 to 18 October 2023.

28 BORROWINGS

	The Group		The Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Current				
Short term bank borrowings [(1)]:				
- Bank overdrafts	23,430	28,329	-	-
- Invoice financing	25,949	26,288	-	-
- Revolving credits	11,731	2,037	3,319	-
Finance lease liabilities [(2)] (Note 29)	-	196	-	-
Term loans [(3)]	629	570	-	-
	61,739	57,420	3,319	-
Non-current				
Finance lease liabilities [(2)] (Note 29)	-	91	-	-
Term loans [(3)]	1,868	1,231	-	-
	1,868	1,322	-	-

[(1)] Short term bank borrowings:

Bank overdrafts of the Group includes:

(a) $22,167,000 (2016 : $27,200,000) is secured by mortgage over properties (Note 13), pledged on the inventories (Note 19) and trade receivables (Note 20) of all subsidiaries of the Company in The Netherlands.

(b) $462,000 (2016 : $394,000) is secured by exclusive charge on the entire present and future current assets and fixed assets of a subsidiary in India.

Bank overdrafts of the Group are repayable on demand and form an integral part of the Group's cash management. They are denominated in EUR, USD, SGD, INR and MYR (2016 : EUR, USD, SGD, INR and MYR) and bear interest at rates ranging from 1.05% to 11.75% (2016 : 1.40% to 11.75%) per annum.

Invoice financing of the Group of $10,269,000 (2016 : $8,136,000) are pledged on trade receivables of subsidiaries in the People's Republic of China.

Invoice financing are denominated in USD, EUR, SGD, MYR and RMB (2016 : USD, EUR, SGD, MYR and RMB), due within 1 to 12 months (2016 : 1 to 12 months) and bear interest at rates ranging from 0.95% to 7.46% (2016 : 1.00% to 7.56%) per annum.

Revolving credits of the Group are unsecured and denominated in EUR, SGD and USD (2016 : SGD), due within 3 months and bear interest at rates 2.00% to 3.76% (2016 : 2.05%) per annum. Revolving credits of the Company are unsecured and denominated in SGD (2016 : Nil), due within 3 months and bear interest at rates 2.00% to 3.13% (2016 : Nil) per annum.

28 BORROWINGS (CONT'D)

(2) In financial year 2016, the finance lease liabilities of the Group were denominated in MYR, EUR and USD and 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 7.49% per annum.

(3) Term loans of:

(a) $603,000 (2016 : $398,000) of the Group is denominated in INR (2016 : INR) and bear interest at rate ranging from 10.50% to 10.75% (2016 : 5.37%) per annum. The term loans are repayable over a period of 1 to 4 years (2016 : 1 to 2 years) and are secured by exclusive charge on the entire present and future current assets and fixed assets (Note 13) of a subsidiary in India; and

(b) $1,894,000 (2016 : $1,403,000) of the Group is denominated in EUR (2016 : MYR and EUR), unsecured and bear interest at rate 1.40% (2016 : 1.24% to 2.96%) per annum. The term loans are repayable over 3 years (2016 : 1 to 3 years).

The carrying amounts of current portion of borrowings of the Group approximated their fair values at balance sheet date. The carrying amount of non-current portion of borrowings of the Group approximated their fair values as there are no significant differences between the historical interest rates at the points when the liabilities were undertaken and the current prevailing market interest rates.

The exposure of borrowings to currency risk is disclosed in Note 37(a)(i).

Reconciliation of liabilities arising from financing activities

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

			Non-cash changes		
2017 The Group	**At beginning of the financial year $'000**	**Financing cash flows * $'000**	**Disposal of subsidiary (Note 24) $'000**	**Foreign exchange movement $'000**	**At end of the financial year $'000**
Short term bank borrowings	28,325	9,215	-	140	37,680
Finance lease liabilities	287	(158)	(131)	2	-
Term loans	1,801	768	-	(72)	2,497
	30,413	9,825	(131)	70	40,177

* The cash flows make up the net amount of proceeds from borrowings and repayments of borrowings in the Group's Consolidated Cash Flow Statement.

29 FINANCE LEASE LIABILITIES

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

	The Group			
	Minimum payments 2017 $'000	Present value of payments 2017 $'000	Minimum payments 2016 $'000	Present value of payments 2016 $'000
Not later than 12 months	-	-	197	196
Between two and five years	-	-	91	91
	-	-	288	287
Less: Future finance charges	-	-	(1)	-
Present value of finance lease liabilities	-	-	287	287

30 RETIREMENT BENEFIT OBLIGATIONS

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group contributes at rates stipulated by each country's local legislation into separate entities and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. The Group's contribution to defined contribution plans are recognised in the financial year to which they relate.

Retirement benefit plan

The Group operates a funded defined retirement benefit plan for qualifying employees of its subsidiary in Switzerland. Under the plan, the employees are entitled to retirement benefits on attainment of a retirement age of 64 to 65. No other post-retirement benefits are provided.

The plan in Switzerland typically exposes the Group to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	There is no investment risk related to the pension plan assets. The collective pension plan has been concluded with AXA Foundation LPP which is fully reinsured by the insurance AXA Vie for all the risks (invalidity, death and pension) as well as for the investment activity.
Interest risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

30 RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

The actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out at 31 December 2017 by AXA Pension Solutions AG, a pension fund specialist in Switzerland. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method. This method is based on the amount of working years at the date of the actuarial valuation and considers the future by including:

- a discount rate;
- the salary development and leaving probability up to the beginning of the benefit payment; and
- inflation adjustments for the years after the first payment recurring benefits.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	Valuation at	
	2017	**2016**
Discount rate	0.70%	0.60%
Expected benefit increase	0.00%	0.00%
Inflation	0.50%	0.50%
Disability decrement	LPP 2015 GT tables[(1)]	LPP 2015 GT tables
Mortality decrement	LPP 2015 GT tables	LPP 2015 GT tables
Turnover rates	LPP 2015 tables	LPP 2015 tables
Salary increase	1.00% flat	1.00% flat
Retirement	100% at regular retirement age	100% at regular retirement age
Long-term interest on retirement accounts	0.70%	0.60%

(1) LPP 2015 GT are a set of tables based on the observation of 15 large Swiss pension schemes between 2010 and 2014. The tables include rates of mortality, turnover, disability and etc.

The amount recognised in the balance sheet in respect of the Group's defined benefit retirement benefit plan are as follows:

	The Group	
	2017	**2016**
	$'000	**$'000**
Present value of funded obligations	4,553	4,763
Fair value of plan assets	(3,034)	(3,289)
Net liability recognised in the balance sheet	1,519	1,474

30 RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

Amounts recognised in comprehensive income in respect of these defined benefit plans are as follows:

	The Group	
	2017	**2016**
	$'000	**$'000**
Service cost		
- Current service cost	390	295
- Past service cost and (gain) loss from settlements	-	-
Interest income	(20)	(30)
Interest cost	28	41
Components of defined benefit costs recognised in income statement	398	306
Remeasurement on the net defined benefit liability:		
Actuarial (gain) loss on defined benefit obligation	(81)	2,423
Loss (Return) on plan assets excluding interest income	84	(1,429)
Components of defined benefit costs recognised in other comprehensive income	3	994
Total	401	1,300

The charge for the year is included in the administrative and general expenses in income statement.

Changes in the present value of the defined benefit obligation are as follows:

	The Group	
	2017	**2016**
	$'000	**$'000**
Balance at beginning of financial year	4,763	1,691
Remeasurement (gains) losses: Actuarial gains and losses		
- Actuarial (gain) loss on defined benefit obligation	(81)	2,423
Current service cost	390	295
Interest cost	28	41
Contribution by plan participants	216	202
Exchange differences	(164)	12
Benefits (paid) deposited	(599)	99
Balance at end of financial year	4,553	4,763

30 RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

Changes in the fair value of plan assets are as follows:

	The Group	
	2017	**2016**
	$'000	**$'000**
Balance at beginning of financial year	3,289	1,251
Remeasurement gain (loss):		
- (Loss) Return on plan assets exclude interest income	(84)	1,429
Interest income	20	30
Contributions by employer	303	282
Contributions by plan participants	216	202
Exchange difference	(111)	17
Benefits (paid) deposited	(599)	99
Expected return	-	(21)
Balance at end of financial year	3,034	3,289

The actual loss on plan assets was $64,000. In financial year 2016, the actual return on plan assets was $1,459,000.

The plan assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group.

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the financial year, while holding all other assumptions constant.

- If the discount rate increases (decreases) by 0.25%, the defined benefit obligation would decrease by $194,000 (increase by $210,000).
- If the expected salary growth increases (decreases) by 0.25%, the defined benefit obligation would increase by $39,000 (decrease by $37,000).
- If the life expectancy increases (decreases) by one year for both men and women, the defined benefit obligation would increase by $55,000 (decrease by $54,000).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

30 RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

There has been no change in the process used by the Group to manage its risks from prior years.

The Group's subsidiaries fund the cost of the entitlements expected to be earned on a yearly basis. The benefits of the pension scheme are funded by employer and employee as a fixed percentage of the insured salaries. The funding requirements are based on the local actuarial measurement framework. In this framework the discount rate is set on a risk free rate. Furthermore, premiums are determined on a current salary base.

The average duration of the benefit obligation at 31 December 2017 is 17.8 years (2016 : 17.8 years).

The Group expects to contribute approximately $281,000 (2016 : $307,000) to its defined benefit plan in the subsequent financial year.

31 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	
	2017	**2016**
	$'000	**$'000**
Deferred income tax assets	(1,562)	(2,214)
Deferred income tax liabilities	3,733	3,343
	2,171	1,129

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

	The Group	
	2017	**2016**
	$'000	**$'000**
Balance at beginning of financial year	1,129	1,094
Currency translation differences	119	1
Charged to income statement (Note 10)		
- Current year	966	287
- (Over) Under recognition in previous financial year	(43)	5
	923	292
Utilisation	-	(258)
Balance at end of financial year	2,171	1,129

31 DEFERRED INCOME TAX (CONT'D)

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

	2017				2016			
	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	1,426	1,917	-	3,343	1,021	2,334	245	3,600
Reclassifications	42	-	-	42	160	(145)	-	15
Currency translation differences	28	84	-	112	(14)	(32)	-	(46)
Utilisation	-	-	-	-	-	(13)	(245)	(258)
Charged (Credited) to income statement	118	118	-	236	259	(227)	-	32
Balance at end of financial year	1,614	2,119	-	3,733	1,426	1,917	-	3,343

Deferred income tax assets

	Unutilised tax losses $'000	Accruals $'000	Reinvestment allowance $'000	Others $'000	Total $'000
2017					
Balance at beginning of financial year	(739)	(946)	(209)	(320)	(2,214)
Reclassifications	-	(42)	-	-	(42)
Currency translation differences	(15)	11	(10)	21	7
Charged to income statement	288	178	-	221	687
Balance at end of financial year	(466)	(799)	(219)	(78)	(1,562)
2016					
Balance at beginning of financial year	(944)	(1,368)	(194)	-	(2,506)
Reclassifications	-	-	(15)	-	(15)
Currency translation differences	(1)	50	-	(2)	47
Charged (Credited) to income statement	206	372	-	(318)	260
Balance at end of financial year	(739)	(946)	(209)	(320)	(2,214)

Deferred income tax assets are recognised for unutilised tax losses, accruals, unutilised capital allowances and unutilised reinvestment allowances carried forward to the extent that realisation of the related income tax benefits through future taxable profits is probable.

31 DEFERRED INCOME TAX (CONT'D)

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	
	2017	**2016**
	$'000	**$'000**
Unutilised tax losses	1,635	13,452
Unutilised capital allowances	2,503	13,374
Unutilised reinvestment allowances	351	8,492

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 $18,992,000 (2016 : $16,019,000). 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.

32 SHARE CAPITAL, TREASURY SHARES AND SHARE-BASED PAYMENTS

	Issued share capital	**Treasury shares**	**Issued share capital**	**Treasury shares**
	Number of ordinary shares		**$'000**	**$'000**
Group and Company				
2017				
Beginning of the financial year	406,642,409	-	100,031	-
Exercise of share options	9,740,000	-	1,912	-
End of financial year	416,382,409	-	101,943	-
2016				
Beginning of the financial year	404,662,409	-	99,659	-
Exercise of share options	1,980,000	-	372	-
End of financial year	406,642,409	-	100,031	-

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.

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

(a) Share capital

The Company issued 1,596,000 (2016 : 380,000), 1,364,000 (2016 : 660,000), 1,580,000 (2016 : 440,000) and 5,200,000 (2016 : 500,000) ordinary shares pursuant to the Company's employee share option scheme at the exercise price of $0.155 (2016 : $0.155), $0.168 (2016 : $0.168), $0.224 (2016 : $0.224) and $0.208 (2016 : $0.208) each respectively. The cost of issuing new ordinary shares amounted to $1,912,000 (2016 : $372,000). 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:

	2017 $'000	2016 $'000
Exercise price paid by employees	1,912	372
Value of employee services	1,026	182
Total net consideration	2,938	554

Accordingly, a gain on re-issue of new ordinary shares of $1,026,000 (2016 : $182,000) is recognised in the capital reserve.

(b) Share options

Share options were granted to executive directors and group employees who have been in the employment of the Group for a period of at least twelve (12) months under the Frencken Employee Share Option Scheme 2008 (the "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, 6,000,000 and 3,000,000 ordinary shares of the Company on 1 December 2009 ("2009 Options"), 1 December 2010 ("2010 Options"), 7 October 2013 ("2013 Option") and 1 April 2016 ("2016 Option") respectively. Particulars of the 2008 Options, 2009 Options, 2010 Options, 2013 Options and 2016 Options were set out in the Directors' Report for the financial year ended 31 December 2008, 31 December 2009, 31 December 2010, 31 December 2013 and 31 December 2016 respectively.

On 6 December 2017, the Company granted options to subscribe for 3,000,000 ordinary shares of the Company at exercise price of $0.432 per share ("2017 Options"). The 2017 Options are exercisable from 6 December 2019 and expire on 5 December 2027.

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

(b) Share options (Cont'd)

The total fair value of the 2017 Options granted was estimated to be $784,200 using the Black-Scholes Valuation Model. The significant inputs into the model were share price of $0.54 at the grant date, exercise price of $0.432, standard deviation of expected share price returns of 41%, the option life shown above and annual risk-free interest rate of 2.3%. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

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
2017							
Group and Company							
2008 Options	2,366,000	-	-	(1,596,000)	770,000	$0.155	01.12.2010 - 30.11.2018
2009 Options	3,204,000	-	-	(1,364,000)	1,840,000	$0.168	01.12.2011 - 30.11.2019
2010 Options	4,885,000	-	-	(1,580,000)	3,305,000	$0.224	01.12.2012 - 30.11.2020
2013 Options	5,200,000	-	-	(5,200,000)	-	$0.208	07.10.2015 - 06.10.2023
2016 Options	3,000,000	-	-	-	3,000,000	$0.184	01.04.2018 - 31.03.2026
2017 Options	-	3,000,000	-	-	3,000,000	$0.432	06.12.2019 - 05.12.2027
	18,655,000	3,000,000	-	(9,740,000)	11,915,000		

Out of the unexercised options of 11,915,000 (2016 : 18,655,000) shares, 5,915,000 (2016 : 15,655,000) shares are exercisable at the balance sheet date. Options exercised in 2017 resulted in 1,596,000 (2016 : 380,000), 1,364,000 (2016 : 660,000), 1,580,000 (2016 : 440,000) and 5,200,000 (2016 : 500,000) new ordinary shares being issued at the exercise price of $0.155 (2016 : $0.155), $0.168 (2016 : $0.168), $0.224 (2016 : $0.224) and $0.208 (2016 : $0.208) each respectively.

The weighted average share price at the time of exercise was $0.401 (2016 : $0.224) per share.

33 STATUTORY RESERVE FUND

Statutory reserve fund arises from the following:

(a) Foreign Enterprise Law in the People's Republic of China ("PRC") requires the subsidiaries incorporated in PRC to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

(b) A subsidiary in Switzerland is required to place 5% of the annual net profits in a legal reserve before dividends may be distributed until the reserve reaches 20% of paid-in capital. Thereafter, 10% of any distributed amount that exceeds 5% of paid-in capital also must be placed in the reserve fund. These amounts must be appropriated until the reserve equals 50% of authorised and issued capital.

34 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.

- 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.

The other segment is an investment property holding company.

Inter-segment transactions are determined on terms agreed between the parties. Segment assets consist of non-current and current assets while segment liabilities comprise non-current and current liabilities. Capital expenditure comprises additions to property, plant and equipment.

The accounting policies of the reportable segments are materially similar as the Group's accounting policies described in Note 2.

34 SEGMENT INFORMATION (CONT'D)

(a) Business segments (Cont'd)

	Mechatronics		IMS		Investment holding		Others		Eliminations		Total	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
External revenue	373,324	301,930	141,554	164,481	-	8	208	-	-	-	515,086	466,419
Inter-segment sales	-	-	-	-	979	1,068	-	-	(979)	(1,068)	-	-
	373,324	301,930	141,554	164,481	979	1,076	208	-	(979)	(1,068)	515,086	466,419
Segment results	30,337	18,975	1,952	2,970	(2,091)	(298)	95	-	-	-	30,293	21,647
Interest income	36	21	278	92	1,310	134	2	-	(333)	(85)	1,293	162
Finance costs	(559)	(547)	(1,358)	(1,061)	(47)	-	-	-	333	85	(1,631)	(1,523)
Net gain on disposal of subsidiaries	-	-	(877)	-	11,336	-	-	-	-	-	10,459	-
Impairment loss of financial asset, available-for-sale	-	-	-	-	(327)	-	-	-	-	-	(327)	-
Profit before income tax											40,087	20,286
Income tax expense	(6,574)	(3,227)	30	(1,085)	(13)	(5)	(38)	-	-	-	(6,595)	(4,317)
Total profit											33,492	15,969
Segment assets	225,851	185,901	137,344	164,269	55,151	12,825	1,809	-	-	-	420,155	362,995
Segment liabilities	104,362	86,881	61,744	60,929	4,439	513	68	-	-	-	170,613	148,323
Other segment information:												
Capital expenditure	9,259	9,636	15,296	10,774	217	7	-	-	-	-	24,772	20,417
Addition of intangible assets	426	405	463	2,283	-	-	-	-	-	-	889	2,688
Depreciation and amortisation	6,545	6,409	9,161	10,809	62	6	40	-	-	-	15,808	17,224
Other non-cash expenses other than depreciation and amortisation	20	41	1,220	122	500	-	8	-	-	-	1,748	163
Amortisation of deferred gain	797	1,063	-	-	-	-	-	-	-	-	797	1,063

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For The Financial Year Ended 31 December 2017 (Cont'd)

34 SEGMENT INFORMATION (CONT'D)

(b) Geographical segments

The Group operates in five principal geographical areas - The Netherlands, People's Republic of China, Malaysia, Czech Republic and Singapore (country of domicile).

Revenue is attributed to geographical areas based on the location of the customers. Non-current assets (excluding deferred tax assets) are based on the location of those assets:

	Revenue from external customers		Non-current assets	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Based on location of customer				
The Netherlands	121,742	111,370	48,992	49,187
People's Republic of China	76,466	91,323	22,476	20,988
Malaysia	67,977	44,972	32,967	39,754
Czech Republic	37,133	41,039	-	-
Singapore	54,633	40,759	7,660	8,222
Hungary	15,124	31,743	-	-
America	24,694	20,994	3,319	3,762
Germany	39,132	20,044	-	-
Switzerland	15,470	12,964	1,868	2,114
Thailand	7,293	8,182	2,198	2,321
India	7,215	5,747	3,521	2,866
Indonesia	3,463	3,772	1,464	1,783
United Kingdom	587	451	-	-
Others	44,157	33,059	-	2
	515,086	466,419	124,465	130,999

(c) Information about major customers

Included in revenue arising from Mechatronics division of $373,324,000 (2016 : $301,930,000) are revenue of approximately $64,929,000 (2016 : $57,718,000) which arose from sales to the Group's largest customer.

35 CAPITAL COMMITMENTS

	The Group	
	2017	2016
	$'000	$'000
Commitments in respect of contracts placed for the purchase of property, plant and equipment but not provided for	8,740	2,329

36 OPERATING LEASE ARRANGEMENT

	The Group	
	2017 $'000	2016 $'000
Minimum lease payments under operating lease include in profit or loss	6,657	6,864

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	
	2017 $'000	2016 $'000
Not later than one year	5,215	5,043
Between one and five years	13,351	8,993
Later than five years	1,683	288
	20,249	14,324

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. Significant risks and events, supported by financial reports are highlighted through the monthly and quarterly management reporting structure to the executive committee and audit committee respectively, who in turn advises the board of directors. The board reviews and approves policies for managing each of these risks.

There have been no change to the Group's exposure to these financial risks or the manner in which it manages and measure the risk except as disclosed below.

The Group and the Company do not hold or issue derivative financial instruments for trading purposes. The Group's and the Company's financial risks are summarised as follows:

(a) Market risk

(i) Currency risk

The Group operates mainly in Asia and Europe with dominant operations in Singapore, People's Republic of China, Malaysia, and The Netherlands. Entities in the Group 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 ("EUR"), Malaysian Ringgit ("MYR"), Japanese Yen ("Yen"), Renminbi ("RMB"), Thai Baht ("THB") and Swiss Franc ("CHF").

The Group's exposures to foreign currencies are primarily managed by natural hedges of matching financial assets and financial liabilities denominated in foreign currencies. Should the need arise, the Group will enter into forward currency contracts to hedge its uncovered position.

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

(a) Market risk (Cont'd)

(i) Currency risk (Cont'd)

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

	SGD $'000	USD $'000	EUR $'000	MYR $'000	Yen $'000	RMB $'000	THB $'000	CHF $'000	Others $'000	Total $'000
31 December 2017										
Financial assets										
Cash and cash equivalents	9,527	5,242	981	45,357	-	5,480	559	904	103	68,153
Trade and other receivables	3,668	33,548	31,662	10,384	2	24,326	1,241	954	2,922	108,707
Intercompany receivables	4,970	496	13,287	783	-	-	-	-	-	19,536
Dividend receivables	4,851	-	3,358	-	-	-	-	-	-	8,209
	23,016	39,286	49,288	56,524	2	29,806	1,800	1,858	3,025	204,605
Financial liabilities										
Borrowings	(9,129)	(11,873)	(23,212)	(8,237)	-	(9,973)	(118)	-	(1,065)	(63,607)
Other financial liabilities	(12,996)	(13,994)	(34,579)	(11,225)	(2,517)	(18,623)	(1,004)	(1,931)	(2,505)	(99,374)
Intercompany payables	(4,970)	(496)	(13,287)	(783)	-	-	-	-	-	(19,536)
Dividend payables	(4,851)	-	(3,358)	-	-	-	-	-	-	(8,209)
	(31,946)	(26,363)	(74,436)	(20,245)	(2,517)	(28,596)	(1,122)	(1,931)	(3,570)	(190,726)
Net financial assets/ (liabilities)	(8,930)	12,923	(25,148)	36,279	(2,515)	1,210	678	(73)	(545)	13,879
Less: Net financial assets/ (liabilities) denominated in the respective entities functional currencies	9,473	1,388	24,863	(36,289)	-	(1,158)	(678)	101	396	
Currency exposure	543	14,311	(285)	(10)	(2,515)	52	-	28	(149)	

37 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	EUR $'000	MYR $'000	Yen $'000	RMB $'000	THB $'000	CHF $'000	Others $'000	Total $'000
31 December 2016										
Financial assets										
Cash and cash equivalents	8,114	2,770	1,102	4,441	-	1,636	274	-	145	18,482
Trade and other receivables	3,101	30,386	30,471	6,492	1	21,612	953	1,271	2,906	97,193
Intercompany receivables	797	526	7,113	92	-	-	-	-	-	8,528
Dividend receivables	4,210	-	-	-	-	-	-	-	-	4,210
	16,222	33,682	38,686	11,025	1	23,248	1,227	1,271	3,051	128,413
Financial liabilities										
Borrowings	(2,962)	(11,124)	(29,447)	(6,337)	-	(7,658)	-	(289)	(925)	(58,742)
Other financial liabilities	(9,084)	(13,437)	(26,050)	(10,535)	(2,416)	(15,298)	(702)	(2,517)	(1,869)	(81,908)
Intercompany payables	(797)	(418)	(7,113)	(92)	-	-	-	-	-	(8,420)
Dividend payables	(4,210)	-	-	-	-	-	-	-	-	(4,210)
	(17,053)	(24,979)	(62,610)	(16,964)	(2,416)	(22,956)	(702)	(2,806)	(2,794)	(153,280)
Net financial assets/ (liabilities)	(831)	8,703	(23,924)	(5,939)	(2,415)	292	525	(1,535)	257	(24,867)
Less: Net financial assets/ (liabilities) denominated in the respective entities functional currencies	742	2,485	32,903	5,922	-	138	(524)	3,038	(251)	
Currency exposure	(89)	11,188	8,979	(17)	(2,415)	430	1	1,503	6	

37 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:

	2017			2016		
		Increase/(Decrease)			Increase/(Decrease)	
	Currency movement	Profit after income tax $'000	Other component of equity $'000	Currency movement	Profit after income tax $'000	Other component of equity $'000
Group						
USD against MYR	5%			9%		
- strengthened		99	99		40	40
- weakened		(99)	(99)		(40)	(40)
EUR against MYR	2%			8%		
- strengthened		(16)	(16)		314	314
- weakened		16	16		(314)	(314)
SGD against MYR	1%			5%		
- strengthened		4	4		(4)	(4)
- weakened		(4)	(4)		4	4
EUR against SGD	1%			3%		
- strengthened		(10)	(10)		2	2
- weakened		10	10		(2)	(2)
USD against SGD	4%			4%		
- strengthened		205	205		206	206
- weakened		(205)	(205)		(206)	(206)
YEN against SGD	2%			1%		
- strengthened		(21)	(21)		(11)	(11)
- weakened		21	21		11	11
EUR against CHF	5%			2%		
- strengthened		23	23		42	42
- weakened		(23)	(23)		(42)	(42)
USD against RMB	2%			4%		
- strengthened		80	80		149	149
- weakened		(80)	(80)		(149)	(149)

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

(a) Market risk (Cont'd)

(i) Currency risk (Cont'd)

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

	SGD $'000	EUR $'000	Total $'000
31 December 2017			
Financial assets			
Cash and cash equivalents	5,632	-	5,632
Other receivables	4,621	1,169	5,790
Dividend receivables	4,851	3,358	8,209
	15,104	4,527	19,631
Financial liabilities			
Borrowings	(2,200)	(1,119)	(3,319)
Other financial liabilities	(884)	-	(884)
	(3,084)	(1,119)	(4,203)
Net financial assets	12,020	3,408	15,428
Less: Net financial assets denominated in the Company's functional currency	(12,020)	-	
Currency exposure	-	3,408	

	SGD $'000	EUR $'000	Total $'000
31 December 2016			
Financial assets			
Cash and cash equivalents	5,044	-	5,044
Other receivables	284	-	284
Dividend receivables	4,210	-	4,210
	9,538	-	9,538
Financial liabilities			
Other financial liabilities	(377)	-	(377)
Net financial assets	9,161	-	9,161
Less: Net financial assets denominated in the Company's functional currency	(9,161)	-	
Currency exposure	-	-	

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

(a) Market risk (Cont'd)

(i) Currency risk (Cont'd)

If the EUR changes against the SGD by 1% (2016 : 3%) with all other variables including tax rate being held constant, the effects arising from the net currency exposure position will be as follows:

	2017		2016	
	Increase/(Decrease)			
	Profit after income tax	Other component of equity	Profit after income tax	Other component of equity
	$'000	$'000	$'000	$'000
Company				
EUR against SGD				
- strengthened	28	28	-	-
- weakened	(28)	(28)	-	-

(ii) Price risk

The price risk does not impact the Group as it is not exposed to equity security price risk and commodity price risk from financial instruments.

(iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's exposure to changes in interest rates related primarily to its placement in fixed deposits, short-term funds, bank borrowings and finance lease arrangement. At balance sheet date, approximately 3.9% (2016 : 3.2%) of the Group's borrowings are at fixed rates of interest.

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

The Group's borrowings (as disclosed in Note 28) at variable rates on which effective hedges have not been entered into are denominated mainly in MYR, SGD, EUR, 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 $306,000 (2016 : $284,000) 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.

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

(b) Credit risk (Cont'd)

The Group's trade receivables comprise 4 debtors (2016 : 4 debtors) that individually represented 4% to 12% (2016 : 6% to 15%) 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	
	2017	**2016**
	$'000	**$'000**
Guarantees for banking facilities granted to subsidiaries		
- unsecured	24,138	23,979

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

	The Group	
	2017	**2016**
	$'000	**$'000**
By geographical areas		
America	3,654	2,386
Malaysia	17,457	13,635
Singapore	12,353	10,057
The Netherlands	9,779	5,641
People's Republic of China	29,720	26,985
Czech Republic	6,349	3,618
Other countries	21,002	28,346
	100,314	90,668
By business segments		
Mechatronics		
Semiconductors	16,910	11,054
Medical	6,085	2,855
Analytical	21,827	14,270
Industrial automation	10,574	7,817
Others	3,773	4,219
	59,169	40,215

37 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: (Cont'd)

	The Group	
	2017	**2016**
	$'000	**$'000**
By business segments		
IMS		
Automotive	25,754	33,489
Consumer and Industrial Electronics	3,619	3,303
Tooling	11,111	9,291
Others	661	4,370
	41,145	50,453

(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	
	2017	**2016**
	$'000	**$'000**
Past due < 3 months	14,801	13,189
Past due 3 to 6 months	937	1,617
Past due > 7 months	130	845
	15,868	15,651

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	
	2017	**2016**
	$'000	**$'000**
Gross amount	190	188
Less: Allowance for impairment (Note 20)	(190)	(188)
	-	-

37 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)

(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: (Cont'd)

	The Group	
	2017	**2016**
	$'000	**$'000**
Beginning of financial year	188	427
Currency translation difference	(3)	(13)
Allowance made	5	117
Allowance written off	-	(343)
End of financial year	190	188

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 2017 and 2016, 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	
	2017	**2016**
	$'000	**$'000**
Gross amount	383	1,185
Less: Allowance for impairment (Note 22)	(383)	(1,185)
	-	-
Beginning of financial year	1,185	1,311
Currency translation difference	15	(11)
Allowance made	-	-
Allowance written back	(817)	(115)
End of financial year	383	1,185

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

(c) Liquidity risk

The Group maintains sufficient cash and cash equivalents, and internally generated cash flows from operating activities to finance their activities and minimises liquidity risk by keeping committed credit lines available.

Non-derivative financial liabilities

The table below analyses the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows:

	Weighted average effective interest rate	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Adjustment $'000	Total $'000
Group						
At 31 December 2017						
Payables	-	(99,374)	-	-	-	(99,374)
Borrowings at variable interest rate	3.37%	(63,173)	-	-	2,062	(61,111)
Borrowings at fixed interest rate	3.66%	(664)	(1,166)	(757)	91	(2,496)
		(163,211)	(1,166)	(757)	2,153	(162,981)
At 31 December 2016						
Payables	-	(81,908)	-	-	-	(81,908)
Borrowings at variable interest rate	2.43%	(58,222)	-	-	1,383	(56,839)
Borrowings at fixed interest rate	4.01%	(617)	(487)	(875)	76	(1,903)
		(140,747)	(487)	(875)	1,459	(140,650)

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

(c) Liquidity risk (Cont'd)

Non-derivative financial liabilities (Cont'd)

The table below analyses the maturity profile of the Company's financial liabilities based on contractual undiscounted cash flows:

	Weighted average effective interest rate	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Adjustment $'000	Total $'000
Company						
At 31 December 2017						
Payables	-	(884)	-	-	-	(884)
Borrowings at variable interest rate	2.57%	(3,404)	-	-	85	(3,319)
Financial guarantee	3.92%	(25,099)	-	-	961	(24,138)
		(29,387)	-	-	1,046	(28,341)
At 31 December 2016						
Payables	-	(377)	-	-	-	(377)
Financial guarantee	3.31%	(24,772)	-	-	793	(23,979)
		(25,149)	-	-	793	(24,356)

Non-derivative financial assets

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

	Weighted average effective interest rate	Less than 1 year $'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 2017							
Non-interest bearing	-	127,570	-	-	3,805	-	131,375
Fixed interest rate instruments	3.12%	50,632	-	-	-	(1,342)	49,290
		178,202	-	-	3,805	(1,342)	180,665
At 31 December 2016							
Non-interest bearing	-	110,722	767	894	4,132	-	116,515
Fixed interest rate instruments	3.31%	3,485	-	-	-	(85)	3,400
		114,207	767	894	4,132	(85)	119,915

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

(c) Liquidity risk (Cont'd)

Non-derivative financial assets (Cont'd)

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

	Weighted average effective interest rate	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	After 5 years $'000	Adjustment $'000	Total $'000
Company							
At 31 December 2017							
Non-interest bearing	-	15,631	-	-	3,805	-	19,436
Fixed interest rate instruments	1.00%	4,000	-	-	-	-	4,000
		19,631	-	-	3,805	-	23,436
At 31 December 2016							
Non-interest bearing	-	9,538	-	-	4,132	-	13,670

(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 2017 and 2016.

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

(e) Fair value measurements

The fair value measurement of the Group's financial and non-financial assets and liabilities approximate their respective fair values due to their relatively short term maturity. The fair value of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

The fair value of non-current 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, 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 37 to the financial statements:

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Financial asset, available-for-sale (Note 17)	3,805	4,132	3,805	4,132
Loans and receivables:				
Trade receivables (Note 20)	100,314	90,668	-	-
Receivables from subsidiaries (Note 21)	-	-	5,767	282
Dividend receivable from subsidiaries	-	-	8,209	4,210
Other receivables, deposits and prepayments (Note 22)	12,549	12,292	34	13
Receivables from an associated company (Note 23)	-	108	-	-
Cash and cash equivalents (Note 24)	68,153	18,482	5,632	5,044
Less: Prepayments (Note 22)	(4,156)	(5,767)	(11)	(11)
Total	176,860	115,783	19,631	9,538
Trade payables (Note 25)	61,896	51,523	-	-
Payable to a subsidiary	-	-	286	-
Other payables, accruals and provisions (Note 26)	37,478	30,385	598	377
Borrowings (Note 28)	63,607	58,742	3,319	-
Financial liabilities at amortised cost	162,981	140,650	4,203	377

38 PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE

Adoption of a new financial reporting framework in 2018 - In December 2017, the Accounting Standards Council (ASC) has issued a new financial reporting framework - Singapore Financial Reporting Standards (International) (SFRS(I)), which is to be adopted by Singapore-incorporated companies listed on the Singapore Exchange (SGX), for annual periods beginning on or after 1 January 2018. SFRS(I) is identical to the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Group and the Company will be adopting the new framework for the first time for financial year ending 31 December 2018 and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* will be applied in the first set of SFRS(I) financial statements.

SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*
As a first-time adopter, the Group and the Company are to apply retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (31 December 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ending 31 December 2018, an additional opening balance sheet as at date of transition (1 January 2017) will be presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are required for equity as at date of transition (1 January 2017) and as at end of last financial period under FRS (31 December 2017), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended 31 December 2017). Additional disclosures may also be required for specific transition adjustments if applicable.

Management has performed a detailed analysis of the transition options and other requirements of SFRS(I) and has determined that there will be no change to the Group's and the Company's current accounting policies under FRS or material adjustments on the initial transition to the new framework, other than those that may arise from implementing certain new SFRS(I) pronouncements effective at the same time (see below), and the election of certain transition options available under SFRS(I) 1.

Management will be electing the transition option to reset the translation reserve to zero as at date of transition.

As SFRS(I) 1 requires a first-time adopter to apply accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (31 December 2018), it is not possible to know all possible effects as at date of authorisation of current year's financial statements. If there are any subsequent pronouncements on SFRS(I) that are effective as at 31 December 2018, they may impact the disclosures of estimated effects described below.

New SFRS(I) that may have impact - The following SFRS(I) pronouncements are expected to have an impact to the Group and the Company in the periods of their initial application under the new SFRS(I) framework:

<u>Effective for annual periods beginning on or after 1 January 2018</u>

- SFRS(I) 9 *Financial Instruments*
- SFRS(I) 15 *Revenue from Contracts with Customers*

<u>Effective for annual periods beginning on or after 1 January 2019</u>

- SFRS(I) 16 *Leases*

38 PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE (CONT'D)

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting and (iii) impairment requirements for financial assets.

Key requirements of SFRS(I) 9:

- All recognised financial assets that are within the scope of SFRS(I) 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments 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 instruments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under SFRS(I) 9, 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.

- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, SFRS(I) 9 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be 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 the financial liability's credit risk are not subsequently reclassified to profit or loss.

- In relation to the impairment of financial assets, SFRS(I) 9 requires an expected credit loss model to be applied. 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 new general hedge accounting requirements retain the three types of hedge accounting mechanisms. Under SFRS(I) 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

38 PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE (CONT'D)

SFRS(I) 9 *Financial Instruments (Cont'd)*

Management anticipates that the initial application of the new SFRS(I) 9 will result in additional disclosures to be made with respect to judgement and estimates made around expected credit losses and the Group's credit risk management activities. In addition, equity investments are measured at fair value through profit or loss (FVTPL) at the end of subsequent accounting periods. Under SFRS(I) 9, management 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.

SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

The core principle of SFRS(I) 15 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 SFRS(I) 15, 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 SFRS(I) 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by SFRS(I) 15.

The Group recognise revenue from the sale of goods. Management has preliminary assessed that its sales of goods under the Mechatronics and IMS division respectively represents one performance obligation. For certain revenue contracts that are more than one year, accordingly, revenue will be recognised for the performance obligations when control over the corresponding goods and service is transferred to the customer. Even though SFRS(I) 15 requires the transaction price to be allocated to the performance obligations on a relative standalone-selling price basis, management do not expect that the allocation of revenue to be significantly different from that currently determined.

SFRS(I) 16 *Leases*

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

38 PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE (CONT'D)

SFRS(I) 16 *Leases* (Cont'd)

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exemptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the existing framework.

As at 31 December 2017, the Group has non-cancellable operating lease arrangement of $20,249,000 (2016 : $14,324,000) (Note 36). FRS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease arrangement in Note 36. A preliminary assessment indicates that these arrangements will meet the definition of lease under SFRS(I) 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of SFRS(I) 16. The new requirement to recognise a right-of-use asset and related lease liability is expected to have an impact on the amounts recognised in the Group's consolidated financial statements. Management does not plan to early adopt SFRS(I) 16 for financial year ending 31 December 2018.

Impact assessment

(A) Estimable effects on the Balance Sheet as at 1 January 2017 (date of transition to SFRS(I))

	As currently reported under FRS	Transition to SFRS(I)	As adjusted under SFRS(I)
	$'000	$'000	$'000
Line items			
Foreign currency translation reserve	(29,302)	29,302	-
Retained profits	136,398	(29,302)	107,096

(B) Estimable effects on the Balance Sheet as at 31 December 2017 (end of last period reported under FRS)

	As currently reported under FRS	Transition to SFRS(I)	As adjusted under SFRS(I)
	$'000	$'000	$'000
Line items			
Foreign currency translation reserve	(25,009)	29,302	4,293
Retained profits	163,790	(29,302)	134,488

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 2017 $'000	Use of property	Encumbrances
1.	No. 14 to 16 Hurksestraat, Eindhoven, The Netherlands	Frencken Investments B.V.	Freehold	12,300 sq m	4,709	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	3,310	Production and office	Legal charge in favour of Coöperatieve Rabobank Eindhoven - Veldhoven
3.	Lot No. P.T. 24044, Mukim of Kajang, District of Hulu Langat, Selangor Darul Ehsan, Malaysia	Frencken Mechatronics (M) Sdn. Bhd.	99 years lease expiring 29.03.2091	4.45 acres or 18,019 sq m	6,451	Production and office	-
4.	16, Jalan Masyhur 1, Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia	Juken Technology Engineering Sdn. Bhd.	Freehold	4,303 sq m	1,243	Production and office	-
5.	Lot 10, Jalan BRP 9/1C, Bukit Rahman Putra Industrial Park, 47000 Sungai Buloh, Selangor Darul Ehsan, Malaysia	Juken Technology Engineering Sdn. Bhd.	Freehold	1,754 sq m	1,198	Production and office	-
6.	Lot 11, Jalan BRP 9/1C, Bukit Rahman Putra Industrial Park, 47000 Sungai Buloh, Selangor Darul Ehsan, Malaysia	Juken Technology Engineering Sdn. Bhd.	Freehold	1,754 sq m	1,257	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 2017 $'000	Use of property	Encumbrances
7.	Lot 12, Jalan BRP 9/1C, Bukit Rahman Putra Industrial Park, 47000 Sungai Buloh, Selangor Darul Ehsan, Malaysia	Juken Technology Engineering Sdn. Bhd.	Freehold	1,754 sq m	1,301	Production and office	-
8.	Lot No. 670, No.H.S.(M) 52, Mukim 2, Tempat Tasek, Daerah Seberang Perai Selatan, Pulau Pinang, Malaysia	Juken Technology Engineering Sdn. Bhd.	Freehold	7,945 sq m	639	Production and office	-
9.	2413, M004, Bangna-Trad Road (KM 34.5), T. Bangpleenoi, Amphur Bangbor, Somatprakam 10560, Thailand	Juken (Thailand) Co., Ltd	Freehold	9,600 sq m	1,443	Production and office	-

Statistic of Shareholdings

As at 13 March 2018

Share Capital

No. of Issued Shares	:	417,207,409
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	115	4.55	4,087	0.00
100 - 1,000	172	6.81	99,013	0.03
1,001 - 10,000	1,301	51.51	6,015,689	1.44
10,001 - 1,000,000	900	35.63	49,493,313	11.86
1,000,001 and above	38	1.50	361,595,307	86.67
TOTAL	**2,526**	**100.00**	**417,207,409**	**100.00**

TWENTY (20) LARGEST SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1.	UOB Kay Hian Pte Ltd	52,777,625	12.65
2.	DBS Nominees Pte Ltd	46,525,240	11.15
3.	Raffles Nominees (Pte) Ltd	35,652,700	8.55
4.	Micro Compact (M) Sdn. Bhd.	26,332,206	6.31
5.	Precico Holdings Sdn. Bhd.	26,154,870	6.27
6.	DB Nominees (S) Pte Ltd	20,581,100	4.93
7.	Citibank Nominees Singapore Pte Ltd	18,260,920	4.38
8.	Strategic Equities Ltd	17,522,794	4.20
9.	Cayman Resources Sdn. Bhd.	14,407,445	3.45
10.	Hong Leong Finance Nominees Pte Ltd	14,174,376	3.40
11.	Meng Tak Corporation Sdn. Bhd.	13,444,000	3.22
12.	OCBC Securities Private Ltd	12,217,832	2.93
13.	CGS-CIMB Securities (S) Pte Ltd	7,501,590	1.80
14.	Gooi Soon Chai	4,902,723	1.18
15.	K-Tee Holdings Sdn. Bhd.	4,060,000	0.97
16.	ABN AMRO Clearing Bank N.V.	4,059,600	0.97
17.	DBS Vickers Securities (Singapore) Pte Ltd	3,908,564	0.94
18.	Philip Securities Pte Ltd	3,609,550	0.87
19.	Uhlmann Singapore LLP	3,556,000	0.85
20.	Wong Lai Huat	2,858,063	0.69
	TOTAL	**332,507,198**	**79.71**

PERCENTAGE OF SHAREHOLDING IN PUBLIC HANDS

53.77% 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.

Statistic of Shareholdings

As at 13 March 2018 (Cont'd)

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 13 MARCH 2018

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	42,059,094	10.08
Dato' Gooi Soon Chai [b]	4,902,723	1.18	91,304,768	21.88
Low Heang Thong [c]	-	-	26,735,300	6.41
Gim Thye Realty Sdn. Bhd. [d]	-	-	73,874,677	17.71
Micro Compact (M) Sdn. Bhd.	26,332,206	6.31	-	-
Precico Holdings Sdn. Bhd. [e]	26,154,870	6.27	26,332,206	6.31
Prime Logic (M) Sdn. Bhd. [f]	1,600,000	0.38	26,332,206	6.31
Sinn Hin Company Sdn. Bhd. [g]	-	-	85,926,921	20.60
Yeo Seng Chong [h]	2,275,000	0.55	20,657,700	4.95
Lim Mee Hwa [i]	500,000	0.12	22,432,700	5.38

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., UOB Kay Hian Securities (M) Sdn. Bhd. (for the account of Meng Tak Corporation Sdn. Bhd.) and Coswell Corporation by virtue of Section 4 of the Securities and Futures Act (Chapter 289) and Section 7 of the Companies Act (Chapter 50) and shares held through 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 3,996,847 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) and Section 7 of the Companies Act (Chapter 50).

[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. and UOB Kay Hian Securities (M) Sdn. Bhd. (for the account of Meng Tak Corporation Sdn. Bhd.) by virtue of Section 4 of the Securities and Futures Act (Chapter 289) and Section 7 of the Companies Act (Chapter 50) and shares held through UOB Kay Hian Pte Ltd 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 Raffles Nominees Pte Ltd – Credit Suisse 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. Sinn Hin Company Sdn. Bhd. also have deemed interest in shares held through UOB Kay Hian Securities (M) Sdn. Bhd. in the capital of the Company.

[h] Mr Yeo Seng Chong ("Mr Yeo"), Executive Chairman and Chief Investment Officer of Yeoman Capital Management Pte Ltd ("YCMPL"), a fund manager, is deemed interested in the Company's shares held through CIMB Securities (Singapore) Pte Ltd (for the account of YCMPL) and shares held through DB Nominees (Singapore) Pte Ltd (for the accounts of Yeoman 3-Rights Value Asia Fund and Yeoman Client 1) by virtue of his 50% direct interest in YCMPL and his managerial control of YCMPL. Mr Yeo is also deemed to have an interest in the 500,000 shares held by his wife, Mdm Lim Mee Hwa in the capital of the Company by virtue of Section 4 of the Securities and Futures Act (Chapter 289) and Section 7 of the Companies Act (Chapter 50).

[i] Mdm Lim Mee Hwa ("Mdm Lim") is deemed interested in the Company's shares held through CIMB Securities (Singapore) Pte Ltd (for the account of YCMPL) and shares held through DB Nominees (Singapore) Pte Ltd (for the accounts of Yeoman 3-Rights Value Asia Fund and Yeoman Client 1) by virtue of her 50% direct interest in YCMPL. Mdm Lim is also deemed to have an interest in the 2,275,000 shares held by her husband, Mr Yeo Seng Chong in the capital of the Company by virtue of Section 4 of the Securities and Futures Act (Chapter 289) and Section 7 of the Companies Act (Chapter 50).

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 Wednesday, 25 April 2018 at 2.30 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2017 together with the Directors' Statement and Independent Auditor's Report thereon. **(Resolution 1)**

2. To declare a final tax exempt (one-tier) dividend of 1.66 cents per share for the financial year ended 31 December 2017. **(Resolution 2)**

3. To declare a special tax exempt (one-tier) dividend of 0.73 cents per share. **(Resolution 3)**

4. To approve the Directors' fees of S$286,959 for the financial year ended 31 December 2017. **(Resolution 4)**

5. To re-elect Mr Chia Chor Leong, retiring pursuant to Article 89 of the Company's Constitution. [See Explanatory Note 1] **(Resolution 5)**

6. To re-elect Dato' Gooi Soon Chai, retiring pursuant to Article 89 of the Company's Constitution. [See Explanatory Note 2] **(Resolution 6)**

7. To re-elect Mr Melvin Chan Wai Leong, retiring pursuant to Article 88 of the Company's Constitution. [See Explanatory Note 3] **(Resolution 7)**

8. To re-appoint Messrs Deloitte & Touche LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 8)**

SPECIAL BUSINESS

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

9. **Authority to allot and issue shares** **(Resolution 9)**

   (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]

OTHER BUSINESS

10. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

Notice of Annual General Meeting (Cont'd)

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that subject to approval being obtained at the Annual General Meeting to be held on 25 April 2018.

1. A final tax exempt (one-tier) dividend of 1.66 cents per share for the financial year ended 31 December 2017 and special tax exempt (one-tier) dividend of 0.73 cents per share will be paid on 11 May 2018.

2. The Share Transfer Books and Register of Members of the Company will be closed on 4 May 2018 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 3 May 2018 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 3 May 2018 will be entitled to the payment of the proposed dividend.

ON BEHALF OF THE BOARD

Mohamad Anwar Au
Executive Director

10 April 2018

Explanatory Notes on business to be transacted:

1. Mr Chia Chor Leong who is considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited, will, upon re-election as Director of the Company, remain as the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees. There are no relationships (including immediate family relationships) between Mr Chia Chor Leong and the other Directors of the Company or its shareholders. Detailed information on Mr Chia Chor Leong can be found on the Profile of Board of Directors section of the Annual Report 2017.

2. Dato' Gooi Soon Chai will, upon re-election as Director of the Company, remain as Chairman of the Company and a member of the Nominating and Remuneration Committees. 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 section of the Annual Report 2017.

3. Mr Melvin Chan Wai Leong who is considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited, will, upon re-election as Director of the Company, remain as a member of the Audit Committee. There are no relationships (including immediate family relationships) between Mr Melvin Chan Wai Leong and the other Directors of the Company or its shareholders. Detailed information on Mr Melvin Chan Wai Leong can be found on the Profile of Board of Directors section of the Annual Report 2017.

4. The ordinary resolution in item no. 9 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.

Notice of Annual General Meeting (Cont'd)

Notes:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 of Singapore, 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.

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 office of the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road, #11-02 Singapore 068898 not less than forty-eight (48) hours before the time appointed for the Annual General 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)

PROXY FORM

IMPORTANT
1. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 (the "Act"), Relevant Intermediaries may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
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.
3. CPF investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies.

*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 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 Wednesday, 25 April 2018 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	No. of votes for(1)	No. of votes against(1)
1.	To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2017 together with the Directors' Statement and Independent Auditor's Report thereon.		
2.	To declare a final tax exempt (one-tier) dividend of 1.66 cents per share for the financial year ended 31 December 2017.		
3.	To declare a special tax exempt (one-tier) dividend of 0.73 cents per share.		
4.	To approve the Directors' fees of S$286,959 for the financial year ended 31 December 2017.		
5.	To re-elect Mr Chia Chor Leong, retiring pursuant to Article 89 of the Company's Constitution.		
6.	To re-elect Dato' Gooi Soon Chai, retiring pursuant to Article 89 of the Company's Constitution.		
7.	To re-elect Mr Melvin Chan Wai Leong, retiring pursuant to Article 88 of the Company's Constitution.		
8.	To re-appoint Messrs Deloitte & Touche LLP as auditors of the Company and to authorise the Directors to fix their remuneration.		
9.	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Chapter 50.		

Note:
(1) If you wish to exercise all your votes "For" or "Against", please indicate with an "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _______ day of ______________ 2018

Total Number of Shares Held	
CDP	
Register of Members	
Total	

____
Signature(s) of Member(s)/Common Seal
** Delete accordingly*

IMPORTANT
Please read notes overleaf

FRENCKEN GROUP LIMITED AND ITS SUBSIDIARIES
Incorporated in Singapore. Registration No. : 199905084D

Notes:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 of Singapore (the "Companies Act"), 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. Pursuant to Section 181(1C) of the Companies Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

4. 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.

5. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Constitution and Section 179 of the Companies Act.

6. 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 office of the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road, #11-02 Singapore 068898 not less than forty-eight (48) hours before the time set for the Annual General Meeting.

(1) Fold along this line

Affix
Postage
Stamp

The Company Secretary
FRENCKEN GROUP LIMITED
c/o Tricor Barbinder Share Registration Services
80 Robinson Road #11-02
Singapore 068898

(2) Fold along this line

7. 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 81SF of the Securities and Futures Act, Chapter 289 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.

8. 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 seventy-two (72) hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

9. 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 seventy-two (72) hours before the time set for the Annual General Meeting.

10. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Annual General Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Annual General Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending 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 10 April 2018.

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www.frenckengroup.com