Frencken

Frencken Group Limited

ANNUAL REPORT 2018

About this Annual Report

The digital mesh underlines the broad diverse technology segments. From the digital mesh emerges the Frencken hand that visually expresses how we engage globally; always having a finger on the pulse on emerging technologies and products. It depicts focus and Frencken's ever-growing reach across the different facets of our lives. The group's various business divisions are also clearly depicted, displaying the group's strong presence in multiple industries – with capabilities that range from product design, management and engineering to life cycle management and more – thus fully reinforcing the group as an integrated one-stop technology solution for customers worldwide.

CONTENTS

GROUP OPERATING STRUCTURE

Mechatronics Division

Europe

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

America

- Frencken America Inc.
  Spokane, USA

Asia

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

Integrated Manufacturing Services Division

Asia

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

Europe

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

OUR BUSINESS

The Frencken Advantage

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

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

Frencken has capabilities to offer 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 3,500 employees located in 16 operating sites across Asia, Europe and the USA, Frencken offers our customers 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 Original Equipment Manufacturers in the healthcare, life sciences, semiconductor and industrial automation markets. We serve market and technology leaders from our operating sites and global centres in Europe, Asia and the USA.

Frencken has core competencies in development & engineering, complex & 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 supporting the product's life cycle

Build to the customer's Roadmap

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

GLOBAL CENTRES

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

OUR BUSINESS (Cont'd)

IMS Division

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

IMS	Proven track record in product design, tooling design + manufacturing, and manufacturing + finishing of hi-precision plastic injection parts conforming to stringent automotive standards. Secondary processes for automotive decorative finishing, modules and final assembly + test.
IMS Coating	Proprietary PVD (Physical Vapour Deposition) solution which was developed and used by Frencken at the plant in Tianjin. "Sustainable Green" environmentally friendly PVD surface coating technologies for plastic. Cost effective surface coating for automotive interior 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.

GLOBAL CENTRES

Noida, India
Bangkok, Thailand
Selangor, Malaysia
Johor, Malaysia
Singapore
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.

REVENUE

S$625.8 million

DESIGN & MANUFACTURING CENTRES

16

United States
Spokane

Netherlands
Eindhoven
Rotterdam
Reuver

Switzerland
Grenchen

China
Tianjin
Zhuhai
- Jinding
- Nanshui
Chuzhou (Mid 2019)
Wuxi

Thailand
Bangkok

Malaysia
Sungai Buloh
Bangi
Johor

Singapore
Singapore

India
Noida

COUNTRIES SERVED	EMPLOYEES	Public Corporation listed on
50+	3,500	SGX

OUR VALUE PROPOSITION (Cont'd)

Diversity Brings Resilience And Stability

Frencken operates in a broad array of market segments, end-user markets and geographical regions. Our established presence in the automotive, healthcare, industrial, 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.

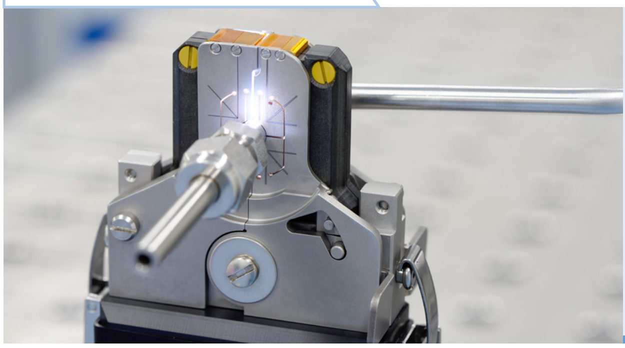
The smart devices you use, the water you drink, the car you drive and even your medical diagnostic tests – These are examples of customers' products to which Frencken has contributed in the design, technology or manufacturing of components, sub-assemblies, or the entire product.

Breadth of Capabilities

Automotive

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

Life Sciences



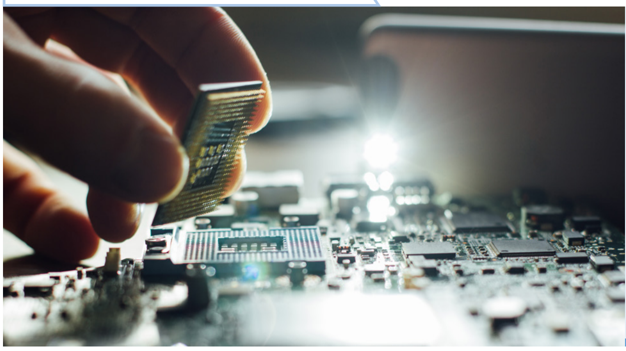
Components and sub assemblies for
- Scanning electron microscope
- Mass spectrometry
- Gas / Liquid chromatography
- Spectroscopy
- Vacuum systems

OUR VALUE PROPOSITION (Cont'd)

Healthcare

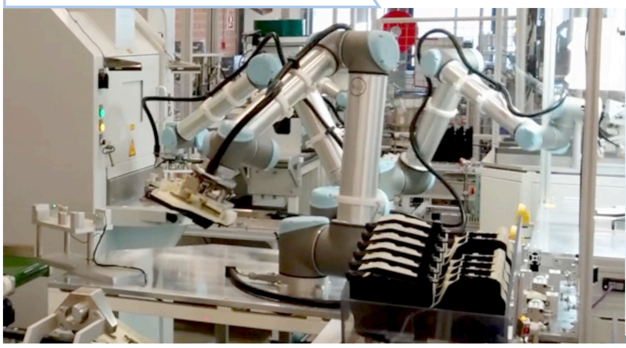
Components and sub assemblies for
- CV (cardiovascular) patient table
- Histopathology digital scanner
- X-Ray gantry and telescopic tube
- Micro motor for heart implants

Semiconductor



Components and sub assemblies for
- 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

Dato' Gooi Soon Chai
Chairman

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present Frencken Group Limited's annual report for the 12 months ended 31 December 2018 ("FY2018").

Frencken delivered another outstanding performance with record results for FY2018. The Group achieved the highest annual revenue in our history after notching up four consecutive quarters of sales growth, on both a year-on-year and quarter-on-quarter basis. This was no mean feat as the macroeconomic backdrop had become increasingly challenging during the year due to rising global trade tensions and cyclically slower demand conditions in the global technology industry.

Financial Performance for FY2018

In FY2018, the Group's revenue grew 21.5% to reach a record S$625.8 million from S$515.1 million in FY2017, driven by strong sales growth of 33.1% at the Mechatronics Division. Sales of the IMS Division in FY2018 eased 9.1% year-on-year as the division's sales in FY2017 included the contribution from Valeo Malaysia CDA Sdn. Bhd. (formerly known as Precico Electronics Sdn. Bhd.) ("PESB") which the Group divested on 31 March 2017. Excluding the contribution from PESB, the IMS Division posted a stable sales performance in FY2018.

In tandem with the improvement in the Group's top line, our gross profit for FY2018 increased 21.3% to S$101.7 million from S$83.9 million in FY2017. Excluding the exceptional items in both financial years, the Group's net profit attributable to equity holders of the Company ("PATMI") showed strong growth of 47.7% to reach a record profit of S$33.9 million in FY2018, compared to S$23.0 million in FY2017.

CHAIRMAN'S STATEMENT (Cont'd)

After factoring in the exceptional items, the Group reported PATMI of S$30.0 million in FY2018 compared to S$33.4 million in the previous year. This reduction was due mainly to the exceptional gain of S$10.5 million registered in FY2017, arising mainly from the divestment of PESB.

As at 31 December 2018, the Group had cash and cash equivalents of S$67.1 million and a minimal net debt-to-equity ratio of 0.6%. Our shareholders' equity stood at S$264.9 million, equivalent to net asset value of 62.84 cents per share based on the total number of issued shares of 421.5 million shares.

To reward shareholders for their support of Frencken, the Board of Directors has recommended the payment of a first and final tax exempt (one-tier) dividend of 2.14 cents per share which translates to a pay-out ratio of approximately 30% of the Group's PATMI. Upon approval by shareholders at the forthcoming Annual General Meeting to be convened on 25 April 2019, the dividend will be paid on 15 May 2019.

Continuing Focus on Operational Excellence

During FY2018, the Group's strategy was to leverage on the solid foundation that we have put in place to further strengthen Frencken's business and deliver sustainable, profitable growth to all our stakeholders.

Indeed, the Group's record performance in FY2018 was only possible because of the relentless efforts made by everyone - from senior management to employees on the shopfloor - to exceed our customers' expectations. Our people have also shown they are committed to continuously pursue operational excellence through initiatives introduced in our *Frencken Operations eXcellence* ("FOX") program. As a result, the organisation has been benefiting from greater operational efficiencies across our worldwide manufacturing sites.

To sustain the positive momentum of our operational and financial performances, we are also instituting practices to ensure that everyone in Frencken is clear how their goals connect to the goals of the Group. By promoting greater clarity of goals in the workplace, our people will better understand how to achieve career goals that align with the Group's objectives. We believe an organisation that has clarity in its goals will benefit from more positive outcomes and better performances.

In addition to improving the skills of our people, the Group continues to upgrade the equipment and facilities at its worldwide manufacturing sites to maintain its competitive advantage and ensure it has the capabilities to support customers' technology and product roadmaps.

During FY2018, the Mechatronics Division invested in equipment to strengthen its machining activities and the expansion of production space. In addition, the IMS Division is close to completing the new manufacturing facility in Chuzhou, Anhui Province.

Total Revenue ↑ **21.5%** | **S$625.8 million**

CHAIRMAN'S STATEMENT (Cont'd)

Outlook and Strategy

Looking ahead, the macroeconomic backdrop is expected to remain challenging due to headwinds from the US-China trade concerns, deceleration of semiconductor capital equipment spending and slowdown in the manufacturing sector as evident from the global purchasing manager index.

Frencken will continue to operate in a broad array of business segments, end-user markets and geographical regions. This business diversity, coupled with our long term partnerships with leading companies in the global automotive, healthcare, industrial, life sciences and semiconductor markets, will provide greater resilience and stability to the Group's performance against potentially uneven demand across its various business segments.

We also believe the global technology industry will continue to benefit from the positive long term 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. As such, we remain confident of the Group's long term business prospects and intend to stay focused on our goal to deliver sustainable and profitable growth to stakeholders.

To further strengthen our position as a premier Global Integrated Technology Solutions Company, Frencken will continue to execute strategies that enhance our value proposition to customers. The Mechatronics and IMS Divisions are also continually working to secure new programs and expand market share by collaborating with new and existing customers to develop the next generation technology and products.

The Mechatronics Division will remain focused on moving up the value chain and offering high value -added solutions to reinforce its partnerships with customers. The division is currently embarking on a strategy to evolve its business from a "Build to Print" model into a "Build to Spec" or "Original Design Manufacturer" model to ensure it stays in line with the demand trends of its current and future customers. To attain its strategic objective, the division is implementing several initiatives such as improving customer focus, core competence development and manufacturing supply chain excellence. In addition, the Mechatronics Division will continue to invest in equipment to upgrade its precision manufacturing and process capabilities as well as cleanroom facilities to better support the future demand requirements of its customers.

The IMS Division will continue to build on its established position in the automotive segment. It will focus on increasing the market share of its existing products with automotive customers as well as capitalise on its proprietary technology PVD (Physical Vapour Deposition) solution to ride the growing trend for environmentally-friendly coating processes in the automotive industry. The IMS Division is also exploring new technologies that hold the promise of new opportunities, higher value-add and growth potential.

We believe these ongoing initiatives at both divisions will enable the Group to remain competitive and relevant to our customers.

Appreciation

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

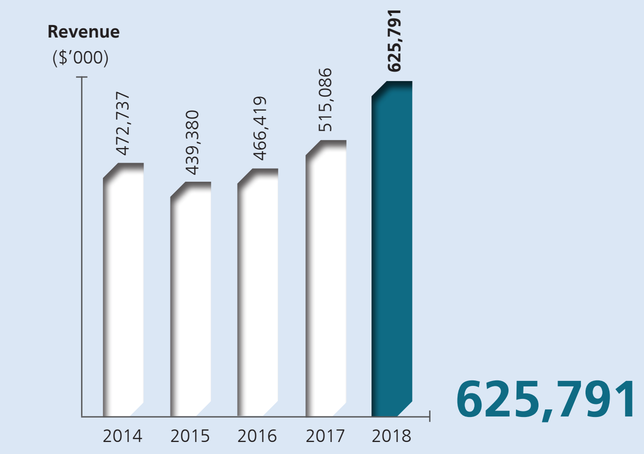
FOSTERING A CULTURE OF EXCELLENCE

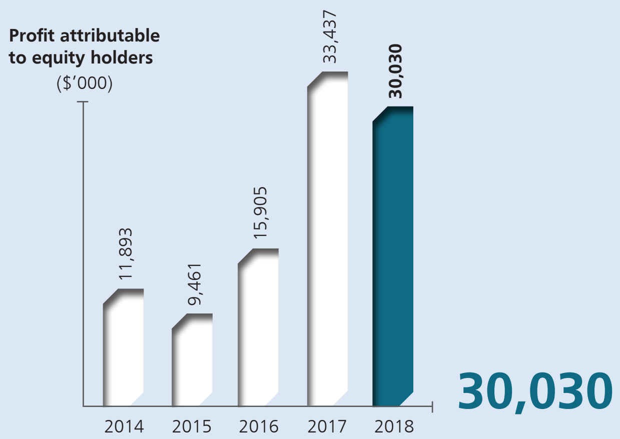
Frencken's greatest asset is our people. From production operators on the shopfloor to senior executives in the boardroom, our people's skills, knowledge and experience are the drivers of our continued growth.

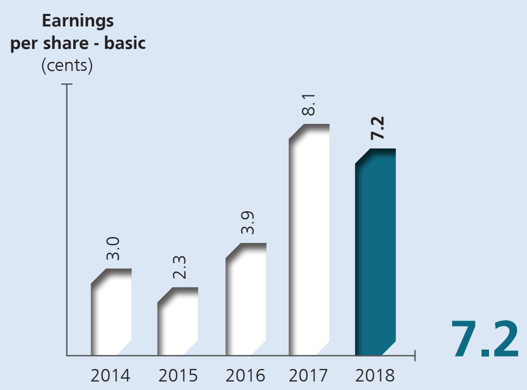
In today's marketplace, Frencken's success lies in our ability to create value for customers through continuous improvement, maintaining high quality standards, and ensuring efficient and sustainable manufacturing processes.

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.

FINANCIAL SUMMARY







FINANCIAL SUMMARY (Cont'd)

FINANCIAL YEAR	FY DEC 2014	FY DEC 2015	FY DEC 2016	FY DEC 2017	FY DEC 2018
Operating Results	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Revenue	472,737	439,380	466,419	515,086	**625,791**
Operating profit [1]	17,806	22,031	21,647	30,293	**45,068**
Profit attributable to equity holders	11,893	9,461	15,905	33,437	**30,030**
Financial Position	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Total assets	352,262	339,475	362,995	420,155	**463,740**
Total liabilities	143,807	133,871	148,323	170,613	**196,221**
Shareholders' equity	206,916	203,631	212,652	247,199	**264,892**
Key Ratios					
Net profit on turnover (%)	2.5	2.2	3.4	6.5	**4.8**
Return on average equity (%)	5.8	4.6	7.6	14.5	**11.7**
(Net debts)/Net cash to equity (%)	(17.7)	(18.3)	(18.9)	1.8	**(0.6)**
Earnings per share - basic (cents)	3.0	2.3	3.9	8.1	**7.2**
- diluted (cents)	2.9	2.3	3.9	8.0	**7.1**
Net assets value per share (cents)	51.2	50.3	52.3	59.4	**62.8**
Dividend per share (cents)	1.00	0.75	1.20	2.39	**2.14**
Share Price and Market Capitalisation	**Cents**	**Cents**	**Cents**	**Cents**	**Cents**
Highest	39.0	24.5	28.0	60.5	**68.0**
Lowest	21.5	17.7	17.0	24.0	**37.0**
Average	32.0	20.6	23.3	45.2	**50.0**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Average market capitalisation	129,431	83,360	94,748	188,205	**210,751**
Average shareholders' equity	206,099	205,274	208,142	229,926	**256,046**
Market value differential [2]	(76,668)	(121,914)	(113,394)	(41,721)	**(45,295)**

(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

		2017	2018	Change
1	**Operating Results**	**$'000**	**$'000**	**%**
	Revenue	515,086	**625,791**	21.5
	Profit attributable to equity holders	33,437	**30,030**	(10.2)
	Net profit on turnover (%)	6.5	**4.8**	(26.2)
2	**Divisional Performance**	**$'000**	**$'000**	**%**
	Mechatronics - Revenue	373,324	**496,793**	33.1
	- Operating profit (1)	30,337	**46,928**	54.7
	IMS - Revenue	141,554	**128,717**	(9.1)
	- Operating profit (1)	1,952	**801**	(59.0)
3	**Solvency Profile**	**$'000**	**$'000**	**%**
	Cash and cash equivalents	68,153	**67,084**	(1.6)
	Borrowings	63,607	**68,706**	8.0
	Net cash/(Net debts)	4,546	**(1,622)**	N.M.
	Interest cover ratio (2)	19.4	**18.3**	(5.7)
4	**Shareholders' Value**			**%**
	Shareholders' equity ($'000)	247,199	**264,892**	7.2
	Earnings per share - basic (cents)	8.1	**7.2**	(11.0)
	- diluted (cents)	8.0	**7.1**	(11.2)
	Return on average equity (%)	14.5	**11.7**	(19.3)
	Net asset value per share (cents)	59.4	**62.8**	5.7
	Dividend payout ratio (%)	29.8	**30.0**	0.7

(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

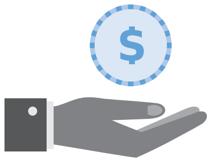
FINANCIAL YEAR	31 December 2018	31 December 2019
Announcement of Results		
1st Quarter	10 May 2018	**9 May 2019**
2nd Quarter	10 August 2018	**8 August 2019**
3rd Quarter	7 November 2018	**7 November 2019**
4th Quarter	21 February 2019	**February 2020**
Delivery of Annual Report	10 April 2019	**April 2020**
Annual General Meeting	25 April 2019	**April 2020**

BUSINESS REVIEW

Group Financial Performance in FY2018

Group revenue

S$625.8 million



Gross profit

S$101.7 million

Profit before income tax

S$40.2 million

For the 12 months ended 31 December 2018 ("FY2018"), Group revenue improved 21.5% to S$625.8 million from S$515.1 million in FY2017, lifted by higher sales of the Mechatronics Division. The IMS Division's revenue eased in FY2018 as its sales in FY2017 included the contribution from Valeo Malaysia CDA Sdn. Bhd. (formerly known as Precico Electronics Sdn. Bhd.) ("PESB") which was divested on 31 March 2017. Excluding the contribution from PESB, the IMS Division posted a stable sales performance in FY2018.

The Mechatronics Division accounted for 79.4% of Group revenue in FY2018, while the remaining 20.6% was contributed by the IMS Division.

In tandem with higher sales, the Group's gross profit in FY2018 gained 21.3% to S$101.7 million from S$83.9 million in FY2017. Gross profit margin in FY2018 remained stable at 16.3% compared to FY2017.

Other income, net of other operating expenses, decreased 36.6% to S$2.7 million in FY2018 from S$4.2 million in FY2017. This was attributed mainly to a higher loss on disposal of property, plant and equipment, absence of a write-back of doubtful debts and amortisation of deferred gain in FY2018.

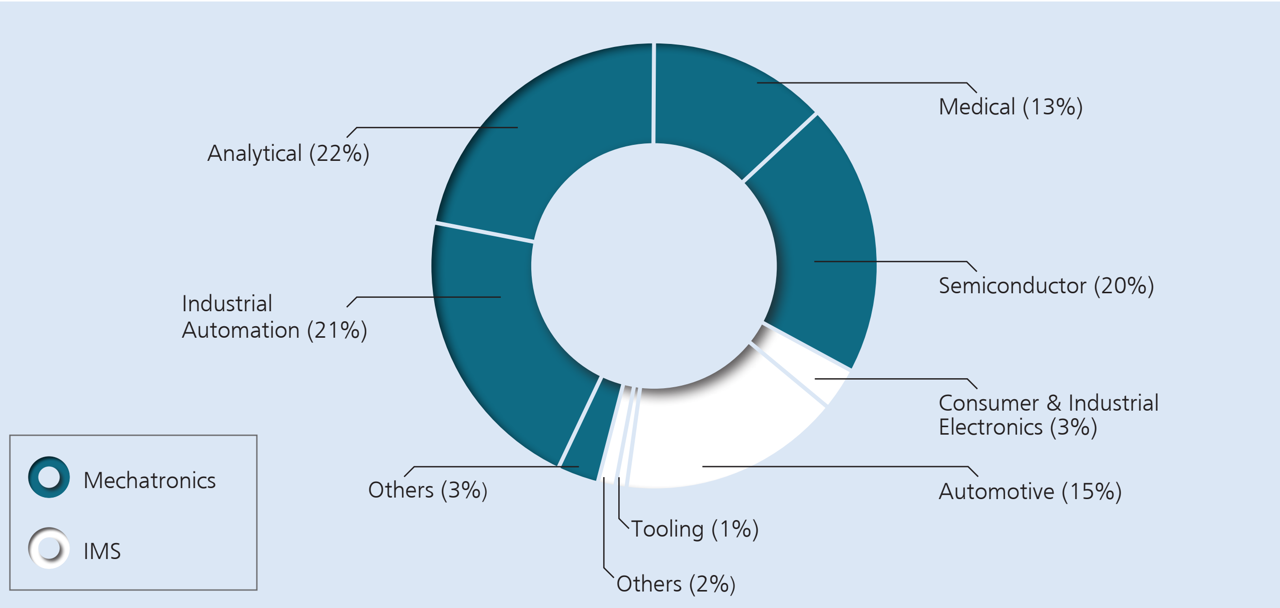
Selling and distribution expenses in FY2018 increased 9.8% to S$11.9 million from S$10.9 million in tandem with the growth in Group sales. Administrative and general expenses were relatively stable at S$47.4 million in FY2018 compared to S$46.9 million in FY2017. Finance costs in FY2018 increased to S$2.5 million from S$1.6 million previously due mainly to higher short term borrowings for working capital purposes.

The Group's profit before income tax and exceptional items jumped 47.1% to S$44.1 million in FY2018 from S$30.0 million in FY2017.

The Group recorded an exceptional loss amounting to S$3.9 million in FY2018. This was attributed largely to impairment losses of goodwill, certain deferred development costs and property, plant and equipment registered by NTZ Nederland B.V. ("NTZ"), an operating unit of the IMS Division. The Group recorded impairment losses in FY2018 as the assessed recoverable amount of the aforesaid assets of NTZ was lower than its carrying value. In contrast, the Group registered an exceptional gain of S$10.5 million in FY2017 which arose from net gain on disposal of subsidiaries.

BUSINESS REVIEW (Cont'd)

REVENUE BREAKDOWN BY BUSINESS SEGMENT



As a result of the exceptional items, the Group's net profit attributable to equity holders of the Company ("PATMI") in FY2018 decreased 10.2% to S$30.0 million from S$33.4 million in FY2017. However, excluding the exceptional items, the Group would have posted a PATMI of S$33.9 million in FY2018, an increase of 47.7% from S$23.0 million in FY2017. This was driven mainly by higher profit generated from the Mechatronics Division.

As at 31 December 2018, the Group had shareholders' equity of S$264.9 million, equivalent to net asset value of 62.84 cents per share based on the total number of issued shares of 421.5 million shares.

Total assets as at 31 December 2018 increased to S$463.7 million from S$420.2 million as at 31 December 2017. This was attributable mainly to higher property, plant and equipment, inventories, and trade receivables.

Property, plant and equipment as at 31 December 2018 increased to S$97.4 million from S$93.9 million as at 31 December 2017, attributable mainly to purchases of property, plant and equipment during FY2018.

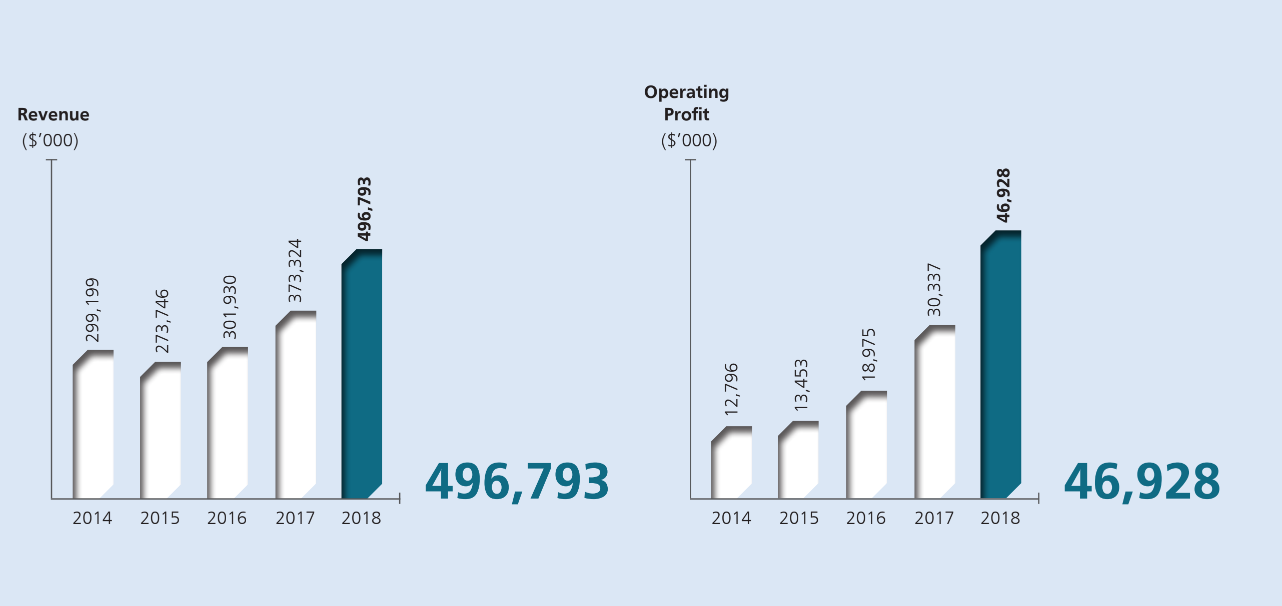
Inventories increased to S$144.6 million as at 31 December 2018 from S$112.2 million as at 31 December 2017 to meet the fulfillment of orders to customers. Trade receivables also increased to S$115.9 million from S$100.3 million as at 31 December 2017 in line with higher sales. Cash and cash equivalents as at 31 December 2018 decreased slightly to S$67.1 million from S$68.2 million as at 31 December 2017.

Total liabilities as at 31 December 2018 increased to S$196.2 million from S$170.6 million as at 31 December 2017, attributable mainly to higher trade and other payables, borrowings and income tax payable. Trade payables increased to S$79.2 million as at 31 December 2018 from S$61.9 million as at 31 December 2017, attributed to higher purchases of materials required to fulfill customers' orders. Total borrowings also increased to S$68.7 million from S$63.6 million as at 31 December 2017 due to higher requirement for working capital purposes. At the end of FY2018, the Group had net borrowings of S$1.6 million and net debt-to-equity ratio of 0.6%.

During FY2018, the Group generated net cash of S$25.1 million from operating activities. Net cash used in investing activities amounted to S$23.2 million in FY2018, attributable mainly to capital expenditure. Net cash used in financing activities amounted to S$1.8 million in FY2018 due primarily to payment of dividends to shareholders, partially offset by net proceeds from bank borrowings.

BUSINESS REVIEW (Cont'd)

MECHATRONICS DIVISION'S PERFORMANCE (FY2014 - FY2018)



Mechatronics Division

Business segment review

The Mechatronics Division recorded a 33.1% increase in revenue to S$496.8 million in FY2018 from S$373.3 million in FY2017 on the back of broad-based sales growth across its business segments.

The semiconductor segment registered sales growth of 7.8% to S$125.5 million in FY2018 from S$116.4 million in FY2017. This was led mainly by a significant increase in orders for front-end semiconductor equipment which offset a slowdown in sales of back-end semiconductor equipment.

The analytical segment also recorded higher sales which rose 19.4% to S$136.7 million in FY2018 on the back of higher demand from end-users in the life sciences and semiconductor industries.

Sales of the medical segment climbed 16.6% to S$84.0 million in FY2018 from S$72.0 million in FY2017, attributed mainly to higher demand from a key customer in Europe.

Sales of the industrial automation segment, which is typically lumpy in nature, soared 153.5% to S$129.0 million in FY2018 from S$50.9 million in FY2017. This was boosted by increased orders for storage drive production equipment from a key customer in Asia.

As a percentage of the Group's total revenue in FY2018, the analytical and industrial automation segments contributed 21.8% and 20.6% respectively. The semiconductor segment made up 20.1% while the medical segment accounted for 13.4% of Group revenue in FY2018.

The Mechatronics Division registered a sterling 53.7% jump in net profit to S$35.6 million in FY2018 from S$23.1 million. This was driven by higher revenue and capacity utilisation, as well as improved efficiency of the division's operations.

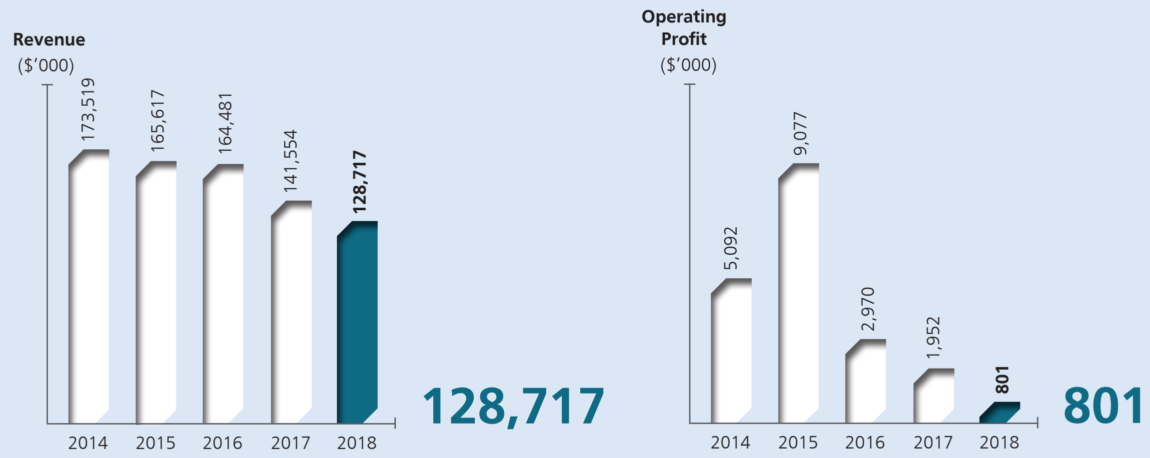
Operational initiatives

During FY2018, our Europe operations benefited from stronger demand from customers across the semiconductor, medical and analytical segments. Our efforts to deepen customer relationships are also yielding rewards as we broadened our scope of business with key customers in the semiconductor and analytical segments during FY2018.

To support the growth in business volume and meet the increasing need for cleanroom manufacturing environment, we continued to upgrade and expand our facilities with high speed and high accuracy machining equipment, and also added new cleanroom facilities for assembly work in Europe.

BUSINESS REVIEW (Cont'd)

IMS DIVISION'S PERFORMANCE (FY2014 - FY2018)



Going forward, our Europe operations will focus on its strategy to provide higher value manufacturing services to customers. Leveraging on our core competencies, depth of product knowledge and manufacturing expertise, we aim to move up the value chain by increasing our participation in customers' product development stages to generate greater customer value. In line with this strategic direction, we will continue to work on various operational initiatives that have been implemented to improve customer focus, raise manufacturing and supply chain excellence, and enhance competence development among others. In 2019, our Europe operations plan to invest in equipment upgrades as well as facilities for clean operations.

Our Asia operations witnessed strong demand for its industrial automation segment in FY2018 which helped to cushion against the moderation in orders for back-end semiconductor equipment. We continued to score new projects in the semiconductor, analytical and industrial automation segments during FY2018. Our Asia team has also successfully added new customer accounts in the semiconductor and analytical segments, and we will be looking to expand our relationships with these customers this year. In recognition of our high quality manufacturing services, we were awarded "Most Outstanding Supplier 2018" by a customer last year.

We continued to invest in more advanced machining equipment for higher speeds and precision at our facilities in Bangi (Malaysia) and Wuxi (China), as well as robotic machinery at our factory in Singapore. In 2019, we expect to channel our capital investment towards renewal of existing machinery, addition of new capabilities and expansion of capacity. Our Asia operations will continue to pursue its diversification strategy to build a customer portfolio that provides greater stability. In parallel to this, we will also carry on with our initiatives to drive productivity, enhance manufacturing competence and achieve operational excellence.

IMS Division

Business segment review

The IMS Division reported revenue of S$128.7 million in FY2018, down 9.1% from S$141.6 million in FY2017. Sales of the automotive segment softened 6.3% to S$96.3 million in FY2018 from S$102.8 million in FY2017, due mainly to the disposal of PESB. Consumer & industrial electronics segment had a stable performance with sales of S$21.1 million in FY2018. Accordingly, the automotive segment accounted for 15.4% of Group revenue in FY2018, while the consumer & industrial electronics segment contributed to 3.4% of total revenue. For FY2018, the IMS Division reported a break-even year compared to net profit of S$0.6 million in FY2017 due to price and cost pressures.

BUSINESS REVIEW (Cont'd)

Operational initiatives

The IMS Division's strategy to drive revenue and improve future profitability is to focus on three primary areas: expanding our market share with existing customers; leveraging on new industry trends and opportunities for growth and diversification; and continuous quality and efficiency improvements.

The automotive business is presently the IMS Division's core revenue driver. Our team is working to increase our share of business with automotive customers for precision automotive plastic parts and modules. With the growing emphasis on "green" processes, we see the adoption of eco-PVD (Physical Vapour Deposition) technology replacing less environmentally friendly coating processes in the automotive industry. As such, we envisage that the current trend will be favourable for our proprietary PVD technology surface coating services.

To achieve greater diversity in our IMS Division's portfolio, we are presently exploring and evaluating opportunities that will enable the division to leverage its strength in precision plastic products to enter new industries or applications with growth potential.

The IMS Division remains committed to its continuous improvement programs with lean manufacturing practices in our operations to reduce cost and wastage, improve efficiency and quality, and quicken our time-to-market. The division will also continue to invest in automation that will boost our operational efficiency, production throughput and reduce cycle time.

PROFILE OF BOARD OF DIRECTORS

Seated:

01. Dato' Gooi Soon Chai

From left to right (standing):

02. Yeo Jeu Nam

03. Ling Yong Wah

04. Dennis Au

05. Melvin Chan Wai Leong

06. Chia Chor Leong

PROFILE OF BOARD OF DIRECTORS (Cont'd)

DATO' GOOI SOON CHAI
Chairman and Non-Independent Non-Executive Director

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 Inc., 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 Technologies' Order Fulfillment, as well as Vice President and General Manager of its Electronic Instruments Business Unit.

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

DENNIS AU
President and Executive Director

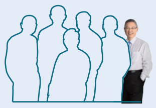
Dennis Au was appointed as President of our Group on 5 May 2015 and as our Executive Director on 28 April 2016. He is responsible for charting the Group's strategic direction, setting the organisation's goals, overseeing its global operations and driving its performance.

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

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

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

PROFILE OF BOARD OF DIRECTORS (Cont'd)



CHIA CHOR LEONG
Independent Non-Executive Director

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

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

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

LING YONG WAH
Lead Independent Non-Executive Director

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

PROFILE OF BOARD OF DIRECTORS (Cont'd)

YEO JEU NAM
Independent Non-Executive Director

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

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

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

MELVIN CHAN WAI LEONG
Independent Non-Executive Director

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

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

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

PROFILE OF KEY MANAGEMENT

DAVID CHIN YEAN CHOON
Chief Financial Officer

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

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

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

WANG LIANG HORNG
Vice President, Operations

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

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

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

CORPORATE INFORMATION

Company Registration No. : 199905084D

Board of Directors

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

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

ABOUT THIS REPORT

GRI 102-9, 102-13, 102-46, 102-49, 102-50, 102-51, 102-53

In keeping with Frencken Group Limited (FGL)'s position as a premier Global Integrated Technology Solutions Company, we are fully committed to ensuring sustainable business practices within our Group.

At FGL, we are striving to integrate the key Environment, Social and Governance (ESG) factors into the Group's business strategy and to make this transparent in our annual reporting process. Using the Global Reporting Initiative (GRI) Standards as our guide, our aim in this 2018 Sustainability Report is to inform our diverse range of stakeholders on the relevance of sustainability to our business and the step-by-step approach we are taking towards managing sustainability issues that are material to both the business and stakeholders.

Our Reporting Approach

This report has been prepared with reference to the GRI Standards. It follows GRI Standard Reporting Principles for defining reporting content, including but not limited to, materiality, stakeholder inclusiveness, meaningful and quantitative data, data completeness and corporate governance, which are key fundamentals towards ensuring the quality and veracity of the information reported. The material references that can be found in this report are as stated below:

- GRI 201 Economic Performance 2016
- GRI 307 Environmental Compliance 2016
- GRI 403 Occupational Health and Safety 2016
- GRI 404 Training and Education 2016
- GRI 419 Socioeconomic Compliance 2016

For more information on the Materiality Disclosures, please refer to the Materiality Matrix on page 33.

Scope and Boundaries

The scope of this report covers areas of business owned and operated by FGL. These subsidiaries are Frencken Mechatronics (M) Sdn. Bhd. (Selangor, Malaysia), Juken Technology Engineering Sdn. Bhd. (Johor, Malaysia) and ETLA Limited (Singapore). This report refers to the period 1 January 2018 to 31 December 2018 (unless stated otherwise). References to 'FGL', 'the Company', 'the Group', 'the Organisation', 'our' and 'we' refer to FGL and its subsidiaries as aforementioned.

Sustainability across Supply Chain

As a global business, we strive to ensure that all suppliers live up to our highest expectations, regardless of where they are located. We steadfastly support the transition to more sustainable practices by working with our suppliers to exchange knowledge and capabilities to create a better business environment.

Membership of Association

- Bangi Industrial Administrative Association (BIAA) (FMMSB)
- Singapore Business Federation (SBF) (ETLA)
- Singapore National Employers Federation (SNEF) (ETLA)

Feedback

All feedback and queries can be directed to:
Email: *corp@frenckengroup.com*

HIGHLIGHTS OF 2018

Frencken

ECONOMIC

Exceeded
yearly sales revenue of 2017

ENVIRONMENT

Zero
cases or fines in violation of environmental regulations or laws

SOCIAL

Zero
fatalities

Exceeded
set training and development target for 2018

Zero
cases of non-compliance in Social and Economic Area

SUSTAINABILITY STATEMENT BY THE BOARD

GRI 102-14

Being a responsible company, we recognise the need to lead by example and are committed to entrenching sustainability into our organisation. As a public corporation listed on the Mainboard of the Singapore Exchange since May 2005, we are committed to embracing sustainability to minimise the impact of our business risks and change those risks to opportunities that matter to all our stakeholders.

As sustainability reporting becomes an ever more important means of raising awareness of environmental and social problems, so do the policies, regulations, standards and other instruments that require and encourage organisations like us to uphold. This would be the second year that we are reporting on our sustainability agenda, capturing our management's approach to the performance of our Group as a whole.

This report encapsulates what sustainability means to our Group, and is prepared with reference to the globally recognised framework - the GRI Standards. A report of comparable standards is important for us to benchmark ourselves with the best in class and push us to bolster our efforts towards collaborated impacts on ESG matters.

As a Group, we strive to continually improve the integration of sustainability into the environment we work in as well as our business processes. All our business processes and strategies are considered with sustainability in mind by ensuring that our practices are made accountable and transparent through thorough and meticulous reporting.

As a result of our continuous efforts towards managing our business' sustainability and abiding by all local legislative requirements, we are proud to note that we have recorded zero cases of non-compliance in the environment and social aspects for this reporting year. This result, although meaningful, does not deter from our ideals that sustainability is a matter that goes beyond compliance.

Our Group's Sustainability Governance Structure is being established to ensure that our company nurtures a corporate culture that encourages employees to act ethically and with integrity, as well as a transparent management and fair decision-making process at all levels of the organisation. Moreover, the Board of Directors has implemented appropriate measures such as reviewing the terms of reference across all Board Committees.

We hope you will find this Sustainability Report an informative account that delivers a fair and balanced view of our position and performance for the material issues we have identified.

SUSTAINABILITY GOVERNANCE

GRI 102-16, 102-18

"As we strive to reach beyond our sustainability goals, our Group is working on further developing and advancing how we govern sustainability across our organisation. Building a system in which high standards are maintained and best practices are undertaken business-wide is essential to our successful long-term performance. We endeavour to maintain integrity, transparency, accountability and discipline in all our dealings and have put in place a robust governance framework to ensure we meet our objectives."

The Group strives to uphold the high standards of corporate governance we have set for ourselves in order to align our approaches with the Code of Corporate Governance issued by Monetary Authority of Singapore (MAS) on 2 May 2012 (2012 Code). The code sets out wide-ranging areas of focus, principles and specific recommendations to ensure that good corporate governance becomes an essential part of the business ecosystem and culture.

FGL's policies and business activities are aligned to the global standards and are supported by various external charters and principles. These include but are not limited to:

- Applicable provisions of the Securities and Futures Act (Chapter 289)
- Listing Manual Issued by Singapore Exchange Securities Trading Limited (SGX-ST)
- Code of Corporate Governance 2012
- Other policies and procedures

Ethics and Principles

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

Whistle-Blowing Policy

In order to foster a culture of transparency and accountability, the Group has adopted a whistle-blowing policy that ensures an avenue for all stakeholders to raise any concerns confidentially. The policy aims to provide assurance that the reporting party will be protected from reprisals, victimisation, harassment and/or disciplinary proceedings. 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.

Note: *Other policies and procedures can be found on pages 43 - 65 of the corporate governance statement section in this Annual Report*

Compliance

FGL remains committed to all regulations set by the national governments in the areas it operates. We closely monitor all regulated areas to minimise or have zero significant fines and non-monetary sanctions. We have set a stringent set of regulations for ourselves in operational areas deemed most relevant to the nature of our business, and we have placed great effort in complying with all the requirements. As of 2018, FGL has continued to be an exemplary organisation with no recorded non-compliance with laws or regulations.

STAKEHOLDER ENGAGEMENT

GRI 102-40, 102-42, 102-43, 102-44

Our stakeholders include a wide range of groups and individuals impacted by our activities and contribute to our ability to achieve our strategy over time. We take stakeholder engagement seriously and invest heavily to improve our engagement process, supporting positive relationships founded on our shared understanding. We recognise that the individual stakeholders within these groups are diverse, often with different interests and concerns and so we work hard to address these challenges within our engagement.

The table below outlines the main groups we have engaged with through our stakeholder engagement in 2018, together with their concerns as well as mode and frequency of engagement.

Stakeholder Group	Mode of Engagement	Frequency of Engagement	Concerns
Shareholders	• Annual Meeting	• Annually	• Economic Performance • Environmental Compliance • Occupational Health and Safety • Training and Education • Socioeconomic Compliance
Investors	• Meetings • Electronic Communication	• As required • As required	
Employees	• Meetings • Company's official events • Company's unofficial events such as Team Building Events	• Regularly • Regularly • Annually	
Customers	• Project-centric • Meetings • Electronic Communication	• Regularly • Regularly • Regularly	
Government / Regulators	• Meetings • Electronic Communication	• As required • As required	
Suppliers / Contractors	• Project-centric • Meetings • Electronic Communication	• Regularly • Regularly • Regularly	
Media	• Online Frencken Group Site	• As needed	

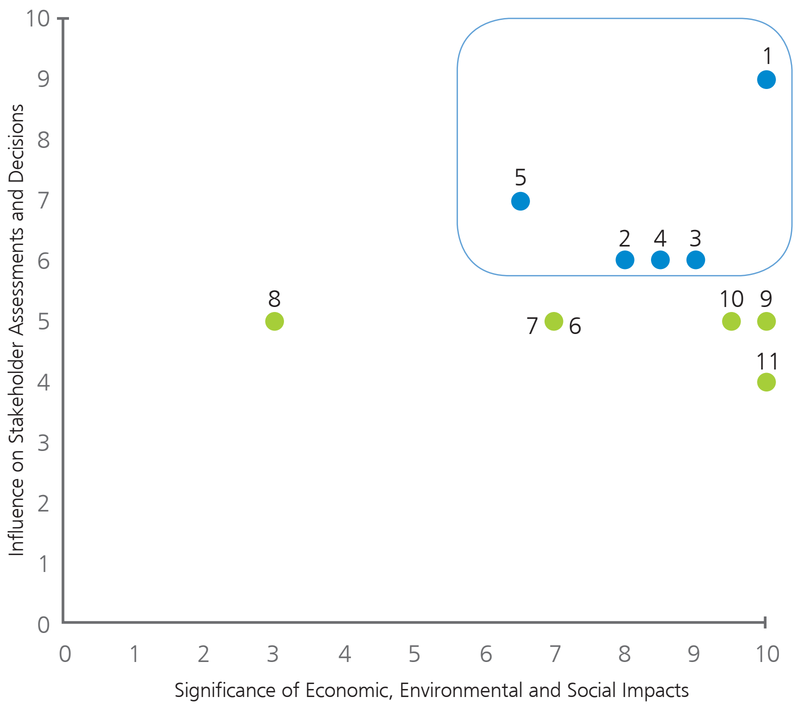
MATERIALITY

GRI 102-47

FGL's materiality process aims to identify and understand the topics that influence its stakeholders' perception of the Group, and whether these topics present risks or opportunities in relation to the business strategies.

We ensure that we are aligned with the expectations and needs of our stakeholders by assessing their priorities through a stakeholder engagement workshop. A total of 11 material sustainability disclosures were identified, analysed and prioritised during the workshop based on their influence on our stakeholders' decisions and the significance of economic, environmental and social impacts to FGL. As can be seen in the Materiality Matrix below, we further pinpointed five disclosures, which emphasise the level of importance as a way to define the parameters of our report. All five disclosures were approved by the top management of FGL.

MATERIALITY MATRIX



Material Disclosures

1. GRI 201-1 Direct economic value generated and distributed
2. GRI 307-1 Non-compliance with environmental laws and regulations
3. GRI 403-2 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities
4. GRI 404-1 Average hours of training per year per employee
5. GRI 419-1 Non-compliance with laws and regulations in the social and economic area
6. GRI 302-1 Energy consumption within the organization
7. GRI 302-3 Energy Intensity
8. GRI 306-2 Waste by type and disposal method
9. GRI 401-1 New employee hires and employee turnover
10. - Yield Loss
11. - Foreign Labour Retention Rate

Note: Disclosures highlighted in blue are material that will be disclosed in the sustainability reporting.

No.	Category	Topic	List of Material Sustainability Disclosures
1	Economic	Economic Performance	GRI 201-1: Direct economic value generated and distributed
2	Environment	Environmental Compliance	GRI 307-1: Non-compliance with environmental laws and regulations
3	Social	Occupational Health and Safety	GRI 403-2: Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and the total number of work-related fatalities
4		Training and Education	GRI 404-1: Average hours of training per year per employee
5		Socioeconomic Compliance	GRI 419-1: Non-compliance with laws and regulations in the social and economic area

The following pages provide detailed management approaches to FGL's material disclosures together with the relevant performance data.

ECONOMIC VALUE GENERATED AND DISTRIBUTED

GRI 103-1, 103-2, 103-3, 201-1

Why It Matters

Sustainability stands at the heart of FGL's business across the region. We strive to maintain a sustainable business in each aspect of our operation. We believe that systemic improvements in manufacturing processes have a significant impact on our economic performance. FGL's sustainable strategy of adapting to industry best practises and international standards has been impactful in driving operational excellence.

How We Approach It

At FGL, we take both conventional and unconventional approaches to embedding sustainability into our businesses across all subsidiaries. A key initiative in responding to an efficient and effective economic performance is the implementation of robust systems with sound policies such as Quality Management System (QMS), Environmental Management System (EMS) and Health & Safety Policies. These initiatives are further managed and measured at the departmental level with clearly defined objectives and targets.

Led by our General Manager, senior management takes an unconventional approach in championing these initiatives by working closely on the action plans towards achieving the objectives and targets with the department heads. The sales and marketing, production, quality, purchasing, supply chain, engineering, administrative and finance, and quality system department are monitored on a consistent basis via defined action plans to achieve our Group's set objectives and targets within the reporting period. In addition to that, FGL provides investment support in capacity building for our employees.

All initiatives are managed and monitored monthly and annually via internal and external audit for continuous improvement.

Our Performance

FGL is proud of the results achieved in terms of the economic performance of our Group for the Year 2018 as we have exceeded 2017's revenue. Full details on economic performance can be found in the annual report.

Some of our key milestones during the reporting period are as below:

Exceeded
the annual sales revenue of 2017

Zero
case on production disruption by the customer

99%
on-time delivery to the customer

100%
review of customer purchase order within 24 hours upon receiving

100%
on-time completion in the engineering department

ENVIRONMENTAL COMPLIANCE

GRI 103-1, 103-2, 103-3, 307-1

Why It Matters

FGL recognises its responsibilities as a global corporation that spans across several borders. As such, we are mindful of the environmental impact of our business activities and are committed to creating a sustainable ecosystem for our business to exist in harmony with nature. We believe that it is in the shared interest of our organisation as well as our stakeholders to develop and support measures that contribute to a more environmentally sustainable way of running a business. We aim to be effective environmental stewards and will ensure that our consumption of natural resources through our business activities continues to run in a sustainable and eco-friendly manner.

How We Approach It

Environmental considerations are integrated into different areas of our business through environmental management systems that conform to international standards such as the ISO 14001 Environmental Management System. Our management systems are aimed at creating a robust framework for managing our environmental performance and those of our subsidiaries. Our environmental policies are established at the subsidiary level to set out principles that form the foundation of the Group's approach to the use of resources, its emissions and waste production, and any other environmental impact that may arise from our business activities.

One of our subsidiaries in Johor, Malaysia, Juken Technology Engineering Sdn. Bhd. (JTJ) obtained the ISO 14001 Environmental Management System certification in 2006 following an audit performed by a local accreditation body for its environmental performance management and has maintained this certification until today. Some of the monitoring activities conducted by JTJ in compliance with the local Department of Environment requirements include air, noise, local exhaust ventilation, air emissions and effluent/sewage monitoring. JTJ has also set several environmental targets and tracks the results on a monthly basis, as tabulated below.

While the Quality System Department is responsible for reviewing JTJ's monthly performance, the 5S (Sort, Set in Order, Shine/Sweeping, Standardise, Sustain) and Safety and Health Committee oversees and reviews JTJ's environmental performance on a quarterly basis. Our subsidiaries in other locations also have mechanisms in place for monitoring and reporting their respective environmental performance and impact.

In Singapore, the Operations Manager of ETLA Limited has been tasked with the responsibility of ensuring the implementation of environmental management initiatives. The Group's management of environmental matters is subject to audit by the Group's Internal Audit function.

Our Performance

In 2018, we did not receive any fines or sanctions relating to the violation of environmental regulations or laws, nor have we been responsible for, or party to any significant environmental pollution incidents. We will continue to work with our employees, suppliers and other stakeholders to continually refine our environmental management framework as well as drive further improvements throughout our supply chain.

Zero
cases or fines in violation of environmental regulations or laws

Environment, Safety and Health Objectives and Targets at JTJ

Objectives	Targets	Measurement Locations
Monthly monitoring consumption of water	No more than RM4,000	Company premises
Monthly monitoring consumption of electricity	No more than RM180,000	Company premises
Monthly monitoring actual occurrence of actual incidence related to health and safety of employee	Zero actual incidence	Company premises

Employee Suggestion Scheme at JTJ

JTJ has developed an Employee Suggestion Scheme to encourage its employees to initiate new ways to reduce our environmental footprint such as efforts to identify energy saving, waste generation reduction and waste recycling opportunities.

OCCUPATIONAL SAFETY AND HEALTH

GRI 103-1, 103-2, 103-3

Why It Matters

The Group's commitment to our employees' overall well-being, health and safety is paramount. As a global organisation with over 3,500 employees worldwide, we take our responsibility seriously to provide a safe and healthy workplace for all our employees. We place a strong focus on fostering a safe and healthy people-oriented working environment across all our business operations and facilities, as it ultimately increases our employees' productivity and reduces overall employee turnover rate.

How We Approach It

With a presence in 10 countries across multiple continents, FGL has established the Frencken Global Human Resource Policies and Procedures Manual to ensure our labour practices comply with all applicable statutory requirements globally. Guided by the Frencken Global HR Policies and Procedure Manual, our subsidiaries have each established their Occupational Safety and Health (OSH) policies, globally aligned to streamline day-to-day operations towards safeguarding our employees' safety and health at all times. Frencken Mechatronics (M) Sdn. Bhd. (FMMSB)'s OSH and 5S (Sort, Set in Order, Shine/Sweeping, Standardise, Sustain) Policy are comprised of two main components – the OSH Policy and our 5S Policy. The objective of the OSH Policy is to reduce or eliminate work-related injuries and ensure compliance with applicable OSH regulations and standards whereas the 5S Policy aims to improve quality standards through 5S practices by maintaining clean, comfortable, safe and healthy working environments for all our employees.

Everyone – from our production managers, assembly supervisors, to purchase officers and storemen – has a crucial role to play in maintaining the high standards of OSH practices under the supervision of the OSH-related committee. Our OSH and 5S Committee, consisting of representatives from management-level and non-managerial employees, were formed at our Mechatronics Division in Asia to spearhead effective safety initiatives and closely monitor our OSH performance. The Committee comprises four function groups of inspection and audit, accident prevention, training and promotion and contractor/emergency response team (ERT). ERT, for example, is responsible for preparing and developing emergency response plans and procedures, as well as conducting periodical evaluations to ensure our capabilities in preventing, protecting against, responding to and recovering from disasters.

The Group engages internal and external safety consultants to benchmark our OSH practices against industry best practices. Our plant at Bangi, Malaysia are benchmarked against and in compliance with Agilent Supplier Environmental, Health and Safety and Social Responsibility (EHSSR) Guidelines[1] and the Electronic Industry Citizenship Coalition (EICC) Code of Conduct[2]. The audit result will be incorporated into an annual safety plan to reinforce better OSH practices and drive health and safety initiatives in the future.

[1] The Agilent Supplier EHSSR Guidelines ensures Agilent's suppliers to conform to its Supplier Code of Conduct Policy which encompasses its principles relating to human rights, anti-corruption, bribery, labour standards and environment protection.

[2] The EICC Code of Conduct establishes standards to ensure that 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.

Safe Operating Procedures for Manual Handling at FMMSB

Due to the high tendency of injuries occurring during manual handling of products such as reaching, lifting, pushing and carrying, FMMSB has issued a Safe Operating Procedures for Manual Handling products, to ensure all employees understand the proper procedure and techniques in lifting heavy objects. All employees are required to be trained in the Safe Operating Procedures before performing any manual handling task.

Creating a conflict-free workplace at FMMSB

The Group's internal audit team identified the lack of due process in place for the monitoring of conflict of interest in FMMSB. There are several risks with having family relationships in an organisation in respect of perceived collusion, adverse impact on morale of other employees, grievances or disciplinary action processes hampered or unduly influenced, unfair advantage gained or perceived favouritism. To avoid such conflict, it is recommended that the HR Department conduct an exercise to determine the magnitude or extent of the family relationship in question. In August 2018, we have updated the employee relationship information and have integrated it into our HR system. We have also made arrangements to ensure no immediate family members are employed within direct reporting lines of each other.

OCCUPATIONAL SAFETY AND HEALTH (Cont'd)

GRI 403-2

Our Performance

In 2018, there were zero fatalities and 11 workplace-related injuries that occurred within our premises, of which eight in FMMSB, zero in JTJ and three in ETLA. No record of occupational diseases was noted in all our operating sites. The injury rate, occupational disease rate and lost day rate are tabulated below. The Group remains fully committed to continually improve our OHS practices while striving to achieve the target of a zero-accident workplace in our subsidiaries.

FGL's OHS Performance in 2018

Subsidiaries	Injury Rate[3]	Occupational Disease Rate[4]	Lost Day Rate[5]
FMMSB	1.9	0	1.9
ETLA	0.8	0	0.8
JTJ	0	0	0

OSH Campaign 2018 at FMMSB

In September 2018, FMMSB organised an OSH Campaign aimed at creating awareness of relevant workplace hazards and associated preventive measures, with the ultimate goal of improving OSH performance and achieving a zero-accident workplace.

Throughout the month of September, our employees participated in a series of awareness talks, competitions and exhibitions underpinning the theme of safety and health. This year, we also invited our contractors who are performing high-risk work in our plants to the 'Contractor Safety Programme'. The programme is part of FMMSB's efforts in ensuring that everyone, including our contractors, is fully aware of our safety requirements.

Safety Promotion at ETLA

With the objective of developing and maintaining safety awareness for all employees, thus creating a proactive safety culture in the workplace, the Workplace Safety and Health (WSH) Committee at ETLA has introduced several promotional programmes as follows:

1) Display of Accident Statistic Board: The accident statistics board with other relevant information such as best safety records and safety slogans will be displayed and maintained at convenient points in the workplace where employees foot traffic is most optimal.
2) Safety Notice Board: The board contains safety-relevant information, containing pertinent material including latest news bulletins from the Ministry of Manpower as well as new in-house rules and regulations.
3) Safety Improvement Team: Led by WSH Chairman, our employees have formed a team aimed at identifying and rectifying safety hazards at the workplace.
4) Safety Talk: Supervisor, WSH Coordinator and WSH Officer conduct safety talks to employees involved in OSH-related incidents to consistently remind ETLA safety requirements and their safety obligation.

Employee Health and Safety Monitoring List at JTJ

JTJ's Health and Safety Committee issued an employee health and safety monitoring list to strengthen its practices towards adhering to the Group's policies. The list outlines required personal protective equipment (PPE) for relevant personnel as well as when the PPE is required. This list also details the respective person-in-charge for ensuring PPE is equipped as and when necessary.

For example, the tooling supervisor, mould maker and machinist are required to wear ear plugs whenever they are using air guns to service mould issues. This will be monitored by the tool room manager together with the assistance of JTJ's admin and HR personnel.

[3] Injury rate refers to the frequency of injuries relative to the total time worked by all workers during the reporting period.
[4] Occupational disease rate refers to the frequency of occupational diseases relative to the total time worked by all workers during the reporting period.
[5] Lost day rate refers to the impact of occupational diseases and accidents as reflected in time off work by the affected workers.

TRAINING AND EDUCATION

GRI 103-1, 103-2, 103-3

Why It Matters

At FGL, the career development of our employees is linked to the growth of our business. We are convinced that investing in our people through human resource development programmes will build a high-performing and life-long learning culture. In this regard, we not only provide all our employees with a wealth of learning opportunities to grow professionally but also support and guide them to advance their own career paths. In light of the rapid technological advancement in today's business environment, this will enable the Group to better anticipate and respond to the changing industry landscape and demands of our customers, which ultimately reinforces a competitive edge for FGL's future growth and success.

How We Approach It

FGL defines human resource development as learning experiences that are purposeful, organised and designed to bring about the possibility of positive behavioural change for our employees. All permanent employees are given equal opportunities to participate in human resource development programmes organised internally or externally that are relevant to our organisational goals. This is in line with our efforts to promote effective business conduct through the improvement of performance and development of our employees.

Guilding Principles for FGL's Human Resource Development Programmes

All our human resource development programmes follow the four guiding principles underlined in the Group and subsidiaries training policy and procedure. The Line Managers and Head of Departments are responsible for conducting annual training needs analysis with reference to the relevant guiding principles in order to identify our employees' training needs as well as programmes that are best suited to bridge any competency gaps. This exercise has enabled us to systematically formulate our annual training calendar.

Additionally, we organise orientation and induction sessions for all new hires to assist with acclimatising them to our day-to-day operations. At ETLA, HR will give a one-day orientation on the Group's and ETLA's mission, vision, organisation structure as well as our policies and procedures. This will be followed by a two-day operational induction for eligible new hires to get hands-on experience regarding ETLA's systems and process workflows.

Following through with our commitment to advance the growth of our employees, we consistently assess the effectiveness of our current practices towards complying with international standards. In addition to confirming our human resource development practices to ISO 9001:2015 Quality Management System in FMMSB, ETLA and JTJ, our operations in JTJ were awarded IATF 16949 Automotive Quality Management System and ETLA were awarded ISO 13485:2016 Medical Devices certifications respectively. These achievements reflect our relentless efforts to continually optimise our human resource development practices.

Statutory Training Programmes at ETLA

1. Workplace Safety and Health in Metal Work
2. Basic Industrial Safety and Health Course for Supervisors
3. License to operate Laser Machine
4. Forklift Course
5. Occupational First Aid
6. Fire Safety Awareness Training
7. Fire Warden Course
8. Certificate in Generic Manufacturing

TRAINING AND EDUCATION (Cont'd)

GRI 404-1

Our Performance

In 2018, the Group provided more than 10,700 hours of training to our employees, with an average of 14.5 training hours per year per employee. Both FMMSB and ETLA have surpassed their training targets with an average of 15.1 training hours and 14.3 training hours per year per employee respectively. We are committed to consistently review our human resource development programmes while continually educating and motivating our employees towards building an agile and resilient workforce for FGL.

Group Level Training and Education Performance in 2018

Gender	Employee Number	Number of hours	Average by gender
Male	609	8,521.1	14.0
Female	133	2,257.8	17.0

Employee Category	Employee Number	Number of Training Hours	Average by Category
Managerial	60	978.0	16.3
Executive	180	2,995.9	16.6
Non-Executive	502	6,805.0	13.6

Subsidiary	2018 Target	Status	2019 Target
FMMSB	12 hours	✓	12 hours
ETLA	13.5 hours	✓	14 hours

JTJ Training and Education Performance in 2018

Gender	Employee Number	Number of hours	Average by gender
Male	39	516.0	13.2
Female	22	220.0	10.0

Employee Category	Employee Number	Number of Training Hours	Average by Category
Managerial	0	0	0
Executive	13	172.0	13.2
Non-Executive	48	564.0	11.8

ETLA Training and Education Performance in 2018

Gender	Employee Number	Number of hours	Average by gender
Male	260	3,564.0	13.7
Female	44	782.0	17.8

Employee Category	Employee Number	Number of Training Hours	Average by Category
Managerial	32	319.0	10.0
Executive	101	1,771.0	17.5
Non-Executive	171	2,256.0	13.2

FMMSB Training and Education Performance in 2018

Gender	Employee Number	Number of hours	Average by gender
Male	310	4,441.1	14.3
Female	67	1,255.8	18.7

Employee Category	Employee Number	Number of Training Hours	Average by Category
Managerial	28	659.0	23.5
Executive	66	1,052.9	16.0
Non-Executive	283	3,985.0	14.1

SOCIOECONOMIC COMPLIANCE

GRI 103-1, 103-2, 103-3, 419-1

Why It Matters

For FGL, being a responsible and ethical company is of paramount importance. We are determined to uphold all applicable ethical, moral and legal standards in each and every aspect of our business as well as throughout every market we operate in. By placing great emphasis on business ethics and integrity as the core values of our business, we hope to sustain the trust of the communities we operate in.

How We Approach It

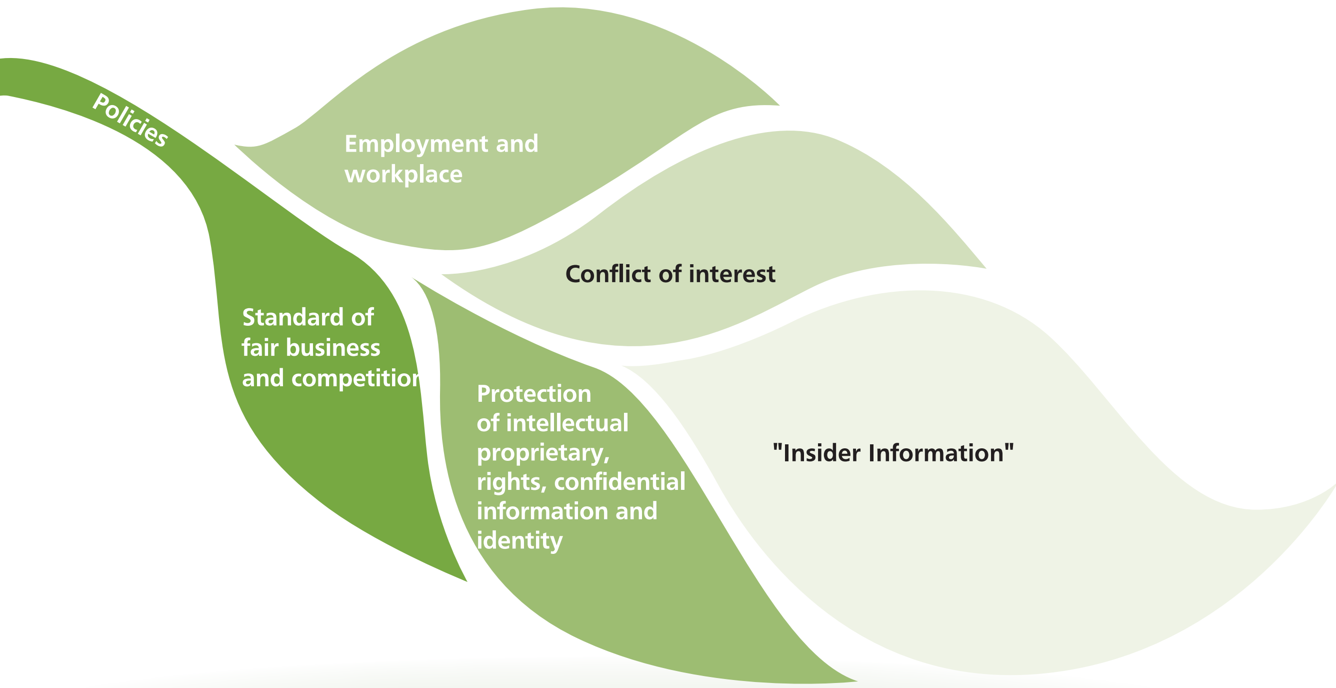
Regardless of market volatility, the Group strictly prohibits all forms of criminal conduct including corruption, bribery, unfair competition, fraud, embezzlement, threats and extortion. Governed by the Group Code of Business Ethics and Conduct, our employees across every level are responsible for understanding and adhering to all applicable regulations and must demonstrate a high standard of conduct and behaviour in the performance of their duties. This is overseen by respective function heads as well as the General Manager, who is responsible for overseeing that no exception is allowed concerning socioeconomic compliance

Following our commitment to conducting our business activities with integrity, a Group-wide whistleblowing policy has been established to provide a safe and secure avenue for employees to raise concerns about any possible occurrences of improprieties without fear of reprisals or victimisation. Employees across all levels, including suppliers, customers, outsource partners, agents, consultants, trainees and interns are able to raise appropriate matters of concern relating to the affairs of the Group or subsidiaries through our dedicated whistleblowing channel. All whistleblowing will be directed confidentially to the Chairman of the FGL Audit Committee who is an independent director of the Board.

Our Performance

In 2018, FGL has experienced zero significant fines and non-monetary sanctions for non-compliance with laws and regulations in the social and economic area. As our presence spans across multiple continents and countries, we strive to maintain our excellent record and will continue to remain vigilant and mindful to changes of socioeconomic laws and regulations at all times in every market we operate.

Zero
cases of non-compliance
in Social and Economic Area



Policies in FGL's Code of Business Ethics and Conduct

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GRI Standard	Disclosures	Page Reference	Omission
	GRI 102: GENERAL DISCLOSURES 2016		
	ORGANISATIONAL PROFILE		
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GRI 102-10	Significant changes to organisation and its supply chain	136 - 138	
GRI 102-11	Precautionary Principle or approach	61 - 62	
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GRI 102-18	Governance structure	31	
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GRI 102-40	List of stakeholder groups	32	
GRI 102-41	Collective bargaining agreements	-	Collective bargaining agreements has not been established in FGL
GRI 102-42	Identifying and selecting stakeholders	32	
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	REPORTING PRACTISE		
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GRI 102-48	Restatements of information	169 - 172	
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GRI CONTENT INDEX (Cont'd)

GRI Standard	Disclosures	Page Reference	Omission
GRI 102: GENERAL DISCLOSURES 2016			
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GRI 201: ECONOMIC PERFORMANCE 2016			
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GRI 103-2	The management approach and its components	34	
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GRI 103-2	The management approach and its components	36	
GRI 103-3	Evaluation of the management approach	36	
GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	37	
GRI 404: TRAINING AND EDUCATION 2016			
GRI 103-1	Explanation of the material topic and its Boundary	38	
GRI 103-2	The management approach and its components	38	
GRI 103-3	Evaluation of the management approach	38	
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GRI 103-3	Evaluation of the management approach	40	
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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 Monetary Authority of Singapore has issued a Revised Code of Corporate Governance ("The Revised Code") that applies to Annual Reports covering financial years commencing from 1 January 2019. Accordingly, the Company will adopt The Revised Code for its financial year ending 31 December 2019 (FY2019).

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 2018.

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)

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 22 to 25 of this Annual Report.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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 2018 and the attendance of each Director, where relevant, are as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Number of meetings	4	5	1	1
Dato' Gooi Soon Chai	2	N/A	1	0
Mohamad Anwar Au	4	N/A	N/A	N/A
Chia Chor Leong	3	4	1	1
Ling Yong Wah	3	3	1	N/A
Yeo Jeu Nam	4	5	N/A	1
Melvin Chan Wai Leong	4	5	N/A	N/A

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.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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 $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 $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.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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 Mr Ling Yong Wah and Mr Yeo Jeu Nam retiring at this forthcoming Annual General Meeting for re-election, which has been accepted by the Board.

Mr Ling Yong Wah and Mr Yeo Jeu Nam are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 25 April 2019 ("AGM") (collectively, the "Retiring Directors" and each a "Retiring Director").

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

Name of Director	Mr Ling Yong Wah	Mr Yeo Jeu Nam
Date of Appointment	12 May 2005	1 November 2010
Date of last re-appointment	27 April 2017	28 April 2016
Age	53	69
Country of principal residence	Singapore	Singapore

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

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

Name of Director	Mr Ling Yong Wah	Mr Yeo Jeu Nam
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the qualification, work experience and suitability of Mr Ling Yong Wah for re-appointment as Independent Director of the Company. The Board have reviewed and concluded that Mr Ling possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the qualification, work experience and suitability of Mr Yeo Jeu Nam for re-appointment as Independent Director of the Company. The Board have reviewed and concluded that Mr Yeo possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Lead Independent Director, Chairman of the Audit Committee and member of the Nominating Committee.	Independent Director, Chairman of the Remuneration Committee and member of Audit Committee.
Professional qualifications	Member of the Institute of Chartered Accountants of England and Wales.	BA., B. Soc. Sci. (CLII, Upper Hons)
Working experience and occupation(s) during the past 10 years	Mr Ling joined SEAVI Advent Corporation, a Singapore based private equity firm focused on expansion capital and mid-market buyouts in the Asia Pacific region in April 2000. Mr Ling left SEAVI in August 2013 as a partner of the firm. Mr Ling joined Vallianz Holdings Limited in March 2014 and has been its Chief Executive Officer since January 2015.	Mr Yeo was formerly a Senior Consulting Partner at Ernst and Young Consultants Pte Ltd where he headed the Public Sector Strategy and Transformation consulting practice for more than 12 years. He also spent about 1½ years at PwC Consulting where he led their Public Sector Consulting practice. He has more than 25 years of consultancy experience, specialising in Strategic Change and Organisational Transformation, Integration Management and Realignment, Corporate Regeneration and Restructuring, Business Performance Improvement as well as Human Capital Solutions particularly in the key people processes areas such as HR Transformation, Organisational Cultural Change, Career Development and Succession Planning, Competency and Management Development as well as Performance Management.
Shareholding interest in the listed issuer and its subsidiaries	No	No

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

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

Name of Director	Mr Ling Yong Wah	Mr Yeo Jeu Nam
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* (Other Than Directorships)	Nil	Nil
Past Directorship (for the last 5 years)	1. Deepsea Venture (L) Inc. 2. MDSV 1 (L) Inc.	1. Swiber Holdings Limited
Present Directorship	1. MN Investments Holding (Pte.) Ltd. 2. Vallianz Holdings Limited 3. Samson Marine Pte. Ltd. 4. Vallianz Marine Pte. Ltd. 5. Resolute Pte. Ltd. 6. Vallianz Offshore Marine Pte. Ltd. 7. Vallianz Corporate Services Pte. Ltd. 8. Vallianz Shipbuilding & Engineering Pte. Ltd. 9. Vallianz Capital Ltd. 10. Vallianz Engineering Limited 11. Vallianz International Pte. Ltd. 12. Vallianz Offshore Capital Mexico, S.A. DE CV SOFOM, E.N.R. 13. Jetlee Shipbuilding & Engineering Pte. Ltd. 14. OER Holdings Pte. Ltd. 15. Offshore Engineering Resources Pte. Ltd. 16. OER Services Pte. Ltd. 17. OER Offshore Pte. Ltd. 18. OLV Offshore Services (M) Sdn Bhd 19. Jubilee Travel Pte Ltd 20. RI Capital Holdings Pte Ltd 21. Hamilton Offshore Services Pte. Ltd. 22. PTSB Holdings Pte. Ltd. 23. New Cruz International Pte. Ltd. 24. New Cruz Shipbuilding & Engineering Pte. Ltd.	1. Vallianz Holdings Limited 2. Radiance Consulting Pte Ltd

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

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

Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
Name of Director	**Mr Ling Yong Wah**	**Mr Yeo Jeu Nam**
a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
c) Whether there is any unsatisfied judgement against him?	No	No
d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

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

Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
Name of Director	**Mr Ling Yong Wah**	**Mr Yeo Jeu Nam**
e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
f) Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
i) Whether he has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

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

Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
Name of Director	**Mr Ling Yong Wah**	**Mr Yeo Jeu Nam**
j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of: - i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

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

Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
Name of Director	**Mr Ling Yong Wah**	**Mr Yeo Jeu Nam**
k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only		
Name of Director	**Mr Ling Yong Wah**	**Mr Yeo Jeu Nam**
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

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	25 April 2018
Mohamad Anwar Au	28 April 2016	27 April 2017
Chia Chor Leong	22 September 2004	25 April 2018
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	25 April 2018

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

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

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

Currently, the Company does not have any alternate directors.

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

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

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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 ("Scheme") 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)

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

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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.

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 2018 is as follows:

	2018	**2017**
$1,000,001 to $1,250,000	1	-
$750,001 to $1,000,000	-	1
$500,001 to $750,000	-	-
$250,000 to below $500,000	-	-
Below $250,000	5	5
Total	**6**	**6**

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

A breakdown showing the level and mix of each individual Director's remuneration payable for financial year 2018 is as follows: *(cont'd)*

Name of Director	Salary %	Bonus %	Fringe Benefits %	Directors' Fees %	Total %
$1,000,001 to $1,250,000					
Mohamad Anwar Au (also known as Dennis Au)	52	29	19	-	100
Below $250,000					
Dato' Gooi Soon Chai	-	-	3	97	100
Chia Chor Leong	-	-	4	96	100
Ling Yong Wah	-	-	5	95	100
Yeo Jeu Nam	-	-	6	94	100
Melvin Chan Wai Leong	-	-	7	93	100

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

Name of Key Management Personnel	Salary %	Bonus %	Fringe Benefits %	Directors' Fees %	Total %
$750,001 to $1,000,000					
Fokko Leutscher	46	24	30	-	100
$500,001 to $750,000					
Sim Mong Huat	46	41	13	-	100
Leong Kwok Choon	47	35	18	-	100
$250,000 to $500,000					
Chin Yean Choon	34	32	19	15	100
Wang Liang Horng	54	29	17	-	100
Willem Bos [1]	70	-	30	-	100

[1] Remuneration for the period from 1 April 2018 to 31 December 2018

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 2018 is $3,080,907.

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 2018, 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 67 to 69 of the Annual Report.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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 2018 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 2018, 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.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

RISK MANAGEMENT AND INTERNAL CONTROLS (CONT'D)
Principle 11 (Cont'd)

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)

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;

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

(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.

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

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

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

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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.

During the year, the internal auditor carried out two (2) cycles of internal audit for the Mechatronics Division in Asia and two (2) 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.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

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.

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 2018.

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 2018.

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

DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of Frencken Group Limited (the "Company") and its subsidiaries (the "Group") and balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2018.

In the opinion of the directors, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company as set out on pages 75 to 173 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 2018, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

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

Dato' Gooi Soon Chai
Mohamad Anwar Au
Chia Chor Leong
Ling Yong Wah
Yeo Jeu Nam
Melvin Chan Wai Leong

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

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, except for the 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**	**At end of year**	**At 21.1.2019**	**At beginning of year**	**At end of year**	**At 21.1.2019**
<u>Frencken Group Limited</u>						
(Ordinary shares)						
Dato' Gooi Soon Chai	4,902,723	5,615,723	5,615,723	91,325,868	92,535,168	92,640,668
Mohamad Anwar Au	687,000	3,287,000	3,287,000	-	-	-
Melvin Chan Wai Leong	-	-	-	439,500	439,500	439,500

DIRECTORS' STATEMENT (Cont'd)

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	500,000
- 2017 Options	700,000	700,000

The directors' interests in the share options of the Company as at 21 January 2019 were the same at 31 December 2018.

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

The 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, 3,000,000 and 3,000,000 ordinary shares of the Company on 1 December 2009 ("2009 Options"), 1 December 2010 ("2010 Options"), 7 October 2013 ("2013 Options"), 1 April 2016 ("2016 Options") and 6 December 2017 ("2017 Options") respectively. Particulars of the 2008 Options, 2009 Options, 2010 Options, 2013 Options, 2016 Options and 2017 Options were set out in the Directors' Report for the financial year ended 31 December 2008, 31 December 2009, 31 December 2010, 31 December 2013, 31 December 2016 and 31 December 2017 respectively.

DIRECTORS' STATEMENT (Cont'd)

4 SHARE OPTIONS (CONT'D)

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

Options granted under the Scheme

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

	Number of unissued ordinary shares of the Company under option			
Name of director	**Granted in financial year ended 31.12.2018**	**Aggregate granted since commencement of scheme to 31.12.2018**	**Aggregate exercised since commencement of scheme to 31.12.2018**	**Aggregate outstanding as at 31.12.2018**
Mohamad Anwar Au	-	3,700,000	2,500,000	1,200,000

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.

DIRECTORS' STATEMENT (Cont'd)

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 31.12.2018	Exercise price	Exercise period
2008 Options	-	$0.155	01.12.2010 to 30.11.2018
2009 Options	1,030,000	$0.168	01.12.2011 to 30.11.2019
2010 Options	2,265,000	$0.224	01.12.2012 to 30.11.2020
2013 Options	-	$0.208	07.10.2015 to 06.10.2023
2016 Options	500,000	$0.184	01.04.2018 to 31.03.2026
2017 Options	3,000,000	$0.432	06.12.2019 to 05.12.2027
	6,795,000		

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)

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;

DIRECTORS' STATEMENT (Cont'd)

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.

DIRECTORS' STATEMENT (Cont'd)

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

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

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

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

6 AUDITORS

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

ON BEHALF OF THE DIRECTORS

....
Melvin Chan Wai Leong

....
Mohamad Anwar Au

7 March 2019

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 2018, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 75 to 173.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters	How the matter was addressed in the audit
Carrying value of goodwill and deferred development cost **Goodwill** The Group has $9,720,000 (31 December 2017 : $11,560,000, 1 January 2017 : $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 22.2% (2017 : 22.5%) of the Group's 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 $9,842,000 (31 December 2017 : $12,676,000, 1 January 2017 : $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.

INDEPENDENT AUDITOR'S REPORT

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

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 $19,562,000 (31 December 2017 : $24,236,000, 1 January 2017 : $23,977,000) as at 31 December 2018 which represented 4.2% (31 December 2017 : 5.8%, 1 January 2017 : 6.6%) of the total assets. During the year, the Group recorded an impairment loss of goodwill of $2,109,000 (2017: Nil) and deferred development cost of $1,425,000 (2017: Nil). 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 the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and 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.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

7 March 2019

CONSOLIDATED INCOME STATEMENT

For The Financial Year Ended 31 December 2018

	Note	2018 $'000	2017 $'000 (Restated)
Revenue	5	625,791	515,086
Cost of sales		(524,058)	(431,226)
Gross profit		101,733	83,860
Other income	6	4,643	6,346
Selling and distribution expenses		(11,923)	(10,855)
Administrative and general expenses		(47,408)	(46,914)
Other operating expenses		(1,977)	(2,144)
Interest income		1,544	1,293
Finance costs	8	(2,541)	(1,631)
Exceptional items	9	(3,907)	10,459
Profit before income tax		40,164	40,414
Income tax expense	10	(9,815)	(6,595)
Profit for the year	7(a)	30,349	33,819
Profit attributable to:			
Equity holders of the Company		30,030	33,437
Non-controlling interests		319	382
		30,349	33,819
Earnings per share			
Attributable to the equity holders of the Company (cents per share)	11		
Basic		7.15	8.09
Diluted		7.11	8.00

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2018

	Note	2018 $'000	2017 $'000 (Restated)
Profit for the year		30,349	33,819
Other comprehensive (loss) income			
Item that will not be reclassified subsequently to income statement:			
Remeasurement of defined benefit obligation	30	34	(3)
Net fair value loss on financial asset designated as at fair value through other comprehensive income		(570)	(327)
Item that may be reclassified subsequently to income statement:			
Currency translation differences arising from consolidation		(3,229)	4,248
Other comprehensive (loss) income for the year, net of tax		(3,765)	3,918
Total comprehensive income for the year		26,584	37,737
Total comprehensive income attributable to:			
Equity holders of the Company		26,367	37,414
Non-controlling interests		217	323
		26,584	37,737

See accompanying notes to financial statements.

BALANCE SHEETS

As At 31 December 2018

	Note	The Group 31 December 2018 $'000	The Group 31 December 2017 $'000 (Restated)	The Group 1 January 2017 $'000 (Restated)	The Company 31 December 2018 $'000	The Company 31 December 2017 $'000 (Restated)	The Company 1 January 2017 $'000 (Restated)
ASSETS							
Non-current assets							
Property, plant and equipment	13	97,353	93,904	100,022	-	-	-
Investment properties	14	1,704	1,795	-	-	-	-
Subsidiaries	15	-	-	-	127,666	127,234	127,347
Investments in associated companies	16	-	-	-	-	-	-
Financial asset at fair value through other comprehensive income	17	3,235	3,805	4,132	3,235	3,805	4,132
Intangible assets	18	19,684	24,961	25,184	-	-	-
Deferred income tax assets	31	1,445	1,562	2,214	-	-	-
Other receivables, deposits and prepayments	22	840	-	1,661	-	-	-
Total non-current assets		124,261	126,027	133,213	130,901	131,039	131,479
Current assets							
Inventories	19	144,619	112,154	109,274	-	-	-
Trade receivables	20	115,870	100,314	90,668	-	-	-
Receivables from subsidiaries	21	-	-	-	6,766	5,767	282
Dividend receivable from subsidiaries		-	-	-	11,282	8,209	4,210
Other receivables, deposits and prepayments	22	10,897	12,549	10,631	39	34	13
Receivable from an associated company	23	-	-	108	-	-	-
Tax recoverable		1,009	958	619	-	-	-
Cash and cash equivalents	24	67,084	68,153	18,482	4,667	5,632	5,044
Total current assets		339,479	294,128	229,782	22,754	19,642	9,549
Total assets		463,740	420,155	362,995	153,655	150,681	141,028

BALANCE SHEETS

As At 31 December 2018 (Cont'd)

	Note	The Group 31 December 2018 $'000	31 December 2017 $'000 (Restated)	1 January 2017 $'000 (Restated)	The Company 31 December 2018 $'000	31 December 2017 $'000 (Restated)	1 January 2017 $'000 (Restated)
LIABILITIES AND EQUITY							
Current liabilities							
Trade payables	25	79,198	61,896	51,523	-	-	-
Payable to a subsidiary		-	-	-	572	286	-
Other payables, accruals and provisions	26	38,267	37,478	30,385	706	598	377
Deferred gain	27	-	-	797	-	-	-
Borrowings	28	67,496	61,739	57,420	4,758	3,319	-
Income tax payable		4,577	2,380	2,059	9	8	3
Total current liabilities		189,538	163,493	142,184	6,045	4,211	380
Non-current liabilities							
Borrowings	28	1,210	1,868	1,322	-	-	-
Retirement benefit obligations	30	1,624	1,519	1,474	-	-	-
Deferred income tax liabilities	31	3,849	3,733	3,343	-	-	-
Total non-current liabilities		6,683	7,120	6,139	-	-	-
Total liabilities		196,221	170,613	148,323	6,045	4,211	380
NET ASSETS		267,519	249,542	214,672	147,610	146,470	140,648
Equity							
Capital and reserves attributable to the Company's equity holders							
Share capital	32	102,892	101,943	100,031	102,892	101,943	100,031
Foreign currency translation reserve		1,184	4,293	-	-	-	-
Merger reserve		2,345	2,345	2,345	-	-	-
Capital reserve		1,682	1,193	167	1,682	1,193	167
Statutory reserve fund	33	3,483	3,032	2,284	-	-	-
Share option reserve		831	888	1,723	831	888	1,723
Fair value reserve		(3,165)	(2,595)	(2,268)	(3,165)	(2,595)	(2,268)
Other reserve		(967)	(983)	(994)	-	-	-
Retained profits		156,607	137,083	109,364	45,370	45,041	40,995
		264,892	247,199	212,652	147,610	146,470	140,648
Non-controlling interests		2,627	2,343	2,020	-	-	-
Total equity		267,519	249,542	214,672	147,610	146,470	140,648

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2018

The Group	Note	Share capital $'000	Foreign currency translation reserve $'000	Merger reserve $'000	Capital reserve $'000	Statutory reserve fund $'000	Share option reserve $'000	Fair value reserve $'000	Other reserve $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2018		101,943	(25,009)	2,345	1,193	3,032	888	-	(983)	163,790	247,199	2,343	249,542
Effect of adopting SFRS(I)	38	-	29,302	-	-	-	-	(2,595)	-	(26,707)	-	-	-
At 1 January 2018 (restated)		101,943	4,293	2,345	1,193	3,032	888	(2,595)	(983)	137,083	247,199	2,343	249,542
Profit for the year		-	-	-	-	-	-	-	-	30,030	30,030	319	30,349
Other comprehensive income (loss):													
Remeasurement of defined benefit obligation	30	-	-	-	-	-	-	-	34	-	34	-	34
Net fair value loss on financial asset designated as at fair value through other comprehensive income		-	-	-	-	-	-	(570)	-	-	(570)	-	(570)
Currency translation differences arising from consolidation		-	(3,109)	-	-	-	-	-	(18)	-	(3,127)	(102)	(3,229)
Total comprehensive income (loss) for the financial year		-	(3,109)	-	-	-	-	(570)	16	30,030	26,367	217	26,584
Transactions with owners, recognised directly in equity													
Disposal of a subsidiary	24	-	-	-	-	-	-	-	-	-	-	67	67
Transfer to statutory reserve fund	33	-	-	-	-	451	-	-	-	(451)	-	-	-
Employees share option scheme													
- Value of employee services		-	-	-	-	-	432	-	-	-	432	-	432
- Issue of share capital	32	949	-	-	489	-	(489)	-	-	-	949	-	949
Dividend relating to 2017 paid	12	-	-	-	-	-	-	-	-	(10,055)	(10,055)	-	(10,055)
Total		949	-	-	489	451	(57)	-	-	(10,506)	(8,674)	67	(8,607)
Balance at 31 December 2018		102,892	1,184	2,345	1,682	3,483	831	(3,165)	(967)	156,607	264,892	2,627	267,519

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2018 (Cont'd)

The Group	Note	Share capital $'000	Foreign currency translation reserve $'000	Merger reserve $'000	Capital reserve $'000	Statutory reserve fund $'000	Share option reserve $'000	Fair value 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
Effect of adopting SFRS(I)	38	-	29,302	-	-	-	-	(2,268)	-	(27,034)	-	-	-
At 1 January 2017 (restated)		100,031	-	2,345	167	2,284	1,723	(2,268)	(994)	109,364	212,652	2,020	214,672
Profit for the year		-	-	-	-	-	-	-	-	33,437	33,437	382	33,819
Other comprehensive income (loss):													
Remeasurement of defined benefit obligation	30	-	-	-	-	-	-	-	(3)	-	(3)	-	(3)
Net fair value loss on financial asset designated as at fair value through other comprehensive income		-	-	-	-	-	-	(327)	-	-	(327)	-	(327)
Currency translation differences arising from consolidation		-	4,293	-	-	-	-	-	14	-	4,307	(59)	4,248
Total comprehensive income (loss) for the financial year		-	4,293	-	-	-	-	(327)	11	33,437	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	4,293	2,345	1,193	3,032	888	(2,595)	(983)	137,083	247,199	2,343	249,542

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2018

The Company	Note	Share capital $'000	Capital reserve $'000	Share option reserve $'000	Fair value reserve $'000	Retained profits $'000	Total $'000
Balance at 1 January 2018		101,943	1,193	888	-	42,446	146,470
Effect of adopting SFRS(I)	38	-	-	-	(2,595)	2,595	-
At 1 January 2018 (restated)		101,943	1,193	888	(2,595)	45,041	146,470
Profit for the year		-	-	-	-	10,384	10,384
Other comprehensive loss:							
Net fair value loss on financial asset designated as at fair value through other comprehensive income		-	-	-	(570)	-	(570)
Total comprehensive income (loss) for the financial year		-	-	-	(570)	10,384	9,814
Transactions with owners, recognised directly in equity							
Employees share option scheme							
- Value of employee services		-	-	432	-	-	432
- Issue of share capital	32	949	489	(489)	-	-	949
Dividend relating to 2017 paid	12	-	-	-	-	(10,055)	(10,055)
Total		949	489	(57)	-	(10,055)	(8,674)
Balance at 31 December 2018		102,892	1,682	831	(3,165)	45,370	147,610

STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2018 (Cont'd)

The Company	Note	Share capital $'000	Capital reserve $'000	Share option reserve $'000	Fair value reserve $'000	Retained profits $'000	Total $'000
Balance at 1 January 2017		100,031	167	1,723	-	38,727	140,648
Effect of adopting SFRS(I)	38	-	-	-	(2,268)	2,268	-
At 1 January 2017 (restated)		100,031	167	1,723	(2,268)	40,995	140,648
Profit for the year		-	-	-	-	9,016	9,016
Other comprehensive loss:							
Net fair value loss on financial asset designated as at fair value through other comprehensive income		-	-	-	(327)	-	(327)
Total comprehensive income (loss) for the financial year		-	-	-	(327)	9,016	8,689
Transactions with owners, recognised directly in equity							
Employees share option scheme							
- Value of employee services		-	-	191	-	-	191
- Issue of share capital	32	1,912	1,026	(1,026)	-	-	1,912
Dividend relating to 2016 paid	12	-	-	-	-	(4,970)	(4,970)
Total		1,912	1,026	(835)	-	(4,970)	(2,867)
Balance at 31 December 2017		101,943	1,193	888	(2,595)	45,041	146,470

See accompanying notes to financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For The Financial Year Ended 31 December 2018

	2018 $'000	2017 $'000 (Restated)
Cash Flows From Operating Activities		
Profit after tax	30,349	33,819
Adjustments for:		
Income tax expense	9,815	6,595
Exchange differences	(419)	984
Employees share option expense (Note 7(b))	432	191
Depreciation of property, plant and equipment (Note 13)	15,150	14,505
Depreciation of investment properties (Note 14)	70	40
Loss on disposal of club membership	36	14
Loss on disposal of property, plant and equipment, net	234	2
Property, plant and equipment written off (Note 13)	30	132
Investment properties written off (Note 14)	-	8
Interest income	(1,544)	(1,293)
Interest expense (Note 8)	2,541	1,631
Amortisation of deferred gain (Note 27)	-	(797)
Amortisation of intangible assets (Note 18)	1,158	1,263
Impairment loss of goodwill in subsidiary (Note 9)	2,109	-
Impairment loss of deferred development costs (Note 9)	1,425	-
Impairment loss of club membership (Note 18)	-	125
Impairment loss of property, plant and equipment (Note 9)	513	-
Write back of impairment loss of property, plant and equipment (Note 13)	-	(16)
Net gain on disposal of subsidiaries (Note 24)	(140)	(10,459)
Operating cash flow before working capital changes	61,759	46,744
Changes in operating assets and liabilities:		
Inventories	(34,121)	(11,681)
Receivables	(16,595)	(19,447)
Payables	23,951	26,504
Associated company	-	2
Cash flows generated from operations	34,994	42,122
Tax paid	(7,391)	(5,622)
Interest paid	(2,541)	(1,631)
Net cash generated from operating activities	25,062	34,869

CONSOLIDATED CASH FLOW STATEMENT

For The Financial Year Ended 31 December 2018 (Cont'd)

	2018	2017
	$'000	$'000
		(Restated)
Cash Flows From Investing Activities		
Interest received	1,544	1,293
Additions of intangible assets (Note 18)	(31)	(889)
Purchase of property, plant and equipment (Note 24)	(24,299)	(25,240)
Purchase of investment properties (Note 14)	-	(206)
Proceeds from intangible assets	584	298
Proceeds from disposal of property, plant and equipment	552	364
Proceeds from disposal of investment properties	17	-
Loan to a third party (Note 24)	(1,200)	-
Repayment of loan from a third party	30	-
Disposal of subsidiaries, net of cash disposed of (Note 24)	(365)	38,583
Net cash (used in) generated from investing activities	(23,168)	14,203
Cash Flows From Financing Activities		
Proceeds from issuance of share capital (Note 32)	949	1,912
Repayment of finance lease liabilities	-	(158)
Repayment of short term bank borrowings	(140,038)	(118,848)
Repayment of term loans	(615)	(620)
Proceeds from short term bank borrowings	146,590	128,063
Proceeds from term loans	1,394	1,388
Dividend paid to shareholders	(10,055)	(4,970)
Withdrawal of fixed deposits pledged as securities	(1)	-
Net cash (used in) generated from financing activities	(1,776)	6,767
Net increase in cash and cash equivalents	118	55,839
Cash and cash equivalents at the beginning of the financial year	44,604	(9,966)
Effect of exchange rate changes on cash and cash equivalents	338	(1,269)
Cash and cash equivalents at the end of the financial year (Note 24)	45,060	44,604

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018

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 and statement of changes in equity of the Company for the year ended 31 December 2018 were authorised for issue by the Board of Directors on 7 March 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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.

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

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Revenue recognition

The Group recognises revenue from the following major sources:

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

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

(i) Sale of goods and moulds

1) Revenue from the sale of goods is recognised when control of the goods are transferred to the customer and all criteria for acceptance have been satisfied. A receivable is recognised by the Group when the control of the goods are transferred to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

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

(ii) Installation services

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

(iii) Rental income

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

(iv) Interest income

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

(v) Dividend income

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

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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) Taxes

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

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

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

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

Deferred income tax is measured:

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Employee compensation

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

(i) 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 income statement. Past service cost is recognised in income statement in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

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

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

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

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

(ii) Employees' leave entitlement

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

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Employee compensation (Cont'd)

(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.

(q) Segment reporting

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

(r) Government grants

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

(s) Dividend to Company's shareholders

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

(t) Share capital and treasury shares

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Financial assets

(i) Classification

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Financial assets (Cont'd)

(i) Classification (Cont'd)

Amortised cost and effective interest method (Cont'd)

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

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

Financial assets at FVTPL

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

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

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

Financial assets at FVTPL are measured at fair value as at each reporting date, with any fair value gains or losses recognised in income statement to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in income statement includes any dividend or interest earned on the financial asset and is included in the "other income" or "other operating expenses" line item. Fair value is determined in the manner described in Note 37(e).

(ii) Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically, for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in income statement in the "other income" or "other operating expenses" line items.

(iii) Impairment of financial assets

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

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Financial assets (Cont'd)

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

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; thinness of counterparties;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor; and
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Financial assets (Cont'd)

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

Significant increase in credit risk *(Cont'd)*

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

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

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- When there is a breach of financial covenants by the counterparty; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Credit-impaired financial assets

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

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

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Financial assets (Cont'd)

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

Write-off policy

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

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

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

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

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

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables; and
- External credit ratings where available.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Financial assets (Cont'd)

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

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

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

(v) Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered and the definitions of a financial liability and an equity instrument.

Equity instruments

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

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

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Financial liabilities

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

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Financial liabilities at FVTPL *(Cont'd)*

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

Fair value is determined in the manner described in Note 37(e).

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

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

Financial guarantee contracts

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

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

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

Foreign exchange gains and losses

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

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

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Derecognition of financial liabilities

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

NOTES TO FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2018 (Cont'd)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(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)). During the year, an impairment loss of $2,109,000 (2017 : Nil) was recognised.

As disclosed in Note 18, the carrying amount of goodwill as at 31 December 2018 was $9,720,000 (31 December 2017 : $11,560,000, 1 January 2017 : $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)). During the year, an impairment loss of $1,425,000 (2017 : Nil) was recognised.

As disclosed in Note 18, the carrying amount of the Group's deferred development costs as at 31 December 2018 was $9,842,000 (31 December 2017 : $12,676,000, 1 January 2017 : $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).

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

4 RELATED PARTY TRANSACTIONS (CONT'D)

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

(a) Transactions with subsidiaries

	The Company	
	2018 $'000	2017 $'000
Accounting services charged by a subsidiary	(41)	(38)
Management fee charged to subsidiaries	961	950
Interest charged to a subsidiary	135	63
Loan to a subsidiary	1,363	5,400
Expenses paid on behalf by a subsidiary	(246)	(240)

(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	
	2018 $'000	2017 $'000
Salaries, wages and other short term employee benefits	3,832	3,680
Post-employment benefits - defined contribution plan	213	252
Share option expense	392	179

Total compensation to directors of the Company included in above amounted to $1,357,000 (2017 : $1,076,000).

5 REVENUE

The Group derives its revenue from transfer of goods and services at a point in time and over time in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable segment under SFRS(I) 8 (Note 34).

A disaggregation of the Group's revenue for the year is as follows:

	The Group	
	2018 $'000	2017 $'000
At a point in time:		
Sale of goods	612,005	495,748
Installation services	4,439	5,530
Rental income	281	208
	616,725	501,486
Over time:		
Sale of moulds	9,066	13,600
	625,791	515,086

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

6 OTHER INCOME

	The Group	
	2018 **$'000**	**2017** **$'000**
Gain on disposal of property, plant and equipment	154	73
Government grants	2,359	2,194
Foreign exchange gain	988	1,068
Amortisation of deferred gain (Note 27)	-	797
Reversal of allowance for doubtful other receivables	-	777
Others	1,142	1,437
	4,643	6,346

7 PROFIT FOR THE YEAR

(a)

	The Group	
	2018 **$'000**	**2017** **$'000**
Amortisation of intangible assets (Note 18)	(1,158)	(1,263)
Depreciation of property, plant and equipment (Note 13)	(15,150)	(14,505)
Depreciation of investment properties (Note 14)	(70)	(40)
Employee compensations (Note 7(b))	(138,700)	(124,355)
Purchase of raw materials, finished goods, toolings and consumables	(403,654)	(305,235)
Changes in inventories of raw materials, work-in-progress and finished goods	32,169	11,950
Transportation	(9,067)	(8,641)
Repairs and maintenance	(6,482)	(6,379)
Rework charges	-	(302)
Utilities	(7,991)	(7,995)
Insurance	(1,267)	(1,304)
Rental expense	(7,478)	(6,657)
Auditors remuneration paid and payable to:		
- auditors of the Company	(264)	(254)
- other auditors*	(347)	(361)
Non-audit fees paid and payable to:		
- auditors of the Company	(30)	(8)
- other auditors*	(67)	(106)
Other expenses	(25,810)	(25,684)
Total cost of sales, selling and distribution expenses, administrative and general expenses and other operating expenses	(585,366)	(491,139)

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

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

7 PROFIT FOR THE YEAR (CONT'D)

(b) Employee compensations

	The Group	
	2018 $'000	2017 $'000
Salaries, wages and other short-term employee benefits	(128,672)	(115,101)
Employer's contribution to defined contributions plans	(9,596)	(9,063)
Employee share option expense	(432)	(191)
	(138,700)	(124,355)

8 FINANCE COSTS

	The Group	
	2018 $'000	2017 $'000
Interest expense on:		
- finance lease	-	(3)
- bank borrowings	(2,541)	(1,628)
	(2,541)	(1,631)

9 EXCEPTIONAL ITEMS

	Note	The Group	
		2018 $'000	2017 $'000 (Restated)
Exceptional items comprise:			
Impairment loss of goodwill in a subsidiary	(i)	(2,109)	-
Impairment loss of deferred development costs	(i)	(1,425)	-
Impairment loss of property, plant and equipment	(i)	(513)	-
Net gain on disposal of subsidiaries	(ii)	140	10,459
		(3,907)	10,459

(i) This is in respect of impairment loss of goodwill, certain deferred development costs and property, plant and equipment of NTZ Nederland B.V. (Notes 18 and Note 13).

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

2018
The net gain on disposal of subsidiaries relates to the Group disposed of its 51% of equity interest in Supertool Industries Pte Ltd.

2017
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").

NOTES TO FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2018 (Cont'd)

10 INCOME TAX EXPENSE

	The Group	
	2018 $'000	2017 $'000
Income tax expense attributable to profit is made up of:		
Current income tax:		
- Singapore	(2,905)	(1,501)
- Foreign	(6,704)	(4,377)
Deferred income tax (Note 31)	(433)	(966)
	(10,042)	(6,844)
Over recognition in respect of previous financial years:		
- Current income tax	344	568
- Deferred income tax (Note 31)	31	43
	375	611
Withholding tax	(148)	(362)
	(9,815)	(6,595)

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	
	2018 $'000	2017 $'000 (Restated)
Profit before income tax	40,164	40,414
Tax calculated at Singapore income tax rate of 17% (2017 : 17%)	(6,828)	(6,870)
Effects of:		
- Different income tax rates in other countries	(1,902)	(3,499)
- Expenses not deductible for tax purposes	(2,337)	(1,162)
- Income not subject to taxation	621	4,271
- Utilisation of previously unrecognised other temporary differences	470	494
- Deferred tax assets not recognised	(185)	(81)
- Tax incentives in other countries	47	121
- Withholding tax	(148)	(511)
- Others	72	31
Over recognition in respect of previous financial years:		
- Current income tax	344	568
- Deferred income tax	31	43
	(9,815)	(6,595)

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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	
	2018	**2017**
	$'000	**$'000**
		(Restated)
Profit attributable to equity holders of the Company	30,030	33,437
	Number of shares	**Number of shares**
Weighted average number of ordinary shares outstanding for basic earnings per share	419,919,824	413,145,053
	Cents	**Cents**
		(Restated)
Basic earnings per share	7.15	8.09

(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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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	
	2018	**2017**
	$'000	**$'000**
		(Restated)
Profit attributable to equity holders of the Company	30,030	33,437
	Number of shares	**Number of shares**
Weighted average number of ordinary shares outstanding for basic earnings per share	419,919,824	413,145,053
Adjustment for share options	2,250,508	5,021,614
	422,170,332	418,166,667
	Cents	**Cents**
		(Restated)
Diluted earnings per share	7.11	8.00

12 DIVIDEND

	The Company	
	2018	**2017**
	$'000	**$'000**
Ordinary dividends paid		
First and final tax exempt (one-tier) dividend paid in respect of the previous financial year of 2.39 cents (2016 : 1.20 cents per share)	10,055	4,970

At the forthcoming Annual General Meeting to be held on 25 April 2019, a first and final tax exempt (one-tier) dividend of 2.14 cents per share in respect of the financial year ended 31 December 2018 amounting to $9,020,000 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 2019.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

13 PROPERTY, PLANT AND EQUIPMENT

2018 The Group	Freehold land and buildings $'000	Leasehold land and buildings $'000	Plant, machinery, equipment, piping and electrical installation $'000	Moulds and tooling $'000	Office equipment, furniture and fittings and renovation $'000	Motor vehicles $'000	Construction-in-progress $'000	Total $'000
Cost:								
At beginning of the financial year	26,169	7,312	165,254	22,113	39,003	2,382	1,094	263,327
Currency translation differences	(406)	(17)	(2,954)	138	(531)	(8)	(56)	(3,834)
Additions	110	-	17,550	910	2,823	48	-	21,441
Disposals	-	-	(5,894)	(30)	(929)	(302)	-	(7,155)
Disposal of subsidiary	-	-	(765)	(2,756)	(613)	-	-	(4,134)
Written off	-	-	(2,325)	-	(3,101)	-	-	(5,426)
Reclassifications	-	-	(1,440)	26	455	-	959	-
At end of the financial year	25,873	7,295	169,426	20,401	37,107	2,120	1,997	264,219
Accumulated depreciation:								
At beginning of the financial year	11,069	861	110,222	16,407	29,221	1,611	-	169,391
Currency translation differences	(230)	(2)	(1,956)	(203)	(375)	(9)	-	(2,775)
Charge for the financial year	754	91	9,734	1,469	2,894	208	-	15,150
Disposals	-	-	(5,338)	(25)	(742)	(244)	-	(6,349)
Disposal of subsidiary	-	-	(449)	(2,663)	(560)	-	-	(3,672)
Written off	-	-	(2,324)	-	(3,072)	-	-	(5,396)
Reclassifications	-	-	2	(2)	-	-	-	-
At end of the financial year	11,593	950	109,891	14,983	27,366	1,566	-	166,349
Accumulated impairment loss:								
At beginning of the financial year	-	-	32	-	-	-	-	32
Currency translation differences	-	-	(8)	-	-	-	-	(8)
Impairment loss	-	-	513	-	-	-	-	513
Written back	-	-	-	-	-	-	-	-
Disposal	-	-	(20)	-	-	-	-	(20)
At end of the financial year	-	-	517	-	-	-	-	517
Carrying amount:								
At 31 December 2018	14,280	6,345	59,018	5,418	9,741	554	1,997	97,353

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

13 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

2017 The Group	Freehold land and buildings $'000	Leasehold land and buildings $'000	Plant, machinery, equipment, piping and electrical installation $'000	Moulds and tooling $'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
Carrying amount:								
At 1 January 2017	15,267	14,065	52,285	4,642	10,223	839	2,701	100,022

NOTES TO FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2018 (Cont'd)

13 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

During the year, the Group carried out a review of the recoverable amount of its property, plant and equipment. The review led to the recognition of an impairment loss of $513,000 (2017 : write back of an impairment loss of $16,000) that has been recognised in the income statement and included in the line item exceptional items (Note 9) (2017 : other operating income).

The carrying amounts of plant and equipment, and motor vehicles held under finance leases as at 1 January 2017 were $783,000 and $32,000 respectively.

Bank borrowings are secured on certain freehold land and buildings, machineries and other fixed assets of the Group with carrying amounts of $7,363,000 (31 December 2017 : $8,019,000, 1 January 2017 : $8,113,000), $19,269,000 (31 December 2017 : $15,294,000, 1 January 2017 : $14,606,000) and $1,061,000 (31 December 2017 : $1,320,000, 1 January 2017 : $2,516,000) respectively (Note 28).

14 INVESTMENT PROPERTIES

	The Group	
	2018	**2017**
	$'000	**$'000**
Cost:		
At beginning of the financial year	1,835	-
Currency translation differences	(4)	52
Additions	-	206
Disposal	(25)	-
Written off	-	(8)
Transfer from property, plant and equipment	-	1,585
At end of the financial year	1,806	1,835
Accumulated depreciation:		
At beginning of the financial year	40	-
Currency translation	-	-
Charge for the financial year	70	40
Disposal	(8)	-
At end of the financial year	102	40
Carrying amount at end of the financial year	1,704	1,795

The Group have adopted the cost model under SFRS(I) 1-40 *Investment Property* for its investment properties.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

14 INVESTMENT PROPERTIES (CONT'D)

Details of the Group's investment properties and information about the fair value hierarchy as of 31 December 2018, 31 December 2017 and 1 January 2017 are as follows:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 31 December 2018				
Leasehold buildings	-	-	2,174	2,174
At 31 December 2017				
Leasehold buildings	-	-	1,981	1,981
At 1 January 2017				
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	
	2018 $'000	2017 $'000
Rental income	(281)	(208)
Direct operating expenses arising from:		
- Investment properties that generate rental income	23	26

As at 31 December 2018, 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

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

14 INVESTMENT PROPERTIES (CONT'D)

As at 31 December 2018, 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		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Equity investment	124,647	124,647	124,647
Equity contributions to subsidiaries	3,019	2,587	2,700
	127,666	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			
		31 Dec 2018 %	31 Dec 2017 %	1 Jan 2017 %	31 Dec 2018 %	31 Dec 2017 %	1 Jan 2017 %	
Precico Singapore Pte Ltd (7)	Singapore	100	100	100	-	-	-	Dormant
Frencken International Sdn. Bhd. (2)	Malaysia	100	100	100	-	-	-	Management and investment holding

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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			
		31 Dec 2018	31 Dec 2017	1 Jan 2017	31 Dec 2018	31 Dec 2017	1 Jan 2017	
		%	%	%	%	%	%	
Frencken Europe B.V. (6)	The Netherlands	100	100	100	-	-	-	Investment holding, management, sales and business development
ETLA Limited (1)	Singapore	100	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	100	-	-	-	Investment holding and sale of machines
Frencken Mechatronics B.V. (6)	The Netherlands	-	-	-	100	100	100	Assembly, testing and engineering of mechatronic modules and equipment
Frencken Technical Projects Assembly B.V. (6)	The Netherlands	-	-	-	100	100	100	Provision of services to Group companies
Machinefabriek Gebrs. Frencken B.V. (6)	The Netherlands	-	-	-	100	100	100	Manufacturing and assembly of precision mechanical parts, sheet metal and prototyping

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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			
		31 Dec 2018	31 Dec 2017	1 Jan 2017	31 Dec 2018	31 Dec 2017	1 Jan 2017	
		%	%	%	%	%	%	
Optiwa B.V. (6)	The Netherlands	-	-	-	100	100	100	Manufacturing and/or assembly of precision mechanical parts, modules, sheet metal and prototyping
Frencken Engineering B.V. (6)	The Netherlands	-	-	-	100	100	100	Research, development and engineering
Frencken Logistics & Assembly B.V. (6)	The Netherlands	-	-	-	100	100	100	Provision of services to Group companies
Frencken Investments B.V. (6)	The Netherlands	-	-	-	100	100	100	Property holding company
NTZ International Holding B.V. (8)	The Netherlands	-	-	-	100	100	100	Investment holding company
NTZ Nederland B.V. (8)	The Netherlands	-	-	-	100	100	100	Design, engineering, manufacturing and sales of filters
NTZ Micro Filtration Inc. (13)	USA	-	-	-	-	-	100	Disposed
NTZ Micro Filtration LLC (13)	USA	-	-	-	-	-	100	Disposed
Allmepp Holding B.V. (6)	The Netherlands	-	-	-	100	100	100	Intellectual property and patent holding company
Frencken America Inc. (8)	USA	-	-	-	80	80	80	Designs, engineers and manufactures mechatronic modules, products and systems

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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			
		31 Dec 2018	31 Dec 2017	1 Jan 2017	31 Dec 2018	31 Dec 2017	1 Jan 2017	
		%	%	%	%	%	%	
Frencken Mechatronics (M) Sdn. Bhd. (2)	Malaysia	-	-	-	100	100	100	Manufacturing of precision machining components and sheet metal parts and assembly of modular and equipment
Precico D&E Sdn. Bhd. (7)	Malaysia	-	-	-	100	100	100	Dormant
Precico Sdn. Berhad (2)	Malaysia	-	-	-	100	100	100	Investment property holding company
Valeo Malaysia CDA Sdn. Bhd. (13)	Malaysia	-	-	-	-	-	100	Disposed
Juken Technology Engineering Sdn. Bhd. (2)	Malaysia	-	-	-	100	100	100	Manufacture of mould and die, plastic products and component sub-assembly
Juken Mecplas Technology Pte Ltd (16)	Singapore	-	-	-	-	-	100	Dissolved
Juken International Pte Ltd (16)	Singapore	-	-	-	-	-	100	Dissolved
Zelor Technology Pte Ltd (16)	Singapore	-	-	-	-	-	100	Dissolved
Supertool Industries Pte Ltd (14)	Singapore	-	-	-	-	51	51	Disposed

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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			
		31 Dec 2018	31 Dec 2017	1 Jan 2017	31 Dec 2018	31 Dec 2017	1 Jan 2017	
		%	%	%	%	%	%	
ETLA Technology (Wuxi) Co., Ltd (3)	People's Republic of China	-	-	-	100	100	100	Manufacturing of precision machining components and sheet metal parts and assembly of modular and equipment
Micro-Air (Tianjin) Technology Co., Ltd (12)	People's Republic of China	-	-	-	60	60	60	Vacuum coating, thermal treatment and other related services for plastic component
Juken (Zhuhai) Co., Ltd (4)	People's Republic of China	-	-	-	100	100	100	Injection mould making and injection moulding
Frencken (Chuzhou) Co., Ltd (15)	People's Republic of China	-	-	-	100	100	-	Dormant
Juken (H.K.) Co., Limited (9)	Hong Kong	-	-	-	100	100	100	Sales office
Juken (Thailand) Co., Ltd (10)	Thailand	-	-	-	100	100	100	Manufacture and distribution of plastic products
Juken Uniproducts Pvt. Limited (11)	India	-	-	-	55	55	55	Manufacture and distribution of plastic components
PT Juken Technology Indonesia (15)	Indonesia	-	-	-	100	100	100	Dormant
Juken Swiss Technology AG (5)	Switzerland	-	-	-	100	100	100	Design and trading of micro-mechanical product components for automotive industry

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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 purposes and by BDO China Dahua CPAs, People's Republic of China for statutory purpose.

(5) Audited by Deloitte AG, Switzerland.

(6) Audited by BDO Audit & Assurance B.V., The Netherlands.

(7) These companies are under member's voluntary winding up. The financial statements are not audited.

(8) Audited by BDO Audit & Assurance B.V., The Netherlands for consolidation purposes.

(9) Audited by W.M. Sum & Co., Hong Kong for statutory purpose.

(10) Audited by Ernst & Young, Thailand.

(11) Audited by Dimpal Kumar Munjal & Associates, India for statutory purpose.

(12) Audited by Tianjin Guangxin Certified Public Accountant Co., Ltd, People's Republic of China for statutory purpose.

(13) These subsidiaries have been disposed of in the financial year 2017 (Note 24).

(14) This subsidiary has been disposed of during the financial year (Note 24).

(15) These subsidiaries are insignificant and unaudited.

(16) De-consolidated as these subsidiaries are dissolved in the financial year 2017.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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 2018	31 December 2017	1 January 2017
Investment holding				
Management and investment holding	Malaysia	1	1	1
Mechatronics				
Investment holding, management, sales and business development	The Netherlands	1	1	1
Manufacturing and assembly of precision mechanical parts, sheet metal and prototyping	The Netherlands	2	2	2
Manufacturing and assembly of precision mechanical parts, sheet metal and prototyping	Singapore	1	1	1
Manufacturing of precision machining components, sheet metal and assembly modular and equipment	Malaysia	1	1	1
Manufacturing of precision machining components, sheet metal and assembly of modular and equipment	People's Republic of China	1	1	1
Assembly, testing and engineering of mechatronic modules and equipment	The Netherlands	1	1	1
Provision of services to Group Companies	The Netherlands	2	2	2
Research, development and engineering	The Netherlands	1	1	1
Property holding	The Netherlands	1	1	1
IMS				
Investment holding and sale of machines	Singapore	1	1	1
Management and investment holding	The Netherlands	1	1	1
Design, engineering, manufacturing and sales of filters	The Netherlands	1	1	1
Intellectual property and patent holding	The Netherlands	1	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	1	2

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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 2018	31 December 2017	1 January 2017
IMS (cont'd)				
Investment holding	USA	-	-	1
Injection mould making and injection moulding	People's Republic of China	1	1	1
Manufacture and distribution of plastic products	Thailand	1	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	1
Sales office	Hong Kong	1	1	1
Dormant	People's Republic of China	1	1	-
Dormant	Singapore	1	-	3
Dormant	Malaysia	1	1	2
Dormant	Indonesia	1	-	-
Others				
Investment property holding		1	1	-
		26	26	31

Principal activities	Place of incorporation and operation	Number of non-wholly owned subsidiaries		
		31 December 2018	31 December 2017	1 January 2017
Mechatronics				
Designs, engineers and manufactures mechatronic modules, products and systems	USA	1	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	1
Manufacture and distribution of plastic components	India	1	1	1
		3	4	4

No disclosure was made for non-wholly owned subsidiaries that have material non-controlling interests in the financial year ended 31 December 2018 and 2017 as the non-controlling interests are not material to the financial statements.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

16 INVESTMENTS IN ASSOCIATED COMPANIES

	The Group	
	2018	2017
	$'000	$'000
At beginning and end of financial year	132	132
Less: Accumulated impairment at beginning and end of financial year	132	132
Carrying value at beginning and end of financial year	-	-

The details of the associated companies are as follows:

Name of associate	Country of incorporation/ place of business	Effective equity interest held by the Group			Principal activities
		31 Dec 2018	31 Dec 2017	1 Jan 2017	
		%	%	%	
<u>Held by Juken (H.K.) Co. Limited</u>					
Hishiya Seiko International Company Limited	Hong Kong	40	40	40	Dormant
<u>Held by Hishiya Seiko International Company Limited</u>					
Hishiya (Zhuhai) Company Limited	People's Republic of China	40	40	40	Dormant
<u>Held by NTZ International Holding B.V.</u>					
NTZ Manufacturing USA LLC [1]	USA	-	-	33	Disposed

[1] This company has been disposed of in the financial year 2017 (Note 24).

17 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FINANCIAL ASSET AT FVTOCI")

	Group and Company		
	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
Unquoted equity security designated as at FVTOCI	3,235	3,805	4,132

The investment in unquoted equity represent investment in a company that is engaged in the investment of healthcare companies. The recoverability of this investment is uncertain and dependent on the outcome of these activities, which cannot presently be determined. This investment in equity instruments are held for medium to long-term strategic purposes. Accordingly, management has elected to designate this investment in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in this investment's fair value in income statement would not be consistent with the Group's strategy of holding this investment for long-term purposes and realising its performance potential in the long run. In 2017, this investment was classified as available-for-sale. The effect of transition to SFRS(I) 9 is presented in Note 38.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

18 INTANGIBLE ASSETS

2018 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	11,729	17,971	2,284	392	5,963	38,339
Currency translation differences	238	(314)	(41)	-	-	(117)
Addition	-	-	31	-	-	31
Disposal	-	-	-	(279)	-	(279)
Cost recovered	-	(396)	-	-	-	(396)
Disposal of subsidiary	(6)	-	-	-	-	(6)
At end of the financial year	11,961	17,261	2,274	113	5,963	37,572
Accumulated amortisation:						
At beginning of the financial year	-	1,635	1,826	-	5,963	9,424
Currency translation differences	-	(26)	(42)	-	-	(68)
Amortisation charge	-	747	411	-	-	1,158
At end of the financial year	-	2,356	2,195	-	5,963	10,514
Accumulated impairment:						
At beginning of the financial year	169	3,660	-	125	-	3,954
Currency translation differences	(37)	(22)	-	-	-	(59)
Disposal	-	-	-	(55)	-	(55)
Impairment loss	2,109	1,425	-	-	-	3,534
At end of the financial year	2,241	5,063	-	70	-	7,374
Carrying value:						
At 31 December 2018	9,720	9,842	79	43	-	19,684

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

18 INTANGIBLE ASSETS (CONT'D)

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
Carrying value:						
At 1 January 2017	11,344	12,633	797	410	-	25,184

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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:

	31 December 2018 ($'000)			31 December 2017 ($'000)			1 January 2017 ($'000)		
	IMS	Mechatronics	Total	IMS	Mechatronics	Total	IMS	Mechatronics	Total
America	-	2,312	2,312	-	2,373	2,373	-	2,259	2,259
The Netherlands	-	7,408	7,408	2,132	7,049	9,181	2,030	7,049	9,079
Singapore	-	-	-	6	-	6	6	-	6
	-	9,720	9,720	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 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:

	2018		2017	
	Mechatronics	IMS	Mechatronics	IMS
	%	%	%	%
Gross margin(1)	16.1 to 26.7	13.1	13.7 to 24.8	20.6 to 27.7
Growth rate(2)	0.0	0.0	0.0	0.0
Discount rate(3)	7.1 to 10.0	8.3	6.4 to 7.8	5.6 to 9.6

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

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

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

An impairment loss on goodwill of $2,109,000 (2017 : Nil) relating to a subsidiary within the IMS division has been recognised in the income statement for the financial year because the recoverable amount is lower than the carrying value of which the recoverable amount is determined based on the value-in-use calculations.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

18 INTANGIBLE ASSETS (CONT'D)

(b) Deferred development costs

Deferred development costs relate to the cost capitalised by its subsidiaries for developing certain products. Amortisation of the deferred development costs 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 (2017 : 5 to 10 years).

For capitalised deferred development cost for the development of the products that is not yet available for use, they are assessed for impairment based on cash flows forecast using a discount rate of 5.7% to 8.3% (2017 : 4.4% to 7.0%) to calculate its present value.

During the year, management performed a review of the recoverable amount for the deferred development costs and an impairment loss of $1,425,000 (2017 : Nil) has been recognised in the income statement because the recoverable amount is lower than the carrying value of which the recoverable amount is determined based on the value-in-use calculations.

(c) Patents

Patents relate to certain design and specification of stepper motors 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		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Raw materials	61,977	46,258	45,237
Work-in-progress	36,113	31,059	27,188
Finished goods	46,529	34,837	36,849
	144,619	112,154	109,274

The cost of inventories recognised as an expense and included in "cost of sales" amounts to $371,485,000 (2017 : $293,285,000).

Inventories of $64,734,000 (31 December 2017 : $47,113,000, 1 January 2017 : $43,217,000) have been pledged as security for certain bank overdrafts of the Group (Note 28).

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

20 TRADE RECEIVABLES

	The Group		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Trade receivables	116,057	100,504	90,856
Loss allowance	(187)	(190)	(188)
	115,870	100,314	90,668

Trade receivables of $26,975,000 (31 December 2017 : $30,154,000, 1 January 2017 : $18,332,000) have been pledged as security for certain banking facilities of the Group (Note 28).

As at 31 December 2018, approximately 48% (31 December 2017 : 30%, 1 January 2017 : 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.

Trade receivables are non-interest bearing and are generally on 14 to 120 days (31 December 2017 : 8 to 120 days, 1 January 2017 : 30 to 120 days) credit term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

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

There has been no change in the estimation techniques or significant assumptions made during the financial year.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

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

The Group	Lifetime ECL - credit - impaired $'000
Balance as at 1 January 2017	188
Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement	5
Currency translation difference	(3)
Balance as at 31 December 2017	190
Amounts recovered	(1)
Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement	-
Currency translation difference	(2)
Balance as at 31 December 2018	187

The exposure of trade receivables to currency risk and credit risks is disclosed in Notes 37(a)(i) and 37(b) respectively.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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		
	31 December 2018 $'000	**31 December 2017 $'000**	**1 January 2017 $'000**	**31 December 2018 $'000**	**31 December 2017 $'000**	**1 January 2017 $'000**
Other receivables	3,510	5,952	5,372	28	23	2
Deposits	1,917	1,633	1,453	-	-	-
Prepayments	6,089	4,156	5,767	11	11	11
Staff loans and advances	604	1,191	885	-	-	-
	12,120	12,932	13,477	39	34	13
Less: Loss allowance	(383)	(383)	(1,185)	-	-	-
	11,737	12,549	12,292	39	34	13
Less: Other receivables (non-current)	(840)	-	(1,661)	-	-	-
	10,897	12,549	10,631	39	34	13

Other receivables included an amount of $1,170,000 (31 December 2017 : Nil, 1 January 2017 : Nil) in respect of a loan to a company which ceased to be a subsidiary of the Group. This amount is repayable over a period of 3 years and bear interest at rate of 3.80% per annum. An amount of $840,000 (31 December 2017 : Nil, 1 January 2017 : Nil) has been included under non-current asset as repayment is not expected to be received within the next 12 months.

As at 1 January 2017, other receivables included an amount of $2,267,000 in respect of project cost incurred which had reimbursed by a customer in the financial year 2017. An amount of $1,661,000 was included under non-current asset as at 1 January 2017.

For the purpose of impairment assessment, the other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses ("ECL").

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

NOTES TO FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2018 (Cont'd)

22 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

There has been no change in the estimation techniques or significant assumptions made during the financial year.

The Group	12-month ECL financial assets at amortised cost
	$'000
Balance as at 1 January 2017	1,185
Amounts recovered	(817)
Currency translation difference	15
Balance as at 31 December 2017	383
Net increase in loss allowance	-
Currency translation difference	-
Balance as at 31 December 2018	383

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

The receivables from an associated company as at 1 January 2017 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		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Short-term funds placed with Malaysian financial institutions	44,519	44,583	2,956	-	-	-
Deposits with licensed banks	3,620	4,120	442	3,500	4,000	-
Cash and bank balances	18,945	19,450	15,084	1,167	1,632	5,044
	67,084	68,153	18,482	4,667	5,632	5,044
Less: Bank overdrafts (Note 28)	(21,904)	(23,430)	(28,329)	-	-	-
Less: Deposits pledged as securities	(120)	(119)	(119)	-	-	-
Cash and cash equivalents (overdrawn) in the statement of cash flows	45,060	44,604	(9,966)	4,667	5,632	5,044

Deposits with licensed banks of the Group amounting to $120,000 (31 December 2017 : $119,000, 1 January 2017 : $119,000) are pledged as guarantees to certain government authorities.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

24 CASH AND CASH EQUIVALENTS (CONT'D)

The withdrawal/maturity period and effective interest rates of short-term funds placed with Malaysian financial institutions and deposits with licensed banks are as follows:

	The Group			The Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Short-term funds placed with Malaysian financial institutions:						
Effective interest rate (% per annum)	3.56 to 3.78	2.99 to 3.66	3.12 to 3.58	-	-	-
Withdrawal notice (days)	1	1 and 30	7 and 30	-	-	-
Deposits with licensed banks:						
Effective interest rate (% per annum)	0 to 7.65	0 to 7.65	0 to 8.12	1.63 to 1.83	1.00	-
Maturity period (months)	3 to 36	3 to 36	2 to 48	3	3	-

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

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

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $21,441,000 (2017 : $24,772,000) (Note 13) of which $1,595,000 (2017 : $4,453,000) was included in other payables at balance sheet date. Cash payments of $24,299,000 (2017 : $25,240,000) includes an amount of $4,453,000 (2017 : $4,921,000) 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 51% equity interest in Supertool Industries Pte Ltd ("Supertool").

Details of the disposal are as follows:

	Supertool $'000
Carrying amounts of net assets over which control was lost	
Non-current assets	
Property, plant and equipment	462
Goodwill	6
	468
Current assets	
Inventories	8
Trade and other receivables	1,957
Cash and cash equivalents	440
	2,405
Current liabilities	
Trade and other payables	(1,714)
Payable to its former immediate holding company *	(1,291)
	(3,005)
Net liabilities derecognised	(132)

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

24 CASH AND CASH EQUIVALENTS (CONT'D)

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

	Supertool $'000
Consideration received	
Cash	75
Less: Transaction costs related to disposal of subsidiaries	-
Total consideration received	75
Gain on disposal	
Consideration received	75
Net liabilities derecognised	132
Non-controlling interest derecognised	(67)
Gain on disposal	140
Net cash outflow arising on disposal	
Cash consideration received	75
Cash and cash equivalents disposed of	(440)
	(365)

* *Included a loan amounted to $1,200,000 owing by Supertool to its former immediate holding company, Juken Technology Limited as at 1 October 2018.*

In the financial year 2017, 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

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Sundry payables	7,148	10,277	10,066	76	103	33
Other operating accruals	30,811	26,875	20,078	322	208	142
Provisions	308	326	241	308	287	202
	38,267	37,478	30,385	706	598	377

NOTES TO FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2018 (Cont'd)

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
2018				
Balance at beginning of financial year	287	39	326	287
Provision made	308	-	308	308
Provision utilised	(287)	(39)	(326)	(287)
Balance at end of financial year	308	-	308	308
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

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	
	2018 $'000	2017 $'000
Balance at beginning of financial year	-	797
Amortisation of deferred gain (Note 6)	-	(797)
Balance at end of financial year	-	-

In the financial year 2017, 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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

28 BORROWINGS

	The Group			The Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Current						
Short term bank borrowings [(1)]:						
- Bank overdrafts	21,904	23,430	28,329	-	-	-
- Invoice financing	19,425	25,949	26,288	-	-	-
- Revolving credits	24,579	11,731	2,037	4,758	3,319	-
Finance lease liabilities [(2)] (Note 29)	-	-	196	-	-	-
Term loans [(3)]	1,588	629	570	-	-	-
	67,496	61,739	57,420	4,758	3,319	-
Non-current						
Finance lease liabilities [(2)] (Note 29)	-	-	91	-	-	-
Term loans [(3)]	1,210	1,868	1,231	-	-	-
	1,210	1,868	1,322	-	-	-

(1) Short term bank borrowings:

Bank overdrafts of the Group includes:

(a) $19,999,000 (31 December 2017 : $22,167,000, 1 January 2017 : $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) $782,000 (31 December 2017 : $462,000, 1 January 2017 : $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 (2017 : EUR, USD, SGD, INR and MYR) and bear interest at rates ranging from 1.36% to 11.75% (2017 : 1.05% to 11.75%) per annum.

Invoice financing of the Group of $7,533,000 (31 December 2017 : $10,269,000, 1 January 2017 : $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, RMB and THB (2017 : USD, EUR, SGD, MYR and RMB), due within 1 to 5 months (2017 : 1 to 12 months) and bear interest at rates ranging from 0.95% to 5.87% (2017 : 0.95% to 7.46%) per annum.

Revolving credits of the Group are unsecured and denominated in EUR, SGD, USD and Yen (2017 : EUR, SGD and USD), due within 3 months and bear interest at rates 2.00% to 5.19% (2017 : 2.00% to 3.76%) per annum. Revolving credits of the Company are unsecured and denominated in SGD and EUR (2017 : SGD), due within 3 months and bear interest at rates 2.00% to 3.89% (2017 : 2.00% to 3.13%) per annum.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

28 BORROWINGS (CONT'D)

(2) The finance lease liabilities of the Group as at 1 January 2017 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) $1,309,000 (31 December 2017 : $603,000, 1 January 2017 : $398,000) of the Group is denominated in INR and RMB (2017 : INR) and bear interest at rate ranging from 6.18% to 10.50% (2017 : 10.50% to 10.75%) per annum. The term loans are repayable over a period of 3 to 4 years (2017 : 1 to 4 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 machinery of a subsidiary in the People's Republic of China; and

(b) $1,489,000 (31 December 2017 : $1,894,000, 1 January 2017 : $1,403,000) of the Group is denominated in EUR (2017 : EUR), unsecured and bear interest at rate 1.40% (2017 : 1.40%) per annum. The term loans are repayable over 3 years (2017 : 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		
	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
The Group					
2018					
Short term bank borrowings	37,680	6,552	-	(228)	44,004
Term loans	2,497	779	-	(478)	2,798
	40,177	7,331	-	(706)	46,802
2017					
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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

29 FINANCE LEASE LIABILITIES

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

	Minimum lease payments			Present value of minimum lease payments		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
The Group						
Amounts receivable under finance leases:						
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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

30 RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

Retirement benefit plan (Cont'd)

The actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out at 31 December 2018 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	
	2018	**2017**
Discount rate	0.90%	0.70%
Expected benefit increase	0.00%	0.00%
Inflation	0.50%	0.50%
Disability decrement	LPP 2015 GT tables[1]	LPP 2015 GT tables[1]
Mortality decrement	LPP 2015 GT tables	LPP 2015 GT tables
Turnover rates	LPP 2015 tables	LPP 2015 tables
Salary increase	1.00% flat	1.00% flat
Retirement	100% at regular retirement age	100% at regular retirement age
Long-term interest on retirement accounts	0.90%	0.70%

(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		
	31 December 2018 $'000	**31 December 2017 $'000**	**1 January 2017 $'000**
Present value of funded obligations	4,344	4,553	4,763
Fair value of plan assets	(2,720)	(3,034)	(3,289)
Net liability recognised in the balance sheet	1,624	1,519	1,474

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

30 RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

	The Group	
	2018	**2017**
	$'000	**$'000**
Service cost		
- Current service cost	382	390
Interest income	(20)	(20)
Interest cost	32	28
Components of defined benefit costs recognised in income statement	394	398
Remeasurement on the net defined benefit liability:		
Actuarial gain on defined benefit obligation	(153)	(81)
Loss on plan assets excluding interest income	119	84
Components of defined benefit costs recognised in other comprehensive income	(34)	3
Total	360	401

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	
	2018	**2017**
	$'000	**$'000**
Balance at beginning of financial year	4,553	4,763
Remeasurement gains: Actuarial gains and losses		
- Actuarial gain on defined benefit obligation	(153)	(81)
Current service cost	382	390
Interest cost	32	28
Contribution by plan participants	180	216
Exchange differences	45	(164)
Benefits paid	(695)	(599)
Balance at end of financial year	4,344	4,553

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

30 RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

	The Group	
	2018 $'000	2017 $'000
Balance at beginning of financial year	3,034	3,289
Remeasurement loss:		
- Loss on plan assets exclude interest income	(119)	(84)
Interest income	20	20
Contributions by employer	269	303
Contributions by plan participants	181	216
Exchange difference	30	(111)
Benefits paid	(695)	(599)
Balance at end of financial year	2,720	3,034

The actual loss on plan assets amounts to $99,000 (2017 : $64,000)

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 $185,000 (increase by $200,000).

- If the expected salary growth increases (decreases) by 0.25%, the defined benefit obligation would increase by $37,000 (decrease by $35,000).

- If the life expectancy increases (decreases) by one year for both men and women, the defined benefit obligation would increase by $52,000 (decrease by $51,000).

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

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

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

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

30 RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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 2018 is 17.8 years (2017 : 17.8 years).

The Group expects to contribute approximately $284,000 (2017 : $281,000) 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		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Deferred income tax assets	(1,445)	(1,562)	(2,214)
Deferred income tax liabilities	3,849	3,733	3,343
	2,404	2,171	1,129

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

	The Group	
	2018 $'000	2017 $'000
Balance at beginning of financial year	2,171	1,129
Currency translation differences	(29)	119
Charged to income statement (Note 10)		
- Current year	433	966
- Over recognition in previous financial year	(31)	(43)
	402	923
Utilisation	(140)	-
Balance at end of financial year	2,404	2,171

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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

	2018			2017		
	Accelerated tax depreciation $'000	Others $'000	Total $'000	Accelerated tax depreciation $'000	Others $'000	Total $'000
Balance at beginning of financial year	1,614	2,119	3,733	1,426	1,917	3,343
Reclassifications	-	-	-	42	-	42
Currency translation differences	(18)	(50)	(68)	28	84	112
Utilisation	(140)	-	(140)	-	-	-
Charged to income statement	-	324	324	118	118	236
Balance at end of financial year	1,456	2,393	3,849	1,614	2,119	3,733

Deferred income tax assets

	Unutilised tax losses $'000	Accruals $'000	Reinvestment allowance $'000	Others $'000	Total $'000
2018					
Balance at beginning of financial year	(466)	(799)	(219)	(78)	(1,562)
Currency translation differences	12	19	7	1	39
Charged (Credited) to income statement	16	45	(60)	77	78
Balance at end of financial year	(438)	(735)	(272)	-	(1,445)
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)

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

31 DEFERRED INCOME TAX (CONT'D)

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

The estimated amount of unutilised tax losses, unutilised capital allowances and unutilised reinvestment allowances, pending agreement with the relevant tax authorities in the countries in which the Group operates, for which the related income tax effects have not been accounted for are as follows:

	The Group		
	31 December 2018 $'000	**31 December 2017 $'000**	**1 January 2017 $'000**
Unutilised tax losses	1,631	1,635	13,452
Unutilised capital allowances	2,498	2,503	13,374
Unutilised reinvestment allowances	350	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 $21,692,000 (31 December 2017 : $18,992,000, 1 January 2017 : $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				
2018				
Beginning of the financial year	416,382,409	-	101,943	-
Exercise of share options	5,120,000	-	949	-
End of financial year	421,502,409	-	102,892	-
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	-

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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

The Company has one class of ordinary shares which carries no right to fixed income.

All issued shares are fully paid. There is no par value for these ordinary shares and there is no authorised share capital.

The holders of ordinary shares of the Company are entitled to receive dividends as and when declared by the Company. All ordinary shares of the Company carry one vote per share without restriction.

(a) Share capital

The Company issued 770,000 (2017 : 1,596,000), 810,000 (2017 : 1,364,000), 1,040,000 (2017 : 1,580,000), Nil (2017 : 5,200,000) and 2,500,000 (2017 : Nil) ordinary shares pursuant to the Company's employee share option scheme at the exercise price of $0.155 (2017 : $0.155), $0.168 (2017 : $0.168), $0.224 (2017 : $0.224), Nil (2017 : $0.208) and $0.184 (2017 : Nil) each respectively. The cost of issuing new ordinary shares amounted to $949,000 (2017 : $1,912,000). 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:

	2018 $'000	2017 $'000
Exercise price paid by employees	949	1,912
Value of employee services	489	1,026
Total net consideration	1,438	2,938

Accordingly, a gain on issuance of new ordinary shares of $489,000 (2017 : $1,026,000) 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 duration of the Scheme was 10 years commencing on 18 April 2008 and accordingly, the Scheme had expired on 17 April 2018. The share options previously granted will remain valid until the expiry, cancellation or exercise of the share options.

The exercise price of the options is determined at the average of the closing prices of the Company's ordinary shares on the Singapore Exchange for three (3) market days immediately preceding the date of the grant. The vesting of the options is conditional on the executive director or employee of the Group completing another two (2) years of service to the Group from the date of grant of options.

Once the options have vested, they are exercisable for a contractual option term of eight (8) years. The options may be exercised in full or in part in respect of 1,000 shares or a multiple thereof, on the payment of the exercise price. The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of any other company. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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

(b) Share options (cont'd)

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

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**
Group and Company							
2008 Options	770,000	-	-	(770,000)	-	$0.155	01.12.2010 to 30.11.2018
2009 Options	1,840,000	-	-	(810,000)	1,030,000	$0.168	01.12.2011 to 30.11.2019
2010 Options	3,305,000	-	-	(1,040,000)	2,265,000	$0.224	01.12.2012 to 30.11.2020
2013 Options	-	-	-	-	-	$0.208	07.10.2015 to 06.10.2023
2016 Options	3,000,000	-	-	(2,500,000)	500,000	$0.184	01.04.2018 to 31.03.2026
2017 Options	3,000,000	-	-	-	3,000,000	$0.432	06.12.2019 to 05.12.2027
	11,915,000	-	-	(5,120,000)	6,795,000		

Out of the unexercised options of 6,795,000 (2017 : 11,915,000) shares, 3,795,000 (2017 : 5,915,000) shares are exercisable at the balance sheet date. Options exercised in 2018 resulted in 770,000 (2017 : 1,596,000), 810,000 (2017 : 1,364,000), 1,040,000 (2017 : 1,580,000), Nil (2017 : 5,200,000) and 2,500,000 (2017 : Nil) new ordinary shares being issued at the exercise price of $0.155 (2017 : $0.155), $0.168 (2017 : $0.168), $0.224 (2017 : $0.224), Nil (2017 : $0.208) and $0.184 (2017 : Nil) each respectively.

The weighted average share price at the time of exercise was $0.585 (2017 : $0.401) per share.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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.

NOTES TO FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2018 (Cont'd)

34 SEGMENT INFORMATION (CONT'D)

(a) Business segments (Cont'd)

	Mechatronics		IMS		Investment holding		Others		Eliminations		Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000 (Restated)	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000 (Restated)
External revenue	496,793	373,324	128,717	141,554	-	-	281	208	-	-	625,791	515,086
Inter-segment sales	-	-	-	-	961	979	-	-	(961)	(979)	-	-
	496,793	373,324	128,717	141,554	961	979	281	208	(961)	(979)	625,791	515,086
Segment results	46,928	30,337	801	1,952	(3,044)	(2,091)	139	95	244	-	45,068	30,293
Interest income	77	36	652	278	1,563	1,310	1	2	(749)	(333)	1,544	1,293
Finance costs	(1,025)	(559)	(1,889)	(1,358)	(132)	(47)	-	-	505	333	(2,541)	(1,631)
Net gain (loss) on disposal of subsidiaries	-	-	140	(877)	-	11,336	-	-	-	-	140	10,459
Impairment loss of goodwill in a subsidiary	-	-	(2,109)	-	-	-	-	-	-	-	(2,109)	-
Impairment loss of deferred development costs	-	-	(1,425)	-	-	-	-	-	-	-	(1,425)	-
Impairment loss of property, plant and equipment	-	-	(513)	-	-	-	-	-	-	-	(513)	-
Profit before income tax											40,164	40,414
Income tax expense	(10,210)	(6,574)	470	30	(5)	(13)	(70)	(38)	-	-	(9,815)	(6,595)
Total profit											30,349	33,819
Segment assets	283,778	225,851	125,211	137,344	53,012	55,151	1,739	1,809	-	-	463,740	420,155
Segment liabilities	134,581	104,362	55,163	61,744	6,398	4,439	79	68	-	-	196,221	170,613
Other segment information:												
Capital expenditure	15,656	9,259	5,773	15,296	12	217	-	-	-	-	21,441	24,772
Addition of intangible assets	-	426	31	463	-	-	-	-	-	-	31	889
Depreciation and amortisation	7,534	6,545	8,689	9,161	85	62	70	40	-	-	16,378	15,808
Other non-cash expenses other than depreciation and amortisation	211	20	4,413	1,220	222	173	1	8	-	-	4,847	1,421
Amortisation of deferred gain	-	797	-	-	-	-	-	-	-	-	-	797

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

34 SEGMENT INFORMATION (CONT'D)

(b) Geographical segments

The Group operates in four principal geographical areas - The Netherlands, People's Republic of China, Malaysia 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		
	2018 $'000	2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Based on location of customer					
The Netherlands	146,303	121,742	45,043	48,992	49,187
People's Republic of China	81,219	76,466	23,905	22,476	20,988
Malaysia	64,442	67,977	34,041	32,967	39,754
Czech Republic	44,706	37,133	-	-	-
Singapore	53,510	54,633	8,626	7,660	8,222
Hungary	12,570	15,124	-	-	-
America	30,603	24,694	3,180	3,319	3,762
Germany	47,598	39,132	-	-	-
Switzerland	11,820	15,470	1,906	1,868	2,114
Thailand	110,532	39,160	2,300	2,198	2,321
India	7,526	7,215	3,815	3,521	2,866
Indonesia	1,455	3,463	-	1,464	1,783
United Kingdom	2,460	587	-	-	-
Others	11,047	12,290	-	-	2
	625,791	515,086	122,816	124,465	130,999

(c) Information about major customers

Included in revenue arising from Mechatronics division of $496,793,000 (2017 : $373,324,000) are revenue of approximately $127,274,000 (2017 : $64,929,000) which arose from sales to the Group's largest customer.

35 CAPITAL COMMITMENTS

	The Group		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Commitments in respect of contracts placed for the purchase of property, plant and equipment but not provided for	11,955	8,740	2,329

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

36 OPERATING LEASE ARRANGEMENT

	The Group		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Minimum lease payments under operating lease include in income statement	7,478	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		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Not later than one year	5,003	5,215	5,043
Between one and five years	12,672	13,351	8,993
Later than five years	2,056	1,683	288
	19,731	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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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
At 31 December 2018										
Financial assets										
Cash and cash equivalents	9,888	5,738	968	45,422	-	3,452	1,315	160	141	67,084
Trade and other receivables	7,315	54,185	29,626	5,353	17	20,124	1,477	792	2,629	121,518
Intercompany receivables	5,789	804	19,220	784	-	-	-	-	-	26,597
Dividend receivables	6,490	-	4,792	-	-	-	-	-	-	11,282
	29,482	60,727	54,606	51,559	17	23,576	2,792	952	2,770	226,481
Financial liabilities										
Borrowings	(7,940)	(18,209)	(26,738)	(5,942)	(613)	(7,778)	(411)	-	(1,075)	(68,706)
Other financial liabilities	(16,537)	(27,868)	(40,975)	(10,131)	(1,204)	(15,216)	(1,796)	(2,016)	(1,722)	(117,465)
Intercompany payables	(5,789)	(804)	(19,220)	(784)	-	-	-	-	-	(26,597)
Dividend payables	(6,490)	-	(4,792)	-	-	-	-	-	-	(11,282)
	(36,756)	(46,881)	(91,725)	(16,857)	(1,817)	(22,994)	(2,207)	(2,016)	(2,797)	(224,050)
Net financial assets/ (liabilities)	(7,274)	13,846	(37,119)	34,702	(1,800)	582	585	(1,064)	(27)	2,431
Less: Net financial assets/ (liabilities) denominated in the respective entities functional currencies	7,731	129	31,518	(34,833)	-	(583)	(585)	1,059	(130)	
Currency exposure	457	13,975	(5,601)	(131)	(1,800)	(1)	-	(5)	(157)	

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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
At 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)	

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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
At 1 January 2017										
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	

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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:

	2018	Increase/(Decrease)		2017	Increase/(Decrease)	
	Currency movement	Profit after income tax $'000	Other component of equity $'000	Currency movement	Profit after income tax $'000	Other component of equity $'000
The Group						
USD against MYR	5%			5%		
- strengthened		213	213		99	99
- weakened		(213)	(213)		(99)	(99)
EUR against MYR	4%			2%		
- strengthened		14	14		(16)	(16)
- weakened		(14)	(14)		16	16
SGD against MYR	3%			1%		
- strengthened		10	10		4	4
- weakened		(10)	(10)		(4)	(4)
EUR against SGD	7%			1%		
- strengthened		(427)	(427)		(10)	(10)
- weakened		427	427		10	10
USD against SGD	2%			4%		
- strengthened		78	78		205	205
- weakened		(78)	(78)		(205)	(205)
YEN against SGD	2%			2%		
- strengthened		(17)	(17)		(21)	(21)
- weakened		17	17		21	21
EUR against CHF	4%			5%		
- strengthened		1	1		23	23
- weakened		(1)	(1)		(23)	(23)
USD against RMB	6%			2%		
- strengthened		216	216		80	80
- weakened		(216)	(216)		(80)	(80)

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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
At 31 December 2018			
Financial assets			
Cash and cash equivalents	4,667	-	4,667
Other receivables	5,232	1,562	6,794
Dividend receivables	6,490	4,792	11,282
	16,389	6,354	22,743
Financial liabilities			
Borrowings	(3,200)	(1,558)	(4,758)
Other financial liabilities	(1,278)	-	(1,278)
	(4,478)	(1,558)	(6,036)
Net financial assets	11,911	4,796	16,707
Less: Net financial assets denominated in the Company's functional currency	(11,911)	-	
Currency exposure	-	4,796	

	SGD $'000	EUR $'000	Total $'000
At 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	

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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: (Cont'd)

	SGD $'000	EUR $'000	Total $'000
At 1 January 2017			
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	-	-	

If the EUR changes against the SGD by 7% (2017 : 1%) with all other variables including tax rate being held constant, the effects arising from the net currency exposure position will be as follows:

	2018 Profit after income tax $'000	2018 Other component of equity $'000	2017 Profit after income tax $'000	2017 Other component of equity $'000
	Increase/(Decrease)			
The Company				
EUR against SGD				
- strengthened	279	279	28	28
- weakened	(279)	(279)	(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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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

(a) Market risk (Cont'd)

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

The Group's exposure to changes in interest rates related primarily to its placement in fixed deposits, short-term funds, and bank borrowings. At balance sheet date, approximately 4.1% (31 December 2017 : 3.9%, 1 January 2017 : 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, USD, THB and Yen. 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 $330,000 (2017 : $306,000) as a result of higher/lower interest expense on these borrowings.

(b) Credit risk

(i) Overview of the Group's exposure to credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2018, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from the carrying amount of the respective recognised financial assets as stated in the balance sheet.

Financial assets, which potentially subject the Group to concentration of credit risk, consist principally of trade and other receivables, deposits, financial asset at fair value through other comprehensive income, short-term funds, deposits and bank balance. The Group's short-term funds, deposits and bank balance are placed with high creditworthiness financial institutions. The management does not expect any losses arising from non-performances by these counterparties.

Credit risk is controlled by the application of credit approvals, limits and monitoring procedures. Credit risk is minimised and monitored through limiting its associations to business partners with high creditworthiness. Trade receivables' payment profile and credit exposure are monitored on an ongoing basis through Group's management reporting procedures.

The Group's current credit risk framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default.	Trade receivables: Lifetime ECL – not credit-impaired Other financial assets: 12-month ECL
Doubtful	Amount is past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL - not credit-impaired
In default	Amount is past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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

(b) Credit risk (Cont'd)

(i) Overview of the Group's exposure to credit risk (Cont'd)

The table below detail the credit quality of the Group's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades:

The Group	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
At 31 December 2018						
Trade receivables	20	Performing	Lifetime ECL	115,870	-	115,870
Trade receivables	20	In default	Lifetime ECL	187	(187)	-
Other receivables and deposits	22	Performing	12-month ECL	6,031	(383)	5,648
					(570)	
At 31 December 2017						
Trade receivables	20	Performing	Lifetime ECL	100,314	-	100,314
Trade receivables	20	In default	Lifetime ECL	190	(190)	-
Other receivables and deposits	22	Performing	12-month ECL	8,776	(383)	8,393
					(573)	
At 1 January 2017						
Trade receivables	20	Performing	Lifetime ECL	90,668	-	90,668
Trade receivables	20	In default	Lifetime ECL	188	(188)	-
Other receivables and deposits	22	Performing	12-month ECL	7,710	(1,185)	6,525
Receivable from an associated company	23	Performing	12-month ECL	108	-	108
					(1,373)	

The table below detail the credit quality of the Company's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades:

The Company	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
At 31 December 2018						
Receivables from subsidiaries	21	Performing	12-month ECL	6,766	-	6,766
Other receivables	22	Performing	12-month ECL	28	-	28
					-	

NOTES TO FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2018 (Cont'd)

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

(b) Credit risk (Cont'd)

(i) Overview of the Group's exposure to credit risk (Cont'd)

The table below detail the credit quality of the Company's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades: (Cont'd)

The Company	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
At 31 December 2017						
Receivables from subsidiaries	21	Performing	12-month ECL	5,767	-	5,767
Other receivables	22	Performing	12-month ECL	23	-	23
					-	
At 1 January 2017						
Receivables from subsidiaries	21	Performing	12-month ECL	282	-	282
Other receivables	22	Performing	12-month ECL	2	-	2
					-	

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk without taking into account of the value of any collateral obtained.

Further details of credit risks on trade and other receivables are disclosed in Notes 20 and 22 respectively.

(ii) Credit risk management

The Group's trade receivables comprise 4 debtors (31 December 2017 : 4 debtors, 1 January 2017 : 4 debtors) that individually represented 5% to 21% (31 December 2017 : 4% to 12%, 1 January 2017 : 6% to 15%) of trade receivables.

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		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Guarantees for banking facilities granted to subsidiaries			
- unsecured	19,004	24,138	23,979

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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

(b) Credit risk (Cont'd)

(ii) Credit risk management (Cont'd)

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

	The Group		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
By geographical areas			
America	6,995	3,654	2,386
Malaysia	14,826	17,457	13,635
Singapore	13,224	12,353	10,057
The Netherlands	10,210	9,779	5,641
People's Republic of China	24,699	29,720	26,985
Czech Republic	10,304	6,349	3,618
Other countries	35,612	21,002	28,346
	115,870	100,314	90,668
By business segments			
Mechatronics			
Semiconductors	14,780	16,910	11,054
Medical	5,699	6,085	2,855
Analytical	25,572	21,827	14,270
Industrial automation	32,395	10,574	7,817
Others	2,837	3,773	4,219
	81,283	59,169	40,215
IMS			
Automotive	28,217	25,754	33,489
Consumer and Industrial Electronics	2,748	3,619	3,303
Tooling	2,507	11,111	9,291
Others	1,115	661	4,370
	34,587	41,145	50,453

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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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

(b) Credit risk (Cont'd)

(ii) Credit risk management (Cont'd)

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		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Past due < 3 months	19,607	14,801	13,189
Past due 3 to 6 months	620	937	1,617
Past due > 7 months	310	130	845
	20,537	15,868	15,651

(b) Other receivables

As at the end of financial year 2018 and 2017, no other receivables are past due but not impaired.

(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
The Group						
At 31 December 2018						
Payables	-	(117,465)	-	-	-	(117,465)
Borrowings at variable interest rate	3.72%	(68,359)	-	-	2,451	(65,908)
Borrowings at fixed interest rate	4.17%	(1,644)	(1,052)	(219)	117	(2,798)
		(187,468)	(1,052)	(219)	2,568	(186,171)

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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 Group's financial liabilities based on contractual undiscounted cash flows: (Cont'd)

	Weighted average effective interest rate	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Adjustment $'000	Total $'000
The 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 1 January 2017						
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)

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
The Company						
At 31 December 2018						
Payables	-	(1,278)	-	-	-	(1,278)
Borrowings at variable interest rate	2.95%	(4,898)	-	-	140	(4,758)
Financial guarantee	4.10%	(19,782)	-	-	778	(19,004)
		(25,958)	-	-	918	(25,040)
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 1 January 2017						
Payables	-	(377)	-	-	-	(377)
Financial guarantee	3.31%	(24,772)	-	-	793	(23,979)
		(25,149)	-	-	793	(24,356)

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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

(c) Liquidity risk (Cont'd)

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
The Group							
At 31 December 2018							
Non-interest bearing	-	139,292	-	-	3,235	-	142,527
Fixed interest rate instruments	3.57%	48,904	840	-	-	(434)	49,310
		188,196	840	-	3,235	(434)	191,837
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 1 January 2017							
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

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
The Company							
At 31 December 2018							
Non-interest bearing	-	19,243	-	-	3,235	-	22,478
Fixed interest rate instruments	1.73%	3,504	-	-	-	(4)	3,500
		22,747	-	-	3,235	(4)	25,978
At 31 December 2017							
Non-interest bearing	-	15,631	-	-	3,805	-	19,436
Fixed interest rate instruments	1.00%	4,003	-	-	-	(3)	4,000
		19,634	-	-	3,805	(3)	23,436

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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: (Cont'd)

	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
The Company							
At 1 January 2017							
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 2018 and 2017.

(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.

The following table gives information about how the fair value of this financial asset is determined.

	Group and Company				
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	Fair value hierarchy	Valuation technique and key input
Financial asset at fair value through other comprehensive income					
Unquoted equity security	3,235	3,805	4,132	Level 3	Price/Book ratio of comparable industries

There were no transfer between the different levels of the fair value hierarchy during the financial years ended 31 December 2018 and 2017.

The Group and the Company have no plans to dispose of this investment in the foreseeable future.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

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

(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		
	31 December 2018 $'000	**31 December 2017 $'000**	**1 January 2017 $'000**	**31 December 2018 $'000**	**31 December 2017 $'000**	**1 January 2017 $'000**
Financial asset at FVTOCI (Note 17)	3,235	3,805	4,132	3,235	3,805	4,132
Loans and receivables:						
Trade receivables (Note 20)	115,870	100,314	90,668	-	-	-
Receivables from subsidiaries (Note 21)	-	-	-	6,766	5,767	282
Dividend receivable from subsidiaries	-	-	-	11,282	8,209	4,210
Other receivables, deposits and prepayments (Note 22)	11,737	12,549	12,292	39	34	13
Receivables from an associated company (Note 23)	-	-	108	-	-	-
Cash and cash equivalents (Note 24)	67,084	68,153	18,482	4,667	5,632	5,044
Less: Prepayments (Note 22)	(6,089)	(4,156)	(5,767)	(11)	(11)	(11)
Total	188,602	176,860	115,783	22,743	19,631	9,538
Trade payables (Note 25)	79,198	61,896	51,523	-	-	-
Payable to a subsidiary	-	-	-	572	286	-
Other payables, accruals and provisions (Note 26)	38,267	37,478	30,385	706	598	377
Borrowings (Note 28)	68,706	63,607	58,742	4,758	3,319	-
Financial liabilities at amortised cost	186,171	162,981	140,650	6,036	4,203	377

38 ADOPTION OF NEW FINANCIAL REPORTING FRAMEWORK

The Group and the Company adopted the new financial reporting framework – Singapore Financial Reporting Standards (International) ("SFRS(I)") for the first time for financial year ended 31 December 2018 and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) has been applied in the first set of SFRS(I) financial statements. SFRS(I) is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

As a first-time adopter of SFRS(I), the Group and the Company have applied 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 ended 31 December 2018, an additional opening balance sheet as at date of transition (1 January 2017) is presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are presented 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 income statement, statement of comprehensive income and cash flows reported for the last financial period under FRS (for the year ended 31 December 2017).

NOTES TO FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2018 (Cont'd)

38 ADOPTION OF NEW FINANCIAL REPORTING FRAMEWORK (CONT'D)

There is no change to the Group's and the Company's previous accounting policies under FRS or material adjustments on the initial transition to the new framework, other than those arising from the transition to SFRS(I) and the initial application of SFRS(I) 9.

(i) The Group has applied the exemption to reset the cumulative translation differences for all foreign operations to zero at the date of transition to SFRS(I). The gain or loss on a subsequent disposal of any foreign operation shall exclude the translation differences that arose before 1 January 2017 and shall include later translation differences.

(ii) Under SFRS(I) 9, the Group and the Company have made an irrevocable election, at initial recognition, to measure its investment in equity instruments at fair value through other comprehensive income.

Reconciliations of equity and total comprehensive income

The effects of transition to SFRS(I) and the initial application of SFRS(I) 9 are presented and explained below.

(A) Impact on the Balance Sheets as at 1 January 2017 (date of transition to SFRS(I))

	As previously reported under FRS	Application of SFRS(I) 1	(Note)	Initial application of SFRS(I) 9	(Note)	As adjusted under SFRS(I)
	$'000	$'000		$'000		$'000
The Group						
Non-current assets						
Financial asset at fair value through other comprehensive income	-	-		4,132	(b)	4,132
Financial asset, available-for-sale	4,132	-		(4,132)	(b)	-
Equity						
Foreign currency translation reserve	(29,302)	29,302	(a)	-		-
Fair value reserve	-	-		(2,268)	(b)	(2,268)
Retained profits	136,398	(29,302)	(a)	2,268	(b)	109,364
The Company						
Non-current assets						
Financial asset at fair value through other comprehensive income	-	-		4,132	(b)	4,132
Financial asset, available-for-sale	4,132	-		(4,132)	(b)	-
Equity						
Fair value reserve	-	-		(2,268)	(b)	(2,268)
Retained profits	38,727	-		2,268	(b)	40,995

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

38 ADOPTION OF NEW FINANCIAL REPORTING FRAMEWORK (CONT'D)

(B) Impact on the Balance Sheets as at 31 December 2017 (end of last period reported under FRS)

	As previously reported under FRS	Application of SFRS(I) 1	(Note)	Initial application of SFRS(I) 9	(Note)	As adjusted under SFRS(I)
	$'000	$'000		$'000		$'000
The Group						
Non-current assets						
Financial asset at fair value through other comprehensive income	-	-		3,805	(b)	3,805
Financial asset, available-for-sale	3,805	-		(3,805)	(b)	-
Equity						
Foreign currency translation reserve	(25,009)	29,302	(a)	-		4,293
Fair value reserve	-	-		(2,595)	(b)	(2,595)
Retained profits	163,790	(29,302)	(a)	2,595	(b)	137,083
The Company						
Non-current assets						
Financial asset at fair value through other comprehensive income	-	-		3,805	(b)	3,805
Financial asset, available-for-sale	3,805	-		(3,805)	(b)	-
Equity						
Fair value reserve	-	-		(2,595)	(b)	(2,595)
Retained profits	42,446	-		2,595	(b)	45,041

(C) Impact on the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year ended 31 December 2017 (last financial year reported under FRS)

	As previously reported under FRS	Application of SFRS(I) 1	(Note)	Initial application of SFRS(I) 9	(Note)	As adjusted under SFRS(I)
	$'000	$'000		$'000		$'000
The Group						
Consolidated Income Statement						
Exceptional items	10,132	-		327	(b)	10,459
Profit before income tax	40,087	-		327	(b)	40,414
Profit for the year	33,492	-		327	(b)	33,819

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

38 ADOPTION OF NEW FINANCIAL REPORTING FRAMEWORK (CONT'D)

(C) Impact on the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year ended 31 December 2017 (last financial year reported under FRS) (Cont'd)

	As previously reported under FRS	Application of SFRS(I) 1	(Note)	Initial application of SFRS(I) 9	(Note)	As adjusted under SFRS(I)
	$'000	$'000		$'000		$'000
The Group						
Consolidated Statement of Comprehensive Income						
Profit for the year	33,492	-		327	(b)	33,819
Item that will not be reclassified subsequently to income statement:						
Net fair value loss on financial asset designated through other comprehensive income	-	-		(327)	(b)	(327)
Other comprehensive income for the year, net of tax	4,245	-		(327)	(b)	3,918

(D) Impact on the Consolidated Cash Flow Statement for the year ended 31 December 2017 (last financial year reported under FRS)

	As previously reported under FRS	Application of SFRS(I) 1	(Note)	Initial application of SFRS(I) 9	(Note)	As adjusted under SFRS(I)
	$'000	$'000		$'000		$'000
The Group						
Consolidated Cash Flow Statement						
Profit after tax	33,492	-		327	(b)	33,819
Impairment loss of financial asset, available-for-sale	327	-		(327)	(b)	-

Notes to the reconciliations:

(a) SFRS(I) 1

In adopting SFRS(I), the Group has elected the transition option to reset its translation reserve to zero at the date of transition on 1 January 2017. As a result, the Group reclassified cumulative translation losses of $29,302,000 from foreign currency translation reserve account to retained profits as at 1 January 2017.

(b) SFRS(I) 9

The Group's and the Company's investments in unquoted equity security that were previously classified as available-for-sale investments were measured at cost at each reporting date under FRS 39 have been designated as at fair value through other comprehensive income.

The change in classification of the Group's and the Company's investments in unquoted equity security has resulted in the fair value loss of $327,000 in the financial year 2017 recognised in other comprehensive income.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2018 (Cont'd)

39 STANDARDS ISSUED BUT NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the following SFRS(I)s pronouncements were issued but not effective and are expected to have an impact to the Group in the periods of their initial adoption.

SFRS(I) 16 *Leases*

Effective for annual periods beginning or after 1 January 2019

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.

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 2018, the Group has non-cancellable operating lease arrangement of $19,731,000 (31 December 2017 : $20,249,000, 1 January 2017 : $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 ended 31 December 2018.

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 2018 $'000	Use of property	Encumbrances
1.	No. 14 to 16 Hurksestraat, Eindhoven, The Netherlands	Frencken Investments B.V.	Freehold	12,300 sq m	4,181	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	3,182	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	6,345	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	1,223	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	1,194	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	1,252	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 2018 $'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	1,269	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	626	Vacant	-
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	1,353	Production and office	-

STATISTIC OF SHAREHOLDINGS

As at 14 March 2019

Share Capital

No. of Issued Shares	:	422,005,109
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	120	4.87	4,179	0.00
100 - 1,000	170	6.90	96,573	0.02
1,001 - 10,000	1,260	51.16	5,807,895	1.38
10,001 - 1,000,000	876	35.57	53,018,814	12.56
1,000,001 and above	37	1.50	363,077,648	86.04
TOTAL	**2,463**	**100.00**	**422,005,109**	**100.00**

TWENTY (20) LARGEST SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1.	UOB Kay Hian Pte Ltd	125,689,747	29.78
2.	DBS Nominees Pte Ltd	52,455,258	12.43
3.	Raffles Nominees (Pte) Limited	28,605,444	6.78
4.	DB Nominees (Singapore) Pte Ltd	19,527,400	4.63
5.	Meng Tak Corporation Sdn. Bhd.	13,444,000	3.19
6.	OCBC Securities Private Ltd	12,297,732	2.91
7.	Citibank Nominees Singapore Pte Ltd	11,672,396	2.77
8.	Hong Leong Finance Nominees Pte Ltd	11,111,176	2.63
9.	CGS-CIMB Securities (Singapore) Pte Ltd	8,426,448	2.00
10.	Phillip Securities Pte Ltd	7,118,420	1.69
11.	HSBC (Singapore) Nominees Pte Ltd	6,242,300	1.48
12.	Low Hock Peng	6,222,794	1.47
13.	Gooi Soon Chai	5,765,023	1.37
14.	K-Tee Holdings Sdn. Bhd.	4,060,000	0.96
15.	Low Te Jinn	4,000,000	0.95
16.	Low Trevor Jay	4,000,000	0.95
17.	Goh Gaik Ewe	3,800,000	0.90
18.	ABN AMRO Clearing Bank N.V.	3,620,000	0.86
19.	Uhlmann Singapore LLP	3,556,000	0.84
20.	Mohamad Anwar Au	3,287,000	0.78
	TOTAL	**334,901,138**	**79.37**

PERCENTAGE OF SHAREHOLDING IN PUBLIC HANDS

60.60% 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 14 March 2019 (Cont'd)

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 14 MARCH 2019

Name of Substantial Shareholder	No. of shares in which shareholder has a direct interest		No. of shares in which shareholder is deemed to have an interest	
	No. of shares	%	No. of shares	%
Dato' Gooi Soon Chai [(a)]	5,765,023	1.37	92,695,668	21.97
Low Heang Thong [(b)]	-	-	26,735,300	6.34
Micro Compact (M) Sdn. Bhd. [(c)]	-	-	26,332,206	6.24
Precico Holdings Sdn. Bhd. [(d)]	-	-	52,487,076	12.44
Prime Logic (M) Sdn. Bhd. [(e)]	-	-	27,932,206	6.62
Sinn Hin Company Sdn. Bhd. [(f)]	-	-	88,612,021	21.00
Yeo Seng Chong [(g)]	2,275,000	0.54	19,418,700	4.60
Lim Mee Hwa [(h)]	500,000	0.12	21,193,700	5.02

Notes:

(a) Dato' Gooi Soon Chai is deemed to have an interest in the 3,931,647 shares held by his family, shares held by Micro Compact (M) Sdn. Bhd., Prime Logic (M) Sdn. Bhd., Sinn Hin Company Sdn. Bhd., Precico Holdings Sdn. Bhd., Pensyn Sdn. Bhd. and Cayman Resources Sdn. Bhd. by virtue of Section 4 of the Securities and Futures Act (Chapter 289) and Section 7 of the Companies Act (Chapter 50).

(b) Low Heang Thong is deemed to have an interest in the 1,200,000 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.

(c) Micro Compact (M) Sdn. Bhd. is deemed to have an interest in the shares held through UOB Kay Hian Securities (M) Sdn. Bhd. in the capital of the Company.

(d) Precico Holdings (M) Sdn. Bhd.'s deemed interest arising from its 60% direct interests in Micro Compact (M) Sdn. Bhd. and shares held through UOB Kay Hian Securities (M) Sdn. Bhd. in the capital of the Company.

(e) Prime Logic (M) Sdn. Bhd.'s deemed interest arising from its 40% direct interests in Micro Compact (M) Sdn. Bhd. and shares held through UOB Kay Hian Securities (M) Sdn. Bhd. in the capital of the Company.

(f) Sinn Hin Company Sdn. Bhd.'s deemed interest arising from its 35.7%, 49.9% and 35.3% direct interest in Precico Holdings Sdn. Bhd., Prime Logic (M) Sdn. Bhd. and Cayman Resources Sdn. Bhd. respectively. Therefore it is deemed to have an interest in which Precico Holdings Sdn. Bhd., Prime Logic (M) Sdn. Bhd. and Cayman Resources Sdn. Bhd. have an interest. Sinn Hin Company Sdn. Bhd. also have deemed interest in shares held through UOB Kay Hian Securities (M) Sdn. Bhd. in the capital of the Company.

(g) 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).

(h) 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 Rendezvous Hotel (formerly known as Orchard Parade Hotel), Level 2 Antica I, 1 Tanglin Road, Singapore 247905 on Thursday, 25 April 2019 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 2018 together with the Directors' Statement and Independent Auditor's Report thereon. **(Resolution 1)**

2. To declare a first and final tax exempt (one-tier) dividend of 2.14 cents per share for the financial year ended 31 December 2018. **(Resolution 2)**

3. To approve the Directors' fees of S$308,000 for the financial year ended 31 December 2018. **(Resolution 3)**

4. To re-elect Mr Yeo Jeu Nam, retiring pursuant to Article 89 of the Company's Constitution. [See Explanatory Note 1] **(Resolution 4)**

5. To re-elect Mr Ling Yong Wah, retiring pursuant to Article 89 of the Company's Constitution. [See Explanatory Note 2] **(Resolution 5)**

6. To re-appoint Messrs Deloitte & Touche LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

SPECIAL BUSINESS

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

7. **Authority to allot and issue shares** **(Resolution 7)**

(a) That pursuant to Section 161 of the Companies Act, Chapter 50, and the listing rules of the Singapore Exchange Securities Trading Limited, approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:

(i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;

(ii) make or grant offers, agreements or options (collectively, **"Instruments"**) that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;

(iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and

(b) (notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors while the authority was in force,

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

SPECIAL BUSINESS (CONT'D)

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 3]

OTHER BUSINESS

8. 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 2019.

1. A first and final tax exempt (one-tier) dividend of 2.14 cents per share for the financial year ended 31 December 2018 will be paid on 15 May 2019.

2. The Share Transfer Books and Register of Members of the Company will be closed on 7 May 2019 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 6 May 2019 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 6 May 2019 will be entitled to the payment of the proposed dividend.

ON BEHALF OF THE BOARD

Mohamad Anwar Au
Executive Director

10 April 2019

Explanatory Notes on business to be transacted:

1. Mr Yeo Jeu Nam 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 Remuneration Committee and a member of the Audit Committee. There are no relationships (including immediate family relationships) between Mr Yeo Jeu Nam and the other Directors of the Company or its shareholders. Detailed information on Mr Yeo Jeu Nam can be found on the Profile of Board of Directors section of the Annual Report 2018.

2. Mr Ling Yong Wah 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 Audit Committee and a member of the Nominating Committee. There are no relationships (including immediate family relationships) between Mr Ling Yong Wah and the other Directors of the Company or its shareholders. Detailed information on Mr Ling Yong Wah can be found on the Profile of Board of Directors section of the Annual Report 2018.

3. The ordinary resolution in item no. 7 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 Rendezvous Hotel (formerly known as Orchard Parade Hotel), Level 2 Antica I, 1 Tanglin Road, Singapore 247905 on Thursday, 25 April 2019 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 2018 together with the Directors' Statement and Independent Auditor's Report thereon.		
2.	To declare a first and final tax exempt (one-tier) dividend of 2.14 cents per share for the financial year ended 31 December 2018.		
3.	To approve the Directors' fees of S$308,000 for the financial year ended 31 December 2018.		
4.	To re-elect Mr Yeo Jeu Nam, retiring pursuant to Article 89 of the Company's Constitution.		
5.	To re-elect Mr Ling Yong Wah, retiring pursuant to Article 89 of the Company's Constitution.		
6.	To re-appoint Messrs Deloitte & Touche LLP as auditors of the Company and to authorise the Directors to fix their remuneration.		
7.	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 ________________ 2019

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 2019.

www.frenckengroup.com