Frencken

Frencken Group Limited

ANNUAL REPORT 2019

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About this year's Cover Design

Our annual report cover showcases Frencken Group having a firm grasp on the global marketplace, with its finger on the pulse of worldwide technological trends.

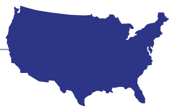
Numerous icons within the interconnected globe symbolise the broad spectrum of the group's solutions spanning healthcare, robotics, semiconductor, automotive, analytical & life sciences, amongst others. With its strong market familiarity and well-established network of operating subsidiaries coupled with technical expertise, Frencken Group has maintained its lead as the partner of choice for customers, demonstrating strong organisational resilience and dynamism within a challenging business environment.

GROUP OPERATING STRUCTURE

Mechatronics Division

Europe

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



America

- Frencken America Inc.
  Spokane, USA

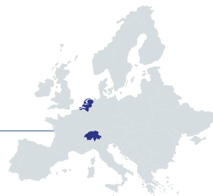
Asia

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

Integrated Manufacturing Services Division

Asia

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



Europe

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

OUR BUSINESS

THE FRENCKEN ADVANTAGE

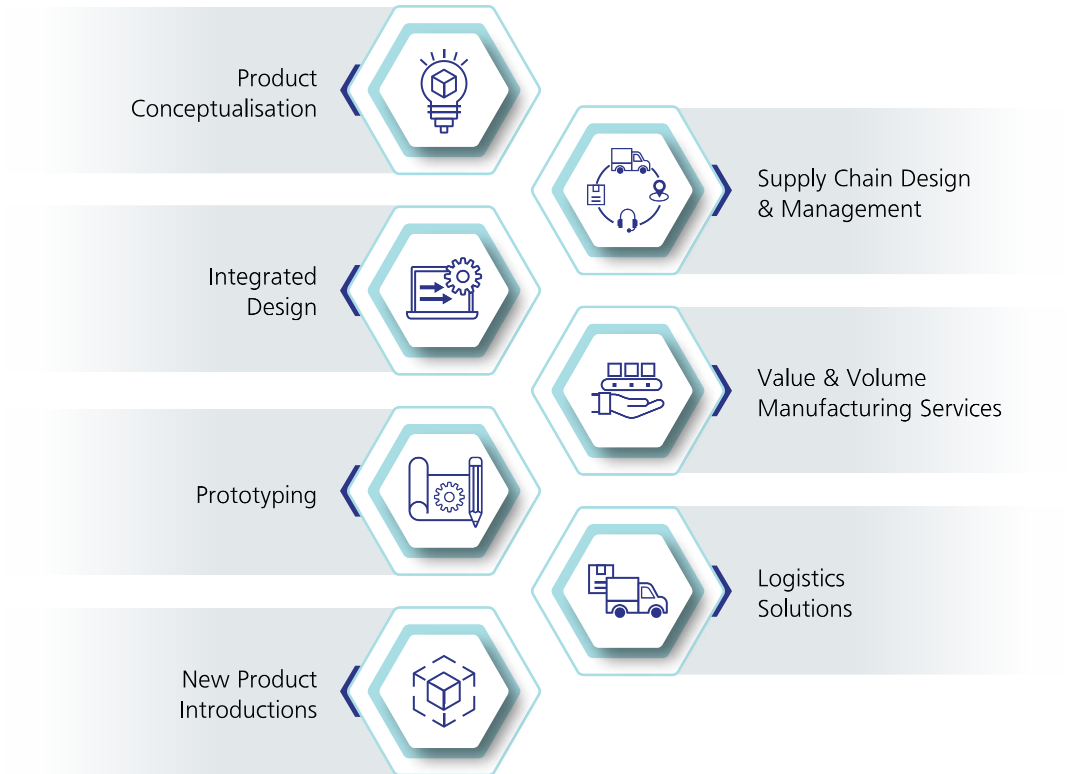
Frencken Group Limited ("Frencken") is a Global Integrated Technology Solutions Company that is listed on the Main Board of the Singapore Exchange.

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

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

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

INTEGRATED SOLUTIONS



ONE-STOP GLOBAL INTEGRATED TECHNOLOGY SOLUTIONS PROVIDER

OUR BUSINESS (Cont'd)

MECHATRONICS DIVISION

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

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

Build to the customer's Product Design

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

Develop and build to the customer's Specifications

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

Build to the customer's Roadmap

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

GLOBAL CENTRES

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, our IMS Division has extensive in-house capabilities and operating sites worldwide.

IMS

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

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

IMS Coating

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

Cost effective surface coating for automotive interior 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	Chuzhou, 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 that we bring to customers by facilitating faster time-to-market and faster time-to-profit.

Revenue	Operating Sites	Countries Served	Employees	Public Corporation listed on
S$659.2 million	17	50+	3,400	SGX

China
Tianjin
Zhuhai
- Jinding
- Nanshui
Chuzhou
Wuxi

Thailand
Bangkok

Malaysia
Sungai Buloh
Bangi
Johor
Penang

Singapore
Singapore

India
Noida

OUR VALUE PROPOSITION (Cont'd)

DIVERSITY BRINGS RESILIENCE AND STABILITY

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

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

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

BREADTH OF CAPABILITIES

Automotive

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

Analytical & Life Sciences

Components and sub assemblies for

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

OUR VALUE PROPOSITION (Cont'd)

Healthcare

Components and sub assemblies for

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

Semiconductor

Components and sub assemblies for

- Wafer fabrication equipment
- Die bonding
- IC testers and manipulators
- Vacuum systems

Industrial

Components and sub assemblies for

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

OUR SOLUTIONS SURROUND AND ENABLE THE PRODUCTS AROUND YOU

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present Frencken Group Limited's annual report for the 12 months ended 31 December 2019 ("FY2019").

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

In FY2019, Frencken has again delivered record revenue and profits. The Group achieved this strong set of results despite challenging market conditions caused by the cyclical slowdown in the global technology sector, persistent geopolitical uncertainties and the protracted trade war between the USA and China.

In addition to our stellar financial performance, the Group has also marked a significant milestone by winning two prestigious awards at the Singapore Corporate Awards 2019 - the Best Managed Board (Gold) and Best Investor Relations (Silver) awards for the category of companies with less than S$300 million in market capitalisation.

Financial Performance for FY2019

In FY2019, the Group's revenue increased 5.3% to S$659.2 million from S$625.8 million in FY2018, thanks to the steady increase in sales at our Mechatronics Division.

The Mechatronics Division benefited from strong sales growth of its industrial automation segment. This business segment witnessed a substantial increase in orders for storage drive production equipment from a key multinational customer. The strong growth of the industrial automation segment outpaced the softer sales of our semiconductor segment, which was affected by the cyclical industry downturn.

While the Integrated Manufacturing Services (IMS) Division generated lower sales in FY2019, several initiatives that we implemented to strengthen the division's automotive filter business began to bear fruit during the year. The performance of our automotive filter business improved sharply in FY2019 and helped to lift the Group's gross profit margin to 16.9% from 16.3% in FY2018.

CHAIRMAN'S STATEMENT (Cont'd)

The Group's higher revenue, coupled with the better gross profit margin, boosted our bottom line in FY2019. Excluding the exceptional items recorded in both FY2019 and FY2018, the Group's net profit attributable to equity holders of the Company ("PATMI") increased 37.1% to reach a record S$46.5 million compared to S$33.9 million in the previous year. After factoring in the exceptional items, the Group reported PATMI of S$42.4 million in FY2019, an increase of 41.1% from S$30.0 million in FY2018.

Frencken's ability to continue delivering healthy top and bottom line performances amid tumultuous business conditions in FY2019 can be credited to the resilient business model that the Group has put in place over the years. Serving leading corporations across multiple industries, a wide range of end-user markets and different geographical regions creates this desired business diversity, which brings resilience and stability to the Group.

The Group also closed the year with a stronger balance sheet. As of 31 December 2019, our cash and cash equivalents rose substantially to S$122.4 million from S$67.1 million at the end of the previous year. As a result, the Group moved into a net cash position. Our shareholders' equity stood at S$295.4 million, which is equivalent to a net asset value of 69.62 cents per share.

The Board of Directors has recommended the payment of a first and final tax exempt (one-tier) dividend of 3.0 cents per share in respect of FY2019, an increase from 2.14 cents per share paid for FY2018. The dividend, which translates to a payout ratio of 30% of the Group's PATMI, will be paid on 14 May 2020 upon receiving approval from shareholders at our Annual General Meeting on 23 April 2020. Frencken remains committed to rewarding shareholders for their support. Since listing on the Singapore Exchange in 2005, the Group has consistently paid dividends representing at least 30% of earnings every year.

Enhancing Our Value Proposition to Customers

During FY2019, the Group kept its focus on executing initiatives to raise operational excellence, improve capabilities and produce best-in-class quality at our Mechatronics and IMS Divisions. Both divisions are continually striving to grow their respective competencies and capabilities so that we can offer greater value to customers and remain relevant to their evolving needs.

Through our ongoing in-house programs such as *Frencken Operations eXcellence* ("FOX") and *Frencken Production System* ("FPS"), the Group has been successfully achieving higher levels of operational efficiency at our worldwide manufacturing facilities. Coupled with the investments to upgrade the equipment and facilities of our manufacturing plants, the Group is steadily elevating our competitive advantage.

In FY2019, the Mechatronics Division invested in the expansion of its production space and purchase of high precision machinery to strengthen its manufacturing capabilities. The IMS Division has also completed the set-up of a new manufacturing facility in Chuzhou, Anhui Province, China and received the necessary accreditations as a qualified supplier to the automotive industry. These capital investments will ensure that the Group continues to possess the requisite capabilities to support our customers' technology and product roadmaps.

Total Revenue

S$659.2 million

↑ 5.3%

CHAIRMAN'S STATEMENT (Cont'd)

Outlook and Strategy

Looking ahead, we expect business conditions in 2020 to remain challenging. In addition to prevailing business and geopolitical uncertainties, the rapid spread of the Covid-19 virus has ignited concerns of a global economic slowdown.

In China, the Group adhered to the directives stipulated by the local Chinese authorities and kept our factories there closed after the Chinese New Year holidays. All these factories have since resumed operations. The Group has also implemented precautionary measures to safeguard the wellbeing of our employees in China as well as at our other facilities worldwide.

The measures taken by the Chinese government to contain the Covid-19 outbreak resulted in disruption to the global supply chain. We responded immediately by conducting a comprehensive evaluation of the Group's supply chain and developed solutions that enabled Frencken to continue supporting our customers' production. However, given the uncertainty regarding the severity and timeframe of the Covid-19 outbreak, it is difficult at present to determine the extent of its impact on global supply chains, global markets and the Group.

As we move forward into 2020 and a new decade, the Group's goal remains the same - to continue delivering sustainable and profitable growth to all our stakeholders.

In the long term, the Group believes the global technology sector will continue to benefit from the demand and positive market trends in life sciences, artificial intelligence including machine learning – robotic process automation – edge computing, virtual and augmented reality, 5G and connectivity.

To capture these exciting market opportunities, Frencken will continue to operate in a broad array of business segments, end-user markets and geographical regions. We will also leverage the long-term partnerships that we have forged with the leading companies in the global semiconductor, healthcare, industrial, analytical & life sciences and automotive markets. This strategy will continue to lend stability to the Group's performance against potentially uneven demand across its various business segments. Our Mechatronics and IMS Divisions will also focus on expanding their respective market share with existing customers and new customers.

At the Mechatronics Division, our Europe operations will continue aiming for balanced growth across its key semiconductor, analytical and healthcare segments, and increasing its value add to customers. In Asia, our mechatronics operations aim to enhance its growth opportunities and increase business resilience by further diversifying its portfolio with key customers in the semiconductor and analytical segments. At the same time, our Asia team will continue to entrench its position with our key industrial automation customer, which expects to benefit from rising demand for data storage solutions. The Mechatronics Division will also maintain its focus on operational excellence and continue to invest in state-of-the-art equipment and cleanroom facilities that will raise its high-precision manufacturing and assembly capabilities.

At the IMS Division, our team will continue to build on the encouraging results of the automotive filter business during the past year. The division also aims to ride the trend for environmentally-friendly processes in the automotive industry by leveraging our proprietary eco-PVD (Physical Vapour Deposition) technology for coating processes. We plan to set up PVD facilities at our new factory in Chuzhou and seek business opportunities for the growth of our PVD technology surface coating services. Meanwhile, the IMS Division will continue building on the progress of its operational initiatives to enhance profitability, while exploring viable opportunities to drive the division's long-term growth and diversification.

The strategies I have outlined above are expected to enhance Frencken's value proposition to customers and strengthen our position as a premier Global Integrated Technology Solutions Company.

Appreciation

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

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

MEET THE TEAM

Our people are one of our greatest assets. Learn all about the most memorable Frencken moments our global team members had over the years and what they do to unwind after work.

ANDY BENNETT

Principal Systems Engineer, Frencken America

What attracted you to stay with Frencken for more than 10 years?

- The work is challenging and diverse – everything from Mars rover instrumentation to Formula E racing engines. Producing quality products requires all our colleagues to participate in one form or another. Teamwork learning is addictive.

What's your most memorable work experience with Frencken?

- There are a lot of highlights working for Frencken and watching two of our motors launch up to the International Space Station (ISS) is definitely at the top. Nearly everyone here onsite had their hands on this particular project with NASA Jet Propulsion Laboratory. I'm happy for our team's success, and even happier for our contribution to climate change research.

What's your favourite part of the workday, and why?

- Evenings. When most have turned off their work lights for the day and there is a calm in the building. It's a particularly productive time for me.

Describe Frencken in one word.

- Eclectic.

Complete the sentence: When I am not working, I am usually found performing Jazz in clubs, riding motorcycles around racetracks, or getting out into nature.

CHEN ZHIQIANG

Automation Engineer, Frencken Asia

What attracted you to join Frencken?

- Frenken's culture that encourages freedom to explore diverse solutions. That freedom enables me to engage with creative ideas and solutions.

What do you enjoy most about your role, and why?

- My favorite part is analysing an issue and solving it. Through in-depth analysis, we can get to the root cause and able to resolve the issue once and for all. The analysing process is exciting to me.

How did you feel on your first day at work?

- I remembered being filled with nervous energy because I was eager to contribute and hope I could value add to my team and the company. I was also looking forward to learning more about myself – strengths and areas of improvement.

Complete the sentence: When I am not working, I am constantly thinking about areas of improvement. A question I often asked myself – what can I do or learn that will help me improve? I love learning, and if there's anything that can help me become better, I want to learn all about it!

MEET THE TEAM (Cont'd)

KOR SIEW LOOI

Internal Audit Manager, Frencken Asia

What made you stay with Frencken for more than 20 years?

- I like what I do in Frencken. My role consists of special assignments, so it's not monotonous, and I am kept interested. Also, back when I started, we were given a lot of room to contribute. It gives me great satisfaction to be able to contribute beyond my role and grow with the company.

What's your most memorable experience in Frencken?

- One of the major highlights is being part of the team that contributed to the company getting listed in Singapore. It was my first time with such an assignment and it was exciting to be part of that corporate exercise.

What's the main challenge of your role, and how do you overcome it?

- There's a misconception about the role of an internal auditor. An internal auditor's role is not to penalise or pinpoint mistakes but to improve and enhance processes. I overcome the challenge by initiating more face to face interaction and reaching out more to share that we are here to help.

What's your favourite part of the workday, and why?

- Lunch with my colleagues because we always make it a fun outing.

Complete the sentence: When I am not working, I am at my mother-in-law's house helping her prepare meals and at the theaters catching the latest movies with my family.

MARLON MARTIS

Assembly Engineer, Frencken Europe

What made you stay with Frencken for more than 10 years?

- There are two major reasons – the variety I have in my work and Frencken is close to my home.

What's your most memorable work experience with Frencken?

- Last year, a few customers were visiting my workspace. One of them came up to me and thanked me for the good work we did. I appreciated that very much!

What's your favourite part of the workday, and why?

- Coffee in the morning – it gives me good energy to start my day!

Describe Frencken in one word.

- Diligent.

Complete the sentence: When I am not working, I am doing sports, dancing, travelling, and spending time with my kids.

MEET THE TEAM (Cont'd)

NUTHAN A/L MUTHU KRISHNAN

Supply Chain Executive, Frencken Asia

What attracted you to join Frencken?

- When I was doing my research on Frencken, I find myself wondering what it would be like to work on the interesting projects that the company works on. Secondly, I believe Frencken is a place that will enable me to develop my skills.

What's your favourite part of your role?

- My favourite part is that my job never gets boring! There are new things to learn and solve almost every day. There's also an immense satisfaction when I can meet customers' requirements.

What was your feeling, memory, or impression of Frencken on your first day at work?

- I was a little tensed because it was my first job, and I feel that Frencken would be a great place for me to start up my career.

PASCAL SCHROIJEN-VAN DE RIETH

Administrative Assistant, Frencken Europe

What made you stay with Frencken for more than 25 years?

- The variety in functionalities keeps the job fresh and interesting for me. Another major reason that made me stay is having colleagues that display great teamwork.

What's your most memorable work experience with Frencken?

- The first experience was the ceremony of winning the smart manufacturing award in 2017. The second most memorable one was in 2019 – attending a party celebrating my 25th work anniversary with a colleague.

What's your favourite part of the workday, and why?

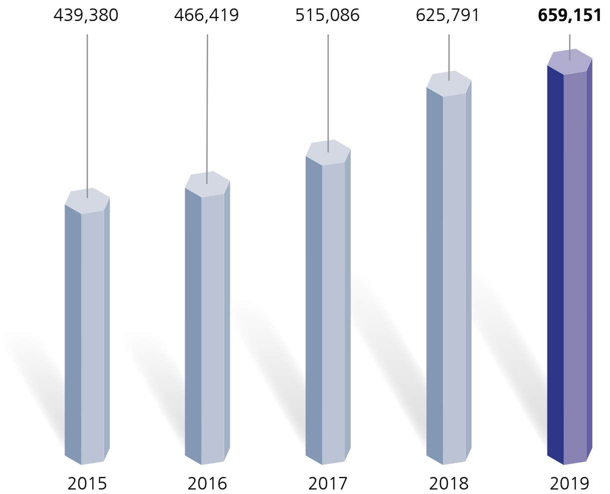
- The first round in the factory in the morning – greeting my colleagues with a smile.

Describe Frencken in one word.

- Solid.

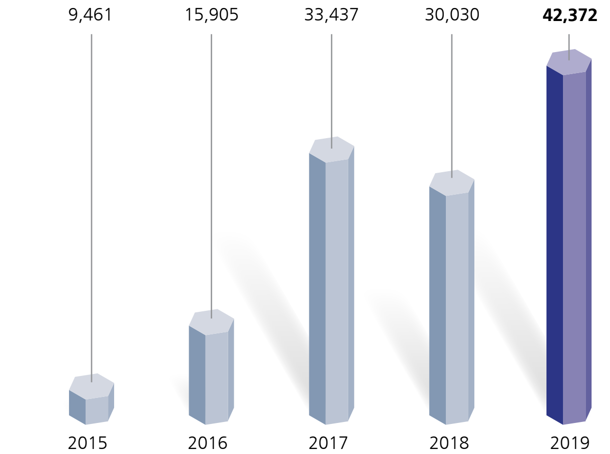
Complete the sentence: When I am not working, I am either shopping or playing tennis.

FINANCIAL SUMMARY



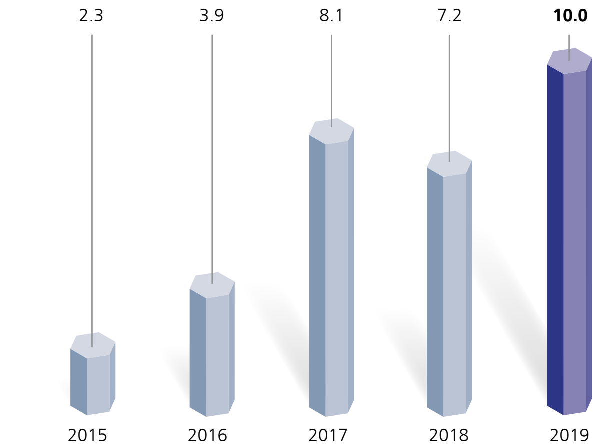
Revenue
($'000)

659,151



Profit attributable to equity holders
($'000)

42,372



Earnings per share - basic
(cents)

10.0

FINANCIAL SUMMARY (Cont'd)

FINANCIAL YEAR	FY DEC 2015	FY DEC 2016	FY DEC 2017	FY DEC 2018	FY DEC 2019
Operating Results	$'000	$'000	$'000	$'000	$'000
Revenue	439,380	466,419	515,086	625,791	**659,151**
Operating profit [1]	22,031	21,647	30,293	45,068	**59,353**
Profit attributable to equity holders	9,461	15,905	33,437	30,030	**42,372**
Financial Position	$'000	$'000	$'000	$'000	$'000
Total assets	339,475	362,995	420,155	463,740	**506,196**
Total liabilities	133,871	148,323	170,613	196,221	**208,045**
Shareholders' equity	203,631	212,652	247,199	264,892	**295,373**
Key Ratios					
Net profit on turnover (%)	2.2	3.4	6.5	4.8	**6.4**
Return on average equity (%)	4.6	7.6	14.5	11.7	**15.1**
(Net debts)/Net cash to equity (%)	(18.3)	(18.9)	1.8	(0.6)	**23.4**
Earnings per share - basic (cents)	2.3	3.9	8.1	7.2	**10.0**
- diluted (cents)	2.3	3.9	8.0	7.1	**10.0**
Net assets value per share (cents)	50.3	52.3	59.4	62.8	**69.6**
Dividend per share (cents)	0.75	1.20	2.39	2.14	**3.00**
Share Price and Market Capitalisation	Cents	Cents	Cents	Cents	Cents
Highest	24.5	28.0	60.5	68.0	**97.5**
Lowest	17.7	17.0	24.0	37.0	**39.0**
Average	20.6	23.3	45.2	50.0	**64.2**
	$'000	$'000	$'000	$'000	$'000
Average market capitalisation	83,360	94,748	188,205	210,751	**272,383**
Average shareholders' equity	205,274	208,142	229,926	256,046	**280,133**
Market value differential [2]	(121,914)	(113,394)	(41,721)	(45,295)	**(7,750)**

(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

		2018	2019	Change
1	**Operating Results**	$'000	$'000	%
	Revenue	625,791	**659,151**	5.3
	Profit attributable to equity holders	30,030	**42,372**	41.1
	Net profit on turnover (%)	4.8	**6.4**	33.3
2	**Divisional Performance**	$'000	$'000	%
	Mechatronics - Revenue	496,793	**539,565**	8.6
	- Operating profit (1)	46,928	**50,869**	8.4
	IMS - Revenue	128,717	**121,003**	(6.0)
	- Operating profit (1)	801	**6,095**	660.9
3	**Solvency Profile**	$'000	$'000	%
	Cash and cash equivalents	67,084	**122,382**	82.4
	Borrowings	68,706	**53,222**	(22.5)
	(Net debts)/Net cash	(1,622)	**69,160**	N.M.
	Interest cover ratio (2)	18.3	**21.0**	14.8
4	**Shareholders' Value**			%
	Shareholders' equity ($'000)	264,892	**295,373**	11.5
	Earnings per share - basic (cents)	7.2	**10.0**	38.9
	- diluted (cents)	7.1	**10.0**	40.8
	Return on average equity (%)	11.7	**15.1**	29.1
	Net asset value per share (cents)	62.8	**69.6**	10.9
	Dividend payout ratio (%)	30.0	**30.0**	N.M.

(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 2019	31 December 2020
Announcement of Results		
1st Quarter	9 May 2019	**
2nd Quarter/Semi-annual	8 August 2019	**13 August 2020**
3rd Quarter	6 November 2019	**
4th Quarter/Semi-annual	27 February 2020	**February 2021**
Delivery of Annual Report	8 April 2020	**April 2021**
Annual General Meeting	23 April 2020	**April 2021**

** In accordance with the amendments to Rule 705 of the Singapore Exchange Securities Trading Limited, which took effect from 7 February 2020, the Company will not be required to release its financial statements on a quarterly basis. The Company decided to prepare and publicly release its financial statements only on a semi-annual basis.

BUSINESS REVIEW

GROUP FINANCIAL PERFORMANCE IN FY2019

Group revenue ($'000)

S$659.2 million

Gross profit ($'000)

S$111.4 million

Profit before income tax ($'000)

S$53.9 million

For the 12 months ended 31 December 2019 ("FY2019"), Group revenue increased 5.3% to S$659.2 million from S$625.8 million in FY2018. Higher sales of the Mechatronics Division more than offset lower revenue derived from the IMS Division.

In tandem with higher sales, the Group's gross profit in FY2019 climbed 9.6% to S$111.4 million from S$101.7 million in FY2018. As such, gross profit margin in FY2019 expanded to 16.9% from 16.3% in FY2018 due mainly to an improvement in the gross profit margin of the filter business within the IMS Division.

Other income, net of other operating expenses, increased 23.6% to S$3.3 million in FY2019 from S$2.7 million in FY2018. This was attributed mainly to gain on disposal of property, plant and equipment and project income, offset partially by higher net foreign exchange loss.

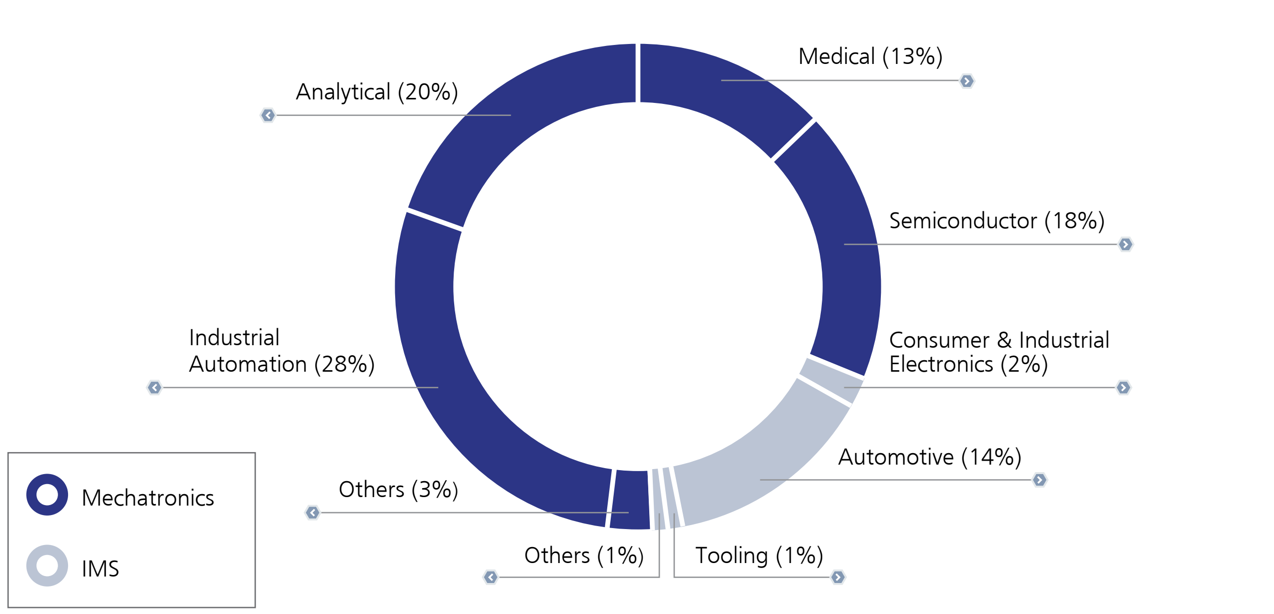
Selling and distribution expenses in FY2019 were marginally lower at S$11.8 million compared to S$11.9 million in FY2018. Administrative and general expenses declined 8.1% to S$43.6 million in FY2019 from S$47.4 million in FY2018 due mainly to a reduction in staff-related costs. Finance costs in FY2019 increased 14.3% to S$2.9 million from S$2.5 million in FY2018. This was due mainly to the recognition of interest expense arising from the adoption of SFRS (I) 16 *Leases*, which was offset partially by reduced interest payment in line with lower borrowings.

In FY2019, the Group recorded an exceptional loss of S$4.1 million. This was in respect of an impairment loss of deferred development costs of S$1.5 million incurred by Frencken Europe B.V. which is an operating unit within the Mechatronics Division, and an impairment loss of property, plant and equipment of S$2.6 million incurred by Juken (Zhuhai) Co., Ltd which is an operating unit of the IMS Division. The Group recorded an exceptional loss amounting to S$3.9 million in FY2018 which 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.

As a result of the above, the Group posted a 41.1% increase in net profit attributable to equity holders ("PATMI") to S$42.4 million in FY2019 from S$30.0 million in FY2018. Excluding the exceptional items, the Group's PATMI would have increased by 37.1% to S$46.5 million in FY2019 compared to S$33.9 million in FY2018. This was driven mainly by higher profitability of the Mechatronics Division and IMS Division which posted operating profit of S$50.9 million and S$6.1 million respectively in FY2019. The Group also registered operating profit of S$2.2 million from its Investment Holding & Management Services Division which derived management fee, sourcing fee and sales commission from subsidiaries within the Group.

BUSINESS REVIEW (Cont'd)

REVENUE BREAKDOWN BY BUSINESS SEGMENT



As at 31 December 2019, the Group had shareholders' equity of S$295.4 million, equivalent to net asset value of 69.62 cents per share based on the total number of issued shares of 424.3 million shares.

Total assets as at 31 December 2019 increased to S$506.2 million from S$463.7 million as at 31 December 2018. This was attributable mainly to higher cash and cash equivalents and right-of-use assets.

Property, plant and equipment as at 31 December 2019 decreased to S$90.4 million from S$97.4 million as at 31 December 2018 due mainly to depreciation, offset partially by purchases of property, plant and equipment during FY2019. Following the adoption of the SFRS (I) 16 *Leases*, the Group's operating leases are recognised on the balance sheet as right-of-use assets and lease liabilities. As at 31 December 2019, the Group's right-of-use assets stood at S$16.8 million.

Inventories decreased to S$140.7 million as at 31 December 2019 from S$144.6 million as at 31 December 2018. Trade receivables also declined to S$97.6 million as at 31 December 2019 from S$115.9 million as at 31 December 2018 in tandem with lower sales in the fourth quarter of FY2019. Cash and cash equivalents increased to S$122.4 million as at 31 December 2019 from S$67.1 million as at 31 December 2018.

Total liabilities as at 31 December 2019 increased to S$208.0 million from S$196.2 million as at 31 December 2018, attributable mainly to higher trade payables, and recognition of lease liabilities. Trade payables increased to S$87.8 million as at 31 December 2019 from S$79.2 million as at 31 December 2018. The Group's lease liabilities stood at S$15.5 million as at 31 December 2019. On the other hand, total borrowings decreased to S$53.2 million as at 31 December 2019 from S$68.7 million as at 31 December 2018. At the end of FY2019, the Group had net cash of S$69.2 million compared to net borrowings of S$1.6 million as at 31 December 2018.

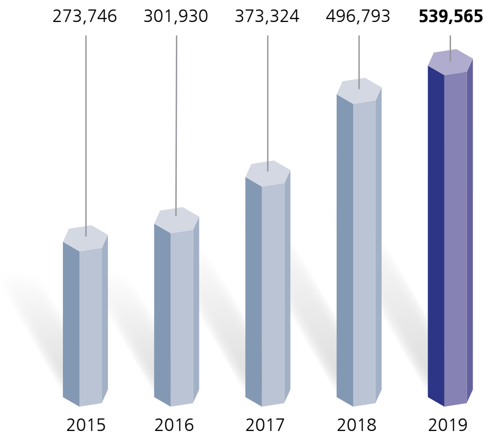
During FY2019, the Group generated net cash of S$94.8 million from operating activities. Net cash used in investing activities amounted to S$11.7 million in FY2019, attributable mainly to capital expenditure. Net cash used in financing activities amounted to S$19.1 million in FY2019 due primarily to payment of dividends to shareholders, net repayment of short term bank borrowings and repayment of lease liabilities. As a result of the above, the Group recorded a net increase in cash and cash equivalents of S$64.0 million during FY2019.

BUSINESS REVIEW (Cont'd)

MECHATRONICS DIVISION'S PERFORMANCE (FY2015 - FY2019)

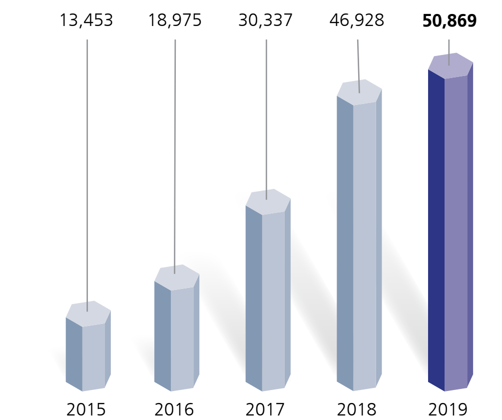
Revenue
($'000)

539,565



Operating Profit
($'000)

50,869



MECHATRONICS DIVISION

Business segment review

The Mechatronics Division registered an 8.6% increase in revenue to S$539.6 million in FY2019 from S$496.8 million in FY2018, lifted mainly by strong sales growth of the industrial automation segment.

Sales of the industrial automation segment grew 44.5% to S$186.4 million in FY2019 from S$129.0 million in FY2018, attributable to higher sales of storage drive production equipment to a key multinational customer. Sales from this segment are typically lumpy in nature as it fluctuates in tandem with the capital expenditure requirements of its key customer.

The semiconductor segment witnessed a decline in sales by 7.6% to S$116.0 million in FY2019 from S$125.5 million in FY2018. This was due mainly to slower orders for back-end semiconductor equipment during the first half of FY2019 as a result of the global semiconductor industry's cyclical downturn.

The analytical segment's sales eased marginally by 2.7% to S$133.0 million in FY2019 from S$136.7 million in FY2018. This segment would have posted relatively stable sales in FY2019 if not for the translational impact from the depreciation of the Euro against the Singapore Dollar.

Sales of the medical segment increased 3.4% to S$86.9 million in FY2019 from S$84.0 million in FY2018, attributed mainly to higher demand from a key customer in Europe.

As a percentage of the Group's total revenue in FY2019, the industrial automation and analytical segments contributed 28% and 20% respectively. The semiconductor segment made up 18% while the medical segment accounted for 13% of Group revenue in FY2019.

The Mechatronics Division reported higher operating profit of S$50.9 million in FY2019 compared to S$46.9 million in FY2018.

BUSINESS REVIEW (Cont'd)

Operational initiatives

Our Europe operations registered higher revenue from the semiconductor and medical segments during FY2019. The analytical segment also displayed a stable sales performance compared to FY2018. With a strategic focus on broadening our share of business with key customers, our Europe operations continued to win new projects including new product introduction programs with existing customers during FY2019. These programs are expected to start contributing revenue to the division from the latter part of FY2020. We have also been successful in making inroads with new customers from the analytical and aerospace sectors.

During FY2019, our Europe operations expanded the cleanroom capacity. We have plans to upgrade our cleanroom to even higher standards of cleanliness in FY2020. We also intend to make investments in our facilities there which will expand production capacity in the new financial year.

Looking ahead, our Europe division continues to aim for balanced growth across its key market segments by enhancing our competencies and capabilities to increase our value add to customers. We will maintain a consistent focus on the execution of operations excellence and supply chain rationalisation initiatives. While the strengthening of our Europe operations may bring about a short-term increase in organisational cost, we believe the benefits of our initiatives will come to fruition over the mid- to long-term.

Our Asia operations continued to benefit from strong demand in its industrial automation segment in FY2019. This has helped to cushion against the moderation in orders from other segments, particularly the semiconductor industry which experienced a cyclical slowdown. Nevertheless, our Asia operations secured new programs in the industrial automation, semiconductor and analytical segments, and also successfully clinched a new account in the semiconductor industry during FY2019. In recognition of its high quality manufacturing services, our Asia operations received the "Supplier of the Year 2019" (Indirect Supplier) award from a key customer in the industrial automation segment 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). In FY2020, we plan to channel our capital investment towards cleanroom facilities, renewal of existing machinery, and robotic equipment for higher level of automation at our factories.

Our Asia operations will continue to execute its strategy to enhance growth opportunities and increase business resilience through a diversified customer portfolio. To this end, we aim to expand our scope of business with key customers in the semiconductor and analytical segments. While the industrial automation segment is typically lumpy in nature, we will continue to engage and entrench our position with our key customer which is expected to benefit from the rising demand for data storage solutions. Our Asia operations will also carry on with our ongoing initiatives to drive productivity, achieve operational excellence and enhance manufacturing competency as we reinforce our focus on high-value fabrication programs.

IMS DIVISION

Business segment review

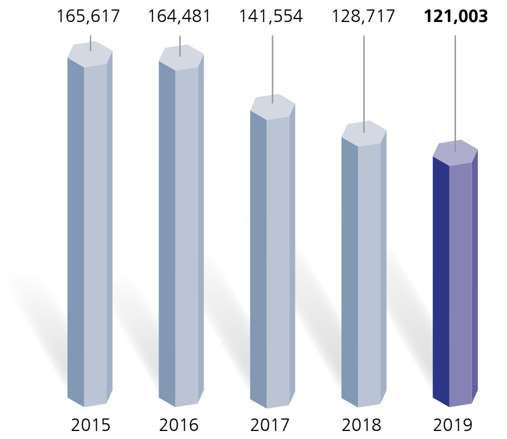
The IMS Division reported revenue of S$121.0 million in FY2019, down 6.0% from S$128.7 million in FY2018. This was attributed to lower sales from the automotive, consumer & industrial electronics and tooling segments. In FY2019, the automotive segment reported sales of S$93.7 million, a decrease of 2.7% from S$96.3 million in the last financial year. Accordingly, the automotive segment accounted for 14% of Group revenue in FY2019 while the consumer & industrial electronics contributed to 3% of total revenue. Notwithstanding lower revenue, the IMS Division reported higher operating profit of S$6.1 million in FY2019 compared to S$0.8 million in FY2018, thanks to improvement in the filter business and cost control initiatives.

BUSINESS REVIEW (Cont'd)

IMS DIVISION'S PERFORMANCE (FY2015 - FY2019)

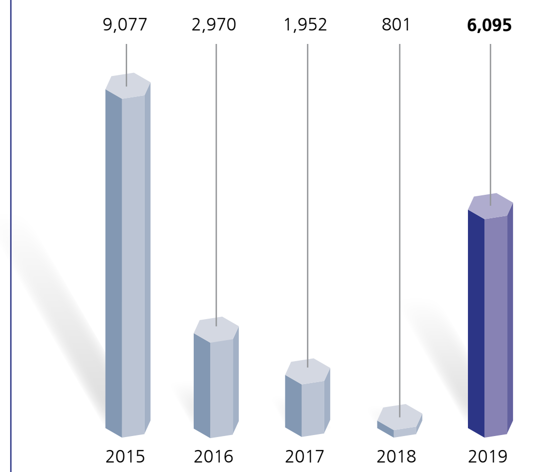
Revenue
($'000)

121,003



Operating Profit
($'000)

6,095



Operational initiatives

The IMS Division continues to employ a two-pronged strategy to drive revenue and future profitability – leverage on new industry needs and trends that offer opportunities for growth and diversification, such as expanding market share of our proprietary and niche eco-PVD (Physical Vapour Deposition) technology; and continuous operational effectiveness and efficiency improvements.

In FY2019, our IMS Division registered higher operating profit despite lower revenue. The increase in the division's bottom line can be attributed to the implementation of our Frencken Production System (FPS) initiative. Our FPS has yielded operational benefits including more efficient inventory management, better control of operational costs, and improvements in quality and productivity.

In parallel with the FPS, we have also restructured our business development teams to drive customer and new project acquisitions. We believe our initiatives are gaining traction as our IMS Division achieved higher profitability and clinched new projects in FY2019.

With the growing emphasis on environmentally-friendly processes in the automotive industry, we remain sanguine of the future prospects of our proprietary eco-PVD technology for coating processes. To drive the growth of our PVD technology surface coating services, we are planning to set up new PVD facilities at our factory in Chuzhou, China which has been awarded the IATF 16949 certification.

Moving into FY2020, we will continue to build on the progress of our quality improvement and FPS operational initiatives in line with our aim to enhance the IMS Division's profitability.

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

Non-Executive Non-Independent Chairman

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

In an illustrious career spanning 30 years, Dato' Gooi has amassed a wealth of experience and extensive network of contacts in the global technology industry. He is presently Senior Vice President 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

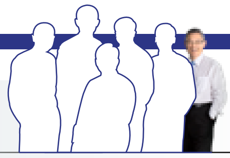
Dennis Au was appointed as President of our Group on 5 May 2015 and as our Executive Director on 28 April 2016. He is responsible for charting the Group's strategic direction, setting the organisation's goals, overseeing its global operations and driving its performance.

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 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.

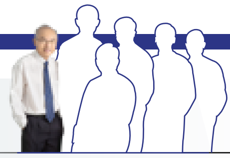
Mr Chia has an LL.B. (Honours) degree from the University of Singapore in 1980 and was admitted as an advocate and solicitor of the Supreme Court of Singapore in 1981. He has been an advocate and solicitor in private practice since 1981, and now practises mostly as an arbitrator, adjudicator and mediator.

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 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 Director

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

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

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

MELVIN CHAN WAI LEONG
Independent Director

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

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

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

PROFILE OF KEY MANAGEMENT

DAVID CHIN YEAN CHOON

Chief Financial Officer

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

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

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

WANG LIANG HORNG

Vice President, Operations

Wang Liang Horng joined our Group since 2015 as Vice President, 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)

Ling Yong Wah
(Lead Independent Director)

Dennis Au
(President, Executive Director)

Yeo Jeu Nam
(Independent Director)

Chia Chor Leong
(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
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Partner-in-charge: Rankin Brandt Yeo
Year of appointment: Financial year ended 31 December 2014

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COMPANY SECRETARY
Low Mei Wan, ACIS

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SUSTAINABILITY REPORT

ABOUT THIS REPORT

Frencken Group Limited ("Frencken", "we", "our", "the Group", "the organisation") is proud to present its third annual sustainability report.

We embarked on the sustainability-reporting journey two years ago, by identifying key Environmental, Social and Governance (ESG) factors that influenced our business. Last year, we published our second Sustainability Report in April 2018 and reported our progress and our commitment to sustainability in our operations.

We continue to uphold our commitment to our stakeholders by reporting our sustainability progress annually. This year, we report our sustainability achievement for FY2019 (1 January 2019 to 31 December 2019) to continue pursuing better and more sustainable operations. This report covers the areas of businesses owned and operated by our subsidiaries – Juken Technology Engineering Sdn Bhd ("JTJ") in Johor, Malaysia and Juken (Thailand) Co., Ltd. ("JTH") in Bangkok, Thailand. [102-1] [102-48] [102-49] [102-50] [102-51] [102-52]

Reporting Approach and Methodology

Frencken's Sustainability Report 2019 has been prepared in accordance with the GRI Standards: Core option. The report content is designed based on the 9 principles outlined by GRI, which include:

Stakeholder Inclusiveness

The expectation and interests of the stakeholders who significantly affect the Group's activities, products, and services were consulted for the preparation of our Sustainability Reports. Please find more regarding stakeholder engagement on page 34.

Materiality

Significant environmental, economic and social impacts faced by our industry that impact our operations are detailed in this report. More regarding our materiality assessment can be found on page 35.

Sustainability Context

The report presents Frencken's performance in the broader context of sustainability. The sustainability impact and performance of our operations in two locations, Malaysia and Thailand have been included in the scope of this report.

Completeness

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

ABOUT THIS REPORT (CONT'D)

Accuracy

The Sustainability Report seeks to provide an accurate representation of the sustainability performance for our stakeholders.

Reliability

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

Balance

The Sustainability Report provides an unbiased picture of our performance.

Timeliness

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

Clarity

Information in this report is designed to be understandable, accessible, and usable by our organisation's range of stakeholders.

Key stakeholders have identified sustainability factors material to the organisation. These factors have been reviewed again based on current business strategy, market conditions and stakeholder concerns. The progress on these factors has been monitored and reported in this report.

[102-46] [102-54]

For this report, we have not sought for external assurance. However, we may seek to externally assure our future Sustainability Reports. We strive to be transparent and to provide regular opportunities for review of our report. For questions or to deliver feedback about this Sustainability Report, please contact corp@frenckengroup.com.

[102-53] [102-56]

SUSTAINABILITY AT FRENCKEN

Governance Structure

A good governance structure translates to the sustainable growth of an organisation. Frencken emphasises high standards of corporate governance which is in line with the Code of Corporate Governance ("2018 Code") issued by the Monetary Authority of Singapore (MAS) in August 2018. Through abidance to this code, Frencken is committed to having the appropriate people, processes and structures to direct and manage the affairs of the organisation. Acting in accordance with the code also enables Frencken to create long-term stakeholder value, and ensure transparency, accountability and sustainability within the Group.

Our internal controls support our corporate governance structure. These include policies that cover topics such as personal data protection, anti-corruption, anti-money laundering and counter terrorism financing, conflict of interest, business continuity, insider dealing, enterprise risk management, and outsourcing. These policies support the Board and the Management in decision-making. They are aligned with some of the leading global standards and are in accordance with various global charters and principles. Some of these include –

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

[102-12] [102-18]

The Group has also marked a significant milestone in 2019 by winning two prestigious awards at the Singapore Corporate Awards 2019 - the Best Managed Board (Gold) and Best Investor Relations (Silver) awards for the category of companies with less than S$300 million in market capitalisation.

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.

SUSTAINABILITY REPORT (Cont'd)

SUSTAINABILITY AT FRENCKEN (CONT'D)

Managing Sustainability-related Risks

Managing risks that arise in our operations through a precautionary approach is the first step towards embracing sustainable growth.

The Board is responsible for the governance of risk. The Board regularly reviews the organisation's business and operations to identify areas of significant risks. By doing so, the Board also takes responsibility to take measures to control and mitigate these risks, including those relating to sustainability.

[102-11]

Sustainability in Supply Chain

Apart from providing end-to-end solutions across entire value chains for our customers, we are also looking at integrating sustainable practices within our supply chain. Our supply chain consists of multiple suppliers and vendors that supply the raw materials for our operations such as resins, plastic packaging, etc. Our suppliers are mainly located in the Asian region.

Risks and opportunities arise in our supply chain around our supplier and vendor operations. We aim for our suppliers and vendors to enjoy good working conditions, benefits and opportunities that would resonate to provide a positive impact on the wider community. The General Manager and Procurement Director oversee the overall supply chain operations for the entities in scope and ensure all these risks and opportunities are effectively managed.

[102-9] [102-10]

Scale of the Organisation

The scale of the organisation gives an indication of the organisation's activities and provides insights into the impact created by our workforce. In 2019, the total number of employees in Frencken was 3,440. We have 17 operations - in the USA, The Netherlands, Switzerland, India, China, Thailand, Malaysia, and Singapore. Our operations included the sale of products for automotive, healthcare, industrial, life sciences and semiconductor industries.

[102-7] [102-8]

Employment Contract and Type	Full-time Permanent Employees		Part-time Temporary Employees	
	1751	964	562	163

STAKEHOLDER ENGAGEMENT

Our stakeholders form a diverse group, and their views and recommendations have helped improve our operations over the years. We have built a strong relationship with our key stakeholders who have been at the forefront to help identify sustainability-related challenges faced by the Group. These key stakeholders were selected based on the level of influence they have on the operations of the Group. These stakeholders include shareholders, investors, employees, customers, government/regulators, suppliers/contractors, and the media. The material factors identified by them have been used to benchmark our sustainability performance, targets and achievements in the past two years.

Similar to the last year of reporting, we have undertaken a strategic approach to improve our relationship with our stakeholders by enabling continuous and effective modes of dialogues with them on sustainability-related matters.
The table below shows our relationship and interaction with stakeholders during the FY2019.

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

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

SUSTAINABILITY REPORT (Cont'd)

MATERIALITY ASSESSMENT: MANAGING RISKS AND OPPORTUNITIES

In 2018, we conducted our first materiality assessment exercise involving our key stakeholders. The materiality assessment exercise was to identify the key issues and challenges the organisation faces that impact our operations. Our key stakeholders for this exercise were chosen from a diverse pool of stakeholders selected based on the level of influence they have on the Group and our operations. We identified five key topics through this exercise that falls under the three sustainability categories – Economic, Environmental, Social.

Last year, we reported our progress in these five topics and set goals for ensuring improvements. This year, we report our performance in an additional topic apart from the five topics identified previously. The additional topic is on our materials used. We find it significant to report this and inform our stakeholders on the various materials used, recycled or reused in our operations, to ensure transparency of our processes.

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

The six material topics of 2019 are given in the table below.

Material Topics and Sub-topics reported in 2019 and the extent of their Impact

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

[102-46] [102-47]

ECONOMIC PERFORMANCE

Why it matters

Our economic performance underlines our efforts to grow our business and give back to our stakeholders. Year-on-year we strive to improve our performance in order to remain competitive in our industry. Through our economic performance, we also add value to the local economies we operate in. As a material topic selected by our key stakeholders, we are aware of the importance this topic carries to our business.

[103-1]

How we approach it

Throughout the year, the performance of all our entities is monitored through internal and external audits. The audits give an overview of the gaps and areas of improvement in various business operations, including our economic performance. The Group's economic performance is also managed by a set of policies that govern the way we conduct our business. The Quality Management System (QMS), Environmental Management System (EMS) and Health & Safety Policies set a tone on the general areas of how our entities need to operate to maximise our performance.

Our strong internal governance structure supports our performance growth. Led by the General Manager at the senior management level, action plans with targets are set with the departmental heads. The performance of sales and marketing, production, quality, purchasing, supply chain, engineering, administrative and finance, and quality system departments are consistently monitored. The departmental heads further measure and improve their department performance to meet the said targets defined by the action plan within the reporting period.

[103-2] [103-3]

Our Performance

We are proud to report the Group's net profit attributed to equity holders of the company ("NPAT") for the year 2019 has exceeded the Group's 2018 NPAT by 41.1%.

Net Revenue for 2019

$ 659,151,000

NPAT for 2019

$ 42,372,000

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

[201-1]

SUSTAINABILITY REPORT (Cont'd)

ENVIRONMENTAL COMPLIANCE

Why it matters

The industry in which we operate in produces a significant impact on the environment - our processes include the use of non-renewable materials, we use electricity and water for our manufacturing processes and also generate waste. If these processes are not managed well, they can severely impact the local communities and the environment where we run our business. While we are actively pursuing to reduce our environmental footprint through our initiatives, we are also monitored for compliance through the local authorities. Therefore, we believe that complying with the local environmental rules and legislations to minimise the environmental impact of our operations is crucial to continue growing our business sustainably.

[103-1]

How we approach it

Compliance with environmental laws, regulations, standards and other requirements such as permits and licenses is strictly monitored across our Group. JTJ has mechanisms in place for monitoring and reporting their respective environmental performance and impacts. The Quality System Department of JTJ conducts the monitoring of environmental parameters. Some of our subsidiaries are 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.

[103-2] [103-3]

Juken Technology Engineering Sdn Bhd (JTJ) efforts for Environmental Management

Our subsidiary in Johor, JTJ, obtained an ISO 14001 Environmental Management System certification in 2006. JTJ has maintained the certification for 13 years, until today.

JTJ's Environmental Policy, endorsed by the General Manager, set precedence to the commitment to protect the environment.

JTJ's Environment, Safety and Health Objectives outlines initiatives to ensure environmental compliance, such as monthly monitoring of water and electricity consumptions. Each objective has a monthly target, frequency of monitoring and department in charge of implementation.

Frencken's 5S's Performance parameters to ensure environmental compliance

SORT → SET IN ORDER → SHINE/ SWEEPING → STANDARDISE → SUSTAIN

Performance

We are happy to report that in 2019, we were not subjected to any fines or non-monetary sanctions for non-compliance with environmental laws and/or regulations. There were also zero cases of dispute for any issue pertaining to the environment. Our commitment is to continue to conform to all environmental parameters and maintain our record of zero fines and sanctions in our operations.

We would like to go beyond complying with environmental compliance to ensuring that our operations are continuously improving on their environmental, health and safety performance, year on year. Targets set by JTJ in 2018 included monthly monitoring of water and electricity, with a spend of no more than RM4,000 and RM180,000 respectively. Targets also included zero actual incidences relating to health and safety of employees.

We are proud to report that in 2019, JTJ achieved all targets. For further improvement, JTJ will be rolling-out new policy and subsequently setting targets for this aspect.

In 2019, **ZERO fines and ZERO non-monetary sanctions** recorded for non-compliance with environmental laws and/or regulations

[307-1]

MATERIALS

Why it matters

We use materials derived from natural and synthetic matter in our products and packaging. These materials are either renewable or non-renewable. While renewable materials can be replenished quickly by natural processes, non-renewable materials take longer periods to disintegrate and can interfere with the natural processes. The high use of materials of various nature in our industry influences the availability of such materials and the organisation's impact on the environment. On identifying the various types, amounts and nature of materials used in our operations, we can explore innovative opportunities to reduce our environmental footprint and reduce our dependence on such materials.

[103-1]

How we approach it

As technology solution providers to our customers, we design and manufacture systems for various industries including healthcare, life sciences, semiconductors and automotive. Manufacturing products as per our customer's specification requires the use of different materials.

Our subsidiaries that manufacture products for the automotive industry heavily rely on resins in their operations. Whereas designing products for FMCG (Fast Moving Consumer Goods) markets, we use non-renewable materials such as plastics, carton boxes, resins, spray mould cleaner, etc. and renewable materials such as papers. The use of materials is managed by the Procurement Department of our respective subsidiaries.

Being conscious of the materials we use, we will look to identify ways to reduce our dependence on non-renewable materials. We will also explore the use of recycled materials if it meets our customer's expectations in terms of quality and price.

[103-2] [103-3]

Performance

Our entities in scope do not use any recycled materials in their products, nor do they reclaim products and their packaging materials.

[301-2] [301-3]

Our entities in scope use the following materials in their operations -

FY2019		
Type	**Metrics**	**Total**
Direct Materials	kg	**897,447.65**
Indirect Materials		
Packaging	kg	**292,688.30**
Others	L	**3,825.00**
Scrap Materials	kg	**56,455.30**

[301-1]

SUSTAINABILITY REPORT (Cont'd)

OCCUPATIONAL HEALTH AND SAFETY

Why it matters

The health and safety of our workforce reflect their morality and productivity which in turn impacts our products and operations. Having a safe environment where our workforce can perform at the best of their abilities, is a responsibility our Group ensures to uphold. As a material topic, we are prompted to identify and set targets to reduce our injury rate, lost-day rate and any workplace-related hazards. By providing safe workplace for the employee, we hope to build employee satisfaction and reduce the turnover rate.

[103-1]

How we approach it

Frencken's Global Human Resource Policies and Procedures Manual outlines labour practices that comply with all applicable statutory requirements globally. Our subsidiaries have established their own Occupational Safety and Health (OSH) policies, which are aligned to the Frencken Global HR Policies and Procedure Manual. These policies are tailored to protect employee health and ensure a safe working environment for them. The main objective of these policies is to reduce or eliminate work-related injuries and ensure compliance with applicable OSH regulations and standards. Our subsidiaries have also set designated OHS committees, assigning roles and responsibilities to the committee members. 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.

In JTJ, the use of Personal Protective Equipment (PPE) is a requisite for many processes. The subsidiary has an Employee Health & Safety Monitoring List for various sessions that detail the PPE required to be worn. The use of PPE is monitored by either the manager, officer, supervisor in charge, depending on the type of operations. Accident cases are monitored on a monthly basis and are registered by the administration department for record-keeping. To maintain the ISO 14001 (Environmental Management Systems) certification, the subsidiary is audited yearly. We are happy to report that to date, there has not been any 'non-compliance' finding relating to OHS. The audit results are incorporated into an annual safety plan to reinforce better OSH practices and drive health and safety initiatives in the future. JTJ also engages internal and external safety consultants to benchmark our OSH practices against industry best practices.

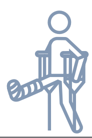
[103-2] [103-3]

Performance

In 2019, our two entities in scope recorded zero work-related fatalities and zero cases of occupational diseases. There was only one case of an injury recorded in JTH. The injury was caused when a male employee's knee struck against the machine while the employee was filling plastic seeds. Two and a half days were lost due to this injury and this was recorded in the Accident Incident Investigation Report.

[403-2]

Occupational Health and Safety Performance in 2019

Injury Rate[1]	Occupational Disease Rate[2]	Work-Related Fatalities[3]	Lost Day Rate[4]
0.078	0	0	0.022
Per 100 employed persons	Per 100 employed persons	Over one-year period	Per 100 working hours

1 Injury Rate is the frequency of injuries, relative to the total time worked by all workers during the reporting period
2 Occupational Disease Rate is the frequency of occupational diseases relative to the total time worked by all workers during the reporting period
3 Work-related Fatalities is the death of a worker occurring in the current reporting period, arising from an occupational disease or injury sustained or contracted while performing work that is controlled by the organisation or that is being performed in workplaces that the organisation controls
4 Lost Day Rate is the impact of occupational diseases and accidents as reflected in time off work by the affected workers

TRAINING AND EDUCATION

Why it matters

People play a pivotal role in building our business. To develop a high-performance culture within Frencken, it is critical to nurture and build our workforce capabilities. By fostering the right talent and skills, Frencken is looking at sustaining a workforce that contributes to the success of our business. Training and skills development of our workforce would also improve productivity and improve our product quality.

[103-1]

How we approach it

The training of our workforce follows the four guiding principles outlined by our Group's Training Policy and Procedure, which include – Training, Education, Development and Learning. The four guiding principles form the basis to promote the improvement of the performance and development of our employees in our organisation.

Permanent employees are provided with training and are provided with the opportunity to participate in programmes on various subjects depending on their job requirement and needs. All new hires, both executive and non-executive staff are required to attend orientation and induction sessions to familiarise themselves with their daily operations and roles. Topic-specific training is provided to employees of various organisational levels, depending on their nature of work and industry requirement.

In 2019, JTH provided training on health and safety. Some of these included training on safety, occupational health and working environment for all general employees, training on first aid and training on fire fighting. More specific scope included training for safety supervisors, training on chemical use and emergency drills in case of chemical spills and training for the Safety Committee. On topics around the environment, training particularly focused on ISO systems such as training on the requirement and internal audit of ISO 45001:2015. Employees were also provided training on labour laws and accounting standards, and Quality Management related programme. JTJ provided programmes on problem-solving techniques such as the 8D Concept & root cause analysis. Project development training was also provided to employees that taught how to manage projects from start to finish.

Following through with our commitment to advance the growth of our employees, we consistently assess the effectiveness of our training programmes. The line managers and heads of departments conduct an annual Training Needs Analysis to assess the quality and need for the type of training to be provided to the employees. This analysis helps identify the gaps in the current processes and the subsequent training modules needed to bridge any competency gaps.

[103-2] [103-3]

Training Subjects In 2019

- Orientation
- Health and Safety
- Environmental Management Systems
- Quality Management
- Supply Chain - Logistics and Materials Management
- Problem Solving Technique
- Project Development

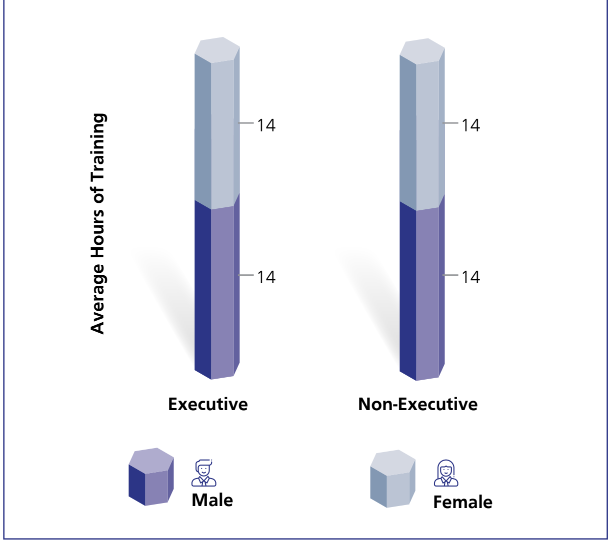
TRAINING AND EDUCATION (CONT'D)

Performance

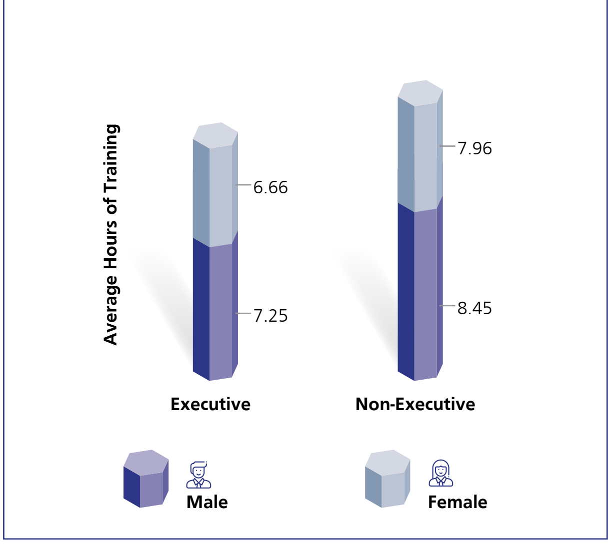
In 2019, we achieved an average of 8.90 hours of training per employee in both the entities in scope for this year's reporting. The employees were subjected to training around various topics. These included but were not limited to training on ISO systems for environmental management, health and safety, human resource, quality management, fire safety, project development and problem-solving techniques. All the trainings were provided to both female and male employees at different organisational levels, based on an as-needed basis. Additionally, we carried out Training Need Analysis for all departments to determine the gap between employee training and need(s) of training.

[404-1]

Average Training Hours per Employee Category (JTJ)



Average Training Hours per Employee Category (JTH)



Frencken's Guiding Principles for Human Resource Development Programmes

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

SUSTAINABILITY REPORT (Cont'd)

SOCIOECONOMIC COMPLIANCE

Why it matters

To remain relevant and competitive in the market, it is critical to be compliant with all applicable laws and industry standards. The Group makes sure that it upholds the highest level of ethical standards which we believe would translate to smooth business operations. By emphasising business ethics and integrity, we not only avoid costly liability due to non-compliance but also ensure a strong organisational performance record that would sustain and safeguard the trust of our stakeholders.

[103-1]

How we approach it

Frencken's Code of Business Ethics and Conduct governs our Group's effort to adhering to all applicable laws and regulations. The Group strictly prohibits all forms of criminal conduct including but not limited to corruption, bribery, unfair competition, fraud, embezzlement, threats and extortion, as outlined in the Code. All employees across all our organisational levels are responsible to abide by the code and demonstrate a high standard of conduct while performing their duties.

Compliance to the Code, general business ethics and conduct is overseen by respective function heads. The General Manager is responsible for overseeing the overall compliance with all applicable socioeconomic laws and regulations. The Group-wide whistle-blowing policy provides an avenue for whistle-blowers to report any case of non-compliance without fear of reprisals or victimisation. The whistle-blowing channel could be used by all our employees across all organisational levels to raise concerns relating to the affairs of the Group. Confidentiality is maintained throughout the process – as any concern is reported to the Chairman of the Audit Committee who is an independent director of the Board.

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

Performance

We are happy to report that in 2019, we were not subjected to any fines or non-monetary sanctions for non-compliance with socioeconomic laws and/or regulations. There were also zero cases of dispute recorded. Our commitment is to continue to conform to all socioeconomic parameters and maintain our record of zero fines and sanctions in our operations.

In 2019, **ZERO fines and ZERO non-monetary sanctions** recorded for non-compliance with socioeconomic laws and/or regulations

[419-1]

SUSTAINABILITY REPORT (Cont'd)

GRI CONTENT INDEX

[102-55]

GENERAL DISCLOSURES				
General Standard	**GRI Disclosure**		**Page number(s) and/or Remark(s)**	**Omissions**
ORGANISATIONAL PROFILE				
GRI 102: General Disclosures 2016	102-1	Name of the organisation	Cover Page	
	102-2	Activities, brands, products and services	Annual Report page 3 - 9	
	102-3	Location of headquarters	Annual Report page 29	
	102-4	Location of operations	Annual Report page 2, 6, 7	
	102-5	Ownership and legal form	Annual Report page 3, 29, 178	
	102-6	Markets served	Annual Report page 6 - 7	
	102-7	Scale of the organisation	33	
	102-8	Information on employees and other workers	33	
	102-9	Supply chain	33	
	102-10	Significant changes to the organisation and its supply chain	33	
	102-11	Precautionary principle or approach	33	
	102-12	External initiatives	32	
	102-13	Membership of associations	Not applicable for the entities included in the scope of this report	
STRATEGY				
GRI 102: General Disclosures 2016	102-14	Statement from senior decision-maker	Annual Report page 10, 11, 12	
ETHICS AND INTEGRITY				
GRI 102: General Disclosures 2016	102-16	Values, principles, standards, and norms of behaviour	42	
GOVERNANCE				
GRI 102: General Disclosures 2016	102-18	Governance structure	42	
STAKEHOLDER ENGAGEMENT				
GRI 102: General Disclosures 2016	102-40	List of stakeholder groups	34	
	102-41	Collective bargaining agreements	Not applicable for the entities included in the scope of this report	

SUSTAINABILITY REPORT (Cont'd)

GRI CONTENT INDEX (CONT'D)

GENERAL DISCLOSURES				
General Standard	**GRI Disclosure**		**Page number(s) and/or Remark(s)**	**Omissions**
STAKEHOLDER ENGAGEMENT				
GRI 102: General Disclosures 2016	102-42	Identifying and selecting stakeholders	34	
	102-43	Approach to stakeholder engagement	34	
	102-44	Key topics and concerns raised	35	
REPORTING PRACTICE				
GRI 102: General Disclosures 2016	102-45	Entities included in the consolidated financial statements	Annual Report page 130 - 136	
	102-46	Defining report content and topic boundaries	31	
	102-47	List of material topics	35	
	102-48	Restatements of information	30	
	102-49	Changes in reporting	30, 35	
	102-50	Reporting period	30	
	102-51	Date of the most recent report	30	
	102-52	Reporting cycle	30	
	102-53	Contact point for questions regarding the report	31	
	102-54	Claims of reporting in accordance with the GRI Standards	31	
	102-55	Content Index	43 - 45	
	102-56	External assurance	31	
CATEGORY: ECONOMIC				
ECONOMIC PERFORMANCE				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	36	
	103-2	The management approach and its components	36	
	103-3	Evaluation of the management approach	36	
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	36	
CATEGORY: ENVIRONMENTAL				
ENVIRONMENTAL COMPLIANCE				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	37	
	103-2	The management approach and its components	37	
	103-3	Evaluation of the management approach	37	
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	37	

GRI CONTENT INDEX (CONT'D)

GENERAL DISCLOSURES				
General Standard	**GRI Disclosure**		**Page number(s) and/or Remark(s)**	**Omissions**
		MATERIALS		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	38	
	103-2	The management approach and its components	38	
	103-3	Evaluation of the management approach	38	
GRI 301: Materials 2016	301-1	Materials used by weight or volume	38	
	301-2	Recycled input materials used	38	
	301-3	Reclaimed products and their packaging materials	38	
		CATEGORY: SOCIAL		
		TRAINING AND EDUCATION		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	40	
	103-2	The management approach and its components	40	
	103-3	Evaluation of the management approach	40	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	41	
		OCCUPATIONAL HEALTH AND SAFETY		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	39	
	103-2	The management approach and its components	39	
	103-3	Evaluation of the management approach	39	
GRI 403: Occupational Health and Safety 2016	403-2	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and the total number of work-related fatalities	39	
		SOCIOECONOMIC COMPLIANCE		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	42	
	103-2	The management approach and its components	42	
	103-3	Evaluation of the management approach	42	
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	42	

CORPORATE GOVERNANCE STATEMENT

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

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

This report discusses the Company's corporate governance framework and practices in place for the financial year ended 31 December 2019.

BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS
Principle 1 The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company

Principal Duties of the Board

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

The principal functions of the Board 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. Directors who face conflicts of interest must recuse themselves from discussions and decisions involving the issues of conflict.

Director Development and Training

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

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

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

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 while major investments and funding decisions require approval 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 Group's annual reports and accounts;
- Convening of shareholder's meetings;
- Approval of corporate strategies; and
- Material acquisitions and disposal of assets.

Board Processes

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

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

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

The number of Board and Board Committee meetings held during the financial year ended 31 December 2019 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	1
Mohamad Anwar Au (also known as Dennis Au)	4	N/A	N/A	N/A
Chia Chor Leong	4	5	1	1
Ling Yong Wah	4	5	1	N/A
Yeo Jeu Nam	4	5	N/A	1
Melvin Chan Wai Leong	4	5	N/A	N/A

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

Complete, Adequate and Timely Information

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

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

Separate and Independent Access

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

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

Company Secretary

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

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

BOARD COMPOSITION AND GUIDANCE
Principle 2 The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

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

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

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

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

The profile of the Directors are found on pages 24 to 27 of this Annual Report.

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

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

Policy on the independence of Independent Board and its Directors

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

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

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

Except for Mr Chia Chor Leong, Mr Ling Yong Wah and Mr Yeo Jeu Nam, none of the directors have served on the Board for a period exceeding nine years from the date of their appointments. Mr Chia Chor Leong, Mr Ling Yong Wah and Mr Yeo Jeu Nam have served as Independent Director of the Company for more than nine years since their initial appointments on 22 September 2004, 12 May 2005 and 1 November 2010 respectively. The Board has subjected their independence to rigorous review.

Mr Chia Chor Leong, Mr Ling Yong Wah and Mr Yeo Jeu Nam 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 Mr Chia Chor Leong, Mr Ling Yong Wah and Mr Yeo Jeu Nam are still considered to be independent.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER
Principle 3 There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

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

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

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

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

The Chairman is responsible to, among others: -

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

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

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

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

BOARD MEMBERSHIP
Principle 4 The Board has a formal and transparent process for the appointment and re-appointment of directors taking into account the need for progressive renewal of the Board.

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

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

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

The Nominating Committee is responsible for the following: -

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

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

(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;

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

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

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

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

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

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

Dato' Gooi Soon Chai and Mr Dennis Au are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 23 April 2020 ("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	**Dato' Gooi Soon Chai**	**Mr Dennis Au**
Date of appointment	10 February 2015	28 April 2016
Date of last re-appointment	25 April 2018	27 April 2017
Age	58	55
Country of principal residence	Malaysia	Malaysia
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 Dato' Gooi Soon Chai for re-appointment as Non-Executive Non-Independent Director of the Company. The Board have reviewed and concluded that Dato' Gooi Soon Chai 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 Dennis Au for re-appointment as Executive Director of the Company. The Board have reviewed and concluded that Mr Dennis Au possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

Name of Director	Dato' Gooi Soon Chai	Mr Dennis Au
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Executive Mr Dennis Au will be responsible for charting the Group's strategic direction, setting the goals for the organisation and overseeing the operations and performance of the Group.
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	Chairman, Non-Executive Non-Independent Director, Members of Nominating and Remuneration Committees	President, Executive Director
Professional qualifications	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.	Bachelor of Engineering (Electronic, Electrical and Systems) from the National University of Malaysia.
Working experience and occupation(s) during the past 10 years	Dato' Gooi 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.	Vice President and General Manager for Keysight Korea & South Asia Pacific (KSAP) region operations. • Responsible for Sales, Marketing and Support operations for Korea, India, SEA and Australasia. • Also lead Keysight's Asia Manufacturing Test Operations for focusing on Manufacturing Test Solutions for the ICT hardware, Disk Drive, Automotive and Industrial Electronics. • Accountable for overall strategy for the KSAP region and the implementation/ execution to meet the region's financial and growth targets.
Shareholding interest in the listed issuer and its subsidiaries	6,165,023 ordinary shares (Direct interest) 92,752,668 ordinary shares (Deemed interest)	3,287,000 ordinary shares (Direct interest)

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

Name of Director	Dato' Gooi Soon Chai	Mr Dennis Au
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	1. Precico Holdings Sdn. Bhd. ("PHSB") • Dato' Gooi is a director of PHSB • Dato' Gooi is the brother of Mr Gooi Soon Lee, a director of PHSB • Dato' Gooi is the nephew-in-law of Mr Tan Beng Teik, a director of PHSB 2. Prime Logic (M) Sdn. Bhd. ("PLSB") • Dato' Gooi is a director of PLSB • Dato' Gooi is the brother of Mr Gooi Soon Lee, a director of PLSB • Dato' Gooi is the nephew-in-law of Mr Tan Beng Teik, a director of PLSB 3. Micro Compact (M) Sdn. Bhd. ("MCSB") • Dato' Gooi is a director of MCSB • Dato' Gooi is the brother of Mr Gooi Soon Lee, a director of MCSB • Dato' Gooi is the nephew-in-law of Mr Tan Beng Teik, a director of MCSB 4. Sinn Hin Company Sdn. Bhd. ("SHCSB") • Dato' Gooi is a director of SHCSB • Dato' Gooi is the brother of Mr Gooi Soon Lee and Mr Gooi Soon Kheng who are directors of SHCSB	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

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

Name of Director	Dato' Gooi Soon Chai	Mr Dennis Au
Other principal commitments *(including Directorships#) * The term "principal commitments" shall include all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments. # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)	Dato' Gooi 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.	Nil
Past Directorship (for the last 5 years)	1. Malaysia Investment Development Board 2. Sim Hin Realty Sdn. Bhd.	Nil
Present Directorship	1. Sinn Hin Company Sdn. Bhd. 2. Pensyn Sdn. Bhd. 3. Metro Land Sdn. Bhd. 4. Cayman Resources Sdn. Bhd. 5. Micro Compact (M) Sdn. Bhd. 6. Precico Holdings Sdn. Bhd. 7. Prime Logic (M) Sdn. Bhd.	1. Frencken International Sdn. Bhd. 2. Precico Sdn Berhad 3. Juken Technology Limited 4. Juken Swiss Technology AG 5. Frencken (Chuzhou) Co., Ltd 6. NTZ Nederland B.V. 7. Frencken Europe B.V. 8. Juken Uniproducts Pvt. Limited

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	Dato' Gooi Soon Chai	Mr Dennis Au
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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
Name of Director	**Dato' Gooi Soon Chai**	**Mr Dennis Au**
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
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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
Name of Director	**Dato' Gooi Soon Chai**	**Mr Dennis Au**
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)

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	**Dato' Gooi Soon Chai**	**Mr Dennis Au**
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

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

Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
Name of Director	**Dato' Gooi Soon Chai**	**Mr Dennis Au**
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	**Dato' Gooi Soon Chai**	**Mr Dennis Au**
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

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
Dennis Au	28 April 2016	27 April 2017
Chia Chor Leong	22 September 2004	25 April 2018
Ling Yong Wah	12 May 2005	25 April 2019
Yeo Jeu Nam	1 November 2010	25 April 2019
Melvin Chan Wai Leong	27 April 2017	25 April 2018

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

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

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

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

Currently, the Company does not have any alternate directors.

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

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

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

BOARD PERFORMANCE
Principle 5 The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors

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

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

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 6 ***The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.***

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

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

The Remuneration Committee is responsible for the following:

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

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

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

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

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. No remuneration consultant was engaged in FY2019.

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

No directors participate in decisions on their own remunerations.

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

LEVEL AND MIX OF REMUNERATION

Principle 7 ***The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.***

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

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

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

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

DISCLOSURE ON REMUNERATION

Principle 8 ***The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.***

A breakdown showing the level and mix of each individual Director's remuneration payable for financial year 2019 is as follows:

	2019	**2018**
$1,000,001 to $1,250,000	1	1
$750,001 to $1,000,000	-	-
$500,001 to $750,000	-	-
$250,000 to below $500,000	-	-
Below $250,000	5	5
Total	**6**	**6**

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

A breakdown showing the level and mix of each individual Director's remuneration payable for financial year 2019 is as follows: (cont'd)

Name of Director	Salary %	Bonus %	Fringe Benefits %	Directors' Fees %	Total %
$1,000,001 to $1,250,000					
Dennis Au	45	42	13	-	100
Below $250,000					
Dato' Gooi Soon Chai	-	-	3	97	100
Chia Chor Leong	-	-	6	94	100
Ling Yong Wah	-	-	6	94	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	44	28	28	-	100
$500,001 to $750,000					
Sim Mong Huat	55	30	15	-	100
$250,000 to $500,000					
Chin Yean Choon	41	27	21	11	100
Wang Liang Horng	58	26	16	-	100
Willem Bos	55	21	24	-	100
Leong Kwok Choon	52	30	18	-	100

The aggregate of total remuneration paid or accrued to the top six (6) key management personnel of the Company (who are not directors or the Chief Executive Officer) for financial year 2019 is $3,132,964.

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 2019, the Company and its subsidiary companies do not have any other employees who are substantial shareholders, or are immediate family members of a director or the Chief Executive Officer or a substantial shareholder of the Company and whose remuneration exceeds $100,000.

Information on the Company's Employee Share Option Scheme 2008 such as size of grants, exercise price of options that were granted as well as outstanding and vesting period of option are set out on pages 72 to 74 of the Annual Report.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

The Board has received assurance from 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 2019 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 2019, the Board, with the concurrence of the Audit Committee and the assurance of the management (including the President and Chief Financial Officer as well as the internal auditors) are of the opinion that the Group's system of internal controls, including financial, operational, compliance and information technology controls, and risk management systems are adequate and effective.

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

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

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

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

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

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

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

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

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

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

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

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

(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;

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

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

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

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

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

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

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

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

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

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

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

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

The Board believes that the existing system of internal controls is adequate and recognises that it is responsible for maintaining a system of internal control processes to safeguard shareholders' investments and the Group's business and assets. The effectiveness of the internal financial control systems and procedures are monitored by the management. The 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 which also decides on the appointment, termination and remuneration of the head of the internal audit function. 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.

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

During the year, the internal auditor carried out one (1) cycle of internal audit for the Mechatronics Division in Europe and three (3) cycles of internal audit for the IMS Division in Asia. The findings were presented to the Audit Committee.

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

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

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

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

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

SHAREHOLDERS RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 11 ***The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.***

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

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

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

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

The number of general meetings held during the financial year ended 31 December 2019 and the attendance of each Director, where relevant, are as follows:

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

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

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

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

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

Dividend Policy

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

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

ENGAGEMENT WITH SHAREHOLDERS

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

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

Information is disseminated to shareholders on a timely basis through:

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

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

MANAGING STAKEHOLDERS RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

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

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

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

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

MATERIAL CONTRACTS

There were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the President, any Director, or controlling shareholder subsisting at the end of financial year ended 31 December 2019.

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 2019.

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 2019.

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 80 to 175 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 2019, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

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

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

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

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, except for the 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 21.1.2020**	**At beginning of year**	**At end of year**	**At 21.1.2020**
Frencken Group Limited (Ordinary shares)						
Dato' Gooi Soon Chai	5,615,723	6,165,023	6,165,023	92,535,168	92,842,668	92,842,668
Dennis Au	3,287,000	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
Dennis Au		
- 2016 Options	500,000	500,000
- 2017 Options	700,000	700,000

The directors' interests in the shares and share options of the Company as at 21 January 2020 were the same at 31 December 2019.

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:

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)

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 31.12.2019**	**Aggregate granted since commencement of scheme to 31.12.2019**	**Aggregate exercised since commencement of scheme to 31.12.2019**	**Aggregate outstanding as at 31.12.2019**
Dennis 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 Dennis Au, the Executive Director of the Company and Sebastiaan Johannes van Sprang, a former director of the Company, no participant under the Scheme has received 5% or more of the total number of shares under option available under the Scheme.

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 31.12.2019	Exercise price	Exercise period
2010 Options	675,000	$0.224	01.12.2012 to 30.11.2020
2016 Options	500,000	$0.184	01.04.2018 to 31.03.2026
2017 Options	2,850,000	$0.432	06.12.2019 to 05.12.2027
	4,025,000		

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

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

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

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

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

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

5 AUDIT COMMITTEE (CONT'D)

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

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

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

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

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

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

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

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

The Audit Committee has full access to documents and information and the co-operation from management and has full discretion to invite any Director or Executive Officer to attend its meetings, and has been given reasonable resources to enable it to discharge its functions.

DIRECTORS' STATEMENT (Cont'd)

5 AUDIT COMMITTEE (CONT'D)

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 which also decides on the appointment, termination and remuneration of the head of the internal audit function. 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 one (1) cycle of internal audit for the Mechatronics Division in Europe and three (3) cycles of internal audit for the IMS Division in Asia. The findings were presented to the Audit Committee.

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

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

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

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

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

6 AUDITORS

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

ON BEHALF OF THE DIRECTORS

....
Dato' Gooi Soon Chai

....
Dennis Au

9 March 2020

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 2019, 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 80 to 175.

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 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters	How the matter was addressed in the audit
Carrying value of goodwill and deferred development costs **Goodwill** The Group has $9,565,000 (2018 : $9,720,000) 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 24.5% (2018 : 22.2%) 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 costs** The Group has $7,861,000 (2018 : $9,842,000) of deferred development costs capitalised for the development of products. For capitalised deferred development costs that are not yet available for use, management assessed the recoverability based on cash flows forecast which requires judgement about future market conditions, including growth rates and discount rates. Significant amount of the deferred development costs are part of the CGU to which the goodwill 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 19, the total carrying values of the Group's goodwill and deferred development costs amounted to $17,426,000 (2018 : $19,562,000) as at 31 December 2019 which represented 3.4% (2018 : 4.2%) of the total assets. During the year, the Group recorded an impairment loss of goodwill of $Nil (2018 : $2,109,000) and deferred development costs of $1,531,000 (2018 : $1,425,000). The accounting policies and key assumptions to the impairment are disclosed in Notes 2, 3 and 19 to the financial statements.	Based on our procedures, we noted management's key assumptions to be within a reasonable range of our expectations. We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

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

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

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

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

9 March 2020

CONSOLIDATED INCOME STATEMENT

For The Financial Year Ended 31 December 2019

	Note	2019 $'000	2018 $'000
Revenue	5	659,151	625,791
Cost of sales		(547,702)	(524,058)
Gross profit		111,449	101,733
Other income	6	6,078	4,643
Selling and distribution expenses		(11,805)	(11,923)
Administrative and general expenses		(43,586)	(47,408)
Other operating expenses		(2,783)	(1,977)
Interest income		1,612	1,544
Finance costs	8	(2,905)	(2,541)
Exceptional items	9	(4,160)	(3,907)
Profit before income tax		53,900	40,164
Income tax expense	10	(11,302)	(9,815)
Profit for the year	7(a)	42,598	30,349
Profit attributable to:			
Equity holders of the Company		42,372	30,030
Non-controlling interests		226	319
		42,598	30,349
Earnings per share			
Attributable to the equity holders of the Company (cents per share)	11		
Basic		10.01	7.15
Diluted		9.97	7.11

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2019

	Note	2019 $'000	2018 $'000
Profit for the year		42,598	30,349
Other comprehensive (loss) income			
Item that will not be reclassified subsequently to income statement:			
Remeasurement of defined benefit obligation	29	(592)	34
Net fair value loss on financial asset designated as at fair value through other comprehensive income		-	(570)
Item that may be reclassified subsequently to income statement:			
Currency translation differences arising from consolidation		(3,264)	(3,229)
Other comprehensive loss for the year, net of tax		(3,856)	(3,765)
Total comprehensive income for the year		38,742	26,584
Total comprehensive income attributable to:			
Equity holders of the Company		38,591	26,367
Non-controlling interests		151	217
		38,742	26,584

See accompanying notes to financial statements.

BALANCE SHEETS

As At 31 December 2019

		The Group		The Company	
	Note	2019	2018	2019	2018
		$'000	$'000	$'000	$'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	90,357	97,353	-	-
Right-of-use assets	14	16,821	-	-	-
Investment properties	15	1,636	1,704	-	-
Subsidiaries	16	-	-	128,025	127,666
Investments in associated companies	17	-	-	-	-
Financial asset at fair value through other comprehensive income	18	3,235	3,235	3,235	3,235
Intangible assets	19	17,505	19,684	-	-
Deferred income tax assets	30	1,456	1,445	-	-
Other receivables, deposits and prepayments	23	360	840	-	-
Total non-current assets		131,370	124,261	131,260	130,901
Current assets					
Inventories	20	140,679	144,619	-	-
Trade receivables	21	97,647	115,870	-	-
Receivables from subsidiaries	22	-	-	5,812	6,766
Dividend receivable from subsidiaries		-	-	3,569	11,282
Other receivables, deposits and prepayments	23	13,791	10,897	51	39
Tax recoverable		327	1,009	-	-
Cash and cash equivalents	24	122,382	67,084	12,321	4,667
Total current assets		374,826	339,479	21,753	22,754
Total assets		506,196	463,740	153,013	153,655

BALANCE SHEETS

As At 31 December 2019 (Cont'd)

		The Group		The Company	
	Note	2019	2018	2019	2018
		$'000	$'000	$'000	$'000
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables	25	87,809	79,198	-	-
Payable to a subsidiary		-	-	561	572
Other payables, accruals and provisions	26	38,780	38,267	931	706
Borrowings	27	53,053	67,496	3,110	4,758
Lease liabilities	28	4,486	-	-	-
Income tax payable		6,242	4,577	27	9
Total current liabilities		190,370	189,538	4,629	6,045
Non-current liabilities					
Borrowings	27	169	1,210	-	-
Lease liabilities	28	11,045	-	-	-
Retirement benefit obligations	29	2,347	1,624	-	-
Deferred income tax liabilities	30	4,114	3,849	-	-
Total non-current liabilities		17,675	6,683	-	-
Total liabilities		208,045	196,221	4,629	6,045
NET ASSETS		298,151	267,519	148,384	147,610
Equity					
Capital and reserves attributable to the Company's equity holders					
Share capital	31	103,486	102,892	103,486	102,892
Foreign currency translation reserve		(1,934)	1,184	-	-
Merger reserve		2,345	2,345	-	-
Capital reserve		1,990	1,682	1,990	1,682
Statutory reserve fund	32	3,834	3,483	-	-
Share option reserve		882	831	882	831
Fair value reserve		(3,165)	(3,165)	(3,165)	(3,165)
Other reserve		(1,630)	(967)	-	-
Retained profits		189,565	156,607	45,191	45,370
		295,373	264,892	148,384	147,610
Non-controlling interests		2,778	2,627	-	-
Total equity		298,151	267,519	148,384	147,610

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2019

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2019 (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 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)	37	-	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	29	-	-	-	-	-	-	-	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	32	-	-	-	-	451	-	-	-	(451)	-	-	-
Employees share option scheme													
- Value of employee services		-	-	-	-	-	432	-	-	-	432	-	432
- Issue of share capital	31	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

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2019

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

STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2019 (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 2018		101,943	1,193	888	-	42,446	146,470
Effect of adopting SFRS(I)	37	-	-	-	(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	31	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

See accompanying notes to financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For The Financial Year Ended 31 December 2019

	2019 $'000	2018 $'000
Cash Flows From Operating Activities		
Profit after tax	42,598	30,349
Adjustments for:		
Income tax expense	11,302	9,815
Exchange differences	351	(419)
Employees share option expense (Note 7(b))	359	432
Depreciation of property, plant and equipment (Note 13)	15,548	15,150
Depreciation of right-of-use assets (Note 14)	5,007	-
Depreciation of investment properties (Note 15)	65	70
Loss on disposal of club membership	-	36
(Gain) Loss on disposal of property, plant and equipment, net	(990)	234
Property, plant and equipment written off (Note 13)	144	30
Interest income	(1,612)	(1,544)
Interest expense (Note 8)	2,905	2,541
Amortisation of intangible assets (Note 19)	504	1,158
Impairment loss of club membership (Note 19)	34	-
Impairment loss of goodwill in subsidiary (Note 9)	-	2,109
Impairment loss of deferred development costs (Note 9)	1,531	1,425
Impairment loss of property, plant and equipment (Note 9)	2,629	513
Net gain on disposal of subsidiaries (Note 24)	-	(140)
Operating cash flow before working capital changes	80,375	61,759
Changes in operating assets and liabilities:		
Inventories	1,352	(34,121)
Receivables	13,881	(16,595)
Payables	10,815	23,951
Cash flows generated from operations	106,423	34,994
Tax paid	(8,645)	(7,391)
Interest paid	(2,905)	(2,541)
Net cash generated from operating activities	94,873	25,062

CONSOLIDATED CASH FLOW STATEMENT

For The Financial Year Ended 31 December 2019 (Cont'd)

	2019	2018
	$'000	$'000
Cash Flows From Investing Activities		
Interest received	1,612	1,544
Additions of intangible assets (Note 19)	(285)	(31)
Purchase of property, plant and equipment (Note 24)	(15,224)	(24,299)
Proceeds from intangible assets	-	584
Proceeds from disposal of property, plant and equipment	1,833	552
Proceeds from disposal of investment properties	-	17
Loan to a third party (Note 24)	-	(1,200)
Repayment of loan from a third party	330	30
Disposal of subsidiaries, net of cash disposed of (Note 24)	-	(365)
Net cash used in investing activities	(11,734)	(23,168)
Cash Flows From Financing Activities		
Proceeds from issuance of share capital (Note 31)	594	949
Repayment of lease liabilities	(4,571)	-
Repayment of short-term bank borrowings	(119,476)	(140,038)
Repayment of term loans	(1,554)	(615)
Proceeds from short-term bank borrowings	114,969	146,590
Proceeds from term loans	-	1,394
Dividend paid to shareholders	(9,063)	(10,055)
Withdrawal of fixed deposits pledged as securities	(31)	(1)
Net cash used in financing activities	(19,132)	(1,776)
Net increase in cash and cash equivalents	64,007	118
Cash and cash equivalents at the beginning of the financial year	45,060	44,604
Effect of exchange rate changes on cash and cash equivalents	532	338
Cash and cash equivalents at the end of the financial year (Note 24)	109,599	45,060

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019

1 GENERAL

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

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

The consolidated financial statements of the Group and balance sheet and statement of changes in equity of the Company for the year ended 31 December 2019 were authorised for issue by the Board of Directors on 9 March 2020.

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 2019 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Adoption of new and revised standards

On 1 January 2019, the Group and the Company adopted all the new and revised SFRS(I) pronouncements that are relevant to its operations. The adoption of these new/revised SFRS(I) pronouncements does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years, except as disclosed below.

SFRS(I) 16 *Leases*

SFRS(I) 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, with exemption for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of SFRS(I) 16 on the Group's consolidated financial statements is described below.

The date of initial application of SFRS(I) 16 for the Group is 1 January 2019.

The Group has applied SFRS(I) 16 using the cumulative catch-up approach which:

- requires the Group to recognise the cumulative effect of initially applying SFRS(I) 16 as an adjustment to the opening balance of retained earnings at the date of initial application; and

- does not permit restatement of comparatives, which continue to be presented under SFRS(I) 1-17 and SFRS(I) INT 4.

(i) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to SFRS(I) 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with SFRS(I) 1-17 and SFRS(I) INT 4 will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. SFRS(I) 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on "risks and rewards" in SFRS(I) 1-17 and SFRS(I) INT 4.

The Group applies the definition of a lease and related guidance set out in SFRS(I) 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). The new definition in SFRS(I) 16 does not change significantly the scope of contracts that meet the definition of a lease for the Group.

(ii) Impact on lessee accounting

Former operating leases

SFRS(I) 16 changes how the Group accounts for leases previously classified as operating leases under SFRS(I) 1-17, which were off-balance-sheet.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Applying SFRS(I) 16, for all leases, the Group:

a) Recognises right-of-use assets and lease liabilities in the balance sheet, initially measured at the present value of the remaining lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with SFRS(I) 16:C8(b)(ii);

b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated income statement; and

c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under SFRS(I) 1-17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under SFRS(I) 16, right-of-use assets are tested for impairment in accordance with SFRS 1-36 *Impairment of Assets*.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by SFRS(I) 16. This expense is presented within cost of sales, selling and distribution expenses and administrative and general expenses in the consolidated income statement.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying SFRS(I) 1-17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has adjusted the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under SFRS(I) 1-37 in the balance sheet immediately before the date of initial application as an alternative to performing an impairment review.
- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Former finance leases

For leases that were classified as finance leases applying SFRS(I) 1-17, the carrying amount of the leased assets and obligations under finance leases measured applying SFRS(I) 1-17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Group has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying SFRS(I) 16 from 1 January 2019.

(iii) Financial impact of initial application of SFRS(I) 16

The weighted average lessee's incremental borrowing rate applied to the lease liabilities recognised in the balance sheet on 1 January 2019 is 4.56%.

The following table shows the operating lease commitments disclosed applying SFRS(I) 1-17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the balance sheets at the date of initial application.

	2019
	$'000
Operating lease commitments at 31 December 2018	19,731
Less: Short-term leases and leases of low value assets	(391)
Less: Effect of discounting the above amounts	(1,774)
Add: Others	374
Lease liability recognised as at 1 January 2019	17,940

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application.

Consequently, right-of-use assets of $17,940,000 and lease liabilities of $17,940,000 were recognised on 1 January 2019.

The Group made upfront payment in full to secure the right-of-use of a 99-year leasehold land which was previously classified as property, plant and equipment. The carrying amount of the leased asset of $1,721,000 has been reclassified to right-of-use assets as at 1 January 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Group accounting

Subsidiaries

(i) Consolidation

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

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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(d) 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 2019 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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(d) the accounting policy on investments in associated companies in the separate financial statements of the Company.

(d) Investments in subsidiaries and associated companies

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

(e) Intangible assets

(i) Goodwill on consolidation

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(ii) Other intangible assets

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

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

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

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

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

(a) Deferred development costs

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Impairment of non-financial assets

(i) Goodwill on consolidation

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

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

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

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

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

(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 2019 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(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 2019 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Revenue recognition

The Group recognises revenue from the following major sources:

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

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

(i) Sale of goods and moulds

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

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

(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 2019 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Property, plant and equipment

(i) Measurement

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

(ii) Component of costs

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

(iii) Depreciation

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

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

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

(iv) Subsequent expenditure

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

(v) Disposal

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Investment properties

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

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

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

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

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

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

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

(k) Inventories

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

(l) Cash and cash equivalents

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

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

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

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Leases

Leases (Before 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to income statement, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income statement on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leases (From 1 January 2019)

The Group as lessee

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

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

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Financial guarantees

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

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

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

Intra-group transactions are eliminated on consolidation.

(o) Borrowings

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

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

(p) Taxes

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

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

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

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

Deferred income tax is measured:

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

(q) Employee compensation

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

(i) Retirement benefit costs

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(ii) Employees' leave entitlement

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

(iii) Share-based compensation

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

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

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

(r) Segment reporting

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

(s) Government grants

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

(t) Dividend to Company's shareholders

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Share capital and treasury shares

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

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

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

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

(v) Financial assets

(i) Classification

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

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

Financial assets at FVTPL

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(ii) Foreign exchange gains and losses

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

(iii) Impairment of financial assets

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

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

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

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

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;

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- Significant increases in credit risk on other financial instruments of the same debtor; and

- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

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

Definition of default

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

- When there is a breach of financial covenants by the counterparty; or

- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower; or

- a breach of contract, such as a default or past due event; or

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

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

Measurement and recognition of expected credit losses

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(w) Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

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

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; or

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the Group is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and SFRS(I) 9 permits the entire combined contract to be designated as at FVTPL.

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

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

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

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

Foreign exchange gains and losses

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

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

Derecognition of financial liabilities

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

(x) Fair value estimation of financial assets and liabilities

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(y) Borrowing costs

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

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

(b) Critical accounting estimates and assumptions

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

(i) Estimation of impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(f)(i). The recoverable amounts of CGUs to which goodwill are allocated to have been determined based on value-in-use calculations which requires significant management's judgement about future market conditions, including growth rates and discount rates (Note 19(a)). Based on the review, no impairment loss is recognised during the year (2018 : $2,109,000).

As disclosed in Note 19, the carrying amount of goodwill as at 31 December 2019 was $9,565,000 (2018 : $9,720,000).

(ii) Estimation of impairment of deferred development costs

Capitalised deferred development costs with finite useful lives are assessed for impairment whenever there is an indication that it may be impaired. Capitalised deferred development costs that are not yet available for use are assessed for impairment annually based on cash flows forecast which requires significant judgement about future market conditions, including growth rates and discount rates (Note 19(b)). During the year, an impairment loss of $1,531,000 (2018 : $1,425,000) was recognised.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

As disclosed in Note 19, the carrying amount of the Group's deferred development costs as at 31 December 2019 was $7,861,000 (2018 : $9,842,000).

(iii) Estimation of impairment of property, plant and equipment

Property, plant and equipment are assessed for impairment whenever there is an indication that it may be impaired. Estimation of recoverable amount using the present value of the future cash flows expected from the assets, the growth rates and discount rates are required for the impairment assessment. During the year, an impairment loss of property, plant and equipment of $2,629,000 (2018 : $513,000) was recognised.

As disclosed in Note 13, the carrying amount of the Group's property, plant and equipment as at 31 December 2019 was $90,357,000 (2018 : $97,353,000).

(iv) Estimation of lease term

When estimating the lease term of the respective lease arrangement, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Potential future cash outflows of $3,659,000 have not been included in the lease liabilities because it is not reasonably certain that the leases will be extended (or not terminated).

If a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee, the above assessment will be reviewed further. During the financial year ended 31 December 2019, the effect of exercising extension and termination options was a decrease in recognised lease liabilities and right-of-use assets of $1,135,000.

4 RELATED PARTY TRANSACTIONS

A related party is defined as follows:

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

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

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (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	
	2019	2018
	$'000	$'000
Accounting services charged by a subsidiary	(39)	(41)
Management fee charged to subsidiaries	953	961
Management fee charged by a subsidiary	(396)	-
Interest charged to a subsidiary	184	135
Loan to a subsidiary	-	1,363
Expenses paid on behalf by a subsidiary	(220)	(246)

(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	
	2019	2018
	$'000	$'000
Salaries, wages and other short-term employee benefits	4,105	3,832
Post-employment benefits - defined contribution plan	238	213
Share option expense	323	392

Total compensation to directors of the Company included in above amounted to $1,533,000 (2018 : $1,357,000).

5 REVENUE

The Group derives its revenue from transfer of goods and services at a point in time and over time in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable segment under SFRS(I) 8 *Operating Segments* (Note 33).

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

	The Group	
	2019	2018
	$'000	$'000
At a point in time:		
Sale of goods	641,009	612,005
Installation services	13,560	4,439
Rental income	285	281
	654,854	616,725
Over time:		
Sale of moulds	4,297	9,066
	659,151	625,791

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

6 OTHER INCOME

	The Group	
	2019	2018
	$'000	$'000
Gain on disposal of property, plant and equipment	990	154
Government grants	1,691	2,359
Foreign exchange gain	1,053	988
Others	2,344	1,142
	6,078	4,643

7 PROFIT FOR THE YEAR

(a)

	The Group	
	2019	2018
	$'000	$'000
Amortisation of intangible assets (Note 19)	(504)	(1,158)
Depreciation of property, plant and equipment (Note 13)	(15,548)	(15,150)
Depreciation of right-of-use assets (Note 14)	(5,007)	-
Depreciation of investment properties (Note 15)	(65)	(70)
Employee compensations (Note 7(b))	(131,345)	(138,700)
Purchase of raw materials, finished goods, toolings and consumables	(403,509)	(403,654)
Changes in inventories of raw materials, work-in-progress and finished goods	(1,966)	32,169
Transportation	(7,999)	(9,067)
Repairs and maintenance	(6,180)	(6,482)
Utilities	(7,957)	(7,991)
Insurance	(1,053)	(1,267)
Rental expense	(2,524)	(7,478)
Auditors remuneration paid and payable to:		
- auditors of the Company	(247)	(264)
- other auditors*	(452)	(347)
Non-audit fees paid and payable to:		
- auditors of the Company	(6)	(30)
- other auditors*	(111)	(67)
Other expenses	(21,403)	(25,810)
Total cost of sales, selling and distribution expenses, administrative and general expenses and other operating expenses	(605,876)	(585,366)

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

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

7 PROFIT FOR THE YEAR (CONT'D)

(b) Employee compensations

	The Group	
	2019	2018
	$'000	$'000
Salaries, wages and other short-term employee benefits	(121,347)	(128,672)
Employer's contribution to defined contributions plans	(9,639)	(9,596)
Employee share option expense	(359)	(432)
	(131,345)	(138,700)

8 FINANCE COSTS

	The Group	
	2019	2018
	$'000	$'000
Interest expense on:		
- lease	(783)	-
- bank borrowings	(2,122)	(2,541)
	(2,905)	(2,541)

9 EXCEPTIONAL ITEMS

		The Group	
	Note	2019	2018
		$'000	$'000
Exceptional items comprise:			
Impairment loss of goodwill in a subsidiary	(i)	-	(2,109)
Impairment loss of deferred development costs	(ii)	(1,531)	(1,425)
Impairment loss of property, plant and equipment	(iii)	(2,629)	(513)
Net gain on disposal of subsidiaries	(iv)	-	140
		(4,160)	(3,907)

(i) This was in respect of impairment loss of goodwill in NTZ Nederland B.V., an operating unit within IMS division (Note 19).

(ii) This is in respect of impairment loss of deferred development costs in Frencken Europe B.V., an operating unit within Mechatronics division. In 2018, this was in respect of impairment loss of deferred development costs in NTZ Nederland B.V. (Note 19).

(iii) This is in respect of impairment loss of property, plant and equipment in Juken (Zhuhai) Co., Ltd, an operating unit within IMS division. In 2018, this was in respect of impairment loss of property, plant and equipment in NTZ Nederland B.V. (Note 13).

(iv) The net gain on disposal of subsidiaries related to the Group disposed of its 51% of equity interest in Supertool Industries Pte Ltd (Note 24).

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

10 INCOME TAX EXPENSE

	The Group	
	2019	**2018**
	$'000	**$'000**
Income tax expense attributable to profit is made up of:		
Current income tax:		
- Singapore	(4,019)	(2,905)
- Foreign	(7,292)	(6,704)
Deferred income tax (Note 30)	(373)	(433)
	(11,684)	(10,042)
Over (under) recognition in respect of previous financial years:		
- Current income tax	613	344
- Deferred income tax (Note 30)	(41)	31
	572	375
Withholding tax	(190)	(148)
	(11,302)	(9,815)

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	
	2019	**2018**
	$'000	**$'000**
Profit before income tax	53,900	40,164
Tax calculated at Singapore income tax rate of 17% (2018 : 17%)	(9,163)	(6,828)
Effects of:		
- Different income tax rates in other countries	(2,754)	(1,902)
- Expenses not deductible for tax purposes	(2,084)	(2,337)
- Income not subject to taxation	2,295	621
- Utilisation of previously unrecognised other temporary differences	77	470
- Deferred tax assets not recognised	(2)	(185)
- Tax incentives in other countries	60	47
- Withholding tax	(190)	(148)
- Others	(113)	72
Over (under) recognition in respect of previous financial years:		
- Current income tax	613	344
- Deferred income tax	(41)	31
	(11,302)	(9,815)

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (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	
	2019	**2018**
	$'000	**$'000**
Profit attributable to equity holders of the Company	42,372	30,030
	Number of shares	**Number of shares**
Weighted average number of ordinary shares outstanding for basic earnings per share	423,166,203	419,919,824
	Cents	**Cents**
Basic earnings per share	10.01	7.15

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has one category of potential dilutive ordinary shares which are share options.

For share options, the weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the profit attributable to equity holders of the Company.

11 EARNINGS PER SHARE (CONT'D)

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

	The Group	
	2019	**2018**
	$'000	**$'000**
Profit attributable to equity holders of the Company	42,372	30,030
	Number of shares	**Number of shares**
Weighted average number of ordinary shares outstanding for basic earnings per share	423,166,203	419,919,824
Adjustment for share options	1,753,168	2,250,508
	424,919,371	422,170,332
	Cents	**Cents**
Diluted earnings per share	9.97	7.11

12 DIVIDEND

	The Company	
	2019	**2018**
	$'000	**$'000**
Ordinary dividends paid		
First and final tax exempt (one-tier) dividend paid in respect of the previous financial year of 2.14 cents (2017 : 2.39 cents per share)	9,063	10,055

At the forthcoming Annual General Meeting to be held on 23 April 2020, a first and final tax exempt (one-tier) dividend of 3.00 cents per share in respect of the financial year ended 31 December 2019 amounting to $12,728,000 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 2020.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

13 PROPERTY, PLANT AND EQUIPMENT

2019 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	25,873	7,295	169,426	20,401	37,107	2,120	1,997	264,219
Adoption of SFRS(I) 16 (Note 2)	-	(1,866)	-	-	-	-	-	(1,866)
At beginning of the financial year (Restated)	25,873	5,429	169,426	20,401	37,107	2,120	1,997	262,353
Currency translation differences	(324)	(13)	(3,749)	181	(513)	17	1,123	(3,278)
Additions	101	-	9,317	691	4,525	264	360	15,258
Disposals	(864)	-	(2,051)	(76)	(666)	(345)	-	(4,002)
Written off	-	-	(91)	(10)	(96)	(64)	(90)	(351)
At end of the financial year	24,786	5,416	172,852	21,187	40,357	1,992	3,390	269,980
Accumulated depreciation:								
At beginning of the financial year	11,593	950	109,891	14,983	27,366	1,566	-	166,349
Adoption of SFRS(I) 16 (Note 2)	-	(145)	-	-	-	-	-	(145)
At beginning of the financial year (Restated)	11,593	805	109,891	14,983	27,366	1,566	-	166,204
Currency translation differences	(198)	(1)	(1,391)	97	(354)	13	-	(1,834)
Charge for the financial year	738	65	10,143	1,328	3,108	166	-	15,548
Disposals	(249)	-	(1,995)	(69)	(519)	(327)	-	(3,159)
Written off	-	-	(47)	(9)	(94)	(57)	-	(207)
At end of the financial year	11,884	869	116,601	16,330	29,507	1,361	-	176,552
Accumulated impairment loss:								
At beginning of the financial year	-	-	517	-	-	-	-	517
Currency translation differences	-	-	(75)	-	-	-	-	(75)
Impairment loss	-	-	2,629	-	-	-	-	2,629
At end of the financial year	-	-	3,071	-	-	-	-	3,071
Carrying amount:								
At 31 December 2019	12,902	4,547	53,180	4,857	10,850	631	3,390	90,357

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

13 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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

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 $2,629,000 (2018 : $513,000) that has been recognised in the consolidated income statement and included in the line item exceptional items (Note 9).

Bank borrowings are secured on certain freehold land and buildings, machineries and other fixed assets of the Group with carrying amounts of $6,692,000 (2018 : $7,363,000), $17,226,000 (2018 : $19,269,000) and $1,221,000 (2018 : $1,061,000) respectively (Note 27).

14 RIGHT-OF-USE ASSETS

The Group leases several assets including leasehold land, buildings, motor vehicles and other equipment. The average lease term is 2 to 99 years.

The Group	Leasehold land $'000	Buildings $'000	Motor vehicles $'000	Other equipment $'000	Total $'000
Cost:					
At 1 January 2019	1,866	17,205	605	130	19,806
Additions	-	3,254	279	36	3,569
Termination	-	(1,076)	(59)	-	(1,135)
Exchange difference	(2)	(309)	(22)	(2)	(335)
At 31 December 2019	1,864	19,074	803	164	21,905
Accumulated depreciation:					
At 1 January 2019	145	-	-	-	145
Charge for the year	25	4,663	264	55	5,007
Termination	-	-	(6)	-	(6)
Exchange difference	(1)	(57)	(4)	-	(62)
At 31 December 2019	169	4,606	254	55	5,084
Carrying amount:					
31 December 2019	1,695	14,468	549	109	16,821

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

15 INVESTMENT PROPERTIES

	The Group	
	2019	2018
	$'000	$'000
Cost:		
At beginning of the financial year	1,806	1,835
Currency translation differences	(3)	(4)
Disposal	-	(25)
At end of the financial year	1,803	1,806
Accumulated depreciation:		
At beginning of the financial year	102	40
Charge for the financial year	65	70
Disposal	-	(8)
At end of the financial year	167	102
Carrying amount at end of the financial year	1,636	1,704

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

Details of the Group's investment properties and information about the fair value hierarchy as of 31 December 2019 and 31 December 2018 are as follows:

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
At 31 December 2019				
Leasehold buildings	-	-	2,289	2,289
At 31 December 2018				
Leasehold buildings	-	-	2,174	2,174

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	
	2019	2018
	$'000	$'000
Rental income	(285)	(281)
Direct operating expenses arising from:		
- Investment properties that generate rental income	22	23

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

15 INVESTMENT PROPERTIES (CONT'D)

As at 31 December 2019, the details of the investment properties are as follows:

Location	Tenure	Existing use
Block F89 (80 units) Taman Pelangi, Seberang Perai Tengah, Prai held under Strata Titles Nos. Pajakan Negeri 2377/M2/1/81 to 96, 2377/M2/2/97 to 112, 2377/M2/3/113 to 128, 2377/M2/4/129 to 144, 2377/M2/5/145 to 160, erected on part of Lot No. 5788, Mukim 11, Daerah Seberang Perai Tengah, Pulau Pinang, Malaysia	99 years lease expiring 22.04.2092	Rented
Block F104 (40 units) Taman Pelangi, Seberang Perai Tengah, Prai held under Strata Titles Nos. Pajakan Negeri 2374/M4/1/181 to 188, 2374/M4/2/189 to 196, 2374/M4/3/197 to 204, 2374/M4/4/205 to 212, 2374/M4/5/213 to 220 erected on part of Lot No. 5794, Mukim 11, Daerah Seberang Perai Tengah, Pulau Pinang, Malaysia	99 years lease expiring 22.04.2092	Rented

16 SUBSIDIARIES

	The Company	
	2019	**2018**
	$'000	**$'000**
Equity investment	124,647	124,647
Equity contributions to subsidiaries	3,378	3,019
	128,025	127,666

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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

16 SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation/ place of business	Effective equity interest held by the Group				Principal activities
		Company		Subsidiary		
		2019	2018	2019	2018	
		%	%	%	%	
Precico Singapore Pte Ltd (7)	Singapore	-	100	-	-	Dissolved.
Frencken International Sdn. Bhd. (2)	Malaysia	100	100	-	-	Investment holding, providing of management services including sales & marketing and sourcing.
Frencken Europe B.V. (6)	The Netherlands	100	100	-	-	Investment holding, management, sales and business development.
ETLA Limited (1)	Singapore	100	100	-	-	Provision of value engineering, prototyping, program management, supply chain management, precision machining components and sheet metal parts manufacturing, modular and equipment system assembly, integration, testing and commissioning.
Juken Technology Limited (1)	Singapore	100	100	-	-	Investment holding and sale of machines.
Frencken Mechatronics B.V. (6)	The Netherlands	-	-	100	100	Assembly, testing and engineering of mechatronic modules and equipment.
Frencken Technical Projects Assembly B.V. (6)	The Netherlands	-	-	100	100	Provision of services to Group companies.
Machinefabriek Gebrs. Frencken B.V. (6)	The Netherlands	-	-	100	100	Manufacturing and assembly of precision mechanical parts, sheet metal and prototyping.
Optiwa B.V. (6)	The Netherlands	-	-	100	100	Manufacturing and/or assembly of precision mechanical parts, modules, sheet metal and prototyping.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

16 SUBSIDIARIES (CONT'D)

Name of subsidiary	Country of incorporation/ place of business	Effective equity interest held by the Group				Principal activities
		Company		Subsidiary		
		2019	2018	2019	2018	
		%	%	%	%	
Frencken Engineering B.V. [6]	The Netherlands	-	-	100	100	Research, development and engineering.
Frencken Logistics & Assembly B.V. [6]	The Netherlands	-	-	100	100	Provision of services to Group companies.
Frencken Investments B.V. [6]	The Netherlands	-	-	100	100	Property holding company.
NTZ International Holding B.V. [15]	The Netherlands	-	-	-	100	Legally merged with NTZ Nederland B.V..
NTZ Nederland B.V. [8] [15]	The Netherlands	-	-	100	100	Design, engineering, manufacturing and sales of filters.
Allmepp Holding B.V. [15]	The Netherlands	-	-	-	100	Legally merged with NTZ Nederland B.V..
Frencken America Inc. [8]	USA	-	-	80	80	Designs, engineers and manufactures mechatronic modules, products and systems.
Frencken Mechatronics (M) Sdn. Bhd. [2]	Malaysia	-	-	100	100	Manufacturing of precision machining components and sheet metal parts and assembly of modular and equipment.
Precico D&E Sdn. Bhd. [7]	Malaysia	-	-	-	100	Dissolved.
Precico Sdn. Berhad [2]	Malaysia	-	-	100	100	Investment property holding company.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

16 SUBSIDIARIES (CONT'D)

Name of subsidiary	Country of incorporation/ place of business	Effective equity interest held by the Group				Principal activities
		Company		Subsidiary		
		2019	2018	2019	2018	
		%	%	%	%	
Juken Technology Engineering Sdn. Bhd. (2)	Malaysia	-	-	100	100	Manufacture of mould and die, plastic products and component sub-assembly.
Supertool Industries Pte Ltd (13)	Singapore	-	-	-	-	Disposed.
ETLA Technology (Wuxi) Co., Ltd (3)	People's Republic of China	-	-	100	100	Manufacturing of precision machining components and sheet metal parts and assembly of modular and equipment.
Micro-Air (Tianjin) Technology Co., Ltd (12)	People's Republic of China	-	-	60	60	Vacuum coating, thermal treatment and other related services for plastic component.
Juken (Zhuhai) Co., Ltd (4)	People's Republic of China	-	-	100	100	Injection mould making and injection moulding.
Frencken (Chuzhou) Co., Ltd (4)	People's Republic of China	-	-	100	100	Manufacture of mould and die, plastic products and component sub-assembly.
Juken (H.K.) Co., Limited (9)	Hong Kong	-	-	100	100	Sales office.
Juken (Thailand) Co., Ltd (10)	Thailand	-	-	100	100	Manufacture and distribution of plastic products.
Juken Uniproducts Pvt. Limited (11)	India	-	-	55	55	Manufacture and distribution of plastic components.
PT Juken Technology Indonesia (14)	Indonesia	-	-	100	100	Dormant.
Juken Swiss Technology AG (5)	Switzerland	-	-	100	100	Design and trading of micro-mechanical product components for automotive industry.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

16 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 for statutory purpose.

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

(7) De-consolidated as these subsidiaries were dissolved during the financial year.

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

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

(10) Audited by Ernst & Young, Thailand for statutory purpose.

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

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

(13) This subsidiary has been disposed of in the financial year 2018 (Note 24).

(14) This subsidiary is insignificant and unaudited.

(15) During the financial year, NTZ Nederland B.V., NTZ International Holding B.V. and Allmepp Holding B.V. were legally merged and thereafter NTZ International Holding B.V. and Allmepp Holding B.V. ceased to exist.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

16 SUBSIDIARIES (CONT'D)

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

Principal activities	Place of incorporation and operation	Number of wholly-owned subsidiaries 2019	Number of wholly-owned subsidiaries 2018
Investment holding			
Investment holding, providing of management services including sales & marketing and sourcing. *	Malaysia	1	1
Mechatronics			
Investment holding, management, sales and business development.	The Netherlands	1	1
Manufacturing and assembly of precision mechanical parts, sheet metal and prototyping.	The Netherlands	2	2
Manufacturing and assembly of precision mechanical parts, sheet metal and prototyping.	Singapore	1	1
Manufacturing of precision machining components, sheet metal and assembly modular and equipment.	Malaysia	1	1
Manufacturing of precision machining components, sheet metal and assembly of modular and equipment.	People's Republic of China	1	1
Assembly, testing and engineering of mechatronic modules and equipment.	The Netherlands	1	1
Provision of services to Group companies.	The Netherlands	2	2
Research, development and engineering.	The Netherlands	1	1
Property holding.	The Netherlands	1	1
IMS			
Investment holding and sale of machines.	Singapore	1	1
Management and investment holding.	The Netherlands	-	1
Design, engineering, manufacturing and sales of filters.	The Netherlands	1	1
Intellectual property and patent holding.	The Netherlands	-	1
Manufacture of mould and die, plastic products and component sub-assembly.	Malaysia	1	1

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

16 SUBSIDIARIES (CONT'D)

Principal activities	Place of incorporation and operation	Number of wholly-owned subsidiaries	
		2019	2018
IMS (cont'd)			
Injection mould making and injection moulding.	People's Republic of China	1	1
Manufacture of mould and die, plastic products and component sub-assembly.	People's Republic of China	1	-
Manufacture and distribution of plastic products.	Thailand	1	1
Design and trading of micro-mechanical product components for automotive industry.	Switzerland	1	1
Sales office.	Hong Kong	1	1
Dormant.	People's Republic of China	-	1
Dormant.	Singapore	-	1
Dormant.	Malaysia	-	1
Dormant.	Indonesia	1	1
Others			
Investment property holding.		1	1
		22	26

* This subsidiary changed its principal activities from management and investment holding to investment holding, providing of management services including sales & marketing and sourcing during the financial year.

Principal activities	Place of incorporation and operation	Number of non-wholly owned subsidiaries	
		2019	2018
Mechatronics			
Designs, engineers and manufactures mechatronic modules, products and systems.	USA	1	1
IMS			
Vacuum coating, thermal treatment and other related services for plastic component.	People's Republic of China	1	1
Manufacture and distribution of plastic components.	India	1	1
		3	3

No disclosure was made for non-wholly owned subsidiaries that have material non-controlling interests in the financial year ended 31 December 2019 and 2018 as the non-controlling interests are not material to the financial statements.

17 INVESTMENTS IN ASSOCIATED COMPANIES

	The Group	
	2019	2018
	$'000	$'000
At beginning and end of financial year	132	132
Less: Accumulated impairment at beginning and end of financial year	132	132
Carrying value at beginning and end of financial year	-	-

The details of the associated companies are as follows:

Name of associate	Country of incorporation/ place of business	Effective equity interest		Principal activities
		2019	2018	
		%	%	
Held by Juken (H.K.) Co. Limited				
Hishiya Seiko International Company Limited	Hong Kong	40	40	Dormant.
Held by Hishiya Seiko International Company Limited				
Hishiya (Zhuhai) Company Limited	People's Republic of China	40	40	Dormant.

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

	Group and Company	
	2019	2018
	$'000	$'000
Unquoted equity security designated as at FVTOCI	3,235	3,235

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

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

19 INTANGIBLE ASSETS

2019 **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	11,961	17,261	2,274	113	5,963	37,572
Currency translation differences	(224)	(337)	(52)	-	-	(613)
Additions	-	279	6	-	-	285
At end of the financial year	11,737	17,203	2,228	113	5,963	37,244
Accumulated amortisation:						
At beginning of the financial year	-	2,356	2,195	-	5,963	10,514
Currency translation differences	-	(32)	(52)	-	-	(84)
Amortisation charge	-	489	15	-	-	504
Adjustment	-	1,372	-	-	-	1,372
At end of the financial year	-	4,185	2,158	-	5,963	12,306
Accumulated impairment:						
At beginning of the financial year	2,241	5,063	-	70	-	7,374
Currency translation differences	(69)	(65)	-	-	-	(134)
Impairment loss	-	1,531	-	34	-	1,565
Adjustment	-	(1,372)	-	-	-	(1,372)
At end of the financial year	2,172	5,157	-	104	-	7,433
Carrying value:						
At 31 December 2019	9,565	7,861	70	9	-	17,505

19 INTANGIBLE ASSETS (CONT'D)

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)
Additions	-	-	31	-	-	31
Disposals	-	-	-	(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)
Disposals	-	-	-	(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

19 INTANGIBLE ASSETS (CONT'D)

(a) Goodwill on consolidation

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

The summary of the goodwill allocation is presented below:

	The Group	
	2019	**2018**
	$'000	**$'000**
Mechatronics:		
America	2,240	2,312
The Netherlands	7,325	7,408
	9,565	9,720

The recoverable amount of a CGU is determined based on value-in-use calculations. Cash flow projections used in these calculations were based on financial forecasts approved by management based on the estimated growth rates below. The growth rates do not exceed the long-term average growth rate for the components business in which the CGU operates.

Key assumptions used for value-in-use calculations:

	The Group	
	2019	**2018**
	%	%
Mechatronics		
Gross margin(1)	14.3 to 23.0	16.1 to 26.7
Growth rate(2)	0.0	0.0
Discount rate(3)	7.3	7.1 to 10.0

(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.

In the financial year 2018, an impairment loss on goodwill of $2,109,000 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 2019 (Cont'd)

19 INTANGIBLE ASSETS (CONT'D)

(b) Deferred development costs

Deferred development costs relate to the cost capitalised by its subsidiaries for developing certain products. Amortisation of the deferred development costs begins when the development is completed and are amortised on the expected units of production basis or over the estimated useful life of 5 to 10 years (2018 : 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% (2018 : 5.7% to 8.3%) 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 $1,531,000 (2018 : $1,425,000) has been recognised in the income statement because the recoverable amount is lower than the carrying value of which the recoverable amount is determined based on the value-in-use calculations.

(c) Patents

Patents relate to certain design and specification of stepper motors 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 consolidated income statement.

20 INVENTORIES

	The Group	
	2019	**2018**
	$'000	**$'000**
Raw materials	56,060	61,977
Work-in-progress	42,410	36,113
Finished goods	42,209	46,529
	140,679	144,619

The cost of inventories recognised as an expense and included in "cost of sales" amounts to $405,475,000 (2018 : $371,485,000).

Inventories of $62,073,000 (2018 : $64,734,000) have been pledged as security for certain bank overdrafts of the Group (Note 27).

21 TRADE RECEIVABLES

	The Group	
	2019	2018
	$'000	$'000
Trade receivables	97,822	116,057
Loss allowance	(175)	(187)
	97,647	115,870

Trade receivables of $24,301,000 (2018 : $26,975,000) have been pledged as security for certain banking facilities of the Group (Note 27).

As at 31 December 2019, approximately 45% (2018 : 48%) 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 (2018 : 14 to 120 days) credit term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

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

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

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

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

The Group	Lifetime ECL - credit - impaired
	$'000
Balance as at 1 January 2018	190
Amounts recovered	(1)
Currency translation difference	(2)
Balance as at 31 December 2018	187
Amounts recovered	(87)
Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement	78
Currency translation difference	(3)
Balance as at 31 December 2019	175

The exposure of trade receivables to currency risk and credit risks is disclosed in Notes 36(a)(i) and 36(b) respectively.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

22 RECEIVABLES FROM SUBSIDIARIES

The receivables from subsidiaries are non-trade in nature, unsecured, interest free and repayable on demand.

The carrying values of receivables from subsidiaries approximated their fair values at balance sheet date.

For purpose of impairment assessment, the loan is considered to have low credit risk as the timing of payment is controlled by the ultimate holding company taking into account cash flow management within the ultimate holding company's group of companies and there has been no significant increase in the risk of default on the loan since initial recognition. Accordingly, for the purpose of impairment assessment for this loan, the loss allowance is measured at an amount equal to 12-month expected credit losses ("ECL").

In determining the ECL, management has taken into account the financial position of the related company, adjusted for factors that are specific to the related company and general economic conditions of the industry in which the related company operates, in estimating the probability of default of the loan as well as the loss upon default. Management determines the loan to related company is subject to immaterial credit loss.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The exposure of receivables from subsidiaries to currency risk is disclosed in Note 36(a)(i).

23 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Other receivables	4,254	3,510	40	28
Deposits	4,734	1,917	-	-
Prepayments	4,492	6,089	11	11
Staff loans and advances	1,054	604	-	-
	14,534	12,120	51	39
Less: Loss allowance	(383)	(383)	-	-
	14,151	11,737	51	39
Less: Other receivables (non-current)	(360)	(840)	-	-
	13,791	10,897	51	39

Other receivables included an amount of $840,000 (2018 : $1,170,000) in respect of a loan to a company which ceased to be a subsidiary of the Group. This amount is repayable over a period of 3 years and bear interest at rate of 3.80% per annum. An amount of $360,000 (2018 : $840,000) has been included under non-current asset as repayment is not expected to be received within the next 12 months.

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

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

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

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

The Group	**12-month ECL financial assets at amortised cost**
	$'000
At beginning and end of financial year	383

The exposure of other receivables, deposits, staff loans and advances to currency risk and credit risks is disclosed in Note 36(a)(i) and 36(b) respectively.

24 CASH AND CASH EQUIVALENTS

	The Group		**The Company**	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Short-term funds placed with Malaysian financial institutions	45,643	44,519	-	-
Deposits with licensed banks	11,551	3,620	11,400	3,500
Cash and bank balances	65,188	18,945	921	1,167
	122,382	67,084	12,321	4,667
Less: Bank overdrafts (Note 27)	(12,632)	(21,904)	-	-
Less: Deposits pledged as securities	(151)	(120)	-	-
Cash and cash equivalents in the statement of cash flows	109,599	45,060	12,321	4,667

Deposits with licensed banks of the Group amounting to $151,000 (2018 : $120,000) are pledged as guarantees to certain government authorities.

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**	
	2019	**2018**	**2019**	**2018**
Short-term funds placed with Malaysian financial institutions:				
Effective interest rate (% per annum)	3.55 to 3.86	3.56 to 3.78	-	-
Withdrawal notice (days)	1	1	-	-
Deposits with licensed banks:				
Effective interest rate (% per annum)	0 to 7.65	0 to 7.65	1.63 to 1.80	1.63 to 1.83
Maturity period (months)	2 to 24	3 to 36	3	3

24 CASH AND CASH EQUIVALENTS (CONT'D)

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 $15,258,000 (2018 : $21,441,000) (Note 13) of which $1,629,000 (2018 : $1,595,000) was included in other payables at balance sheet date. Cash payments of $15,224,000 (2018 : $24,299,000) includes an amount of $1,595,000 (2018 : $4,453,000) for payment from other payables to purchase property, plant and equipment incurred in previous financial year.

The exposure of cash and cash equivalents to currency risk is disclosed in Note 36(a)(i).

In the financial year 2018, 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)
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

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

24 CASH AND CASH EQUIVALENTS (CONT'D)

	Supertool
	$'000
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.*

25 TRADE PAYABLES

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

The exposure of trade payables to currency risk is disclosed in Note 36(a)(i).

26 OTHER PAYABLES, ACCRUALS AND PROVISIONS

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Sundry payables	8,066	7,148	277	76
Other operating accruals	30,406	30,811	346	322
Provisions	308	308	308	308
	38,780	38,267	931	706

Movements in provisions are as follow:

	The Group			The Company
	Provision for directors' fee	**Provision for interest expense**	**Total**	**Provision for directors' fee**
	$'000	**$'000**	**$'000**	**$'000**
2019				
Balance at beginning of financial year	308	-	308	308
Provision made	308	-	308	308
Provision utilised	(308)	-	(308)	(308)
Balance at end of financial year	308	-	308	308

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

	The Group			The Company
	Provision for directors' fee	Provision for interest expense	Total	Provision for directors' fee
	$'000	$'000	$'000	$'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

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

27 BORROWINGS

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Current				
Short-term bank borrowings [1]:				
- Bank overdrafts	12,632	21,904	-	-
- Invoice financing	22,934	19,425	-	-
- Revolving credits	16,439	24,579	3,110	4,758
Term loans [2]	1,048	1,588	-	-
	53,053	67,496	3,110	4,758
Non-current				
Term loans [2]	169	1,210	-	-
	169	1,210	-	-

[1] Short-term bank borrowings:

Bank overdrafts of the Group includes:

(a) $11,320,000 (2018 : $19,999,000) is secured by mortgage over properties (Note 13), pledged on the inventories (Note 20) and trade receivables (Note 21) of all subsidiaries of the Company in The Netherlands.

(b) $1,220,000 (2018 : $782,000) is secured by exclusive charge on the entire present and future current assets and fixed assets of a subsidiary in India.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

27 BORROWINGS (CONT'D)

Bank overdrafts of the Group are repayable on demand and form an integral part of the Group's cash management. They are denominated in EUR, USD, INR and MYR (2018 : EUR, USD, SGD, INR and MYR) and bear interest at rates ranging from 1.38% to 10.75% (2018 : 1.36% to 11.75%) per annum.

Invoice financing of the Group of $5,066,000 (2018 : $7,533,000) 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 (2018 : USD, EUR, SGD, MYR and RMB), due within 1 to 5 months (2018 : 1 to 5 months) and bear interest at rates ranging from 0.75% to 5.66% (2018 : 0.95% to 5.87%) per annum.

Revolving credits of the Group are unsecured and denominated in EUR, SGD, USD and Yen (2018 : EUR, SGD, USD and Yen), due within 3 months and bear interest at rates 2.00% to 4.65% (2018 : 2.00% to 5.19%) per annum. Revolving credits of the Company are unsecured and denominated in SGD and EUR (2018 : SGD and EUR), due within 3 months and bear interest at rates 2.00% to 3.87% (2018 : 2.00% to 3.89%) per annum.

(2) Term loans of:

(a) $746,000 (2018 : $1,309,000) of the Group are denominated in INR and RMB (2018 : INR and RMB) and bear interest at rate ranging from 6.18% to 10.50% (2018 : 6.18% to 10.50%) per annum. The term loans are repayable over a period of 3 to 4 years (2018 : 3 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) $471,000 (2018 : $1,489,000) of the Group are denominated in EUR (2018 : EUR), unsecured and bear interest at rate of 1.40% (2018 : 1.40%) per annum. The term loans are repayable over 3 years (2018 : 3 years).

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

The exposure of borrowings to currency risk is disclosed in Note 36(a)(i).

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

27 BORROWINGS (CONT'D)

Reconciliation of liabilities arising from financing activities

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

					Non-cash changes			
	At beginning of the financial year	Adoption of SFRS(I) 16	At beginning of the financial year (Restated)	Financing cash flows *	Addition of lease liabilities	Termination of lease liabilities	Foreign exchange movement	At end of the financial year
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
The Group								
2019								
Short-term bank borrowings	44,004	-	44,004	(4,507)	-	-	(124)	39,373
Term loans	2,798	-	2,798	(1,554)	-	-	(27)	1,217
Lease liabilities	-	17,940	17,940	(4,571)	3,570	(1,135)	(273)	15,531
	46,802	17,940	64,742	(10,632)	3,570	(1,135)	(424)	56,121
2018								
Short-term bank borrowings	37,680	-	37,680	6,552	-	-	(228)	44,004
Term loans	2,497	-	2,497	779	-	-	(478)	2,798
	40,177	-	40,177	7,331	-	-	(706)	46,802

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

28 LEASE LIABILITIES

	2019
	$'000
The Group	
Less than 1 year	5,096
Between 1 and 2 years	7,355
Between 2 and 5 years	3,653
After 5 years	943
	17,047
Less: Unearned interest	(1,516)
	15,531
Analyses as:	
- Current	4,486
- Non-current	11,045
	15,531

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

29 RETIREMENT BENEFIT OBLIGATIONS

Defined contribution plans

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

Retirement benefit plan

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

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

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

The actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out at 31 December 2019 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.

29 RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

	Valuation at	
	2019	**2018**
Discount rate	0.20%	0.90%
Expected benefit increase	0.00%	0.00%
Inflation	0.50%	0.50%
Disability decrement	LPP 2015 GT tables[1]	LPP 2015 GT tables[1]
Mortality decrement	LPP 2015 GT tables	LPP 2015 GT tables
Turnover rates	LPP 2015 tables	LPP 2015 tables
Salary increase	1.00% flat	1.00% flat
Retirement	100% at regular retirement age	100% at regular retirement age
Long-term interest on retirement accounts	0.50%	0.90%

(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	
	2019	**2018**
	$'000	**$'000**
Present value of funded obligations	5,359	4,344
Fair value of plan assets	(3,012)	(2,720)
Net liability recognised in the balance sheet	2,347	1,624

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

	The Group	
	2019	**2018**
	$'000	**$'000**
Service cost		
- Current service cost	320	382
Interest income	(25)	(20)
Interest cost	41	32
Components of defined benefit costs recognised in income statement	336	394
Remeasurement on the net defined benefit liability:		
Actuarial loss (gain) on defined benefit obligation	564	(153)
Loss on plan assets excluding interest income	28	119
Components of defined benefit costs recognised in other comprehensive income	592	(34)
Total	928	360

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

29 RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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	
	2019	**2018**
	$'000	**$'000**
Balance at beginning of financial year	4,344	4,553
Remeasurement gains: Actuarial gains and losses		
- Actuarial loss (gain) on defined benefit obligation	564	(153)
Current service cost	320	382
Interest cost	41	32
Contribution by plan participants	152	180
Exchange differences	33	45
Benefits paid	(95)	(695)
Balance at end of financial year	5,359	4,344

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

	The Group	
	2019	**2018**
	$'000	**$'000**
Balance at beginning of financial year	2,720	3,034
Remeasurement loss:		
- Loss on plan assets exclude interest income	(28)	(119)
Interest income	25	20
Contributions by employer	221	269
Contributions by plan participants	152	181
Exchange difference	17	30
Benefits paid	(95)	(695)
Balance at end of financial year	3,012	2,720

The actual loss on plan assets amounts to $3,000 (2018 : $99,000)

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.

29 RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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 $228,000 (increase by $247,000).
- If the expected salary growth increases (decreases) by 0.25%, the defined benefit obligation would increase by $46,000 (decrease by $43,000).
- If the life expectancy increases (decreases) by one year for both men and women, the defined benefit obligation would increase by $64,000 (decrease by $63,000).

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

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

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

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

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

The average duration of the benefit obligation at 31 December 2019 is 17.8 years (2018 : 17.8 years).

The Group expects to contribute approximately $254,000 (2018 : $284,000) to its defined benefit plan in the subsequent financial year.

30 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same tax authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	The Group	
	2019	**2018**
	$'000	**$'000**
Deferred income tax assets	(1,456)	(1,445)
Deferred income tax liabilities	4,114	3,849
	2,658	2,404

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

30 DEFERRED INCOME TAX (CONT'D)

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

	The Group	
	2019	2018
	$'000	$'000
Balance at beginning of financial year	2,404	2,171
Currency translation differences	(47)	(29)
Charged to income statement (Note 10)		
- Current year	373	433
- Under (over) recognition in previous financial year	41	(31)
	414	402
Utilisation	(113)	(140)
Balance at end of financial year	2,658	2,404

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

	2019			2018		
	Accelerated tax depreciation	Others	Total	Accelerated Tax depreciation	Others	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at beginning of financial year	1,456	2,393	3,849	1,614	2,119	3,733
Reclassifications	112	(112)	-	-	-	-
Currency translation differences	(13)	(57)	(70)	(18)	(50)	(68)
Utilisation	(113)	-	(113)	(140)	-	(140)
Charged to income statement	343	105	448	-	324	324
Balance at end of financial year	1,785	2,329	4,114	1,456	2,393	3,849

30 DEFERRED INCOME TAX (CONT'D)

Deferred income tax assets

	Unutilised tax losses $'000	Accruals $'000	Reinvestment allowance $'000	Others $'000	Total $'000
2019					
Balance at beginning of financial year	(438)	(735)	(272)	-	(1,445)
Currency translation differences	11	2	10	-	23
Charged (Credited) to income statement	161	(102)	(93)	-	(34)
Balance at end of financial year	(266)	(835)	(355)	-	(1,456)
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)

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	
	2019 $'000	2018 $'000
Unutilised tax losses	851	1,631
Unutilised capital allowances	2,494	2,498
Unutilised reinvestment allowances	350	350

The above unutilised tax losses, unutilised capital allowances and unutilised reinvestment allowances have no expiry dates. No deferred tax asset has been recognised in respect of the amounts above due to the unpredictability of future profit streams.

At the end of the reporting period, the aggregate amount of temporary differences associated with unremitted earnings of subsidiaries for which deferred tax liabilities have not been recognised is $22,519,000 (2018 : $21,692,000). 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.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

31 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				
2019				
Beginning of the financial year	421,502,409	-	102,892	-
Exercise of share options	2,770,000	-	594	-
End of financial year	424,272,409	-	103,486	-
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	-

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 Nil (2018 : 770,000), 1,030,000 (2018 : 810,000), 1,590,000 (2018 : 1,040,000), Nil (2018 : 2,500,000) and 150,000 (2018 : Nil) ordinary shares pursuant to the Company's employee share option scheme at the exercise price of $Nil (2018 : $0.155), $0.168 (2018 : $0.168), $0.224 (2018 : $0.224), $Nil (2018 : $0.184) and $0.432 (2018 : $Nil) each respectively. The cost of issuing new ordinary shares amounted to $594,000 (2018 : $949,000). 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:

	2019 $'000	2018 $'000
Exercise price paid by employees	594	949
Value of employee services	308	489
Total net consideration	902	1,438

Accordingly, a gain on issuance of new ordinary shares of $308,000 (2018 : $489,000) is recognised in the capital reserve.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

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

(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.

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							
2009 Options	1,030,000	-	-	(1,030,000)	-	$0.168	1.12.2011 to 30.11.2019
2010 Options	2,265,000	-	-	(1,590,000)	675,000	$0.224	1.12.2012 to 30.11.2020
2016 Options	500,000	-	-	-	500,000	$0.184	1.04.2018 to 31.03.2026
2017 Options	3,000,000	-	-	(150,000)	2,850,000	$0.432	6.12.2019 to 5.12.2027
	6,795,000	-	-	(2,770,000)	4,025,000		

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

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

Out of the unexercised options of 4,025,000 (2018 : 6,795,000) shares, 4,025,000 (2018 : 3,795,000) shares are exercisable at the balance sheet date. Options exercised in 2019 resulted in Nil (2018 : 770,000), 1,030,000 (2018 : 810,000), 1,590,000 (2018 : 1,040,000), Nil (2018 : 2,500,000) and 150,000 (2018 : Nil) new ordinary shares being issued at the exercise price of $Nil (2018 : $0.155), $0.168 (2018 : $0.168), $0.224 (2018 : $0.224), $Nil (2018 : $0.184) and $0.432 (2018 : $Nil) each respectively.

The weighted average share price at the time of exercise was $0.641 (2018 : $0.585) per share.

32 STATUTORY RESERVE FUND

Statutory reserve fund arises from the following:

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

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

33 SEGMENT INFORMATION

(a) Business segments

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 Holding & Management Services segment is not a business segment but essentially are investment holding companies and providing management services to companies within the Group.

The other segment is an investment property holding company.

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

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

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

33 SEGMENT INFORMATION (CONT'D)

	Mechatronics		IMS		Investment Holding & Management Services		Others		Eliminations		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External revenue	539,565	496,793	119,301	128,717	-	-	285	281	-	-	659,151	625,791
Inter-segment sales	-	-	1,702	-	8,444	961	-	-	(10,146)	(961)	-	-
	539,565	496,793	121,003	128,717	8,444	961	285	281	(10,146)	(961)	659,151	625,791
Segment results	50,869	46,928	6,095	801	2,223	(3,044)	145	139	21	244	59,353	45,068
Interest income	142	77	452	652	1,630	1,563	1	1	(613)	(749)	1,612	1,544
Finance costs	(1,497)	(1,025)	(1,871)	(1,889)	(129)	(132)	-	-	592	505	(2,905)	(2,541)
Net gain on disposal of subsidiaries	-	-	-	140	-	-	-	-	-	-	-	140
Impairment loss of goodwill in a subsidiary	-	-	-	(2,109)	-	-	-	-	-	-	-	(2,109)
Impairment loss of deferred development costs	(1,531)	-	-	(1,425)	-	-	-	-	-	-	(1,531)	(1,425)
Impairment loss of property, plant and equipment	-	-	(2,629)	(513)	-	-	-	-	-	-	(2,629)	(513)
Profit before income tax											53,900	40,164
Income tax expense	(10,005)	(10,210)	(1,137)	470	(99)	(5)	(61)	(70)	-	-	(11,302)	(9,815)
Total profit											42,598	30,349
Segment assets	318,320	283,778	122,159	125,211	64,051	53,012	1,666	1,739	-	-	506,196	463,740
Segment liabilities	151,423	134,581	51,542	55,163	5,003	6,398	77	79	-	-	208,045	196,221
Other segment information:												
Capital expenditure	7,489	15,656	7,601	5,773	168	12	-	-	-	-	15,258	21,441
Addition of intangible Assets	-	-	285	31	-	-	-	-	-	-	285	31
Depreciation and amortisation	11,513	7,534	9,413	8,689	133	85	65	70	-	-	21,124	16,378
Other non-cash expenses other than depreciation and amortisation	1,730	211	2,799	4,413	168	222	-	1	-	-	4,697	4,847

33 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	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Based on location of customer				
The Netherlands	153,259	146,303	39,614	45,043
People's Republic of China	92,293	81,219	32,445	23,905
Malaysia	52,714	64,442	33,705	34,041
Czech Republic	41,116	44,706	-	-
Singapore	45,684	53,510	12,155	8,626
Hungary	10,337	12,570	-	-
America	33,818	30,603	4,425	3,180
Germany	48,879	47,598	-	-
Switzerland	10,540	11,820	1,598	1,906
Thailand	150,562	110,532	2,444	2,300
India	6,065	7,526	3,528	3,815
Indonesia	-	1,455	-	-
United Kingdom	261	2,460	-	-
Others	13,623	11,047	-	-
	659,151	625,791	129,914	122,816

(c) Information about major customers

Included in revenue arising from Mechatronics division of $539,565,000 (2018 : $496,793,000) are revenue of approximately $182,698,000 (2018 : $127,274,000) which arose from sales to the Group's largest customer.

34 CAPITAL COMMITMENTS

	The Group	
	2019	2018
	$'000	$'000
Commitments in respect of contracts placed for the purchase of property, plant and equipment but not provided for	5,740	11,955

35 OPERATING LEASE ARRANGEMENT

Disclosure required by SFRS(I) 16

At 31 December 2019, the Group is committed to $129,000 for short-term leases.

Disclosure required by SFRS(I) 17

At 31 December 2018, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2018
	$'000
Within one year	5,003
In the second to fifth years inclusive	12,672
After five years	2,056
	19,731

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

(a) Market risk

(i) Currency risk

The Group operates mainly in Asia and Europe with dominant operations in Singapore, People's Republic of China, Malaysia, and The Netherlands. Entities in the Group transact in various foreign currencies and therefore, are exposed to movements in foreign currencies rates.

Foreign currencies exchange risk arises when the entities in the Group enter into transactions that are in a currency that is other than the functional currency such as United State Dollar ("USD"), Euro ("EUR"), Malaysian Ringgit ("MYR"), Japanese Yen ("Yen"), Renminbi ("RMB"), Thai Baht ("THB") and Swiss Franc ("CHF").

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

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For The Financial Year Ended 31 December 2019 (Cont'd)

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

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

	SGD	USD	EUR	MYR	Yen	RMB	THB	CHF	Others	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2019										
Financial assets										
Cash and cash equivalents	20,866	39,107	6,954	48,234	-	5,830	1,136	149	106	122,382
Trade and other receivables	4,769	48,737	25,231	4,728	21	19,516	1,706	820	1,778	107,306
Intercompany receivables	6,394	1,391	2,325	888	-	6	-	176	-	11,180
Dividend receivables	1,000	-	1,162	1,407	-	-	-	-	-	3,569
	33,029	89,235	35,672	55,257	21	25,352	2,842	1,145	1,884	244,437
Financial liabilities										
Borrowings	(5,101)	(13,867)	(18,912)	(7,910)	(613)	(5,124)	(287)	-	(1,408)	(53,222)
Lease liabilities	(4,826)	(1,149)	(2,179)	(596)	-	(6,505)	(25)	-	(251)	(15,531)
Other financial liabilities	(16,155)	(40,723)	(36,202)	(9,047)	(1,967)	(18,229)	(1,681)	(1,184)	(1,401)	(126,589)
Intercompany payables	(6,394)	(1,391)	(2,325)	(888)	-	(6)	-	(176)	-	(11,180)
Dividend payables	(1,000)	-	(1,162)	(1,407)	-	-	-	-	-	(3,569)
	(33,476)	(57,130)	(60,780)	(19,848)	(2,580)	(29,864)	(1,993)	(1,360)	(3,060)	(210,091)
Net financial assets/ (liabilities)	(447)	32,105	(25,108)	35,409	(2,559)	(4,512)	849	(215)	(1,176)	34,346
Less: Net financial assets/ (liabilities) denominated in the respective entities functional currencies	2,647	168	24,854	(35,423)	-	4,815	(849)	198	1,152	
Currency exposure	2,200	32,273	(254)	(14)	(2,559)	303	-	(17)	(24)	

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

	SGD	USD	EUR	MYR	Yen	RMB	THB	CHF	Others	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'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)	

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For The Financial Year Ended 31 December 2019 (Cont'd)

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (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:

	2019			2018		
		Increase/(Decrease)			Increase/(Decrease)	
	Currency movement	Profit after income tax	Other component of equity	Currency movement	Profit after income tax	Other component of equity
		$'000	$'000		$'000	$'000
The Group						
USD against MYR	1%			5%		
- strengthened		33	33		213	213
- weakened		(33)	(33)		(213)	(213)
EUR against MYR	3%			4%		
- strengthened		8	8		14	14
- weakened		(8)	(8)		(14)	(14)
SGD against MYR	2%			3%		
- strengthened		33	33		10	10
- weakened		(33)	(33)		(10)	(10)
EUR against SGD	5%			7%		
- strengthened		(114)	(114)		(427)	(427)
- weakened		114	114		427	427
USD against SGD	3%			2%		
- strengthened		501	501		78	78
- weakened		(501)	(501)		(78)	(78)
YEN against SGD	6%			2%		
- strengthened		(95)	(95)		(17)	(17)
- weakened		95	95		17	17
EUR against CHF	4%			4%		
- strengthened		44	44		1	1
- weakened		(44)	(44)		(1)	(1)
USD against RMB	1%			6%		
- strengthened		53	53		216	216
- weakened		(53)	(53)		(216)	(216)

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

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

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

	SGD $'000	EUR $'000	MYR $'000	Total $'000
At 31 December 2019				
Financial assets				
Cash and cash equivalents	12,312	9	-	12,321
Other receivables	4,344	1,508	-	5,852
Dividend receivables	1,000	1,162	1,407	3,569
	17,656	2,679	1,407	21,742
Financial liabilities				
Borrowings	(1,600)	(1,510)	-	(3,110)
Other financial liabilities	(1,492)	-	-	(1,492)
	(3,092)	(1,510)	-	(4,602)
Net financial assets	14,564	1,169	1,407	17,140
Less: Net financial assets denominated in the Company's functional currency	(14,564)	-	-	
Currency exposure	-	1,169	1,407	

	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	

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (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:

	2019 Increase/(Decrease)			2018 Increase/(Decrease)		
	Currency movement	Profit after income tax	Other component of equity	Currency movement	Profit after income tax	Other component of equity
		$'000	$'000		$'000	$'000
The Company						
EUR against SGD	5%			7%		
- strengthened		49	49		279	279
- weakened		(49)	(49)		(279)	(279)
MYR against SGD	2%			-		
- strengthened		23	23		-	-
- weakened		(23)	(23)		-	-

(ii) Price risk

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

(iii) Cash flow and fair value interest rate risks

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

The Group's exposure to changes in interest rates related primarily to its placement in fixed deposits, short-term funds, and bank borrowings. At balance sheet date, approximately 2.3% (2018 : 4.1%) of the Group's borrowings are at fixed rates of interest.

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

The Group's borrowings (as disclosed in Note 27) at variable rates on which effective hedges have not been entered into are denominated mainly in MYR, SGD, EUR, RMB, INR, USD, THB and Yen. If interest rate increases/decreases by 0.5% with all other variables including tax rate being held constant, the Group's net profit will be lower/higher by $260,000 (2018 : $330,000) as a result of higher/lower interest expense on these borrowings.

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

(b) Credit risk

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

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

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

The Group	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
At 31 December 2019						
Trade receivables	21	Performing	Lifetime ECL	97,647	-	97,647
Trade receivables	21	In default	Lifetime ECL	175	(175)	-
Other receivables and deposits	23	Performing	12-month ECL	10,042	(383)	9,659
					(558)	
At 31 December 2018						
Trade receivables	21	Performing	Lifetime ECL	115,870	-	115,870
Trade receivables	21	In default	Lifetime ECL	187	(187)	-
Other receivables and deposits	23	Performing	12-month ECL	6,031	(383)	5,648
					(570)	

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

The Company	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
At 31 December 2019						
Receivables from subsidiaries	22	Performing	12-month ECL	5,812	-	5,812
Other receivables	23	Performing	12-month ECL	40	-	40
					-	
At 31 December 2018						
Receivables from subsidiaries	22	Performing	12-month ECL	6,766	-	6,766
Other receivables	23	Performing	12-month ECL	28	-	28
					-	

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

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

Further details of credit risks on trade and other receivables are disclosed in Notes 21, 22 and 23 respectively.

(ii) Credit risk management

The Group's trade receivables comprise 4 debtors (2018 : 4 debtors) that individually represented 7% to 21% (2018 : 5% to 21%) of trade receivables.

As the Group and Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except as follows:

	The Company	
	2019	**2018**
	$'000	**$'000**
Guarantees for banking facilities granted to subsidiaries		
- unsecured	19,270	19,004

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

	The Group	
	2019	**2018**
	$'000	**$'000**
By geographical areas		
America	7,468	6,995
Malaysia	12,756	14,826
Singapore	11,940	13,224
The Netherlands	12,648	10,210
People's Republic of China	24,051	24,699
Czech Republic	4,718	10,304
Other countries	24,066	35,612
	97,647	115,870

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

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

	The Group	
	2019	**2018**
	$'000	**$'000**
By business segments		
Mechatronics		
Semiconductors	17,001	14,780
Medical	4,973	5,699
Analytical	20,741	25,572
Industrial automation	19,641	32,395
Others	5,639	2,837
	67,995	81,283
IMS		
Automotive	23,374	28,217
Consumer and Industrial Electronics	2,197	2,748
Tooling	3,293	2,507
Others	788	1,115
	29,652	34,587

Financial assets that are neither past due nor impaired

Bank deposits and other short-term funds that are neither past due nor impaired are mainly deposits with financial institutions with high creditworthiness. Trade receivables that are neither past due nor impaired are substantially companies with high creditworthiness.

Financial assets that are past due and/or impaired

(a) Trade receivables

The age analysis of trade receivables past due but not impaired is as follows:

	The Group	
	2019	**2018**
	$'000	**$'000**
Past due < 3 months	16,022	19,607
Past due 3 to 6 months	726	620
Past due > 7 months	628	310
	17,376	20,537

(b) Other receivables

As at the end of financial year 2019 and 2018, no other receivables are past due but not impaired.

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

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

(c) Liquidity risk

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

Non-derivative financial liabilities

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

	Weighted average effective interest rate	Less than 1 year $'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 2019							
Payables	-	(126,589)	-	-	-	-	(126,589)
Borrowings at variable interest rate	3.16%	(53,647)	-	-	-	1,642	(52,005)
Borrowings at fixed interest rate	5.11%	(1,096)	(183)	-	-	62	(1,217)
Lease liabilities at fixed interest rate	4.56%	(5,096)	(7,355)	(3,653)	(943)	1,516	(15,531)
		(186,428)	(7,538)	(3,653)	(943)	3,220	(195,342)
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 2019 (Cont'd)

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

(c) Liquidity risk

Non-derivative financial liabilities

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

	Weighted average effective interest rate	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Adjustment	Total
		$'000	$'000	$'000	$'000	$'000
The Company						
At 31 December 2019						
Payables	-	(1,492)	-	-	-	(1,492)
Borrowings at variable interest rate	2.94%	(3,201)	-	-	91	(3,110)
		(4,693)	-	-	91	(4,602)
At 31 December 2018						
Payables	-	(1,278)	-	-	-	(1,278)
Borrowings at variable interest rate	2.95%	(4,898)	-	-	140	(4,758)
		(6,176)	-	-	140	(6,036)

Non-derivative financial assets

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

	Weighted average effective interest rate	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	After 5 years	Adjustment	Total
		$'000	$'000	$'000	$'000	$'000	$'000
The Group							
At 31 December 2019							
Non-interest bearing	-	171,653	-	-	3,235	-	174,888
Fixed interest rate instruments	3.24%	58,064	360	-	-	(389)	58,035
		229,717	360	-	3,235	(389)	232,923
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

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

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

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

	Weighted average effective interest rate	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	After 5 years	Adjustment	Total
		$'000	$'000	$'000	$'000	$'000	$'000
The Company							
At 31 December 2019							
Non-interest bearing	-	10,342	-	-	3,235	-	13,577
Fixed interest rate instruments	1.74%	11,598	-	-	-	(198)	11,400
		21,940	-	-	3,235	(198)	24,977
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

(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 2019 and 2018.

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

(e) Fair value measurements

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

The fair value of non-current assets is equivalent to its carrying amount.

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

	Group and Company			
	2019	2018	Fair value hierarchy	Valuation technique and key input
	$'000	$'000		
Financial asset at fair value through other comprehensive income				
Unquoted equity security	3,235	3,235	Level 3	Price/Book ratio of comparable industries.

There were no transfer between the different levels of the fair value hierarchy during the financial years ended 31 December 2019 and 2018.

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

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheets and in Note 36 to the financial statements:

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Financial asset at FVTOCI (Note 18)	3,235	3,235	3,235	3,235
Loans and receivables:				
Trade receivables (Note 21)	97,647	115,870	-	-
Receivables from subsidiaries (Note 22)	-	-	5,812	6,766
Dividend receivable from subsidiaries	-	-	3,569	11,282
Other receivables, deposits and prepayments (Note 23)	14,151	11,737	51	39
Cash and cash equivalents (Note 24)	122,382	67,084	12,321	4,667
Less: Prepayments (Note 23)	(4,492)	(6,089)	(11)	(11)
Total	229,688	188,602	21,742	22,743

NOTES TO FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2019 (Cont'd)

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

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables (Note 25)	87,809	79,198	-	-
Payable to a subsidiary	-	-	561	572
Other payables, accruals and provisions (Note 26)	38,780	38,267	931	706
Borrowings (Note 27)	53,222	68,706	3,110	4,758
Lease liabilities (Note 28)	15,531	-	-	-
Financial liabilities at amortised cost	195,342	186,171	4,602	6,036

37 ADOPTION OF FINANCIAL REPORTING FRAMEWORK

The Group and the Company adopted the 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").

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. 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.

(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.

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 2019 $'000	Use of property	Encumbrances
1.	No. 14 to 16 Hurksestraat, Eindhoven, The Netherlands	Frencken Investments B.V.	Freehold	12,300 sq m	3,748	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	2,944	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	6,242	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	1,205	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	1,201	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	1,217	Production and office	-

DETAILS OF PROPERTIES HELD BY THE GROUP (Cont'd)

	Location	Registered proprietor	Tenure	Gross land area	Net book value as at 31 Dec 2019 $'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	1,256	Production and office	-
8.	2413, M004, Bangna-Trad Road (KM 34.5), T. Bangpleenoi, Amphur Bangbor, Somatprakam 10560, Thailand	Juken (Thailand) Co., Ltd	Freehold	9,600 sq m	1,331	Production and office	-

STATISTIC OF SHAREHOLDINGS

As at 13 March 2020

Share Capital

No. of Issued Shares	:	424,772,409
No. of Treasury Shares	:	Nil
Class of Shares	:	Ordinary Shares
Voting Rights	:	One (1) vote per share

DISTRIBUTION OF SHAREHOLDERS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	133	5.83	4,551	0.00
100 - 1,000	190	8.32	105,797	0.03
1,001 - 10,000	1,202	52.65	5,486,042	1.29
10,001 - 1,000,000	719	31.49	42,011,070	9.89
1,000,001 and above	39	1.71	377,164,949	88.79
TOTAL	**2,283**	**100.00**	**424,772,409**	**100.00**

TWENTY (20) LARGEST SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1.	UOB Kay Hian Pte Ltd	124,902,236	29.40
2.	DBS Nominees Pte Ltd	55,280,461	13.01
3.	Raffles Nominees (Pte) Limited	27,069,588	6.37
4.	Citibank Nominees Singapore Pte Ltd	26,579,904	6.26
5.	Meng Tak Corporation Sdn. Bhd.	13,444,000	3.16
6.	DB Nominees (Singapore) Pte Ltd	12,750,300	3.00
7.	OCBC Securities Private Ltd	12,525,332	2.95
8.	HSBC (Singapore) Nominees Pte Ltd	8,193,700	1.93
9.	Tan Lai Heng	7,810,113	1.84
10.	Teo Cheng Tuan Donald	7,719,000	1.82
11.	Low Hock Peng	6,222,794	1.46
12.	Gooi Soon Chai	6,165,023	1.45
13.	Morgan Stanley Asia (Singapore) Securities Pte Ltd	5,354,380	1.26
14.	CGS-CIMB Securities (Singapore) Pte Ltd	5,129,856	1.21
15.	K-Tee Holdings Sdn. Bhd.	4,060,000	0.96
16.	Low Te Jinn	4,045,000	0.95
17.	Low Trevor Jay	4,000,000	0.94
18.	Maybank Kim Eng Securities Pte Ltd	3,849,296	0.91
19.	Phillip Securities Pte Ltd	3,824,035	0.90
20.	Goh Gaik Ewe	3,800,000	0.89
		342,725,018	**80.67**

PERCENTAGE OF SHAREHOLDING IN PUBLIC HANDS

66.97% of the Company's issued paid-up capital is held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

STATISTIC OF SHAREHOLDINGS

As at 13 March 2020 (Cont'd)

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 13 MARCH 2020

Name of Substantial Shareholder	No. of shares in which shareholder has a direct interest		No. of shares in which shareholder is deemed to have an interest	
	No. of shares	**%**	**No. of shares**	**%**
Dato' Gooi Soon Chai [(a)]	6,165,023	1.45	92,752,668	21.84
Low Heang Thong [(b)]	-	-	26,975,300	6.35
Micro Compact (M) Sdn. Bhd. [(c)]	-	-	26,332,206	6.20
Precico Holdings Sdn. Bhd. [(d)]	-	-	52,487,076	12.36
Prime Logic (M) Sdn. Bhd. [(e)]	-	-	27,932,206	6.58
Sinn Hin Company Sdn. Bhd. [(f)]	-	-	88,759,021	20.90

Notes:

(a) Dato' Gooi Soon Chai is deemed to have an interest in the 3,841,647 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 1,140,000 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 Sdn. Bhd.'s deemed interest arising from its 60% direct interests in Micro Compact (M) Sdn. Bhd. and shares held through UOB Kay Hian Securities (M) Sdn. Bhd. in the capital of the Company.

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

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Mandarin Orchard Hotel, Level 5, Main Tower, Grange Ballroom, 333 Orchard Rd, Singapore 238867 on Thursday, 23 April 2020 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 2019 together with the Directors' Statement and Independent Auditor's Report thereon. **(Resolution 1)**

2. To declare a first and final tax exempt (one-tier) dividend of 3.0 cents per share for the financial year ended 31 December 2019. **(Resolution 2)**

3. To approve the Directors' fees of S$308,000 for the financial year ended 31 December 2019. **(Resolution 3)**

4. To re-elect Dato' Gooi Soon Chai, retiring pursuant to Article 89 of the Company's Constitution. [See Explanatory Note 1] **(Resolution 4)**

5. To re-elect Mr Mohamad Anwar Au, retiring pursuant to Listing Rule 720(5) of the Singapore Exchange Securities Trading Limited. [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 23 April 2020.

1. A first and final tax exempt (one-tier) dividend of 3.0 cents per share for the financial year ended 31 December 2019 will be paid on 14 May 2020.

2. The Share Transfer Books and Register of Members of the Company will be closed on 5 May 2020 for preparation of dividend warrants. Duly completed and stamped transfers received by the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte Ltd), 80 Robinson Road, #11-02, Singapore 068898, up to 5.00 p.m. on 4 May 2020 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 4 May 2020 will be entitled to the payment of the proposed dividend.

ON BEHALF OF THE BOARD

Dennis Au
Executive Director

8 April 2020

Explanatory Notes on business to be transacted:

1. There are no relationships (including immediate family relationships) between Dato' Gooi Soon Chai and the other Directors of the Company. Detailed information on Dato' Gooi Soon Chai can be found on the Profile of Board of Directors section of the Annual Report 2019.

2. There are no relationships (including immediate family relationships) between Mr Mohamad Anwar Au and the other Directors of the Company or its shareholders. Detailed information on Mr Mohamad Anwar Au can be found on the Profile of Board of Directors section of the Annual Report 2019.

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 Mandarin Orchard Hotel, Level 5, Main Tower, Grange Ballroom, 333 Orchard Rd, Singapore 238867 on Thursday, 23 April 2020 at 2.30 p.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against, or abstain from voting 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)	Abstain(1)
1.	To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2019 together with the Directors' Statement and Independent Auditor's Report thereon.			
2.	To declare a first and final tax exempt (one-tier) dividend of 3.0 cents per share for the financial year ended 31 December 2019.			
3.	To approve the Directors' fees of S$308,000 for the financial year ended 31 December 2019.			
4.	To re-elect Dato' Gooi Soon Chai, retiring pursuant to Article 89 of the Company's Constitution.			
5.	To re-elect Mr Mohamad Anwar Au, retiring pursuant to Listing Rule 720(5) of the Singapore Exchange Securities Trading Limited.			
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. If you mark "X" in the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution.

Dated this ________ day of ______________ 2020

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 8 April 2020.

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www.frenckengroup.com