Frencken Group Limited

ANNUAL REPORT 2022

WHAT'S INSIDE

About this year's Cover Design

Frencken Group's annual report cover design personifies the company's culture of execution excellence and commitment to enhancing stakeholder value through its Frencken*Sustain*Life (FSL) blueprint. This blueprint ingrains Environment, Social and Governance (ESG) into every facet of the company's operations and its employees' daily lives. Frencken's strategic business model of diversification supports the company's resilience and sustainability through cyclical economic challenges.

The design features a luminous globe representing Frencken's distinction, emanating light from within while attracting industry icons representing its customers. The green-blue digital mesh represents Frencken's global footprint, fortifying roots of resilience and stability over the years with sustainability as its top business agenda. Overall, the design reflects Frencken's dynamic approach to the global economy and its ability to adapt to new opportunities, building on its reputation as a Global Integrated Technology Solutions leader.

Annual General Meeting of Frencken Group Limited

Thursday on 27 April 2023 at 2.30 p.m.

Registration for attendance at the AGM: https://conveneagm.sg/fgl_AGM2023

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
- Avimac Pte. Ltd.
  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

Other Division

Asia

- Penchem Technologies Sdn. Bhd.
  Penang, Malaysia

OUR BUSINESS

THE FRENCKEN ADVANTAGE

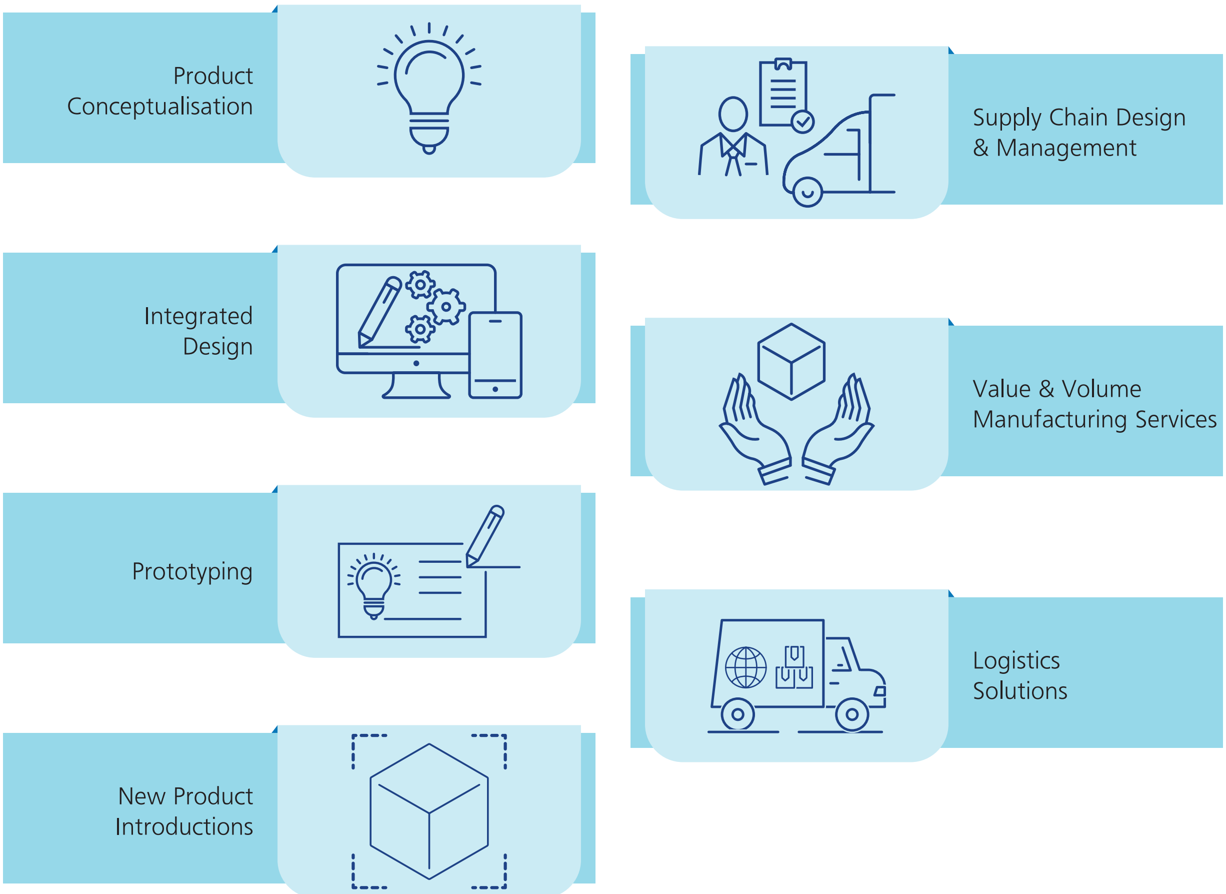
Frencken Group Limited ("Frencken") is a Global Integrated Technology Solutions Company that is listed on the Main Board of the Singapore Exchange.

We provide comprehensive Original Design, Original Equipment and Diversified Integrated Manufacturing solutions for world-class multinational companies in the analytical & life sciences, automotive, healthcare, industrial and semiconductor industries. We have also made our entry into the aerospace and materials engineering sectors.

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 3,600 employees in 19 operating sites across Asia, Europe and the USA, Frencken offers global reach backed by local expertise to our growing base of 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 analytical & life sciences, healthcare, semiconductor and industrial automation markets. We serve market and technology leaders from our operating sites and global centres in Europe, Asia and the USA.

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

Build to customers' 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 customers' 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 customers' Roadmap

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

GLOBAL CENTRES

oneMechatronics

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

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 developed extensive in-house capabilities at our 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 in-house and deployed across the IMS Division. "Sustainable Green" environmentally friendly PVD surface coating technologies for plastic.

Cost effective surface coating for automotive functional parts and interior decorative parts using our "Green" coating processes. Metallisation of plastic to replace metal parts in automotive radar antenna.

IMS Filter

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

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

GLOBAL CENTRES

IMS

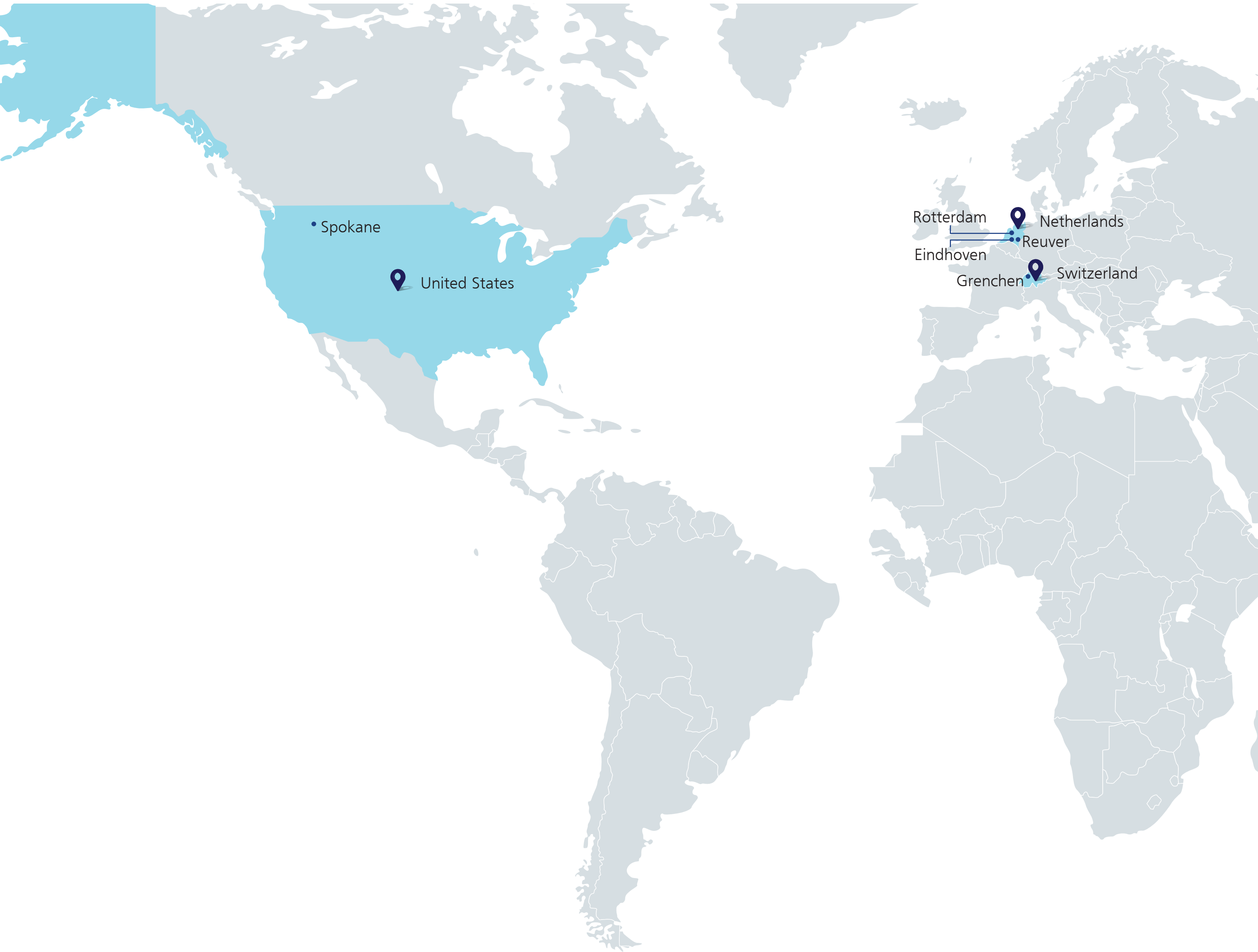
Asia

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

Europe

- Rotterdam, Netherlands
- Grenchen, Switzerland

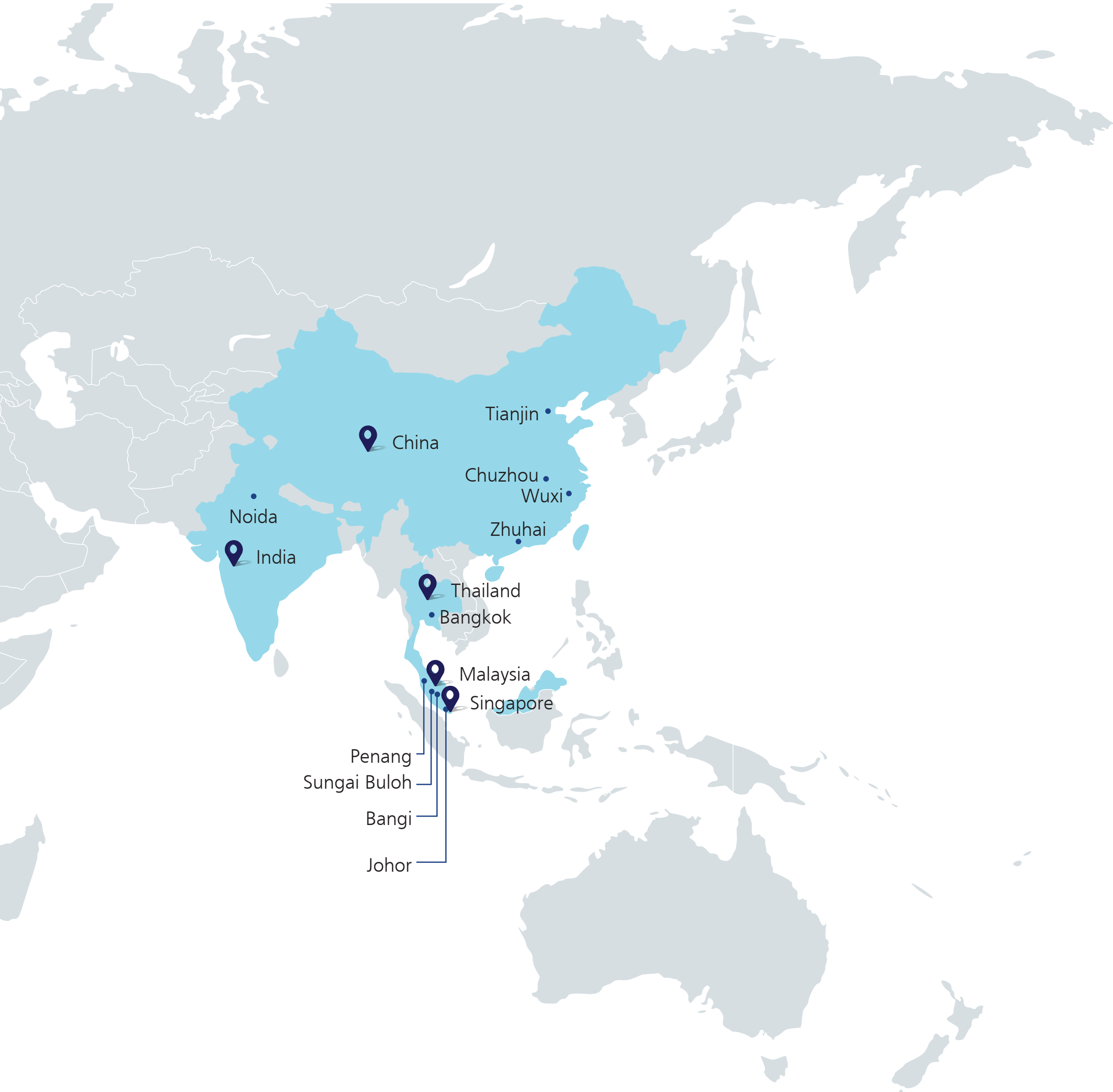
OUR VALUE PROPOSITION



GLOBAL REACH, LOCAL EXPERTISE

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

United States	Netherlands	Switzerland	China	Thailand	Malaysia	Singapore	India
Spokane	Eindhoven Rotterdam Reuver	Grenchen	Tianjin Zhuhai - Jinding - Nanshui Chuzhou Wuxi	Bangkok	Sungai Buloh Bangi Johor Penang	Singapore	Noida



Revenue
S$786.1 million

Operating Sites
19

Countries Served
50+

Employees
3,600

Public Corporation listed on
SGX

OUR VALUE PROPOSITION (Cont'd)

DIVERSITY BRINGS RESILIENCE AND STABILITY

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

The Group's business is built on a model of market diversity and strong partnerships with global companies that are market leaders in their respective industries. This has provided Frencken with a strong foundation to weather headwinds from global economic uncertainties and cyclical fluctuations of certain business sectors.

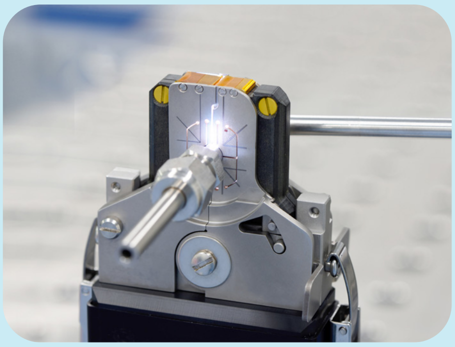
We take pride in our partnerships with customers to create world-class products. Our solutions, while not immediately visible to end-users, enable many of the products that surround us in our everyday lives.

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
- Radar Antenna



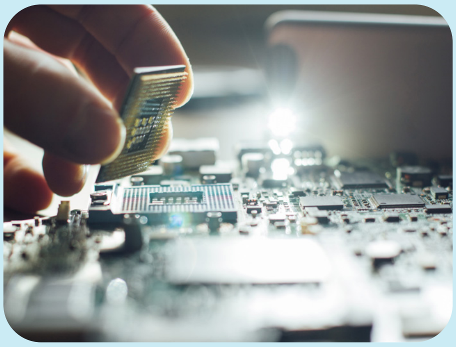
Analytical & Life Sciences

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

OUR VALUE PROPOSITION (Cont'd)

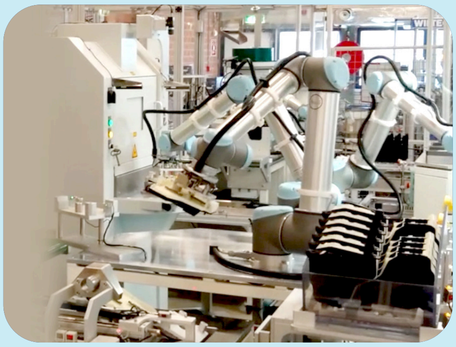
Healthcare

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, sub-assemblies and complete equipment build-up for
- Wafer fabrication equipment
- Die bonding
- IC testers and manipulators
- Wafer and semiconductor inspection, metrology tools
- Assemblies for repair & maintenance and consumables for wafer fabrication equipment
- Customised motors for semiconductor wafer fabrication equipment



Industrial

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

OUR SOLUTIONS SURROUND AND ENABLE THE PRODUCTS AROUND YOU

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

Dear Shareholders,

On behalf of the Board of Directors, I wish to present Frencken Group Limited's annual report for the 12 months ended 31 December 2022 ("FY2022").

During 2022, the global business landscape turned progressively more challenging as the world economy began slowing down due to increasing headwinds from geopolitical tensions, rising interest rates, escalating inflationary cost pressures and the Russia-Ukraine war. Besides the continued sharp rise in business costs at our Europe operations, the depreciation of the Euro against our reporting currency in Singapore Dollar also dampened the Group's financial performance in FY2022.

Despite facing strong headwinds and operating under challenging business conditions, I am pleased to report that Frencken was still able to deliver revenue growth and sustained profitability in FY2022.

Amid an environment of elevated operating costs, the Group took steps to mitigate inflationary pressures through operational initiatives and cost sharing arrangements with customers. Alongside these measures, Frencken continued with its capacity expansion and facility upgrading plans across our global operations.

While these expansion initiatives have a near-term effect on operating costs, they are integral to prepare the Group for future growth with our key customers which are leading corporations in their respective fields. Our strategy to partner these leading high technology companies in multiple industry segments, and serve a wide range of end-user markets and different geographical regions ensures a high level of business diversity which provides more stability and resilience.

Financial Performance for FY2022

The Group registered a marginal 2.5% increase in revenue to S$786.1 million in FY2022 from S$767.1 million in FY2021, as higher revenue of our Mechatronics Division counterbalanced a decline in revenue from our IMS Division.

For FY2022, the Group registered net profit attributable to equity holders ("PATMI") of S$51.9 million, a decrease of 11.7% from S$58.7 million in FY2021. The softer bottom line was due mainly to inflationary cost pressures particularly at our Europe operations, higher depreciation expenses as a result of capital investments to upgrade and expand the Group's global manufacturing facilities, and a one-time write-down for inventory adjustment and obsolescence at our subsidiary in the USA.

The Mechatronics Division posted a 4.5% increase in revenue to S$688.5 million in FY2022 from S$659.0 million in FY2021 due to higher sales of the semiconductor, medical and industrial automation segments. Revenue at the IMS Division fell 10.6% to S$96.4 million in FY2022. This was due mainly to lower sales at the automotive segment which was affected by the weaker-than-expected recovery of the global automotive industry and continuing disruptions in the global supply chain during the year.

Nonetheless, Frencken remains in a healthy financial position. As at 31 December 2022, the Group had cash and cash equivalents of S$167.0 million and shareholders' equity of S$391.9 million which is equivalent to a net asset value of 91.77 cents per share – up from 88.09 cents per share at the end of FY2021.

In line with our longstanding practice to reward shareholders for their continuous support, the Group is recommending the payment of a final tax-exempt (one-tier) dividend of 3.64 cents per share in respect of FY2022. The dividend translates to a pay-out ratio of 30% of the Group's PATMI for FY2022 and will be paid on 17 May 2023 after the approval of shareholders at our Annual General Meeting on 27 April 2023. Since listing on the Singapore Exchange in 2005, the Group has consistently paid dividends representing at least 30% of PATMI every year.

Investments for Future Growth

Frencken's long term strategy is to work continuously to elevate our market position as a premier Global Integrated Technology Solutions Company. To achieve this, we have been steadily making the requisite investments to improve both our capital and human resources. We are also executing initiatives to increase our value proposition, raise operational excellence and strengthen capabilities to ensure the Group delivers best-in-class quality and market timeliness.

Over the past two years, we have stepped up our expansion plans to meet the growing demand of our customers, and ensure the Group is well positioned to seize future business opportunities. Significant capital investments were made to develop new production sites and upgrade our existing facilities in Europe, Malaysia, China and Singapore. These strategic initiatives have expanded the Group's production space, capacity and capabilities.

At our Mechatronics Division, we have substantially expanded the floor space and production capacity of our operations in Europe and Malaysia with the addition of new premises. Besides investing to upgrade our machinery and equipment, we have also improved the cleaning and cleanroom facilities at our factories. This ensures the division is capable of meeting customers' stringent particle cleanliness and also addresses their requirements down to the molecular level.

At the IMS Division, we continued to make encouraging progress in the division's transformation to become an innovative and sustainable automotive solutions provider. In line with our plans to grow the automotive business, we have made investments that increased the size of our eco-PVD (Physical Vapour Deposition) facility and set up fully-automated automotive radar antenna manufacturing, assembly and test operations at our plant in Chuzhou, China.

To create a new growth pillar and build even greater diversity in our business model, the Group invested in a 50.94% equity interest in Penchem Technologies Sdn. Bhd. ("Penchem") during FY2022. Penchem is a high technology company focusing on the development and manufacture of polymer materials. It operates a manufacturing facility with advanced production and laboratory in Penang, Malaysia. We are incubating and integrating Penchem into the Group and view it as a long term investment for Frencken to gain entry into the materials business.

Outlook and Strategy

Looking forward, the business environment is expected to remain challenging in FY2023 amid ongoing uncertainties and expectations of a slowdown in the global economy.

While the Group's investments in new operating sites in Europe and Malaysia are being set up and qualified, we expect a gestation period in the interim with higher overhead costs. This impact may be more pronounced in the event of a slowdown in the wider business environment. Additionally, inflationary cost pressures will continue to weigh on our Europe operations in the near term and we will be working closely with certain customers there to take a more proactive approach in future with regards to managing supply chain and operational costs. We expect these cost management efforts to have a positive effect on our Europe operations.

Despite these short-term concerns, we continue to believe the global technology sector remains on a growth trajectory in the long term. With our global footprint, expanded capacity and enhanced capabilities, Frencken possesses an attractive and unique value proposition that has enabled the Group to secure new projects and gain wallet share with leading Original Equipment Manufacturers ("OEM").

While the semiconductor industry is currently in the midst of a cyclical slowdown, the Mechatronics Division has been able to leverage its expanded production capacity and capabilities to make further inroads with both existing customers and new customers. At our factory in Malaysia, we are supporting a key front-end semiconductor equipment customer in Europe to build its presence in Asia. We have also added a feather in our cap following the development and delivery of complete semiconductor vacuum transfer platforms for wafer processing equipment to a new USA customer.

Outlook and Strategy (cont'd)

The Mechatronics Division has expanded its capability and capacity to manufacture products with submicron accuracy. As a result, it has successfully secured new programs from a leading instrumentation company in the analytical & life sciences segment. In addition, we have been winning new programs with existing customers in the medical segment.

At our IMS Division, we are positioning our automotive segment to benefit from programs driven by the V2X (vehicle-to-everything) trends. The division has successfully utilised its proprietary eco-PVD technology to secure a project with a key customer for production of automotive radar antenna. To win more programs, we are working in partnership with Sweden-based Gapwaves to capture more customers and develop higher resolution radar antenna solutions.

With the Group's diverse exposure to leading OEMs in market segments that have exciting growth potential, our global footprint and healthy balance sheet, we are confident that Frencken will be able to weather the current headwinds and be in prime position to capitalise on a recovery in the global economy and technology sector.

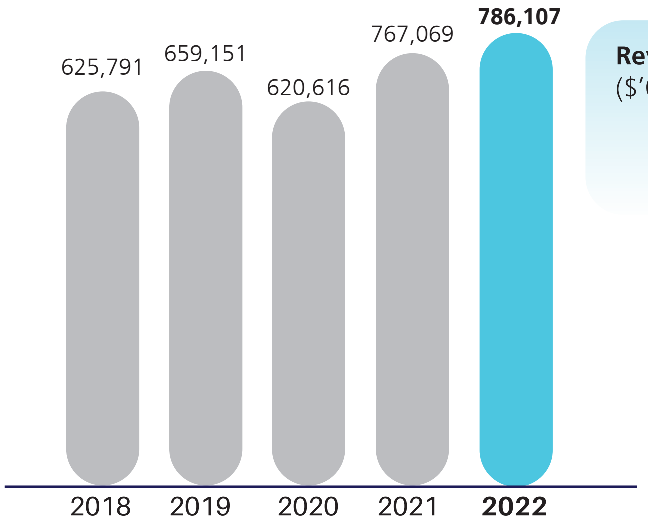
We aim to continue working to deliver ethical, sustainable, profitable growth that creates value for all our stakeholders in the long term.

Appreciation

On behalf of the Board of Directors, I wish to thank our management and staff for their dedication and valuable contributions 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.

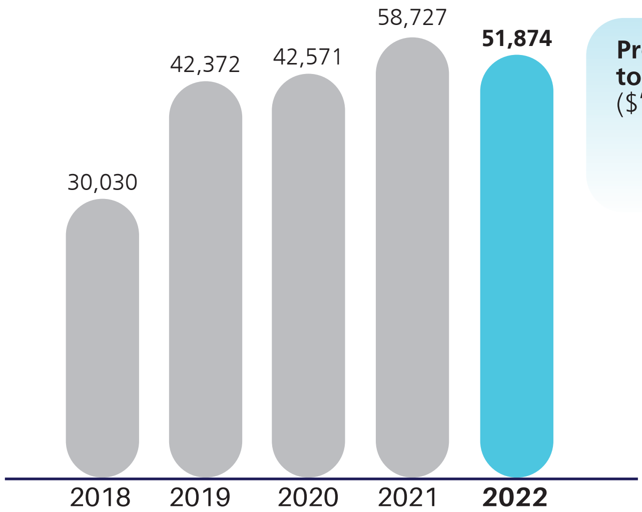
Dato' Gooi Soon Chai
Non-Executive, Non-Independent Chairman

FINANCIAL SUMMARY



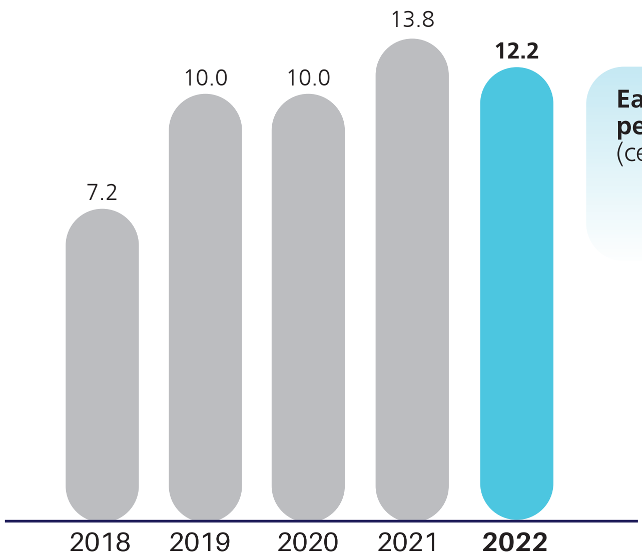
Revenue
($'000)

786,107



Profit attributable to equity holders
($'000)

51,874



Earnings per share - basic
(cents)

12.2

FINANCIAL SUMMARY (Cont'd)

FINANCIAL YEAR	2018	2019	2020	2021	2022
Operating Results	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Revenue	625,791	659,151	620,616	767,069	**786,107**
Operating profit [1]	45,068	59,353	58,929	71,924	**66,643**
Profit attributable to equity holders	30,030	42,372	42,571	58,727	**51,874**
Financial Position	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Total assets	463,740	506,196	563,793	688,145	**725,208**
Total liabilities	196,221	208,045	227,510	309,116	**328,789**
Shareholders' equity	264,892	295,373	333,955	376,162	**391,888**
Key Ratios					
Net profit on turnover (%)	4.8	6.4	6.9	7.7	**6.6**
Return on average equity (%)	11.7	15.1	13.5	16.5	**13.5**
(Net debts)/Net cash to equity (%)	(0.6)	23.4	32.1	25.4	**14.8**
Earnings per share - basic (cents)	7.2	10.0	10.0	13.8	**12.2**
- diluted (cents)	7.1	10.0	10.0	13.7	**12.1**
Net assets value per share (cents)	62.8	69.6	78.3	88.1	**91.8**
Dividend per share (cents)	2.14	3.00	3.00	4.13	**3.64**
Share Price and Market Capitalisation	**Cents**	**Cents**	**Cents**	**Cents**	**Cents**
Highest	68.0	97.5	132.0	249.0	**197.0**
Lowest	37.0	39.0	47.5	120.0	**77.5**
Average	50.0	64.2	91.9	182.5	**127.0**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Average market capitalisation	210,751	272,383	391,928	779,321	**542,322**
Average shareholders' equity	256,046	280,133	314,664	355,059	**384,025**
Market value differential [2]	(45,295)	(7,750)	77,264	424,262	**158,297**

(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

		2021	2022	Change
1	**Operating Results**	$'000	$'000	%
	Revenue	767,069	**786,107**	2.5
	Profit attributable to equity holders	58,727	**51,874**	(11.7)
	Net profit on turnover (%)	7.7	**6.6**	(14.3)
2	**Divisional Performance**	$'000	$'000	%
	Mechatronics - Revenue	658,992	**688,452**	4.5
	- Operating profit [1]	59,723	**55,356**	(7.3)
	IMS - Revenue	107,797	**96,351**	(10.6)
	- Operating profit [1]	7,397	**4,642**	(37.2)
3	**Solvency Profile**	$'000	$'000	%
	Cash and cash equivalents	192,600	**166,989**	(13.3)
	Borrowings	97,225	**108,811**	11.9
	Net cash	95,375	**58,178**	(39.0)
	Interest cover ratio [2]	30.8	**16.1**	(47.7)
4	**Shareholders' Value**			%
	Shareholders' equity ($'000)	376,162	**391,888**	4.2
	Earnings per share - basic (cents)	13.8	**12.2**	(11.6)
	- diluted (cents)	13.7	**12.1**	(11.7)
	Return on average equity (%)	16.5	**13.5**	(18.2)
	Net asset value per share (cents)	88.1	**91.8**	4.2
	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 2022	31 December 2023
Announcement of Results		
First half results announcement	11 August 2022	**August 2023**
Second half results announcement	27 February 2023	**February 2024**
Delivery of Annual Report	5 April 2023	**April 2024**
Annual General Meeting	27 April 2023	**April 2024**

BUSINESS REVIEW

Group Financial Performance In FY2022

For the 12 months ended 31 December 2022 ("FY2022"), the Group registered a marginal 2.5% increase in revenue to S$786.1 million. This was achieved in spite of the slowdown in the world's economy, a weaker-than-anticipated recovery of the global automotive industry, and the negative impact of currency translation arising from the depreciation of the Euro (EUR) against the Singapore Dollar (SGD). For FY2022, the Mechatronics Division posted higher revenue which offset the softer revenue performance of the IMS Division.

The Group's gross profit in FY2022 decreased 7.7% to S$119.0 million, translating into a lower gross profit margin of 15.1% compared to 16.8% in FY2021. This was due mainly to the impact of sharp inflationary cost pressures particularly at its operations in Europe, coupled with higher depreciation expenses following the Group's capital investments to upgrade and expand its global manufacturing facilities. In addition, the Group's subsidiary in the USA incurred a one-time write-down for inventory adjustment and obsolescence.

Other income, net of other operating expenses, increased to S$8.6 million in FY2022 from S$3.8 million in FY2021. This was attributed mainly to foreign exchange gain, fair value gain on financial assets, higher project income, scrap sales and a writeback of payables.

Selling and distribution expenses decreased 7.1% to S$10.7 million in FY2022, owing mainly to lower transportation costs. Administrative and general expenses remained stable at S$50.3 million in FY2022 compared to S$49.3 million in FY2021. Finance costs increased to S$4.2 million in FY2022 from S$2.4 million in FY2021 due mainly to higher trade financing, increase in interest rates and higher lease liabilities arising from the expansion of the Group's facilities in Europe and Malaysia.

As a result of the above, the Group reported net profit attributable to equity holders of S$51.9 million, down 11.7% from S$58.7 million in FY2021.

As at 31 December 2022, the Group had shareholders' equity of S$391.9 million, equivalent to a net asset value of 91.77 cents per share based on the total number of issued shares of 427.0 million shares.

Total assets as at 31 December 2022 increased to S$725.2 million from S$688.1 million as at 31 December 2021. This was attributable mainly to increases in property, plant and equipment, right-of-use assets, intangible assets and inventories.

Revenue

$786.1 million

Gross profit

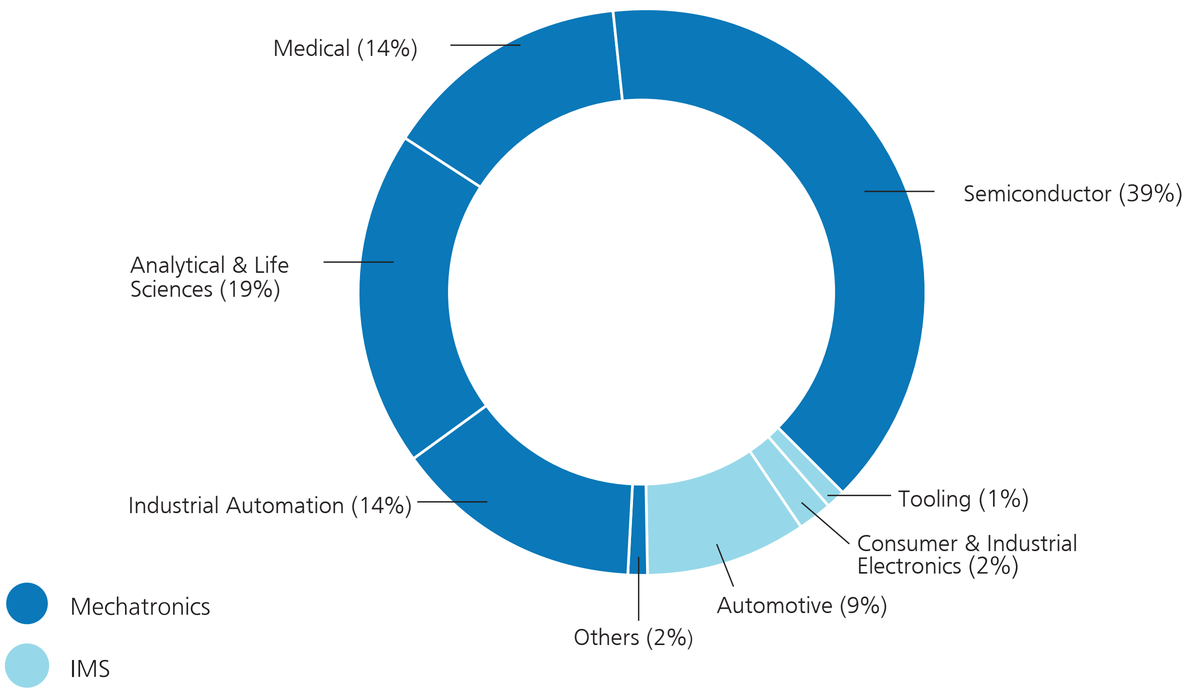
$119.0 million

Profit before income tax

$63.0 million

BUSINESS REVIEW (Cont'd)

REVENUE BREAKDOWN BY BUSINESS SEGMENT



Property, plant and equipment as at 31 December 2022 increased to S$127.5 million from S$110.8 million as at 31 December 2021. During FY2022, the Group incurred capital expenditure of S$42.2 million for the expansion of facilities and production capacity in Europe, Malaysia and Singapore. Depreciation of property, plant and equipment amounted to S$20.1 million.

Intangible assets increased to S$21.5 million as at 31 December 2022 from S$19.5 million as at 31 December 2021, attributable mainly to provisional goodwill arising from the acquisition of Penchem Technologies Sdn. Bhd. ("Penchem") in FY2022.

As at 31 December 2022, the Group's right-of-use assets increased to S$39.0 million from S$17.2 million as at 31 December 2021 following the addition of new production facilities in Europe and Malaysia.

Inventories as at 31 December 2022 increased to S$228.8 million compared to S$203.1 million as at 31 December 2021 to meet the fulfilment of orders to customers. Trade receivables were relatively unchanged at S$123.2 million as at 31 December 2022. Cash and cash equivalents decreased to S$167.0 million as at 31 December 2022 from S$192.6 million as at 31 December 2021.

Total liabilities as at 31 December 2022 increased to S$328.8 million from S$309.1 million as at 31 December 2021, attributable mainly to increased borrowings and higher lease liabilities.

The Group's lease liabilities increased to S$41.6 million as at 31 December 2022 compared to S$22.2 million as at 31 December 2021 in tandem with higher right-of-use assets. Total borrowings increased to S$108.8 million as at 31 December 2022 from S$97.2 million as at 31 December 2021. As a result, the Group had net cash of S$58.2 million as at 31 December 2022. Total debt-to-equity ratio edged up to 27.8% as compared to 25.8% at the end of December 2021.

During FY2022, the Group generated net cash of S$37.8 million from operating activities. Net cash used in investing activities amounted to S$44.5 million in FY2022, attributable mainly to capital expenditure and acquisition of Penchem, which was offset partially by interest received and proceeds from disposal of property, plant and equipment. Net cash used in financing activities amounted to S$30.4 million in FY2022 due primarily to payment of dividends to shareholders and repayment of lease liabilities. As a result, the Group recorded a net decrease in cash and cash equivalents of S$37.1 million during FY2022.

Review Of Business Segments

Mechatronics Division

The Mechatronics Division registered a 4.5% increase in revenue to S$688.5 million in FY2022. This was lifted by higher revenue of the semiconductor, medical and industrial automation segments. Revenue growth in FY2022 was undermined by the depreciation of the EUR against the Group's reporting currency in SGD. This led to lower revenue growth for our Europe operations when its top line was translated into SGD.

The semiconductor segment recorded revenue growth of 5.2% to S$305.0 million in FY2022. This was attributed mainly to increased orders from front-end semiconductor equipment customers in Europe and Asia. Revenue derived from customers in the front-end semiconductor equipment space accounted for around 73% of the semiconductor segment's revenue in FY2022.

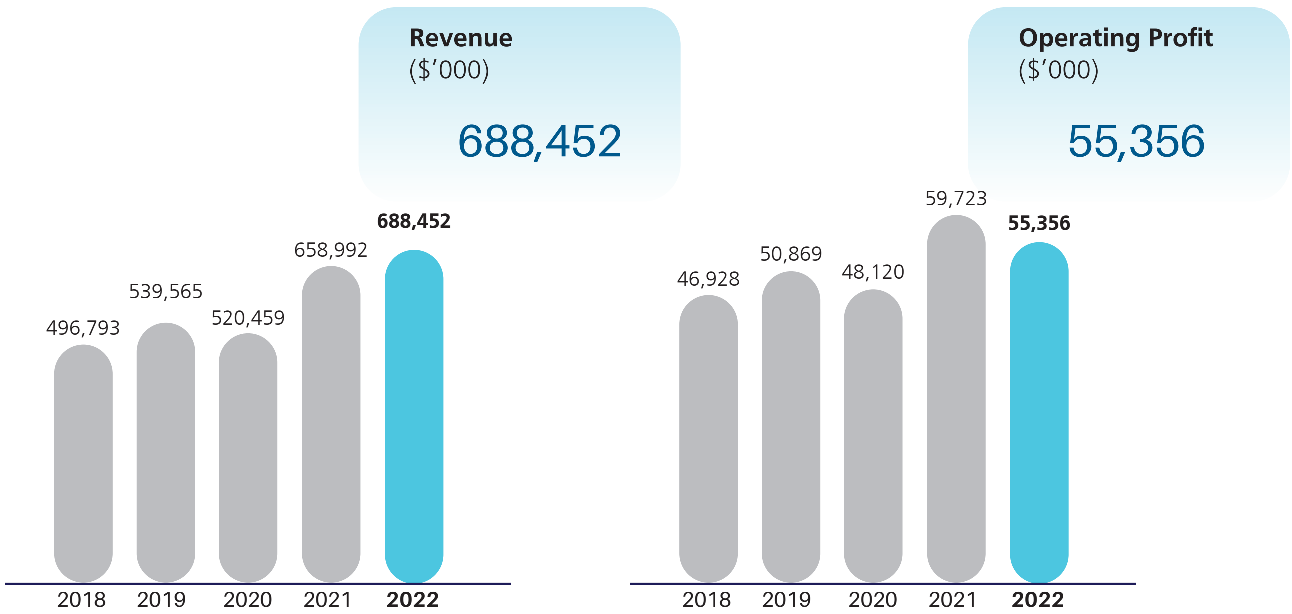
Revenue of the medical segment also rose 6.9% to S$107.9 million in FY2022 on the back of strong revenue pick up in Europe and Asia during the second half of the financial year under review. The analytical & life sciences segment recorded stable revenue of S$147.3 million in FY2022.

Revenue of the industrial automation segment increased 4.7% to S$109.6 million in FY2022, attributed mainly to higher capital expenditure for hard disk production equipment by a key customer. Revenue of this segment is typically lumpy in nature and dependent on the capital expenditure of this key customer.

As a percentage of the Group's total revenue in FY2022, the semiconductor segment made up 39% while analytical & life sciences segment contributed 19%. The medical and industrial automation segments each accounted for around 14% of Group revenue in FY2022.

The Mechatronics Division reported lower operating profit of S$55.4 million in FY2022 compared to S$59.7 million in FY2021, due mainly to increased costs which dampened the division's gross profit in FY2022.

MECHATRONICS DIVISION'S PERFORMANCE (FY2018 - FY2022)



Review Of Business Segments (cont'd)

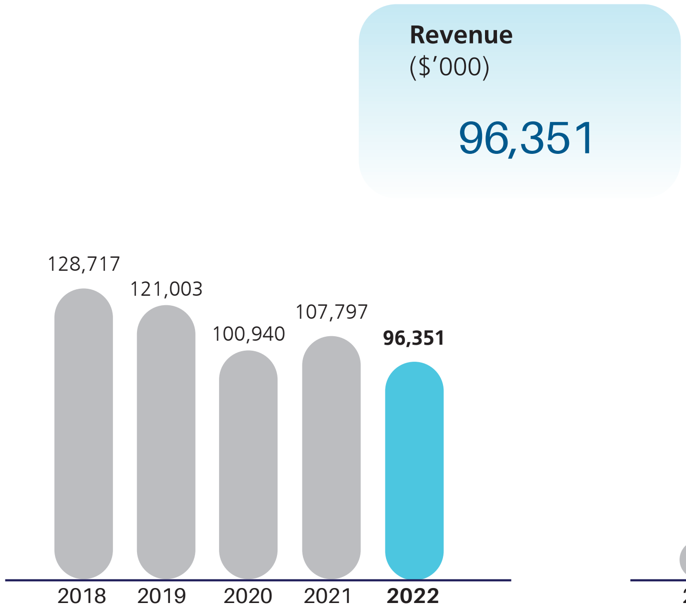
IMS Division

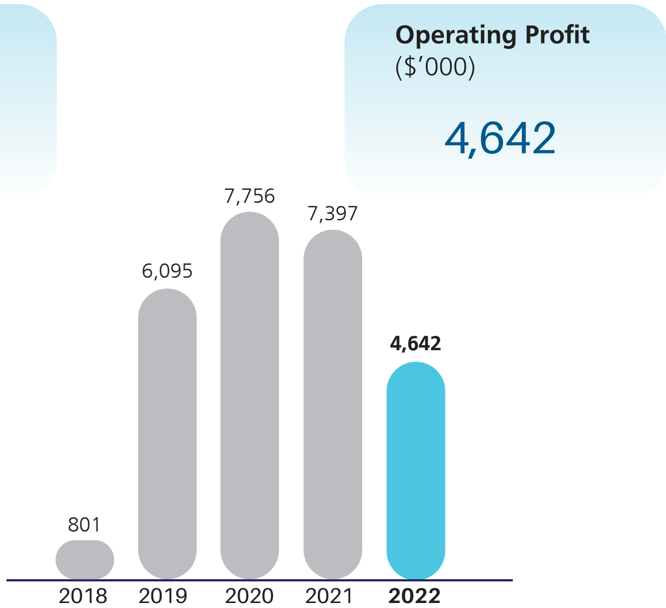
The IMS Division's revenue decreased 10.6% to S$96.4 million in FY2022, attributed mainly to lower revenue of the automotive and consumer & industrial electronics segments. Revenue of the automotive segment declined 12.3% to S$72.0 million during FY2022 due to the weaker-than-expected recovery of the global automotive industry and supply chain disruptions. For FY2022, the automotive segment accounted for 9% of Group revenue.

The consumer & industrial electronics segment, which recorded lower revenue of S$17.5 million in FY2022 compared to S$19.2 million in FY2021, contributed to 2% of Group revenue in FY2022.

The decrease in revenue, coupled with higher costs, led to the IMS Division reporting a lower operating profit of S$4.6 million in FY2022 compared to S$7.4 million in FY2021.

IMS DIVISION'S PERFORMANCE (FY2018 - FY2022)





Operational Initiatives

Mechatronics Division

Customer Programs

Our Mechatronics Division recorded higher revenue in FY2022 despite the challenges stemming from a cyclical slowdown in the semiconductor industry, and depreciation of the EUR which resulted in lower revenue growth of our Europe operations when reported in SGD.

Our semiconductor segment posted higher sales in FY2022, thanks mainly to orders from front-end semiconductor equipment customers in Europe and Asia which helped to buffer against lower demand in the back-end equipment segment during FY2022.

Operational Initiatives (cont'd)

Mechatronics Division (cont'd)

Customer Programs (cont'd)

While the slower momentum in the semiconductor sector is expected to continue into 2023, our Mechatronics Division has been awarded new business programs from our major customers in FY2022. For our Europe operations, we expect semiconductor segment revenue to be supported by continued orders for existing business, and incremental contribution from new programs secured with our key customer that are scheduled to enter production from the end of 2023 into 2024. In response to the expansion roadmap of a key semiconductor customer in Europe, our Mechatronics Division has added new capacity at our operations in Europe and Asia which further underscores the strengthened partnership between Frencken and this customer.

Our Asia operations are also working on new product introduction (NPI) programs in the semiconductor segment and continued to gain wallet share with existing customers during FY2022. Furthermore, we have also successfully built and delivered three complete semiconductor vacuum transfer platforms for wafer processing equipment to a new USA customer in FY2022. The NPI programs in Asia that are in progress or already completed last year may however see a delay in the commencement of volume production to 2024 due to current slowdown in the semiconductor industry.

Similarly, the division also continued to deepen its partnerships with key customers in our analytical & life sciences segment and secured new programs in FY2022. Notably, our expanded capacity and capability to manufacture products with submicron accuracy in Asia has enabled Frencken to clinch new programs with our major customer which is a leading instrumentation company in the analytical & life sciences industry.

For our medical segment, the division has also been winning new programs and expanding existing programs with key customers. We believe the ongoing programs and new projects in the analytical & life sciences and medical segments could help to partially cushion the expected slowdown in the semiconductor and industrial automation segments this year.

We take pride that our Mechatronics operations in Asia has been raising its status with customers. In 2022, it was added as a preferred strategic supplier for a USA-headquartered semiconductor equipment manufacturer which strengthens the foundation for the Group to benefit from further growth with this customer. In addition, our Asia operations was conferred several supplier awards in 2022 from customers in the semiconductor and industrial automation segments.

Investments

To facilitate future business growth, the Group has made significant capital investments in FY2021 and FY2022 to develop new production sites, as well as improve existing facilities in Europe, Malaysia and Singapore. These capital investments have expanded the Group’s production space, capacity and competencies.

In Europe, we have substantially extended our production floor, invested in machinery, as well as upgraded and expanded our cleaning and cleanroom facilities. In particular, our new cleanroom facilities and cleaning suite in Europe will allow us to deliver Grade 1 and Grade 2 parts and assemblies for a key customer, in line with more stringent requirements to focus on contaminants at the molecular level instead of just visible particle pollutants.

For our Asia operations, we have also expanded our capacity for machining, sheet metal, assembly and cleanroom assembly with the start of operations of a new factory in Malaysia. Together with our expanded facilities in Singapore, the Mechatronics Division has augmented its capacity in Asia to be better positioned for new customer programs and wallet share gain with key customers in future.

Operational Initiatives (cont'd)

Mechatronics Division (cont'd)

Investments (cont'd)

Our capacity expansion and upgrading programs over the past two years, coupled with an enlarged pool of skilled personnel, have led to higher depreciation, rental and staff costs without corresponding revenue in the interim. Concurrently, we are also working on several NPI programs which typically yield lower efficiency during initial phases before the ramp-up in volume production. As such, these strategic initiatives and new programs will inevitably place a certain degree of pressure on the division's overall profit margin in the short term.

However, we believe that these investments for customers' programs and growth opportunities are in the right direction as they place Frencken in a prime position when the global economy recovers.

Plans

In the face of inflationary cost pressures, the Group has taken steps to mitigate the situation through operational initiatives and negotiations with customers on cost sharing arrangements. However, these efforts were undermined by the sustained increase in business costs during FY2022, particularly in Europe due to soaring energy expenses, higher material and manpower costs. Furthermore, the continuing disruptions in supply chain had adversely affected our productivity.

These external pressures are expected to remain unabated in FY2023. As such, the Group plans to continue its negotiations with customers and has also been working with certain customers to take a more proactive approach in future with regards to managing supply chain and operational costs.

Business sentiment may also be affected by a potential slowdown in global economic activities, rising interest rates and prevailing geopolitical tensions. Amid a challenging business backdrop, the Mechatronics Division will continue with its strategy to strengthen our position with key customers across diverse business segments particularly in the semiconductor, analytical & life sciences, and medical sectors.

We will focus on enhancing our capabilities in manufacturing processes, advancing our technology, developing our supply chain and strengthening our organisation to add further value to customers, drive NPI activities and build on our solid foundation.

On the capital investment front, the Mechatronics Division will continue to upgrade our clean room facilities and machinery as appropriate. In addition, we plan to execute our IT upgrading and digital transformation initiatives to further enhance operational efficiency, sustainability and scalability.

Although geopolitical tensions have created challenges for technology companies operating in China including our factory located in Wuxi, this situation has also created new opportunities for Frencken, thanks to our established global manufacturing footprint which allows us to support our key customers from Europe and the USA.

Specifically, we will be leveraging on our expanded capacity in Malaysia to support a key customer in the semiconductor equipment industry in Europe to build a greater presence in Asia. Furthermore, we are also accelerating the transfer of know-how and capabilities from our Europe team to our operations in Asia to cater for future product transfers of a key customer in the analytical & life sciences segment.

With our enlarged capacity, enhanced competencies and global footprint, we believe Frencken possesses an attractive and unique value proposition to secure new opportunities with leading Original Equipment Manufacturers and build additional revenue drivers in the coming years.

Operational Initiatives (cont'd)

IMS DIVISION

The IMS Division's revenue in FY2022 was dampened by the slower-than-anticipated recovery of the automotive sector which was impeded by inflationary cost pressures and supply chain challenges. The supply constraints of customers have translated to lower volume of orders for our automotive business. In addition, the pandemic-induced lockdowns in China during FY2022 had also contributed to demand fluctuations and delivery delays for exports.

Notwithstanding the challenging operating landscape, our IMS Division continued making commendable strides in its transformation to lay a sturdier foundation and evolve with trends in the automotive industry.

Leveraging our proprietary eco-PVD (Physical Vapour Deposition) technology to produce automotive radar antenna based on plastic metallisation process, the IMS Division secured a project for serial production of this product from a key customer. The pre-production radar antennas have been shipped to the customer in FY2022. Limited volume production is expected to commence in 2023, before moving into full volume production in 2024.

To expand the growth opportunities of our radar antenna business, we are also working in partnership with Sweden-based Gapwaves to win more programs and develop higher resolution radar antenna solutions.

Alongside these developments, we have expanded our eco-PVD facility and established fully-automated automotive radar antenna manufacturing, assembly and test operations at our plant in Chuzhou, China during FY2022. Our Chuzhou plant is fully certified under the ISO14001, IATF16949 and ISO45001 quality standards.

For our automotive filter business, we continue to work on increasing market share and have been making inroads with local automotive customers in China to secure new contracts. In FY2022, our IMS Division was conferred Best Quality Award by a key automotive customer.

In the near term, prevailing supply constraints and inflationary cost pressures may continue to afflict the automotive industry. Furthermore, global economic uncertainty could also weigh on demand from end-customers in the automotive sector.

Nevertheless, we are continuing to position our automotive segment to benefit in the long-term from programs driven by the V2X (vehicle-to-everything) trends. The V2X technology is also accelerating the progress of the autonomous vehicle segment which is expected to take a leap in 2023 when Level-3 autonomy cars are deployed on the roads.

Indeed, the IMS Division is currently working on multiple NPI programs to capitalise on V2X trends. Going forward, we intend to focus on developing and growing our automotive radar antenna programs and technology, particularly with our partner Gapwaves.

DATO' GOOI SOON CHAI

Non-Executive
Non-Independent
Chairman

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

In an illustrious career spanning 30 years, Dato' Gooi has amassed a wealth of experience and extensive network of contacts in the global technology industry. He is presently Senior Vice President, Keysight, and President of Order Fulfillment & Digital Software Solutions. He is responsible for the company's software solution business, including driving digital transformation through design and test software platforms and solutions, and application services. Dato' Gooi also leads the Order Fulfillment, Procurement & Materials, and Information Technology functions. In this capacity, he manages the end-to-end supply chain that encompasses manufacturing operations, technology centers, global supply chain operations, engineering, global trade logistics, and compliance.

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

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

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

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

DENNIS AU

President and Executive Director

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

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

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

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

CHIA CHOR LEONG

Independent Non-Executive Director

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

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

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

MELVIN CHAN WAI LEONG

Lead Independent Non-Executive Director

Melvin Chan Wai Leong is our Lead Independent Non-Executive Director. He was appointed as our Director on 27 April 2017. He is also the Chairman of our Audit Committee and a member of our Nominating Committee.

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.

FOO SEANG CHOONG

Independent Non-Executive Director

Foo Seang Choong is our Independent Non-Executive Director. He was appointed as our Director on 31 December 2021 and is also our Remuneration Committee Chairman and a member of our Audit Committee.

Mr Foo has over 30 years of professional experience in finance and accounting, business strategy and transformation, having held regional and global leadership roles in several multinational listed companies in the high technology industry.

He is currently the Vice President of Finance and Corporate Controller with Kulicke & Soffa Industries and a Director with BFX Pte Limited. Prior to that, he was Senior Director of Finance with Oracle Asia Pacific and Executive Director of Finance with Dell Asia Pacific and Japan.

Mr Foo is a fellow of Institute of Public Accountants.

PROFILE OF KEY MANAGEMENT

BRIAN TAN CHUEN YEANG

Chief Financial Officer

Brian Tan Chuen Yeang was appointed as Chief Financial Officer on 31 December 2021. He is responsible for leading our Group's finance agenda and management through corporate finance, treasury, financial reporting, audit and tax compliance, and risk management.

Mr Tan's career covers over 20 years of increasingly senior roles in energy logistics, oil and gas, telecommunications, and manufacturing. His career experience included strategic, commercial, and leading roles in financial management, fundraising, restructuring and investments, driving transformation and performance. Before joining the Group, Mr Tan was CFO for Malaysia and Singapore with Knauf-USG Boral, a leading German company in building materials. He has worked with Usaha Tegas, a Malaysian private investment company, NBK Group, a conglomerate in Qatar, and spent the earlier part of his career of more than 12 years with Bumi Armada and Petronas Group in various roles and corporate finance responsibilities.

Mr Tan holds an MBA from Manchester Business School and a Bachelor of Business in Accountancy from RMIT University. He is a fellow of CPA Australia and has a corporate finance qualification from ICAEW.

DOMINIC LEE SIE YONG

Vice President,
Human Resource

Dominic Lee is the Group's Vice President ("VP") of Human Resource. He joined our Group in January 2016 and is responsible for partnering with the Group's senior management to drive ongoing people strategies and transformational change.

Mr Lee has over 30 years of experience in various industries, including food and beverage, high technology and medical. Previously, he was VP, Human Resource Asia Pacific for Symrise Asia Pacific Limited and Director Human Resource for Agilent Technology and Covidien Pte Limited.

Mr Lee holds a Bachelor of Science (Hon.) in Computer Science and Mathematics from McMaster University in Canada and a Masters in Asia Pacific Human Resource Management from the National University in Singapore.

FOKKO LEUTSCHER

President, Mechatronics

Fokko Leutscher was appointed as President of Frencken Mechatronics in May 2020. In this role he is responsible for Mechatronics' strategic direction, overseeing its global operations, and driving its performance. In 2017, he first joined the Frencken Group as the Managing Director of Frencken Mechatronics Europe and America.

Mr Leutscher has over 25 years of international work experience, of which 10 years in Asia, in capital equipment manufacturing and supply chain management. Before joining Frencken, he was Vice President of Front-End Global Operations at ASM International. Prior to this role, he served as General Manager Front-End Manufacturing Singapore and held various management positions at ASM International in the Netherlands.

Mr Leutscher holds a Master's Degree in Business Economics from the University of Groningen, the Netherlands.

CORPORATE INFORMATION

COMPANY REGISTRATION NO.: 199905084D

BOARD OF DIRECTORS

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

Dennis Au
(President, Executive Director)

Chia Chor Leong
(Independent Director)

Melvin Chan Wai Leong
(Lead Independent Director)

Foo Seang Choong
(Independent Director)

AUDIT COMMITTEE
Melvin Chan Wai Leong (Chairman)
Chia Chor Leong
Foo Seang Choong

REMUNERATION COMMITTEE
Foo Seang Choong (Chairman)
Chia Chor Leong
Dato' Gooi Soon Chai

NOMINATING COMMITTEE
Chia Chor Leong (Chairman)
Melvin Chan Wai Leong
Dato' Gooi Soon Chai

AUDITORS
Deloitte & Touche LLP
Public Accountants and Chartered Accountants
6 Shenton Way
OUE Downtown 2, #33-00
Singapore 068809
Partner-in-charge: Chua How Kiat
Year of appointment: Financial year ended 31 December 2022

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

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

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

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

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

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

WEBSITE
www.frenckengroup.com

SUSTAINABILITY STATEMENT OF OUR PRESIDENT AND EXECUTIVE DIRECTOR

This journey is **important** for our customers, our suppliers, our shareholders and for Frencken's sustainable profitable **growth.**

In 2022, Frencken embarked on a company-wide Environment, Social and Governance (ESG) program to drive, "Ethical Sustainable Profitable Growth". Our Sustainability Journey's ESG priorities are known as "Frencken*Sustain*Life" (FSL). The core of our FSL pursuits is to increase shareholder and stakeholder value.

Sustainability performance is pivotal for Frencken's growth and as a company. Frencken acknowledges that Environment and Social aspects of the business are reflections of high-quality Governance.

We commenced the task of assessing our ESG Performance for year 2022, starting with data from the pre-COVID-19 (2018 – 2019) and followed by ESG data post-COVID-19 (2020 – 2021) to establish understanding of our baseline averages. Frencken Group will finalise baseline ESG numbers this year and set targets for 2024 and beyond.

On this journey, we are aligned and engaged with Singapore Stock Exchange's (SGX) requirements for sustainability in our business.

The development of our ESG knowledge, capabilities and best practices allowed us to carry out risk reviews by our business segment level, aligning with compliance and regulatory requirements by our customers, regulators and suppliers.

Within the first two years we aspire to achieve and make visible our FSL - ESG Performance and embrace it as part of our operating culture.

In December 2022, we established Frencken's ESG baselines and established performance Dashboard to track milestones planned for our journey.

This journey is important for our customers, our suppliers, our shareholders and for Frencken's sustainable profitable growth.

Being Sustainable, together.

Dennis Au
President and Executive Director

FRENCKEN * SUSTAIN * LIFE

SUSTAINABILITY REPORT

OUR SUSTAINABILITY APPROACH

About This Report

As part of Frencken Group Limited's ("Frencken", "we", "our", "the Group", "the organisation") sustainability journey, our commitment towards communicating our Environmental, Social and Governance ("ESG") performance to our stakeholders has persisted through this Sustainability Report which is currently in its sixth year. This report provides an overview of our sustainability performance throughout the reporting period (1 January 2022 to 31 December 2022), unless stated otherwise.

The Report complies with the SGX-ST Listing Rules 711A and 711B and Practice Note 7.6 Sustainability Reporting Guide. The Report has not been externally assured. We relied on our internal verification mechanisms to validate the accuracy of our reporting. We plan to seek external assurance in 2024. We use the term ESG and FSL interchangeably in this report.

For FY2022, our disclosure covers 8 Mechatronics sites, 10 sites of Integrated Manufacturing Services (excluding our recent acquisitions of Avimac Pte. Ltd. and Penchem Technologies Sdn. Bhd.) and 1 corporate office which is Frencken International Sdn Bhd (FISB).

Segment/ Region	Mechatronics	Integrated Manufacturing Services
EU/US	• Frencken Europe B.V. Eindhoven, The Netherlands (FEBV) • Frencken Mechatronics B.V. Eindhoven, The Netherlands (FMT) • Machinefabriek Gebrs. Frencken B.V. Eindhoven, The Netherlands (MFE) • Optiwa B.V. Reuver, The Netherlands (OPT) • Frencken America Inc., Spokane, USA (FAM)	• Juken Swiss Technology AG, Grenchen, Switzerland (JST) • NTZ Nederland B.V., Rotterdam, The Netherlands (NTZ)
Asia	• ETLA Limited, Singapore (ETLA SG) • ETLA Technology (Wuxi) Co., Ltd., Wuxi, People's Republic of China (ETLA WX) • Frencken Mechatronics (M) Sdn. Bhd., Bangi, Malaysia (FMMSB)	• Juken Technology Engineering Sdn. Bhd., Selangor, Malaysia (JTM) • Juken Technology Engineering Sdn. Bhd., Johor, Malaysia (JTJ) • Juken (Thailand) Co., Ltd., Bangkok, Thailand (JTH) • Juken (Zhuhai) Co., Ltd., Zhuhai, People's Republic of China (JZH) • Frencken (Chuzhou) Co., Ltd., Chuzhou, People's Republic of China (FCZ) • Micro-Air (Tianjin) Technology Co., Ltd., Tianjin, People's Republic of China (JMAT) • Frencken (Zhuhai) Co., Ltd., Jinding Branch, People's Republic of China (JJD) • Juken Uniproducts Pvt. Ltd., Noida, India (JUI)

Our Methodology

In compliance with the listing requirements of the Singapore Stock Exchange (SGX), we have adapted relevant standards in our sustainability reporting approach, namely the Global Reporting Initiative (GRI) Standards and the SGX-ST "Core ESG Metrics".

SGX-ST had issued a list of core ESG metrics to facilitate consistency and comparability of ESG data disclosures by adapting the global sustainability reporting framework of GRI.

SGX-ST prescribes listed companies to include details of the company policies, practices, performance and targets related to material ESG factors. In addition, sustainability reporting principles are linked to the corporate governance rules on "comply-or-explain" basis that has been adapted from reporting standards.

As this is our 1st report upon embarking on a group level sustainability journey, we intensified our approach using principles of sustainability reporting by GRI to help breakdown our disclosures by content and quality for higher transparency.

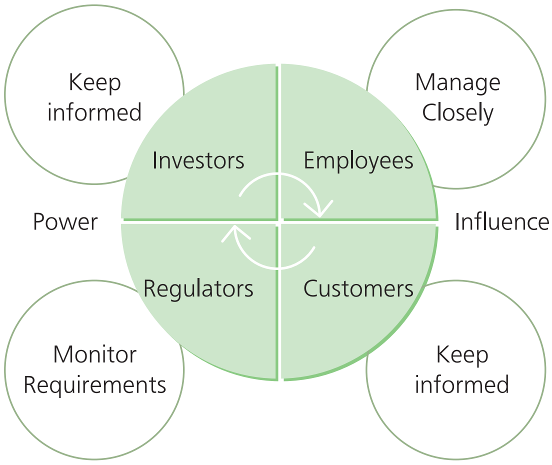
OUR SUSTAINABILITY APPROACH (CONT'D)

Our Methodology (cont'd)

Principles of Sustainability reporting	Definitions in reporting	Our approach in reporting
Content	• Materiality (significant impacts, substantially influence stakeholder decisions) • Stakeholder inclusiveness • Sustainability context • Completeness	• Conduct Materiality assessment on significant ESG performance indicators • Carry out a stakeholder analysis of high priority ESG factors • Reframe our Sustainability strategy • Consider all relevant GRI standards to our operations

Our Stakeholders

We understand the power and influence our stakeholders have on our sustainability journey. We keep all integral stakeholders purposively informed on a timely manner.



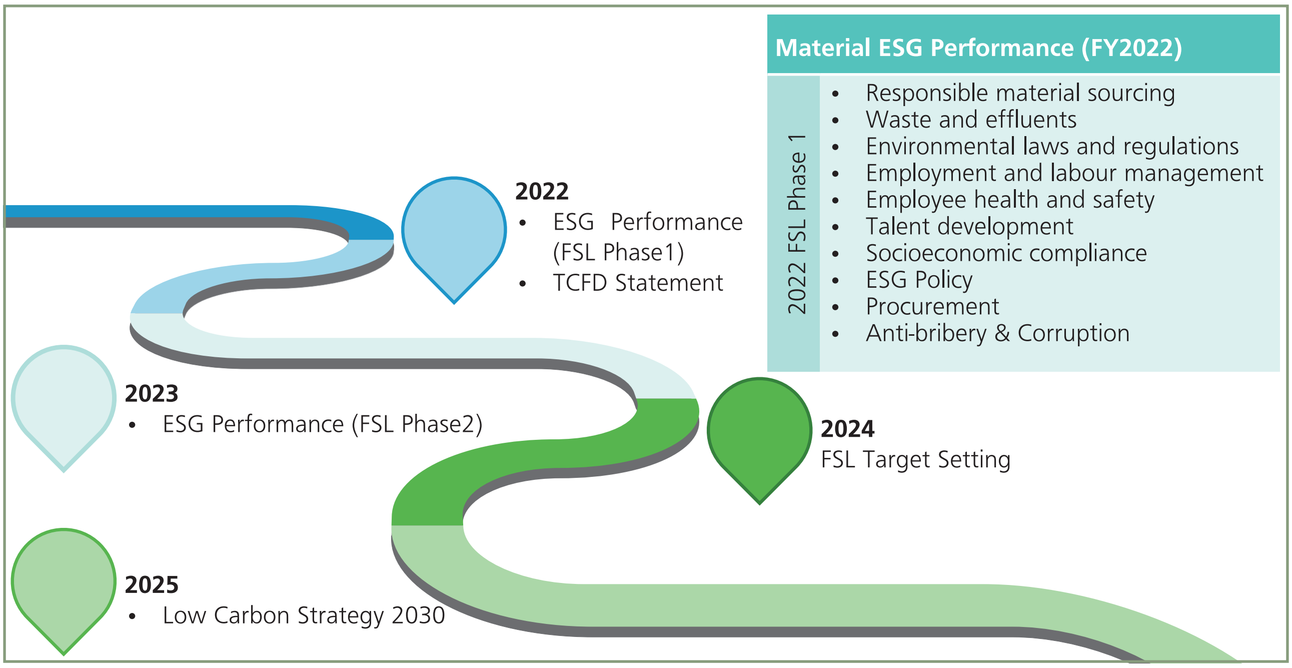
This report features ESG disclosures	Organisation Profile	Sustainability GRI Consolidated Standards (version 2021)	ESG Performance 2022
Economic (GRI 200: 201 (in Annual Report), 202, 204, 205) Environmental (GRI 300: 301, 306, 307) Social (GRI 400: 401, 402, 403, 404, 419)	Management Approach (Sustainability Governance Structure - FSL Governance Leaders, ESG Performance Phase 1, Policy, Training, FSL Performance Monitoring) Standards Disclosures (GRI 200: 202, 204, 205; GRI 300: 301, 306, 307; GRI 400: 401, 402, 403, 404, 419) ESG Performance Indicators (ESG Dashboard)	Full Set of Standards: Economic - 7 items Environmental - 8 items Social - 19 items	GRI 201 Economic Performance (in Annual Report 2022-Financial Disclosure) GRI 202 Market Presence GRI 204 Procurement Practices GRI 205 Anti-Bribery & Corruption GRI 301 Materials GRI 306 Waste GRI 307 Environmental Compliance GRI 401 & 402 Employment & Labour Management GRI 403 Occupational Health & Safety GRI 404 Training & Education GRI 419 Socioeconomic Compliance *Group Policy inclusion within GRI 401:* GRI 405 Diversity and Equal Opportunity Employer GRI 406 Non-discrimination GRI 407 Freedom of Association and Collective Bargaining GRI 408 Child Labour GRI 409 Forced or Compulsory Labour

OUR SUSTAINABILITY APPROACH (CONT'D)

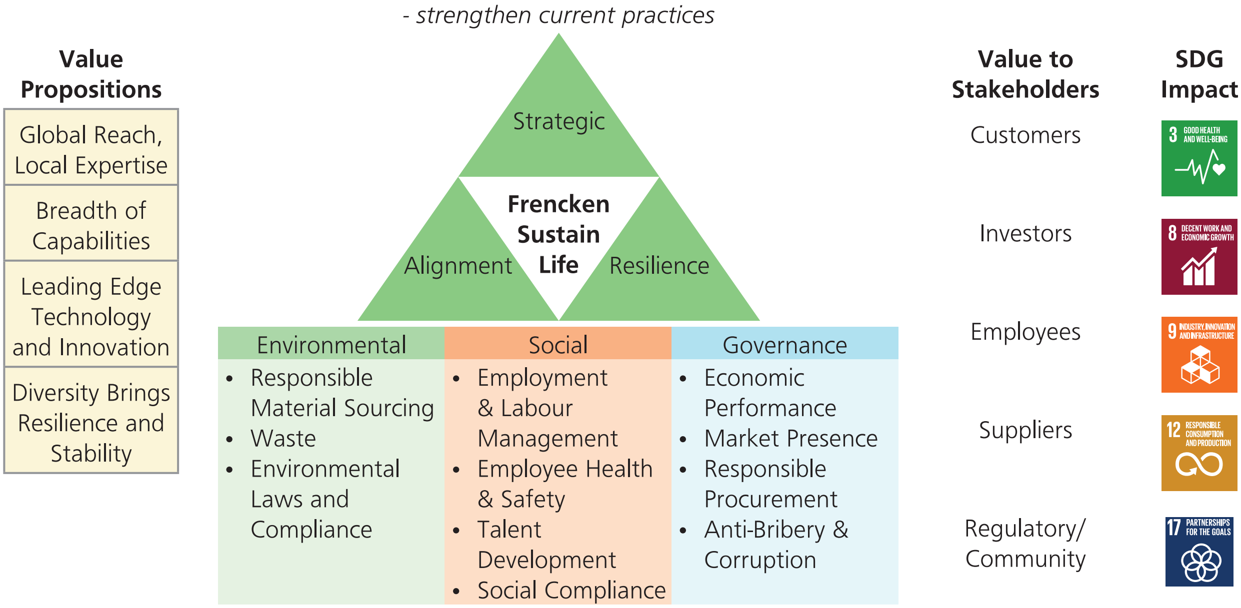
Sustainability ESG Roadmap and Framework

FRENCKEN * SUSTAIN * LIFE represents Frencken's ESG Strategy promoted across the organisation. We navigated and grew our sustainability pathways, meeting our stakeholders' regulatory and compliance requirements. Our first global initiative was to derive accurate materiality matters in our business and synchronising them to an achievable time horizon, resulting in a group ESG Performance Roadmap in 2022.

ESG Performance Roadmap



Framework Phase 1 (2022)
- strengthen current practices



OUR SUSTAINABILITY APPROACH (CONT'D)

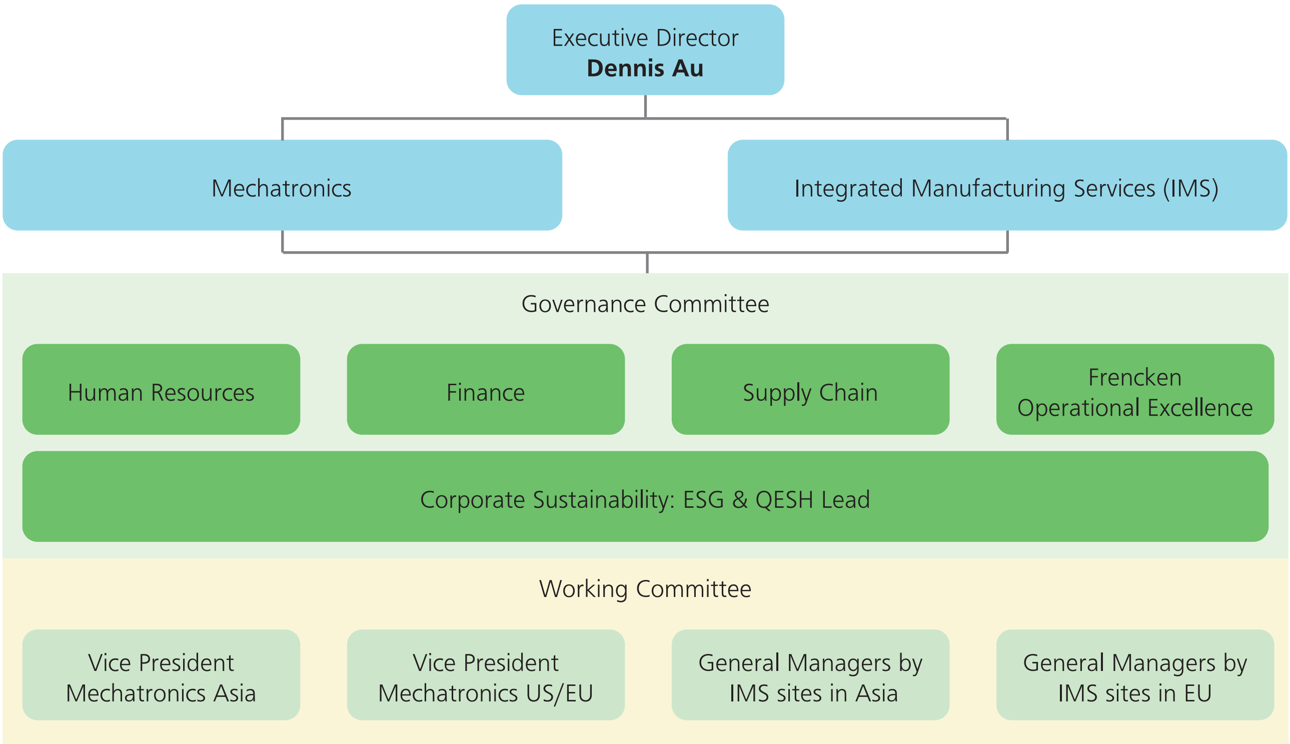
FSL Governance Structure

Frencken's ESG (FSL) performance management are aligned to the Listing Manual issued by Singapore Exchange Securities Trading Limited (SGX-ST). Performance of the organisation's sustainability journey is driven by thorough comprehension of the subject matter with the support from Frencken's Board of Directors. Sustainability objectives are cascaded through Frencken's Sustainability Governance Committee Leaders, the Sustainability Working Committee members, our business segment leaders and operational leads.

The Sustainability Governance Leaders are responsible for reviewing and approving the reported ESG (FSL) performance information in this Sustainability Report accompanying the Annual Report 2022.

Targets are set through the Working Committee, and they are accountable for the performance.

FSL Governance Structure



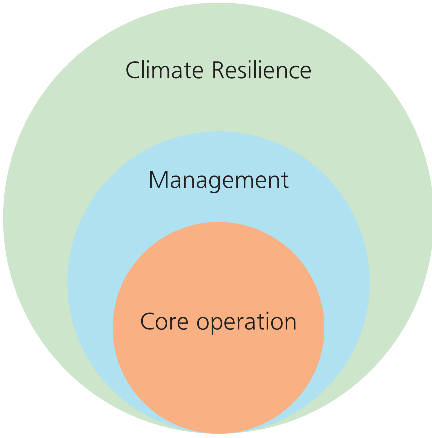
Operational Risk Management

Frencken's operational risk management culture is aligned across all operating sites via its Quality, Environment and Safety Health (QESH) management system. Frencken's Risk Management Scope this year included mapping climate risks as per TCFD guidelines. Our risk management and control systems are ingrained in our operations not only to fulfill customer requirements but also to exceed them and meet international certification standards.

Mechatronics and Integrated Manufacturing Services sites have Quality (ISO 9001), Environment (ISO 14001) and Social (ISO 45001) certification, in addition, selected operations also have the Automotive Quality Management System (IATF 16949) and the Medical Device Quality System (ISO 13485).

OUR SUSTAINABILITY APPROACH (CONT'D)

Risk Management Scope



Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organisation's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	Disclose how the organisation identifies, assesses and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Risk prioritisation and opportunities diagrams synthesise risk factors as below.

Risk Prioritisation – Core Operation

Supply Chain/ Procurement	Operation QESH	Production Product & Process	Maintenance & Facility	IT
Procurement Practices Financial	Quality Control & Assurance QMS	Material Consumption EMS	Energy EMS	IT Security & Data Protection QMS
Supplier Environmental Assessment EMS	Environmental Compliance EMS	Manufacturing (Moulding, Assembly, Tooling) QMS	Water and Effluents EMS	IT Infrastructure Financial
Supplier Social Assessment OSH	Occupational Safety and Health OSH	Project/ Engineering Development QMS	Emission EMS	
			Waste EMS	
			Environmental Compliance EMS	
			Physical Security EMS OSH	

Risk Factors

- QMS Quality Management System
- EMS Environmental Management System
- OSH Occupational Safety & Health
- Financial Financial Implications

OUR SUSTAINABILITY APPROACH (CONT'D)

Risk Prioritisation – Management

Sales & Marketing	Finance	Human Resource		Corporate Governance
Customer Contract & Product Development (reV, INV)	Economic Performance (reV, INV)	Employment (reG)	Labour Management Gender, Diversity, Equality & Inclusion (reP, INV)	Anti-Corruption (reP, reG)
	Indirect Economic Impacts (CAPEX/OPEX) (OCEX)	Training and Education (co)	Non-Discrimination (reP, reG)	Anti-Competitive Behaviour (reP, INV)
		GRI 419 Socioeconomic Compliance (INV, reP)	Freedom of Association & Collective Bargaining (reP)	
			Child Labour (reP, reG)	
			Forced or Compulsory Labour (reP, reG)	
			Human Rights Assessment (reP, reG)	

Opportunity Risk Prioritisation - Climate Resilience

Governance	Strategy	Infrastructure & Resilience
Policy and Regulation (reP, reG)	Quality Strategy (reP)	Facility Efficiency (OCEX)
Climate Implication (Weather/Natural Disasters) (reG, co)	Environmental (reP, reG)	Digitalisation (OCEX, reP)
Business Continuity (reV, co)	Safety & Health Strategy (reP, reG)	
	Sales & Marketing Strategy (Customer) (reV)	
	Product & Production Strategy (OCEX)	

Risk Factors

co	Cost
OCEX	Operating & Capital Expenses
reG	Regulation Requirement
reP	Reputation
reV	Revenue Stream
INV	Investor Due Diligence/ Attraction

OUR SUSTAINABILITY APPROACH (CONT'D)

ESG (FSL) Policy Inclusions in FY2022

ESG Aligned Global HR Policy and Standard of Business Conduct

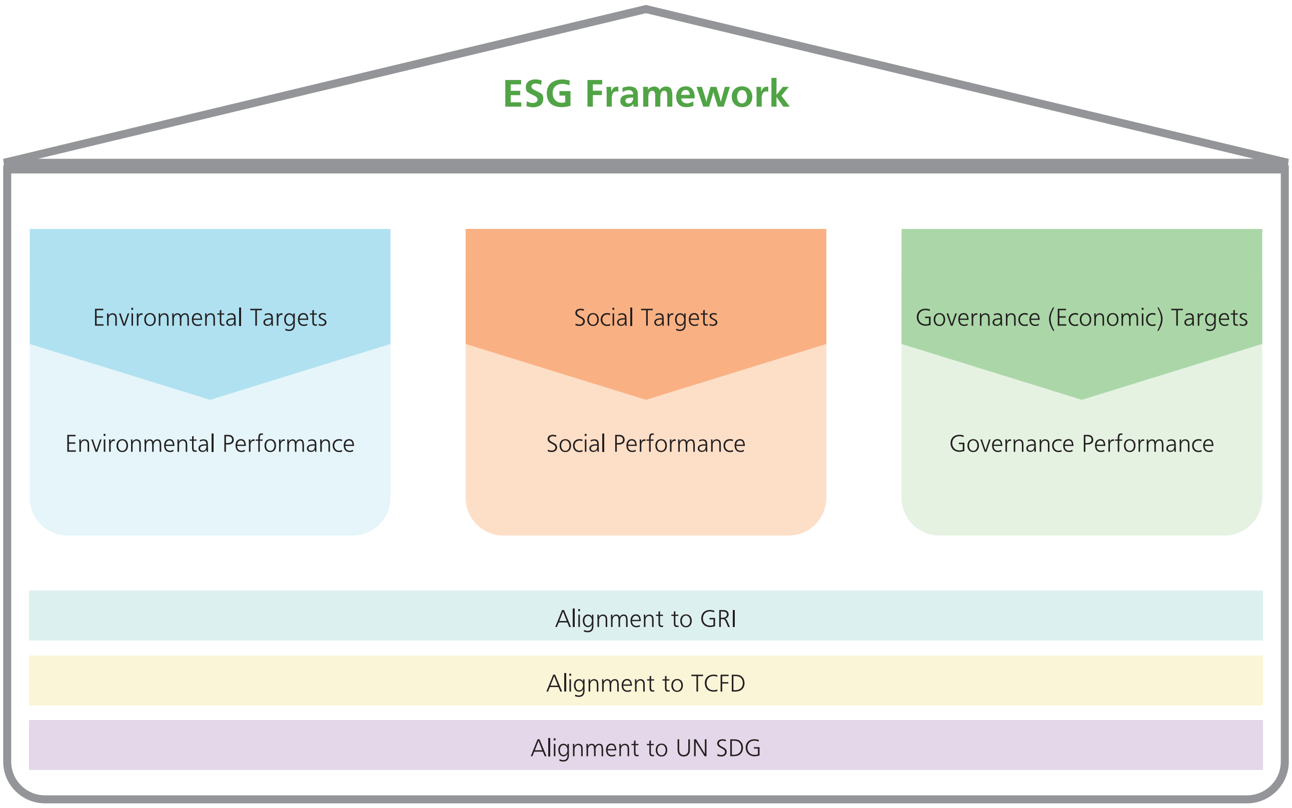
Frencken's Global Human Resources Policy (Global HR Policy) aligns with the recommendation from the UN Guiding Principles on Business and Human Rights principles, the International Labour Organisation (ILO) Tripartite Declaration on Principles Concerning Multinational Enterprises and Social Policy according to legal and localised regulations. It upholds the company's guidelines for Responsible Business Conduct (RBC) based on Frencken's Standard of Business Conduct (SOBC).

Our SOBC is referenced to the Organisation for Economic Co-operation and Development (OECD) Responsible Business Conduct Guidelines for Multinational Enterprises (MNEs) and Code of Corporate Governance. A SOBC module, which was translated to 8 different languages, was incorporated into the group's learning and development system in September 2022.

Through the whistleblowing channel (audit.chair@frenckengroup.com), all whistleblowing communications are directed confidentially to the Chairman of the Audit Committee, who is a non-executive, independent director of the board.

ESG Performance Indicators

Frencken is conscious of our responsibilities and contribution to society and environment. This Sustainability Report demonstrates transparent disclosures to testify our reputation and our effort to create long-term value for customers and partners in our multi-year FSL strategy in these areas of responsibilities. Our operating sites adopted the FSL strategy and ESG framework to manage materiality impact and to control the effects of external challenges. This reporting included our operational sites to reflect on the materiality impact on our FSL performance aligned to the GRI.



OUR SUSTAINABILITY APPROACH (CONT'D)

Frencken's ESG Performance (FSL Phase 1)

As a listed company under SGX, our compliance with sustainability reporting is determined by the level of transparency in our ESG reporting process. There were several steps in setting up the Sustainability Journey FRENCKEN * SUSTAIN * LIFE as indicated in the diagram below.

We introduced the ESG (FSL) Dashboard to collate data from all operating sites. Extensive analysis was carried out to determine baselines targets. Exceptions to the general rule was considered during the pre-COVID-19 and post-COVID-19 years. The dataset used excluded all anomalies.

Data collection was carried out in 2 timeframes: March to May and June to September 2022. These data were then translated into a FSL Performance Dashboard which gave us an indication of baseline and target setting for the FSL Performance FY2022. This information was first presented to our President in October 2022, and rolled-out to site leaders subsequently.

Since the launch of FSL, we have met 69% of our ESG targets. We are working on improving the remaining 31%, in areas consisting of Environment (7%), Governance (10%) and Social (14%). Several data automation and online learning improvements were cascaded to track ESG performance. Better ESG performance result in FY2023 is expected through these interventions.

Our ESG targets were calibrated based on the data collated from 2018 to 2019 (pre-COVID-19 baseline numbers) and 2020 to 2021 (post-COVID-19 baseline numbers). Meanwhile, FY2022 performance was derived from baseline averages.

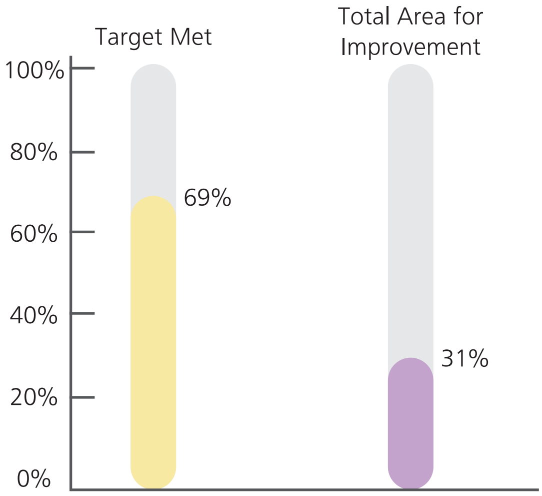
Our ESG Targets:

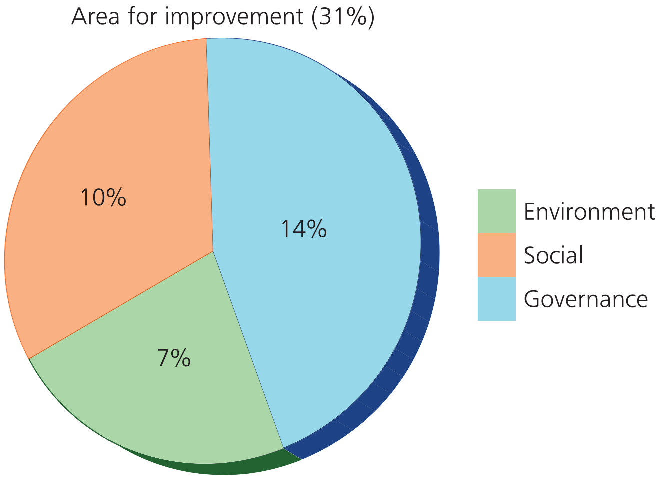
Social
Employee Training (>20 hours)
Employee Turnover (<20%)
Workplace Injury (0)
Environment
Direct Material in Value (Change YoY <25%)
Hazardous Waste in Tonnes (Change YoY <25%)
Non-Hazardous Waste in Tonnes (Change YoY <25%)
Economic
Employee on Minimum Wage (<20%)
Local Supplier (>70%)
Locally Hired Senior Management (>80%)

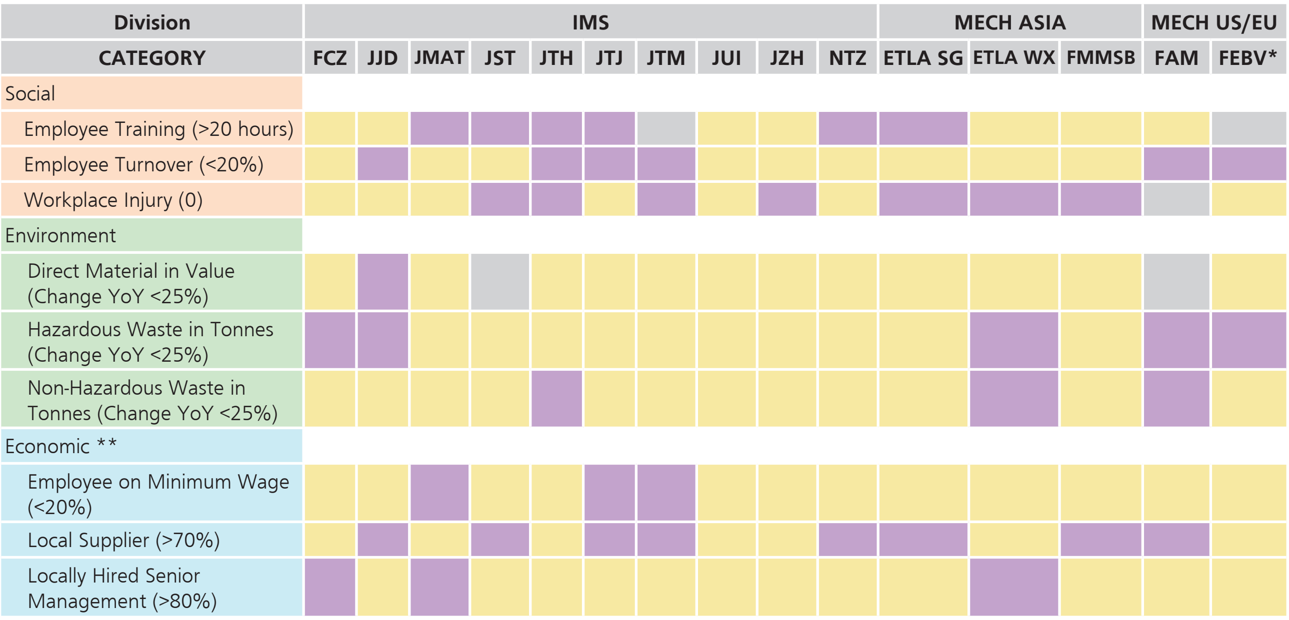
OUR SUSTAINABILITY APPROACH (CONT'D)

Frencken's ESG Performance (FSL Phase 1) (cont'd)

Summary of our ESG performance by sites are as below.







Improvement Area Target Met Data Gap

* FEBV consists of 4 Europe Units which are FEBV, FMT, OPT and MFE.
** Economic/Economy and Governance is used interchangeably.

The Environment factors in our operations is attributed by material consumption and waste generation due to the different industry segments we serve. We established a Year-on-Year (YoY) variance target that aligns to the maximum percentage of revenue we have experienced between 2018 to 2021.

Setting a single reduction target for "environment factors material and waste" is not possible as the factors are not constant mainly due to varied customer demand and occasional customised, New Product Introductions (NPI). Our high-mix, low-volume production further complicates the setting of targets based on Lifecycle Assessment (LCA) methodology.

In FY2023, we aim to improve tracking of materials and waste by category for better target setting.

The Social factors involved parameters that can be managed internally such as employee training, employee turnover and workplace injury.

OUR SUSTAINABILITY APPROACH (CONT'D)

Frencken's ESG Performance (FSL Phase 1) (cont'd)

The Governance factors includes procurement from local suppliers, locally hired senior management and employees on minimum wage.

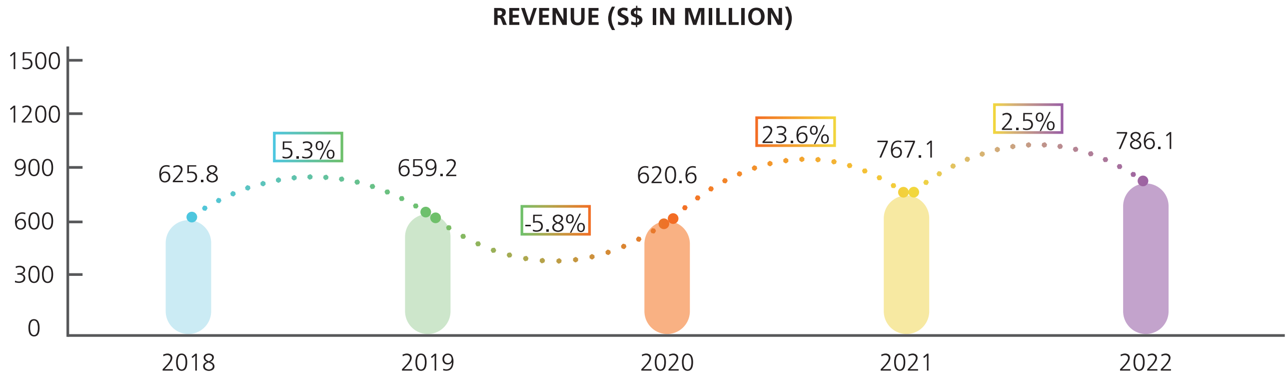
FSL performance tracking was automated using data uploading and dashboarding, allowing timely and data-driven decision making. In 2023, the FSL Performance Dashboard shall include the FSL Phase 2 performance updates.

Below is a summary of FSL Performance (according to Phase 1 and 2) against the ESG Core Metrics by SGX-ST.

FSL Performance / ESG Core Metrics	Environment	Social	Governance
Phase 1	Waste	Employment Training & Development Occupational Safety & Health	Board Composition Ethical Behaviour Certifications GRI Standards
Phase 2	Energy and Emissions Water and Effluents	Gender Diversity	Management Diversity Assurance

FSL Performance FY2022

FSL Economic Performance (GRI 200)



GRI 201 Economic Performance	Revenue S$ 786,107,000 PAT S$ 51,874,000 Annual Report FY2022 elaborates on Financial performance.
GRI 202 Market Presence	Our global footprint contributes to the employment rate in each operating sites. We comply to the statutory rates on local minimum wage.
GRI 204 Procurement	As a supply chain partner to global brands, we work with nearshore suppliers, to mitigate global supply chain disruption risks.
GRI 205 Anti-Bribery & Corruption	We integrate the Anti-bribery & Corruption Policy into our HR practices and have begun engaging all employees via online learning modules.

OUR SUSTAINABILITY APPROACH (CONT'D)

FSL Performance FY2022 (cont'd)

FSL Economic Performance Mechatronics Asia and Europe

REGION	ASIA			US/EU	
Disclosure	ETLA SG	ETLA WX	FMMSB	FAM	FEBV
Employee On Minimum Wage (Below 20%)					
Local Supplier (Above 70%)					
Locally Hired Senior Management (Above 80%)					

FSL Economic Performance Integrated Manufacturing Services Asia and Europe

REGION	ASIA								EU	
Disclosure	FCZ	JJD	JMAT	JTH	JTJ	JTM	JUI	JZH	JST	NTZ
Employee On Minimum Wage (Below 20%)										
Local Supplier (Above 70%)										
Locally Hired Senior Management (Above 80%)										

Fully met FSL performance target

Need to improve FSL Performance

Data under review at time of reporting

Operations supported across Asia

FSL Environment Performance (GRI 300)

GRI 301 Materials	We comply with customer requirements for materials. We are currently developing a dashboard to enhance tracking of compliance materials.
GRI 306 Waste	We comply with statutory requirements in storage and disposal of wastes by types, mainly hazardous and non-hazardous.
GRI 307 Environmental Compliance	We comply with statutory requirement in operating sites to safeguard our environment. We aim for zero non-compliance regarding environment, including zero violations punishable through fines and penalties.

Frencken is a supply chain partner catering to high-mix, low-volume and low-mix, high-volume products, including New Product Design based on specific sourcing requirements by our customers. The approach in our reporting to address this variance in our product mix is to ensure material consumption and waste production does not exceed 25% change YoY.

Moving forward, we shall be using value-based intensity as opposed to market or product due to the wide range of our products. This can be achieved via enhanced monitoring and with a dashboard that provides intensity disclosure.

At Frencken Group level, decision makers on site are alerted of FSL Performance indicator movements via the FSL Dashboard, thus able to address challenges as they arise.

FSL Environment Performance Mechatronics Asia and Europe

REGION	ASIA			US/EU	
Disclosure	ETLA SG	ETLA WX	FMMSB	FAM	FEBV
Direct Material Used (Below 25% Change YoY)					
Hazardous Waste (Below 25% Change YoY)					
Non-Hazardous Waste (Below 25% Change YoY)					

OUR SUSTAINABILITY APPROACH (CONT'D)

FSL Performance FY2022 (cont'd)

FSL Environment Performance Integrated Manufacturing Services Asia and Europe

REGION	ASIA								EU	
Disclosure	**FCZ**	**JJD**	**JMAT**	**JTH**	**JTJ**	**JTM**	**JUI**	**JZH**	**JST**	**NTZ**
Direct Material Used (Below 25% Change YoY)										
Hazardous Waste (Below 25% Change YoY)										
Non-Hazardous Waste (Below 25% Change YoY)										

Fully met FSL performance target

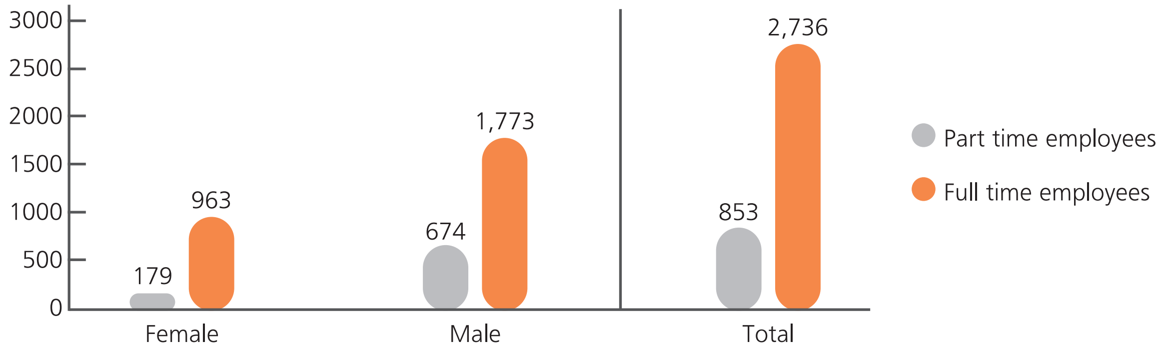
Need to improve FSL Performance

Data under review at time of reporting

Operations supported across Asia

FSL Social Performance (GRI 400)

Frencken's FY2022 (Total Employees 3,589)



GRI 401 & 402 Employment & Labour	We adhere to our Global HR Policy and statutory compliance regarding local Employees at all sites. We updated our policy to include: GRI 405 Equal Opportunity Employer GRI 406 Non-discrimination practices GRI 407 Freedom of Association GRI 408 No Child Labour GRI 409 No Forced or Compulsory Labour
GRI 403 Occupational Safety & Health	We emphasize on workplace safety standards.
GRI 404 Training & Development	We promote competency development in all sites via trainings
GRI 419 Socioeconomic Compliance	We comply with statutory requirement in operating sites to safeguard social safety and wellbeing in our work environment. We aim for zero non-compliance regarding social standards, including zero violations punishable through fines and penalties.

OUR SUSTAINABILITY APPROACH (CONT'D)

FSL Performance FY2022 (cont'd)

FSL Social Performance Mechatronics Asia and Europe

REGION	ASIA			US/EU	
Disclosure	**ETLA SG**	**ETLA WX**	**FMMSB**	**FAM**	**FEBV**
Employee Training (Above 20 hours)					
Employee Turnover (Below 20%)					
Workplace Injury (0)					

FSL Social Performance Integrated Manufacturing Services Asia and Europe

REGION	ASIA								EU	
Disclosure	**FCZ**	**JJD**	**JMAT**	**JTH**	**JTJ**	**JTM**	**JUI**	**JZH**	**JST**	**NTZ**
Employee Training (Above 20 hours)										
Employee Turnover (Below 20%)										
Workplace Injury (0)										

Fully met FSL performance target

Need to improve FSL Performance

Data under review at time of reporting

Operations supported across Asia

The launch of FSL roadmap includes social compliances and encompasses requirements set by our customers and local regulations for people strategy and labour management. Benchmarks were based on the GRI's Sustainability Standards to better reflect on HR-related ESG performance for each site.

Training targets are derived using the 4 years baseline training hours. The analysis led to setting 20 hours of target training hours per employee per site. Sites will continue to drive our "Great Place To Work" (GPTW) initiative towards talent retention of above 80%. Training employees to support professional development and appreciation is about "Respect", one of the pillars in the GPTW Trust Model that is recognised as a definitive standard of what it means to be a great workplace.

To improve and drive towards zero injury rates, Frencken will continue developing better training tools and methods for stronger Occupational Safety and Health enforcement in the workplace.

FSL Performance TCFD Alignment

SGX became the first Asian stock exchange to propose mandatory TCFD-aligned climate disclosures in August 2021.

In 2017, climate-related disclosures were standardised by TCFD's Recommendations to drive climate-related risk and opportunities assessment within the company. This was for better risk management, strategic planning and to gain access to climate financing.

United Nation's Sustainable Stock Exchange (SSE) initiative mandates listed issuers to report on the company's climate risk mitigation directions using the Taskforce for Climate-related Financial Disclosure (TCFD) framework. The Global Reporting Initiative (GRI) framework is mandated for voluntary disclosures on sustainability and Environment Social and Governance (ESG) priorities within the Financial Report.

Climate reporting had been made mandatory for listed issuers on SGX by sector in stages as table below:

FY2023	FY2024
(i) financial, (ii) energy, (iii) agriculture, and (iv) food and forest products	(i) materials, (ii) buildings, and (iii) transportation

OUR SUSTAINABILITY APPROACH (CONT'D)

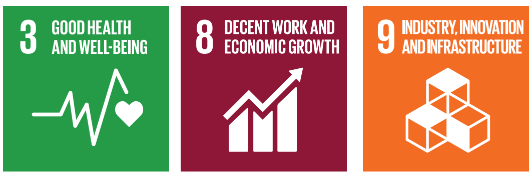
FSL Performance TCFD Alignment (cont'd)

Frencken have taken a proactive step to cross check our operation and management alignment with the TCFD Recommendations. We analysed the FSL datasets to the TCFD responses to evidence alignment. Below are descriptions of our responses to the TCFD Recommendations.

Type	Climate-Related Opportunities	Frencken's Response
Governance	a. Describe the board's oversight of climate-related risks and opportunities. b. Describe management's role in assessing and managing climate-related risks and opportunities.	• Board members attended briefings and trainings by SGX-ST on ESG, GHG and TCFD compliance. Apr-Sept 2022
Strategy	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term. b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	• Mandatory management systems risk assessment is carried out by operations at all sites. Jan-Dec 2022 • Engaged with Financial Institutions to consider sustainable supply chain financing opportunities. Jan-Dec 2022
Risk Management	a. Describe the organisation's processes for identifying and assessing climate-related risks. b. Describe the organisation's processes for managing climate-related risks. c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	• FSL Phase 2 (2023) • Managing customer requests for Scope 1 and 2 Emissions reduction performance.
Metrics and Targets	a. Describe the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. c. Describe the targets used by the organisation to manage climate-related risks of the business.	• FSL Phase 2 (2023)

FSL Performance: UN SDGs Alignment

United Nation's Sustainable Development Goals adaptation is one way for Frencken employees to contribute towards long-term value creation by participating in employee engagement activities throughout 2022. We acknowledge there are 17 goals, however in the course of our business we align with 3 predominantly.



OUR SUSTAINABILITY APPROACH (CONT'D)

FSL Performance: UN SDGs Alignment (cont'd)

Our CSR Investments for FY2022 were aligned to boosting employees' wellbeing post-COVID-19 (2020 - 2021). We were steadfast in engaging on activities that connected us to the communities and stakeholders with total investments S$154,000 involving close to 35% of employees contributing an average of 140 volunteerism hours in FY2022. Those UN SDGs target adaptation were considered when planning activities at operating sites, also taking into consideration the level of engagement impact and CSR allocations.

Categories of activities include promoting workers health, community engagement, employees' engagement, and trainings.

CSR activities in FY2022	CSR investments in S$
Promoting workers health	9,624
Employee engagement	15,290
Community engagement	9,595
Employees training and teambuilding	4,857

CSR activities were in addition to the compliance driven activities within operations and management for overall organisation's value creation. The activities are mapped according to the value creation framework that is relevant to our organisational needs.

Our primary focus was to prioritise workers health and wellbeing through activities such as health checks and promoting sports and games for employees. This evidently boosted morale and camaraderie in the Frencken Family.

Frencken acknowledges that, as a responsible organisation, we are accountable for the health and wellbeing of our employees and communities within our operating boundaries.

Hence the company adapts best practices of the UN SDG 3 in aspects of employees' health screening and community engagements which then proliferates into best practices under UN SDGs 8, 9, 10, 13 and 17.

UN SDG Report 2022 indicated that health is a primary concern globally and this reflects on country-level and company-level improvements in health coverage, immunisation, and health screening. It is evidenced that Frencken collaborates with healthcare services and health protection services providers to ensure health and wellbeing of its stakeholders.

UN SDG 3 adaptation within Frencken	UN SDG 8	UN SDG 9	UN SDG 10	UN SDG 13	UN SDG 17
	Promoting health services and screening for employees and visitors.	Through innovation and R&D, manufacturing medical equipment for customers.	Ensuring equitable access to health services and coverage for all Frencken employees.	Protecting health by mitigating climate risks.	Collaborating with vendors and suppliers for better health protection and making quality medical products.

OUR SUSTAINABILITY APPROACH (CONT'D)

FSL Performance: UN SDGs Alignment (cont'd)

The UN SDG's Report 2022 indicated that global unemployment rates would dwindle through the post-pandemic period. However, Frencken continues to employ and retain its talent pool. Although supply chain disruption was said to have an effect on global economic recovery, Frencken maintains its "Ethical Sustainable Profitable Growth" trajectory. As an employer, we have found that our impact towards UN SDG 8 is also linked to UN SDGs 9, 10, 12 and 16 as described below.

UN SDG 8 adaptation within Frencken	UN SDG 9	UN SDG 10	UN SDG 12	UN SDG 16
	We employ and train competencies to produce innovative products.	We adhere to employment policies in local jurisdiction as an equal opportunity employer.	Our best practices in manufacturing focuses on efficiencies in material consumption and production.	We hire, train and protect all employees by our ESG aligned Global HR policy which enforces policies on no child or forced labour and no discrimination.

Sustainable Development Goals 9 Industry, Innovation and Infrastructure is all about Engineering. Our Engineering and innovation contribute to the global supply chain of capital goods.

We employ global talent in all our Mechatronics and Integrated Manufacturing Services (IMS) divisions. The breadth of our capabilities are diverse in the various parameters of both engineering for direct product and production, and non-engineering support services competencies.

In the course of our business, engineering and manufacturing services are embedding UN SDG 9 targets 9.1, 9.2, 9.4 and 9.5 which reflects on the impact towards other UN SDGs 8, 10, 12 and 17.

UN SDG 9 adaptation within Frencken	UN SDG 8	UN SDG 10	UN SDG 12	UN SDG 17
	We provide decent employment to support our business, contributing to the overall employment rate and consumer spending capabilities.	We contribute towards manufacturing producer goods in the supply chain of different industry segments that we are vested in without discriminating any company or potential economic development.	We increase our use of efficient and clean resources that are environmentally friendly and adopt sustainable technologies and industrial processes.	We work closely with our customers and partners to upgrade our technological roadmap and engineering capabilities.

To promote best practices in innovation, Frencken launched its FRENCKEN INNOVATION AWARD (FIA) 2022.

The FIA is essentially a catalyst to drive change management in the Company to embrace the FSL in our operational excellence and ensuring our stakeholders interests as our priority. The Company acknowledges the sustainability impact of FSL, and the FIA had been instrumental in introducing the elements of FSL to employees. The criteria and measurement of the FIA competition considers the innovation of the idea, sustainability of its performance, its value creation and accountability of each team member as critical components towards a project's success.

The winners were awarded cash prizes along with a trophy for their entity, and a medal for each of the participating winners. The winning cash prizes are:

1. IMS Netherlands (21 members) – S$ 35,000
2. Mechatronics Singapore (5 members) – S$ 21,000
3. IMS Johor (4 members) – S$ 14,700
4. IMS Thailand (4 members) - S$ 11,760

OUR SUSTAINABILITY APPROACH (CONT'D)

FSL Performance: UN SDGs Alignment (cont'd)

In Frencken, this Innovation Award is a launchpad for recognition and to welcome customers' challenges in existing and New Product Innovations. We are confident our dynamic and creative talent pool is advantageous to support global customers.

The FIA competition has not only positively impacted the Company's people strategy, but it has also provided a unique and innovative learning experience for employees. The opportunity for employees to actively interact with the judging panel consisting top management and highly-skilled senior management became a platform for leadership behavioural modelling other than the encouragement of multi-region and multi-cultural collaboration. As the competition continues to evolve and expand, we look forward to the opportunity for even more participation and growth alongside the adoption of FSL into all aspects of our operations. We are confident in the ongoing success of this exciting initiative.

GRI Content Page

GRI Standards	Disclosures	Page Number(s) and/or Remark(s)
102-1	Name of the organisation	Annual Report page 3
102-2	Activities, brands, products, and services	Annual Report page 4
102-3	Location of headquarters	Annual Report page 3
102-4	Location of operations	Annual Report page 3
102-5	Ownership and legal form	Annual Report page 4
102-6	Markets served	Annual Report page 6
102-7	Scale of the organisation	Annual Report page 7
102-8	Information on employees and other workers	Annual Report page 7
102-9	Supply chain	Annual Report page N/A
102-10	Significant changes to the organisation and its supply chain	Annual Report page N/A
102-11	Precautionary Principle or Approach	Annual Report page N/A
102-12	External initiatives	Annual Report page N/A
102-13	Membership of associations	Annual Report page N/A
102-14	Statement from senior decision-maker	Annual Report page 10-13
102-15	Key impacts, risks, and opportunities	Annual Report page 19
102-16	Values, principles, standards, and norms of behavior	Annual Report page 8
102-17	Mechanisms for advice and concerns about ethics	Annual Report page 36, 79
102-18	Governance structure	Annual Report page 33
102-19	Delegating authority	Annual Report page 33
102-20	Executive-level responsibility for economic, environmental, and social topics	Annual Report page 33
102-21	Consulting stakeholders on economic, environmental, and social topics	Annual Report page 31
102-22	Composition of the highest governance body and its committees	Annual Report page 24-28
102-23	Chair of the highest governance body	Annual Report page 24
102-24	Nominating and selecting the highest governance body	Annual Report page 48-70
102-25	Conflicts of interest	Annual Report page 48, 72, 79
102-26	Role of highest governance body in setting purpose, values, and strategy	Annual Report page 29
102-27	Collective knowledge of highest governance body	Annual Report page 24-27
102-28	Evaluating the highest governance body's performance	Annual Report page 62
102-29	Identifying and managing economic, environmental, and social impacts	Annual Report page 36-42

OUR SUSTAINABILITY APPROACH (CONT'D)

FSL Performance: UN SDGs Alignment (cont'd)

GRI Standards	Disclosures	Page Number(s) and/or Remark(s)
102-30	Effectiveness of risk management processes	Annual Report page 33-35
102-31	Review of economic, environmental, and social topics	Annual Report page 39-42
102-32	Highest governance body's role in sustainability reporting	Annual Report page 33
102-33	Communicating critical concerns	Annual Report page 33
102-34	Nature and total number of critical concerns	Annual Report page 39
102-35	Remuneration policies	Annual Report page 54-55
102-36	Process for determining remuneration	Annual Report page 54-55
102-37	Stakeholders' involvement in remuneration	Annual Report page 48-72
102-38	Annual total compensation ratio	Annual Report page 73-77
102-39	Percentage increase in annual total compensation ratio	Annual Report page 73-77
102-40	List of stakeholder groups	Annual Report page 77-80
102-41	Collective bargaining agreements	Annual Report page N/A
102-42	Identifying and selecting stakeholders	Annual Report page 81-83
102-43	Approach to stakeholder engagement	Annual Report page 30-31
102-44	Key topics and concerns raised	Annual Report page 32
102-45	Entities included in the consolidated financial statements	Annual Report page 84-88
102-46	Defining report content and topic boundaries	Annual Report page 36
102-47	List of material topics	Annual Report page 32
102-48	Restatements of information	Annual Report page N/A
102-49	Changes in reporting	Annual Report page N/A
102-50	Reporting period	Annual Report page 1
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102-52	Reporting cycle	Annual Report page 1
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102-54	Claims of reporting in accordance with the GRI Standards	Annual Report page 30
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102-56	External assurance	Annual Report page N/A
103-1	Explanation of the material topic and its boundary	Annual Report page 32
103-2	The management approach and its components	Annual Report page 33
103-3	Evaluation of the management approach	Annual Report page 31-32
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202	Market Presence	Annual Report page 2-5, 36, 39-40
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205	Anti-Bribery & Corruption	Annual Report page 36, 39-40
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CORPORATE GOVERNANCE STATEMENT

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

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

This report discusses the Company's corporate governance framework and practices in place for the financial year ended 31 December 2022.

BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1 The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company

Principal Duties of the Board

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

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

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

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

Director Development and Training

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

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

Director Development and Training (cont'd)

All newly appointed directors are given appropriate training and briefings by management on the history, business, corporate governance practices, relevant statutory and regulatory compliance issues of the Group, as well as visits to major plants to familiarise with the Group's operations. Any newly appointed director who has had no prior experience as a director of a listed company must also undergo training in the role and responsibilities of a listed company director. Mr Foo Seang Choong was appointed to the Board on 31 December 2021 and he has completed the relevant mandatory trainings on his roles and responsibilities as a director of a listed company on the SGX-ST.

During the financial year 2022, all the directors have completed the training on sustainability matters as prescribed by SGX-ST in accordance with Rule 720(7).

Matters Requiring Board Approval

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

Board Processes

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

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

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

The number of Board and Board Committee meetings held during the financial year ended 31 December 2022 and the attendance of each Director, where relevant, are as follows:

	Board	**Audit Committee**	**Nominating Committee**	**Remuneration Committee**
Number of meetings	4	5	1	2
Dato' Gooi Soon Chai	4	N/A	1	2
Mohamad Anwar Au (also known as Dennis Au)	4	N/A	N/A	N/A
Chia Chor Leong	4	5	1	2
Melvin Chan Wai Leong	4	5	1	N/A
Foo Seang Choong	4	5	N/A	2

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

Complete, Adequate and Timely Information

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

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

Separate and Independent Access

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

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

Company Secretary

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

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

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

The Board have diversity in category of directorship which comprises five (5) Directors of whom one (1) is Executive Director, one (1) is Non-Executive Non-Independent Director and three (3) 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)
Melvin Chan Wai Leong	(Lead Independent Director)
Chia Chor Leong	(Independent Director)
Foo Seang Choong	(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 26 of this Annual Report.

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.

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

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.

Policy on Board Diversity

With the introduction of Rule 710(A) of the Listing Rules effective from 1 January 2022, the Board has maintained a board diversity policy that addresses skills and experience, gender, independence and age. The Company subscribes to improving the diversity demographic of the board directors' composition and believes that such diversity is necessary to ensure that boards are able to perform their obligations effectively in today's competitive business landscape.

Targets to achieve diversity on the board and its accompanying plans and timeline for achieving the targets.

- **Skills and Experience**

  <u>To uphold a team of experts in the relevant industry, domain and fields on the Board.</u>

  Currently, board members of the Company possesses a diverse expertise in various fields bringing together a vast knowledge and experiences within the digital technology space, manufacturing, and finance just to name a few. These experiences from individuals on the Board provides a significant advantage to run a global integrated technology solutions company.

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

Policy on Board Diversity (cont'd)

Targets to achieve diversity on the board and its accompanying plans and timeline for achieving the targets. (cont'd)

- **Skills and Experience (cont'd)**

  To uphold a team of experts in the relevant industry, domain and fields on the Board. (cont'd)

  In addition, the Executive Directors possesses good industry knowledge while the Non-Executive Directors, who are professionals and experts in their own fields, can 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 Company will continue to maintain individuals on the Board with valuable insights to provide a wealth of expert industry knowledge to achieve the optimum decision-making process. The relevant skillsets required (e.g. sustainability) will be determined on an annual basis during the Board appointment/ re-appointment process.

- **Gender**

  To achieve at least 20% of women representation on the Board by Year 2025.

  The Board recognises that women bring different perspectives and voices to the table, debate, and decision-making. This can improve the quality of dialogues and the ability to evaluate issues from several angles.

  Currently, the Board consists of all male members. Similar to age diversity, the Company will take a gender-neutral approach and carefully evaluate whether the skills, background and experiences of the candidates are appropriate for the Board and the Company's development.

  To ensure this, the Company will continuously improve its candidate search process to be more inclusive including working with specialised executive search firms, increase the pool in personal network searches, expand searches with diverse professional background etc.

- **Independence**

  To maintain at least three (3) Independent Directors and comprises majority of the entire Board.

  An independent director is one who is independent in conduct, character and judgement, and have no relationships which may interfere with his/her business judgment to make decisions in the best interests of the Company.

  Rule 210(5)(c) of the SGX Listing Rules (Mainboard) requires independent directors to make up at least one-third of the Board. However, in the case of the Board Chairman being non-independent, the independent directors shall make up at least a majority of the Board.

  The emphasis on independence stems from concerns over the Board's ineffective and biased oversight of the independent audit process, the directors' excessive deference to senior management, the directors' affiliated companies' individual business relationships with the Group, the directors' other financial, familial, or professional relationships with the Group that may compromise their objectivity and vigilance, and the interconnected directorships, amongst others.

  Currently, the Board has five (5) Directors comprising one (1) Non-executive and Non-independent Chairman, one (1) President and Executive Director, two (2) Independent and Non-executive director, and one (1) Lead Independent and Non-executive director. This will remain as a constant ongoing target.

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

Policy on Board Diversity (cont'd)

Targets to achieve diversity on the board and its accompanying plans and timeline for achieving the targets. (cont'd)

- **Age**

  To include key personnel from diverse age group during key decision-making where appropriate.

  The Board acknowledges that age is an important aspect of diversity as it allows for different viewpoints on issues and concerns that are important to all age groups. While veteran directors may contribute a wealth of experience to the boardroom, younger directors may be more in tune with the requirements of a rapidly changing environment.

  The Board has a progressive view based on the wider global integration and will look towards the inclusion of young directors in order to provide greater representation of all stakeholder groups (including consumer and employee) on the Board. The Company will take on an age-neutral stance, i.e. Board members selection is determined based on relevant skills requirements (e.g. technology advancement) and not deemed skills and experiences based on age.

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

The Directors are of diversified background and collectively bring with them a wide range of experience such as accounting and finance, legal, industry knowledge, customer-based knowledge, strategic planning, business and management experience with age groups spanning a range of approximately 10 years. In particular, the Executive Director possesses good industry knowledge while the Non-Executive Directors, who are professionals and experts in their own fields, can 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 Nominating Committee reviews the Board's composition annually to ensure that the Board has sufficient diversity in terms of composition, age, balance of knowledge, skills, experience, and independence. The Board concurs with the Nominating Committee's view that the Board has the appropriate diversity of expertise to lead and govern the Group effectively, avoid herd thinking and foster constructive debate.

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

Except for Mr Chia Chor Leong, 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 has served as Independent Director of the Company for more than nine years since his initial appointment on 22 September 2004. The Board has subjected his independence to rigorous review by all the other fellow directors (with Mr Chia Chor Leong abstaining from the review), before deciding if he should continue with the appointment.

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

Taking into account the above, the Board has affirmed his independence status and resolved that Mr Chia Chor Leong continue to be considered independent director, notwithstanding he has served on the Board beyond nine years from the date of his first appointment.

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

Approval from the shareholders has been obtained through a Two-Tier Voting process at the annual general meeting held on 29 April 2021 for the continuation of office of Mr Chia Chor Leong, who has served for an aggregate term of more than nine years, as Independent Director of the Company. The said approval will remain in force until the earlier of the following: (i) the retirement or resignation of the director; or (ii) the annual general meeting to be held in 2024 for the financial year ending 31 December 2023. The Company is aware that it will be required to adhere to the new rules regarding independent directors whose tenures exceeds the nine-year limit prescribed by the SGX Regco and the Company has plans to comply with the said rules.

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

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

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

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

The Chairman is responsible to, among others:

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

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

Lead Independent Director, Mr Melvin Chan Wai Leong, 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)
Melvin Chan Wai Leong	(Lead Independent Director)
Dato' Gooi Soon Chai	(Non-Executive Non-Independent Chairman)

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

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

The Nominating Committee 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;

(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, the President and key management to ensure the progressive and orderly renewal of the Board and key management; and

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

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

Mr Chia Chor Leong and Mr Melvin Chan Wai Leong are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 27 April 2023 ("AGM") (collectively, the "Retiring Directors" and each a "Retiring Director").

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

Name of Director	**Mr Chia Chor Leong**	**Mr Melvin Chan Wai Leong**
Date of appointment	22 September 2004	27 April 2017
Date of last re-appointment	29 April 2021	29 April 2021
Age	67	61
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the qualification, work experience and suitability of Chia Chor Leong for re-appointment as Independent Non-Executive Director of the Company. The Board have reviewed and concluded that Chia Chor Leong 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 Melvin Chan Wai Leong for re-appointment as Independent Director of the Company. The Board have reviewed and concluded that Melvin Chan Wai Leong possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.

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

Name of Director	Mr Chia Chor Leong	Mr Melvin Chan Wai Leong
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Non-Executive Director, Chairman of Nominating Committee, Member of Remuneration Committee and Audit Committee.	Lead Independent Non-Executive Director, Chairman of Audit Committee, and Member of Nominating Committee.
Professional qualifications	• LL.B. (Honours) Degree, University of Singapore. • Advocate and solicitor of Supreme Court of Singapore.	• Bachelor's Degree in Electrical & Electronics Engineering, National University of Singapore. • Master of Business Administration degree, National University of Singapore.
Working experience and occupation(s) during the past 10 years	Chia Chor Leong has been in private legal practice since 1981, and now acts mostly as arbitrator, adjudicator, mediator and legal assessor. He had served as the Chairman of the Criminal Law Advisory Committee (Review) of the Ministry of Home Affairs, Singapore, and as a Member of the Singapore Road Safety Council. Chia Chor Leong is currently the Chairman of the External Placement Review Board and a member of the Independent Review Panel, under the Ministry of Home Affairs.	Melvin Chan Wai Leong was formerly a Director and Chief Executive Officer of Ellipsiz Ltd, a SGX Mainboard-listed company. Mr Melvin Chan is presently the Managing Director of Synersys Capital, a firm providing business consultancy and advisory services.
Shareholding interest in the listed issuer and its subsidiaries	Nil	Deemed Interest - 439,500 ordinary shares held through DBS Nominees Pte Ltd.
Familial relationship with any director and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil
Conflict of Interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

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

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

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

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

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

Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
Name of Director	**Mr Chia Chor Leong**	**Mr Melvin Chan Wai Leong**
e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
f) Whether at any time during the last 10 years, judgment 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

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

Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
Name of Director	**Mr Chia Chor Leong**	**Mr Melvin Chan Wai Leong**
i) Whether he has ever been the subject of any order, judgment 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
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	**Mr Chia Chor Leong**	**Mr Melvin Chan Wai Leong**
k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only		
Name of Director	**Mr Chia Chor Leong**	**Mr Melvin Chan Wai Leong**
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N/A	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	22 April 2022
Dennis Au	28 April 2016	22 April 2022
Chia Chor Leong	22 September 2004	29 April 2021
Melvin Chan Wai Leong	27 April 2017	29 April 2021
Foo Seang Choong	31 December 2021	22 April 2022

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

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

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

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

Currently, the Company does not have any alternate directors.

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

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

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

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

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

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

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

REMUNERATION MATTERS

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

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

Foo Seang Choong	(Chairman & Independent Director)
Chia Chor Leong	(Independent Director)
Dato' Gooi Soon Chai	(Non-Executive Non-Independent Chairman)

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

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 Employee Share Option Scheme 2020, Employee Share Award Scheme 2020 and benefits-in-kind;

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

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

Dennis Au	(President and Executive Director)
Brian Tan Chuen Yeang	(Chief Financial Officer)

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

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

During the financial year, the Company granted 470,000 options under the Employee Share Option Scheme 2020 and no grant of awards under the Employee Share Award Scheme 2020.

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

In financial year 2021, Mercer (Malaysia) Sdn Bhd was engaged to review Group's existing pay-for-results and bonus program. Their role was to provide independent comparative insight into Group practices versus similar programs in the market and this project was completed in February 2022.

These principal consultants providing such services are independent as they only provide remuneration consulting services, having no other relationship with the Company.

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

No directors participate in decisions on their own remunerations.

The Remuneration Committee held two (2) meetings during the year under review.

LEVEL AND MIX OF REMUNERATION

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

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

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

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

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

DISCLOSURE ON REMUNERATION

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

A breakdown showing the level and mix of each individual Director's remuneration payable for financial year 2022 is as follows:

	2022	**2021**
$1,750,001 to $2,000,000	1	-
$1,500,001 to $1,750,000	-	1
$1,250,001 to $1,500,000	-	-
$1,000,001 to $1,250,000	-	-
$750,001 to $1,000,000	-	-
$500,001 to $750,000	-	-
$250,000 to $500,000	-	-
Below $250,000	4	5
Total	**5**	**6**

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

Name of Director	Salary %	Bonus %	Fringe Benefits %	Directors' Fees %	Total %	Employee Share Option Scheme	
						Shares Granted and Accepted	Value [1] $
$1,750,001 to $2,000,000							
Dennis Au	32	40	8	20	100	180,000	67,576
Below $250,000							
Dato' Gooi Soon Chai	-	-	8	92	100	-	-
Chia Chor Leong	-	-	9	91	100	-	-
Melvin Chan Wai Leong	-	-	9	91	100	-	-
Foo Seang Choong	-	-	10	90	100	-	-

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

Remuneration of the top five (5) key management personnel are as follows:

Name of Key Management Personnel	Salary %	Bonus %	Fringe Benefits %	Directors' Fees %	Total %	Employee Share Option Scheme	
						Shares Granted and Accepted	Value [1] $
$750,001 to $1,000,000							
Fokko Leutscher	45	34	21	-	100	-	-
Wang Liang Horng	43	47	10	-	100	70,000	26,279
$500,001 to $750,000							
Dominic Lee Sie Yong	55	39	6	-	100	-	-
$250,000 to $500,000							
Willem Bos	57	20	23	-	100	-	-
Below $250,000							
Tan Chuen Yeang	74	8	18	-	100	-	-

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

The aggregate of total remuneration paid or accrued to the top five (5) key management personnel of the Company (who are not directors or the Chief Executive Officer) for financial year 2022 is $2,771,255.

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.

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

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

Therefore, the Company is of the view that there is sufficient transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation which are consistent with the intent of Principle 8 of the Code.

For financial year 2022, the Company and its subsidiary companies do not have any other employees who are substantial shareholders, or are immediate family members of a director or the Chief Executive Officer or a substantial shareholder of the Company and whose remuneration exceeds $100,000.

Information on the Company's Employee Share Option Scheme 2008, Employee Share Option Scheme 2020 and Employee Share Award Scheme 2020 such as size of grants, exercise price of options that were granted as well as outstanding and vesting period of option are set out on pages 74 to 77 of the Annual Report.

ACCOUNTABILITY AND AUDIT

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

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

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

The Board has received assurance from:

(a) the President and Chief Financial Officer as well as the internal auditors that the financial records of the Group have been properly maintained and the financial statements for the year ended 31 December 2022 give true and fair view of the Group's operations and finances; and

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

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

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.

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

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 2022, the Board, with the concurrence of the Audit Committee and the assurance of the management (including the President and Chief Financial Officer as well as the internal auditors) are of the opinion that the Group's system of internal controls, including financial, operational, compliance and information technology controls, and risk management systems are adequate and effective.

In line with Rule 1207(19) of the Listing Manual on Dealing in Securities, the Company has adopted an internal code on dealings in securities which is applicable to all Directors and employees of the Group and its subsidiaries with regards to dealing in the Company's securities. All directors and employees of the Group should not deal in Company's securities on short-term considerations or when they are in possession of unpublished price sensitive information. They are also not allowed to deal in the Company's securities during the period commencing two weeks before the announcement of the Company's quarterly business update and one month before the announcement of the Company's half year and full year financial statements, ending on the date of the announcement of such business update and financial results. The Directors and employees are also required to adhere to the provisions of the Companies Act, and any other relevant regulations with regard to their securities transactions. The Company has complied with Rule 1207(19) of the Listing Manual.

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

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

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

Melvin Chan Wai Leong	(Chairman and Lead Independent Director)
Chia Chor Leong	(Independent Director)
Foo Seang Choong	(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 business update, 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;

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

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

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

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

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

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

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

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

During the year, the internal auditor carried out two (2) cycles of internal audit for the Mechatronics Division in Europe, one (1) cycle of internal audit for the Mechatronics Division in America and four (4) 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 Group'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.

Whistleblowing Policy

The Group is committed to high standards of corporate governance that encompass the ethical, moral and legal conduct of its business. An important aspect towards ensuring the adherence of this conduct is to provide an accountability and transparency mechanism that will enable individuals to voice concerns of perceived wrongdoings in a responsible and effective manner.

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

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

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

The Group has an independent function to investigate whistleblowing reports made in good faith. An e-mail address is available (audit.chair@frenckengroup.com), and this is communicated in our workplace and available on the Company's website. The channel of communicating the whistleblowing event is separated from the management of the Group to ensure there are independent and internal checks. All whistleblowing communications will be directed confidentially to the Chairman of the Audit Committee, who shall be an independent director of the board and not involved in the management of the Group. The Group assures that any individual making a whistleblowing report will retain his/her anonymity unless he/she agrees otherwise and there should not be any retaliation against the whistleblower.

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

Whistleblowing Policy (cont'd)

All concerns raised will be independently assessed by the Chairman of the Audit Committee. The Group internal audit will be assigned to investigate the concerns raised by the whistleblower. The Audit Committee will closely oversee and monitors the progress of the investigation, including reviewing the findings in the investigation report from the internal auditors and ensure appropriate follow-up actions are taken to resolve the concerns raised by the whistleblower.

During the financial year 2022 and until the date of this Annual Report, there were no reports received through the whistleblowing mechanism.

SHAREHOLDERS RIGHTS AND ENGAGEMENT

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

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

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

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

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

The number of general meetings held during the financial year ended 31 December 2022 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
Melvin Chan Wai Leong	1
Foo Seang Choong	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.

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

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.

To minimise physical interactions and COVID-19 transmission risks, the forthcoming AGM to be held in respect of FY2022 will be convened and held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the AGM in advance of, or "live" at the AGM, addressing of substantial and relevant questions prior to, or at the AGM and voting at the AGM (i) "live" by the members or his/her/its duly appointed proxy(ies); or (ii) by appointing the Chairman of the AGM as proxy to vote on the members' behalf at the AGM, will be put in place for the AGM to be held on 27 April 2023.

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, quarterly business update 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) Whistleblowing 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 2022.

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 2022.

Name of Interested Person	Nature of Relationship	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	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 2022.

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 84 to 171 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 2022, 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
Melvin Chan Wai Leong
Foo Seang Choong

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

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

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act 1967 except as follows:

	Holdings registered in the name of director			Holdings in which a director is deemed to have an interest		
Name of directors and Company in which interests are held	**At beginning of year**	**At end of year**	**At 21.1.2023**	**At beginning of year**	**At end of year**	**At 21.1.2023**
<u>Frencken Group Limited</u>						
(Ordinary shares)						
Dato' Gooi Soon Chai	6,915,023	7,417,023	7,417,023	93,229,068	93,623,068	93,633,068
Dennis Au	3,660,000	4,010,000	4,010,000	-	-	-
Melvin Chan Wai Leong	-	-	-	439,500	439,500	439,500

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

According to the register of directors' shareholdings, certain director 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 and Employee Share Option Scheme 2020 as set out below and paragraph 4 of the Directors' Statement.

	Number of unissued ordinary shares under option		
	At beginning of year	**At end of year**	**At 21.1.2023**
Dennis Au			
- 2017 Options	677,000	677,000	677,000
- 2022 Options	-	180,000	180,000

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

4 SHARE OPTIONS AND SHARE AWARDS

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

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

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

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

Dennis Au	(President and Executive Director)
Brian Tan Chuen Yeang	(Chief Financial Officer)

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

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

4 SHARE OPTIONS AND SHARE AWARDS (CONT'D)

ESOS 2008 and ESOS 2020 ("ESOS Schemes")

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

On 26 January 2022, the Company granted options to subscribe for 470,000 ordinary shares under the ESOS 2020 at exercise price of $1.37 per share ("2022 Options"). The 2022 Options are exercisable from 26 January 2024 and expire on 25 January 2032. The total fair value of the 2022 Options granted was estimated to be $384,977 using the Black-Scholes Valuation Model.

Options granted under the ESOS Schemes

Details of the ESOS 2008 and ESOS 2020 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 31.12.2022**	**Aggregate granted since commencement of scheme to 31.12.2022**	**Aggregate exercised since commencement of scheme to 31.12.2022**	**Aggregate outstanding as at 31.12.2022**
Dennis Au	180,000	3,880,000	3,023,000	857,000

Eligibility

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

Size

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

4 SHARE OPTIONS AND SHARE AWARDS (CONT'D)

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

Duration

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

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

Exercise price and option period

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

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

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

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

Share options outstanding

The number of unissued ordinary shares of the Company under option in relation to the ESOS 2008 and ESOS 2020 outstanding at the end of the financial year was as follows:

	Number of unissued ordinary shares under option at 31.12.2022	Exercise price	Exercise period
2017 Options	1,112,000	$0.432	06.12.2019 to 05.12.2027
2022 Options	470,000	$1.370	26.01.2024 to 25.01.2032
	1,582,000		

ESAS 2020

Eligibility

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

4 SHARE OPTIONS AND SHARE AWARDS (CONT'D)

ESAS 2020 (cont'd)

Size

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

Duration

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

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

5 AUDIT COMMITTEE

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

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

Melvin Chan Wai Leong	(Chairman and Lead Independent Director)
Chia Chor Leong	(Independent Director)
Foo Seang Choong	(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 business update, 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;

5 AUDIT COMMITTEE (CONT'D)

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

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

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

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

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

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

5 AUDIT COMMITTEE (CONT'D)

During the year, the internal auditor carried out two (2) cycles of internal audit for the Mechatronics Division in Europe, one (1) cycle of internal audit for the Mechatronics Division in America and four (4) 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 Group'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.

Whistleblowing Policy

The Group is committed to high standards of corporate governance that encompass the ethical, moral and legal conduct of its business. An important aspect towards ensuring the adherence of this conduct is to provide an accountability and transparency mechanism that will enable individuals to voice concerns of perceived wrongdoings in a responsible and effective manner.

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

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

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

The Group has an independent function to investigate whistleblowing reports made in good faith. An e-mail address is available (audit.chair@frenckengroup.com), and this is communicated in our workplace and available on the Company's website. The channel of communicating the whistleblowing event is separated from the management of the Group to ensure there are independent and internal checks. All whistleblowing communications will be directed confidentially to the Chairman of the Audit Committee, who shall be an independent director of the board and not involved in the management of the Group. The Group assures that any individual making a whistleblowing report will retain his/her anonymity unless he/she agrees otherwise and there should not be any retaliation against the whistleblower.

All concerns raised will be independently assessed by the Chairman of the Audit Committee. The Group internal audit will be assigned to investigate the concerns raised by the whistleblower. The Audit Committee will closely oversees and monitors the progress of the investigation, including reviewing the findings in the investigation report from the internal auditors and ensure appropriate follow-up actions are taken to resolve the concerns raised by the whistleblower.

During the financial year 2022 and until the date of this Statement, there were no reports received through the whistleblowing mechanism.

DIRECTORS' STATEMENT (Cont'd)

6 AUDITORS

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

ON BEHALF OF THE DIRECTORS

....
Dato' Gooi Soon Chai

....
Dennis Au

9 March 2023

INDEPENDENT AUDITOR'S REPORT

To The Members Of Frencken Group Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Frencken Group Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2022, 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 84 to 171.

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 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2022 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 amount of goodwill The Group has $17,703,000 of goodwill arising from its previous acquisition of subsidiaries. During the year, there is an addition of provisional amount of $2,697,000. 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. As disclosed in Note 18 the total carrying amounts of the Group's goodwill amounted to $20,400,000 (2021 : $18,016,000) as at 31 December 2022, which represented 2.81% (2021 : 2.62%) of the total assets.	Our audit procedures focused on evaluating and challenging the key assumptions used by management in conducting the impairment review using the cash flow forecast. These procedures include: a) assessing the growth rate and cash flow forecast used, with comparison to recent performance; b) assessing the discount rate by assessing the weighted average cost of capital for the Company and comparable entities; c) engaging our internal valuation specialists to review the appropriateness of the discount rates used by management in the value in use calculations; d) 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 from the cashflow forecast and determine whether the Group's assessment is reasonable; and

Key Audit Matters (cont'd)

Key Audit Matters	How the matter was addressed in the audit
During the year, the Group recorded no impairment loss on goodwill. The accounting policies and key assumptions to the impairment are disclosed in Notes 2 and 3 to the financial statements.	e) by reference to prior years' forecast, where relevant, assessing whether the Group has achieved the forecasted results to evaluate historical accuracy of the forecast. 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 Chua How Kiat.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

9 March 2023

CONSOLIDATED INCOME STATEMENT
For The Financial Year Ended 31 December 2022

	Note	2022 $'000	2021 $'000
Revenue	5	786,107	767,069
Cost of sales		(667,127)	(638,161)
Gross profit		118,980	128,908
Other income	6	12,295	7,616
Selling and distribution expenses		(10,698)	(11,518)
Administrative and general expenses		(50,272)	(49,288)
Other operating expenses		(3,662)	(3,794)
Interest income		579	966
Finance costs	8	(4,177)	(2,369)
Share of results of an associate, net of tax	16	2	-
Profit before income tax		63,047	70,521
Income tax expense	9	(11,410)	(11,410)
Profit for the year	7(a)	51,637	59,111
Profit attributable to:			
Equity holders of the Company		51,874	58,727
Non-controlling interests		(237)	384
		51,637	59,111
Earnings per share			
Attributable to the equity holders of the Company (cents per share)	10		
Basic		12.15	13.75
Diluted		12.13	13.73

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2022

	Note	2022 $'000	2021 $'000
Profit for the year		51,637	59,111
Other comprehensive income (loss)			
Item that will not be reclassified subsequently to income statement:			
Remeasurement of defined benefit obligation	29	734	1,488
Net fair value loss on financial asset designated at fair value through other comprehensive income		-	(1,240)
Item that may be reclassified subsequently to income statement:			
Currency translation differences arising from consolidation		(19,855)	(3,918)
Other comprehensive loss for the year		(19,121)	(3,670)
Total comprehensive income for the year		32,516	55,441
Total comprehensive income attributable to:			
Equity holders of the Company		33,185	54,902
Non-controlling interests		(669)	539
		32,516	55,441

See accompanying notes to financial statements.

BALANCE SHEET
As at 31 December 2022

	Note	The Group 2022 $'000	The Group 2021 $'000	The Company 2022 $'000	The Company 2021 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	127,541	110,768	-	-
Right-of-use assets	13	38,965	17,180	-	-
Investment properties	14	1,358	1,485	-	-
Subsidiaries	15	-	-	133,261	128,025
Investment in an associate	16	16	-	-	-
Financial asset at fair value through other comprehensive income	17	1,995	1,995	1,995	1,995
Intangible assets	18	21,503	19,464	-	-
Deferred income tax assets	30	1,427	1,487	-	-
Total non-current assets		192,805	152,379	135,256	130,020
Current assets					
Inventories	19	228,821	203,084	-	-
Trade receivables	20	123,207	123,311	-	-
Receivables from subsidiaries	21	-	-	239	68
Dividend receivable from subsidiaries		-	-	14,617	20,202
Other receivables, deposits and prepayments	22	13,364	16,771	38	16
Tax recoverable		22	-	-	-
Cash and cash equivalents	23	166,989	192,600	18,596	22,397
Total current assets		532,403	535,766	33,490	42,683
Total assets		725,208	688,145	168,746	172,703

BALANCE SHEET

As at 31 December 2022 (Cont'd)

	Note	The Group 2022 $'000	The Group 2021 $'000	The Company 2022 $'000	The Company 2021 $'000
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables	24	108,312	121,889	-	-
Payable to a subsidiary		-	-	106	550
Other payables, accruals and provisions	25	58,319	58,054	2,154	1,647
Deferred income	26	23	-	-	-
Borrowings	27	107,721	95,643	-	-
Lease liabilities	28	9,214	8,238	-	-
Income tax payable		6,371	4,545	-	-
Total current liabilities		289,960	288,369	2,260	2,197
Non-current liabilities					
Other payables, accruals and provisions	25	199	-	-	-
Deferred income	26	75	-	-	-
Borrowings	27	1,090	1,582	-	-
Lease liabilities	28	32,422	13,978	-	-
Retirement benefit obligations	29	447	1,216	-	-
Deferred income tax liabilities	30	4,596	3,971	-	-
Total non-current liabilities		38,829	20,747	-	-
Total liabilities		328,789	309,116	2,260	2,197
NET ASSETS		396,419	379,029	166,486	170,506
Equity					
Capital and reserves attributable to the Company's equity holders					
Share capital	31	104,444	104,444	104,444	104,444
Foreign currency translation reserve		(16,913)	2,650	-	-
Merger reserve		2,345	2,345	-	-
Capital reserve		1,981	1,981	2,562	2,562
Statutory reserve fund	32	6,268	5,417	-	-
Share option reserve		467	290	467	290
Fair value reserve		(4,405)	(4,405)	(4,405)	(4,405)
Other reserve		604	(270)	-	-
Retained profits		297,097	263,710	63,418	67,615
		391,888	376,162	166,486	170,506
Non-controlling interests		4,531	2,867	-	-
Total equity		396,419	379,029	166,486	170,506

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2022

	Note	Share capital	Foreign currency translation reserve	Merger reserve	Capital reserve	Statutory reserve fund	Share option reserve	Fair value reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
<u>The Group</u>													
Balance at 1 January 2022		104,444	2,650	2,345	1,981	5,417	290	(4,405)	(270)	263,710	376,162	2,867	379,029
Profit for the year		-	-	-	-	-	-	-	-	51,874	51,874	(237)	51,637
Other comprehensive income (loss):													
Remeasurement of defined benefit obligation	29	-	-	-	-	-	-	-	734	-	734	-	734
Currency translation differences arising from consolidation		-	(19,563)	-	-	-	-	-	140	-	(19,423)	(432)	(19,855)
Total comprehensive income (loss) for the financial year		-	(19,563)	-	-	-	-	-	874	51,874	33,185	(669)	32,516
Transactions with owners, recognised directly in equity:													
Transfer to statutory reserve fund	32	-	-	-	-	851	-	-	-	(851)	-	-	-
Employees share option scheme:													
- Value of employee services		-	-	-	-	-	177	-	-	-	177	-	177
Non-controlling interest arising from acquisition of a subsidiary	37(b)	-	-	-	-	-	-	-	-	-	-	2,333	2,333
Dividend relating to 2021 paid	11	-	-	-	-	-	-	-	-	(17,636)	(17,636)	-	(17,636)
Total		-	-	-	-	851	177	-	-	(18,487)	(17,459)	2,333	(15,126)
Balance at 31 December 2022		104,444	(16,913)	2,345	1,981	6,268	467	(4,405)	604	297,097	391,888	4,531	396,419

STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2022 (Cont'd)

	Note	Share capital	Foreign currency translation reserve	Merger reserve	Capital reserve	Statutory reserve fund	Share option reserve	Fair value reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
The Group													
Balance at 1 January 2021		104,329	6,793	2,345	1,914	4,428	357	(3,165)	(1,828)	218,782	333,955	2,328	336,283
Profit for the year		-	-	-	-	-	-	-	-	58,727	58,727	384	59,111
Other comprehensive income (loss):													
Remeasurement of defined benefit obligation	29	-	-	-	-	-	-	-	1,488	-	1,488	-	1,488
Net fair value loss on financial asset designated at fair value through other comprehensive income		-	-	-	-	-	-	(1,240)	-	-	(1,240)	-	(1,240)
Currency translation differences arising from consolidation		-	(4,143)	-	-	-	-	-	70	-	(4,073)	155	(3,918)
Total comprehensive income (loss) for the financial year		-	(4,143)	-	-	-	-	(1,240)	1,558	58,727	54,902	539	55,441
Transactions with owners, recognised directly in equity:													
Transfer to statutory reserve fund	32	-	-	-	-	989	-	-	-	(989)	-	-	-
Employees share option scheme:													
- Issue of share capital	31	115	-	-	67	-	(67)	-	-	-	115	-	115
Dividend relating to 2020 paid	11	-	-	-	-	-	-	-	-	(12,810)	(12,810)	-	(12,810)
Total		115	-	-	67	989	(67)	-	-	(13,799)	(12,695)	-	(12,695)
Balance at 31 December 2021		104,444	2,650	2,345	1,981	5,417	290	(4,405)	(270)	263,710	376,162	2,867	379,029

STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2022 (Cont'd)

	Note	Share capital $'000	Capital reserve $'000	Share option reserve $'000	Fair value reserve $'000	Retained profits $'000	Total $'000
The Company							
Balance at 1 January 2022		104,444	2,562	290	(4,405)	67,615	170,506
Profit for the year, representing total comprehensive income for the financial year		-	-	-	-	13,439	13,439
Transactions with owners, recognised directly in equity							
Employees share option scheme:							
- Value of employee services		-	-	177	-	-	177
Dividend relating to 2021 paid	11	-	-	-	-	(17,636)	(17,636)
Total		-	-	177	-	(17,636)	(17,459)
Balance at 31 December 2022		104,444	2,562	467	(4,405)	63,418	166,486

STATEMENT OF CHANGES IN EQUITY
For The Financial Year Ended 31 December 2022 (Cont'd)

	Note	Share capital	Capital reserve	Share option reserve	Fair value reserve	Retained profits	Total
		$'000	$'000	$'000	$'000	$'000	$'000
The Company							
Balance at 1 January 2021		104,329	2,495	357	(3,165)	46,672	150,688
Profit for the year		-	-	-	-	33,753	33,753
Other comprehensive loss:							
Net fair value loss on financial asset designated at fair value through other comprehensive income		-	-	-	(1,240)	-	(1,240)
Total comprehensive income (loss) for the financial year		-	-	-	(1,240)	33,753	32,513
Transactions with owners, recognised directly in equity							
Employees share option scheme:							
- Issue of share capital	31	115	67	(67)	-	-	115
Dividend relating to 2020 paid	11	-	-	-	-	(12,810)	(12,810)
Total		115	67	(67)	-	(12,810)	(12,695)
Balance at 31 December 2021		104,444	2,562	290	(4,405)	67,615	170,506

See accompanying notes to financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For The Financial Year Ended 31 December 2022

	2022 $'000	2021 $'000
Cash Flows From Operating Activities		
Profit after tax	51,637	59,111
Adjustments for:		
Income tax expense	11,410	11,410
Share of results of an associate, net of tax (Note 16)	(2)	-
Exchange differences	353	568
Employees share option expense (Note 7(b))	177	-
Depreciation of property, plant and equipment (Note 12)	20,058	16,940
Depreciation of right-of-use assets (Note 13)	7,709	5,974
Depreciation of investment properties (Note 14)	43	64
Gain on disposal of property, plant and equipment, net	(326)	(136)
Property, plant and equipment written off (Note 12)	9	68
Interest income	(579)	(966)
Interest expense (Note 8)	4,177	2,369
Amortisation of deferred income (Note 26)	(8)	-
Amortisation of intangible assets (Note 18)	285	321
Operating cash flow before working capital changes	94,943	95,723
Changes in operating assets and liabilities:		
Inventories	(35,270)	(61,082)
Receivables	(3,255)	(25,869)
Payables	(5,576)	50,086
Cash flows generated from operations	50,842	58,858
Tax paid	(8,839)	(16,115)
Interest paid	(4,177)	(2,369)
Net cash generated from operating activities	37,826	40,374

CONSOLIDATED CASH FLOW STATEMENT

For The Financial Year Ended 31 December 2022 (Cont'd)

	2022	2021
	$'000	**$'000**
Cash Flows From Investing Activities		
Interest received	579	966
Additions of intangible assets (Note 18)	-	(28)
Purchase of property, plant and equipment (Note 23)	(42,600)	(17,476)
Proceeds from disposal of property, plant and equipment	1,173	256
Repayment of loan from a third party	-	480
Acquisition of a subsidiary, net of cash acquired (Note 37(e))	(3,630)	(13,043)
Net cash used in investing activities	(44,478)	(28,845)
Cash Flows From Financing Activities		
Proceeds from issuance of share capital (Note 31)	-	115
Repayment of lease liabilities	(9,416)	(6,212)
Repayment of short-term bank borrowings	(188,286)	(165,815)
Repayment of term loan	(1,095)	(591)
Proceeds from short-term bank borrowings	186,015	175,417
Proceeds from term loan	-	684
Dividend paid to shareholders	(17,636)	(12,810)
Placement of fixed deposits pledged as securities	(7)	-
Net cash used in financing activities	(30,425)	(9,212)
Net (decrease)/increase in cash and cash equivalents	(37,077)	2,317
Cash and cash equivalents at the beginning of the financial year	152,610	151,132
Effect of exchange rate changes on cash and cash equivalents	(5,265)	(839)
Cash and cash equivalents at the end of the financial year (Note 23)	110,268	152,610

See accompanying notes to financial statements.

1 GENERAL

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

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

The consolidated financial statements of the Group and balance sheet and statement of changes in equity of the Company for the year ended 31 December 2022 were authorised for issue by the Board of Directors on 9 March 2023.

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.

(b) Adoption of new and revised standards

On 1 January 2022, the Group and the Company adopted all the new and revised SFRS(I) pronouncements that are mandatorily effective and 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.

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.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Group accounting (cont'd)

Subsidiaries (cont'd)

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

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

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

(iii) Disposals of subsidiaries or businesses

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Group accounting (cont'd)

Transactions with non-controlling interests

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

Associated companies

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

(i) Acquisitions

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

(ii) Equity method of accounting

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

(iii) Disposals

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Investments in subsidiaries and associated companies

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

(e) Intangible assets

(i) Goodwill on consolidation

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

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

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

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

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

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Intangible assets (cont'd)

(ii) Other intangible assets (cont'd)

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 intangible 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 amounts may be impaired either individually or at cash generating unit level. Such other intangible assets are not amortised. The useful life of an other intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to definite is made on a prospective basis.

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

(a) Deferred development costs

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

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

(f) Impairment of non-financial assets

(i) Goodwill on consolidation

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

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

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

(g) Currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(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;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Currency translation (cont'd)

(iii) Translation of Group entities' financial statements (cont'd)

(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);

(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; and

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

(h) Revenue recognition

The Group recognises revenue from the following major sources:

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

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Revenue recognition (cont'd)

(iv) Interest income

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

(v) Dividend income

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

(i) Property, plant and equipment

(i) Measurement

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

(ii) Component of costs

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

(iii) Depreciation

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

Buildings	1% to 5%
Plant, machinery, equipment, piping and electrical installation	5% to 33%
Moulds and toolings	10% to 33%
Office equipment, furniture and fittings and renovation	8% to 100%
Motor vehicles	17% 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.

(m) Leases

The Group as lessee

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Leases (cont'd)

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

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

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

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of modification.

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

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 sheet.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Leases (cont'd)

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

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

(n) Financial guarantees

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

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

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

Intra-group transactions are eliminated on consolidation.

(o) Borrowings

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

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

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Taxes (cont'd)

Deferred income tax is measured:

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

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

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

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

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

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

(q) Employee compensation

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

(i) Retirement benefit costs

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Employee compensation (cont'd)

(i) Retirement benefit costs (cont'd)

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

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

(ii) Employees' leave entitlement

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

(iii) Share-based compensation

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

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

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

(r) Segment reporting

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

(s) Government grants

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

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

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

(t) Dividend to Company's shareholders

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

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Financial assets (cont'd)

(i) Classification (cont'd)

Amortised cost and effective interest method (cont'd)

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 at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

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

(ii) Foreign exchange gains and losses

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

(iii) Impairment of financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Financial assets (cont'd)

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Financial assets (cont'd)

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

Significant increase in credit risk (cont'd)

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

Write-off policy

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

Measurement and recognition of expected credit losses

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Financial assets (cont'd)

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

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

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

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

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

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

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

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

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

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

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 at FVTPL.

A financial liability is classified as held for trading if:

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Financial liabilities at FVTPL (cont'd)

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 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 at FVTPL, are subsequently measured at amortised cost using the effective interest method.

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

Financial guarantee contracts

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

Financial guarantee contracts issued by a Group entity are initially measured at their fair values and, if not designated 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Foreign exchange gains and losses (cont'd)

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.

(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.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

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

In the process of applying the Group's accounting policy, management is of the view that there are no critical judgements involved that have a 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 at least 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 assumption about future market conditions, including terminal growth rates, growth rates and discount rates (Note 18(a)).

As disclosed in Note 18, the carrying amount of goodwill as at 31 December 2022 was $20,400,000 (2021 : $18,016,000).

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

Property, plant and equipment are assessed for impairment whenever there is an indication that it may be impaired. Estimation of recoverable amount using the present value of the future cash flows expected from the assets, the growth rates and discount rates are required for the impairment assessment. Based on the review, no impairment is necessary on property, plant and equipment.

As disclosed in Note 12, the carrying amount of the Group's property, plant and equipment as at 31 December 2022 was $127,541,000 (2021 : $110,768,000).

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 provides 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).

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	
	2022	2021
	$'000	$'000
Management fee charged to subsidiaries	581	696
Management fee charged by a subsidiary	(298)	(519)
Expenses paid on behalf by a subsidiary	(22)	(42)

(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	
	2022	2021
	$'000	$'000
Salaries, wages and other short-term employee benefits	4,745	5,253
Post-employment benefits - defined contribution plan	243	261
Share option expense	94	-

Total compensation to directors of the Company included in above amounted to $2,310,000 (2021 : $2,102,000).

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	
	2022	2021
	$'000	$'000
At a point in time:		
Sale of goods	773,025	753,664
Installation services	7,497	8,203
Rental income	271	280
	780,793	762,147
Over time:		
Sale of moulds	5,314	4,922
	786,107	767,069

6 OTHER INCOME

	The Group	
	2022	2021
	$'000	$'000
Gain on disposal of property, plant and equipment	393	151
Government grants:		
COVID-19 grants - Job Support Scheme	-	476
COVID-19 grants - others	142	66
Others	1,901	2,101
Foreign exchange gain	4,670	2,674
Amortisation of deferred income (Note 26)	8	-
Others	5,181	2,148
	12,295	7,616

The Group received wage support for local employees under the Jobs Support Scheme ("JSS") from the Singapore Government as part of the Government's measures to support businesses during the period of economic uncertainty impacted by COVID-19. The Group assessed that there is reasonable assurance that it will comply with the conditions attached to the grants and the grants will be received. Grant income is recognised in the income statement on a systematic basis over the period of uncertainty in which the related salary costs for which the grant is intended to compensate is recognised as expenses.

7 PROFIT FOR THE YEAR

(a) Profit for the year has been arrived at after charging:

	The Group	
	2022	2021
	$'000	$'000
Amortisation of intangible assets (Note 18)	(285)	(321)
Depreciation of property, plant and equipment (Note 12)	(20,058)	(16,940)
Depreciation of right-of-use assets (Note 13)	(7,709)	(5,974)
Depreciation of investment properties (Note 14)	(43)	(64)
Employee compensations (Note 7(b))	(167,293)	(154,698)
Purchase of raw materials, finished goods, toolings and consumables	(516,618)	(532,048)
Changes in inventories of raw materials, work-in-progress and finished goods	35,837	62,383
Transportation	(4,915)	(5,974)
Repairs and maintenance	(8,620)	(7,570)
Utilities	(11,684)	(8,052)
Insurance	(998)	(1,086)
Rental expense	(2,567)	(2,280)
Auditors remuneration paid and payable to:		
- auditors of the Company	(276)	(247)
- other auditors*	(620)	(560)
Non-audit fees paid and payable to:		
- auditors of the Company	-	-
- other auditors*	(72)	(120)
Other expenses	(25,838)	(29,210)
Total cost of sales, selling and distribution expenses, administrative and general expenses and other operating expenses	(731,759)	(702,761)

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

7 PROFIT FOR THE YEAR (CONT'D)

(b) Employee compensations

	The Group	
	2022	**2021**
	$'000	**$'000**
Salaries, wages and other short-term employee benefits	(154,193)	(143,120)
Employer's contribution to defined contributions plans	(12,923)	(11,578)
Employee share option expense	(177)	-
	(167,293)	(154,698)

8 FINANCE COSTS

	The Group	
	2022	**2021**
	$'000	**$'000**
Interest expense on:		
- lease liabilities	(976)	(728)
- bank borrowings	(3,201)	(1,641)
	(4,177)	(2,369)

9 INCOME TAX EXPENSE

	The Group	
	2022	**2021**
	$'000	**$'000**
Income tax expense attributable to profit is made up of:		
Current income tax:		
- Singapore	(2,417)	(3,020)
- Foreign	(8,818)	(10,025)
Deferred income tax (Note 30)	(476)	(758)
	(11,711)	(13,803)
Over/(under) recognition in respect of previous financial years:		
- Current income tax	893	2,080
- Deferred income tax (Note 30)	(236)	505
	657	2,585
Withholding tax	(356)	(192)
	(11,410)	(11,410)

9 INCOME TAX EXPENSE (CONT'D)

The income tax expense on profit before income tax differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

	The Group	
	2022	2021
	$'000	$'000
Profit before income tax	63,047	70,521
Tax calculated at Singapore income tax rate of 17% (2021 : 17%)	(10,718)	(11,989)
Effects of:		
- Different income tax rates in other countries	(2,665)	(3,357)
- Expenses not deductible for tax purposes	(639)	(1,002)
- Income not subject to taxation	1,018	1,136
- Utilisation of previously unrecognised other temporary differences	103	302
- Deferred tax assets not recognised	73	201
- Tax incentives in other countries	2,155	2,348
- Withholding tax	(356)	(192)
- Others	(1,038)	(1,442)
Over/(under) recognition in respect of previous financial years:		
- Current income tax	893	2,080
- Deferred income tax	(236)	505
	(11,410)	(11,410)

10 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	
	2022	2021
	$'000	$'000
Profit attributable to equity holders of the Company	51,874	58,727
	Number of shares	Number of shares
Weighted average number of ordinary shares outstanding for basic earnings per share	427,025,409	426,992,949
	Cents	Cents
Basic earnings per share	12.15	13.75

10 EARNINGS PER SHARE (CONT'D)

(b) Diluted earnings per share

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

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

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

	The Group	
	2022	**2021**
	$'000	**$'000**
Profit attributable to equity holders of the Company	51,874	58,727
	Number of shares	**Number of Shares**
Weighted average number of ordinary shares outstanding for basic earnings per share	427,025,409	426,992,949
Adjustment for share options	733,864	849,380
	427,759,273	427,842,329
	Cents	**Cents**
Diluted earnings per share	12.13	13.73

11 DIVIDEND

	The Company	
	2022	**2021**
	$'000	**$'000**
Ordinary dividends paid		
First and final tax exempt (one-tier) dividend paid in respect of the previous financial year of 4.13 cents (2020 : 3.00 cents per share)	17,636	12,810

At the forthcoming Annual General Meeting to be held on 27 April 2023, a first and final tax exempt (one-tier) dividend of 3.64 cents per share in respect of the financial year ended 31 December 2022 amounting to $15,544,000 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 2023.

12 PROPERTY, PLANT AND EQUIPMENT

2022	Freehold land and buildings	Leasehold buildings	Plant, machinery, equipment, piping and electrical installation	Moulds and tooling	Office equipment, furniture and fittings and renovation	Motor vehicles	Construction-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
The Group								
Cost:								
At beginning of the financial year	27,806	14,920	202,400	22,430	48,944	2,031	1,398	319,929
Currency translation differences	(1,614)	(1,278)	(12,489)	(888)	(2,610)	(71)	123	(18,827)
Acquisition of a subsidiary (Note 37(a))	-	857	1,625	-	39	6	-	2,527
Additions	3,662	-	27,540	324	9,386	438	834	42,184
Disposals	-	-	(3,570)	(34)	(57)	(292)	-	(3,953)
Written off	-	-	(54)	-	(175)	(166)	-	(395)
Reclassification	-	767	341	41	(815)	-	(334)	-
At end of the financial year	29,854	15,266	215,793	21,873	54,712	1,946	2,021	341,465
Accumulated depreciation:								
At beginning of the financial year	13,527	2,059	135,792	18,533	34,448	1,507	-	205,866
Currency translation differences	(834)	(168)	(7,953)	(697)	(1,813)	(54)	-	(11,519)
Charge for the financial year	1,173	653	13,410	1,034	3,585	203	-	20,058
Disposals	-	-	(2,788)	(31)	(57)	(229)	-	(3,105)
Written off	-	-	(51)	-	(173)	(162)	-	(386)
Reclassification	-	(109)	(12)	-	121	-	-	-
At end of the financial year	13,866	2,435	138,398	18,839	36,111	1,265	-	210,914
Accumulated impairment loss:								
At beginning of the financial year	-	-	3,295	-	-	-	-	3,295
Currency translation differences	-	-	(284)	-	-	-	-	(284)
Disposal	-	-	(1)	-	-	-	-	(1)
At end of the financial year	-	-	3,010	-	-	-	-	3,010
Carrying amount:								
At 31 December 2022	15,988	12,831	74,385	3,034	18,601	681	2,021	127,541

12 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

2021	Freehold land and buildings	Leasehold buildings	Plant, machinery, equipment, piping and electrical installation	Moulds and tooling	Office equipment, furniture and fittings and renovation	Motor vehicles	Construction-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
The Group								
Cost:								
At beginning of the financial year	26,000	14,553	190,270	22,197	40,530	2,008	1,998	297,556
Currency translation differences	(1,495)	367	(2,730)	(232)	(33)	(26)	214	(3,935)
Acquisition of a subsidiary (Note 37(a))	-	-	9,998	-	460	148	-	10,606
Additions	3,301	-	5,689	493	8,433	-	53	17,969
Disposals	-	-	(1,150)	(48)	(210)	(99)	-	(1,507)
Written off	-	-	(524)	-	(236)	-	-	(760)
Reclassification	-	-	847	20	-	-	(867)	-
At end of the financial year	27,806	14,920	202,400	22,430	48,944	2,031	1,398	319,929
Accumulated depreciation:								
At beginning of the financial year	13,358	1,500	128,514	17,713	32,004	1,447	-	194,536
Currency translation differences	(854)	29	(2,410)	(241)	(51)	(21)	-	(3,548)
Charge for the financial year	1,023	530	11,308	1,110	2,794	175	-	16,940
Disposals	-	-	(1,087)	(43)	(146)	(94)	-	(1,370)
Written off	-	-	(514)	-	(178)	-	-	(692)
Reclassification	-	-	(19)	(6)	25	-	-	-
At end of the financial year	13,527	2,059	135,792	18,533	34,448	1,507	-	205,866
Accumulated impairment loss:								
At beginning of the financial year	-	-	3,210	-	-	-	-	3,210
Currency translation differences	-	-	102	-	-	-	-	102
Disposal	-	-	(17)	-	-	-	-	(17)
At end of the financial year	-	-	3,295	-	-	-	-	3,295
Carrying amount:								
At 31 December 2021	14,279	12,861	63,313	3,897	14,496	524	1,398	110,768

The carrying amounts of machineries, motor vehicles and other fixed assets held under finance leases are $5,548,000 (2021 : $7,384,000).

Bank borrowings are secured on certain freehold land and buildings, leasehold building, machineries and other fixed assets of the Group with carrying amounts of $10,645,000 (2021 : $8,584,000), $834,000 (2021 : $Nil), $22,667,000 (2021 : $16,376,000) and $4,102,000 (2021 : $2,163,000) respectively (Note 27).

13 RIGHT-OF-USE ASSETS

The Group leases several assets including land, buildings, motor vehicles and other equipment. The lease terms of the assets are as follows:

Land	50 years to 99 years
Other assets	3 years to 7 years

2022	Land $'000	Buildings $'000	Motor vehicles $'000	Other equipment $'000	Total $'000
The Group					
Cost:					
At beginning of the financial year	3,225	28,647	1,088	333	33,293
Acquisition of a subsidiary (Note 37(a))	820	-	-	-	820
Additions	-	29,632	302	136	30,070
Termination	-	(2,662)	(266)	(7)	(2,935)
Exchange difference	(235)	(1,994)	(67)	(22)	(2,318)
Lease modification	-	-	20	132	152
At end of the financial year	3,810	53,623	1,077	572	59,082
Accumulated depreciation:					
At beginning of the financial year	399	14,932	630	152	16,113
Charge for the year	55	7,403	145	106	7,709
Termination	-	(2,650)	(266)	-	(2,916)
Exchange difference	(20)	(946)	136	41	(789)
At end of the financial year	434	18,739	645	299	20,117
Carrying amount:					
At 31 December 2022	3,376	34,884	432	273	38,965

2021	Land $'000	Buildings $'000	Motor vehicles $'000	Other equipment $'000	Total $'000
The Group					
Cost:					
At beginning of the financial year	3,015	22,786	943	265	27,009
Acquisition of a subsidiary (Note 37(a))	-	1,859	-	28	1,887
Additions	45	3,867	368	127	4,407
Termination	-	(7)	(162)	(75)	(244)
Exchange difference	165	142	(61)	(12)	234
At end of the financial year	3,225	28,647	1,088	333	33,293
Accumulated depreciation:					
At beginning of the financial year	218	9,368	517	153	10,256
Charge for the year	51	5,536	309	78	5,974
Termination	-	-	(162)	(75)	(237)
Exchange difference	130	28	(34)	(4)	120
At end of the financial year	399	14,932	630	152	16,113
Carrying amount:					
At 31 December 2021	2,826	13,715	458	181	17,180

14 INVESTMENT PROPERTIES

	The Group	
	2022	2021
	$'000	$'000
Cost:		
At beginning of the financial year	1,777	1,804
Currency translation differences	(102)	(27)
At end of the financial year	1,675	1,777
Accumulated depreciation:		
At beginning of the financial year	292	232
Charge for the financial year	43	64
Currency translation differences	(18)	(4)
At end of the financial year	317	292
Carrying amount at end of the financial year	1,358	1,485

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 2022 and 31 December 2021 are as follows:

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
At 31 December 2022				
Leasehold buildings	-	-	2,566	2,566
At 31 December 2021				
Leasehold buildings	-	-	2,334	2,334

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	
	2022	2021
	$'000	$'000
Rental income	(271)	(280)
Direct operating expenses arising from:		
- Investment properties that generate rental income	27	30

14 INVESTMENT PROPERTIES (CONT'D)

As at 31 December 2022, 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

15 SUBSIDIARIES

	The Company	
	2022	2021
	$'000	$'000
Equity investment	129,774	124,647
Equity contributions to subsidiaries	3,487	3,378
	133,261	128,025

The Company's equity contributions to subsidiaries during the financial year are in respect of its share options granted to the eligible employees (including executive directors) of the Group and credited to share option reserve.

On 27 January 2022, the Company entered into a Sale and Purchase Agreement with two existing shareholders of Penchem Technologies Sdn. Bhd. ("Penchem") to purchase 261,500 ordinary shares, representing 50.00% of the ordinary shares of Penchem. The Company has also simultaneously entered into a Subscription Agreement with Penchem to subscribe for 10,058 ordinary shares of Penchem. Following the completion on 30 August 2022, the Company owns 50.94% of the issued share capital of Penchem for a consideration of $5,127,000, thereby obtaining control of Penchem.

The fair value of identifiable net assets of the Penchem at the date of acquisition amounted to $4,757,000 is dependent on the completion of the valuation (including any intangible assets), resulting in provisional goodwill of $2,703,000. Details of identifiable net assets acquired are disclosed in Note 37.

15 SUBSIDIARIES (CONT'D)

On 6 September 2021, the Group's subsidiary company, ETLA Limited acquired 100% equity interest in Avimac Pte. Ltd. ("Avimac") for a net consideration of $12,448,000.

The fair value of identifiable net assets of the Avimac at the date of acquisition amounted to $4,056,000, resulting in goodwill of $8,392,000. Details of identifiable net assets acquired are disclosed in Note 37.

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		
		2022	2021	2022	2021	
		%	%	%	%	
Frencken International Sdn. Bhd. (2)	Malaysia	100	100	-	-	Investment holding, providing of management services including sales & marketing and sourcing.
Frencken Europe B.V. (7)	The Netherlands	100	100	-	-	Investment holding, management, sales and business development.
ETLA Limited (1)	Singapore	100	100	-	-	Provision of value engineering, prototyping, program management, supply chain management, precision machining components and sheet metal parts manufacturing, modular and equipment system assembly, integration, testing and commissioning.
Juken Technology Limited (1)	Singapore	100	100	-	-	Investment holding.
Avimac Pte. Ltd. (1)	Singapore	-	-	100	100	Provide precision machining and engineering services, with a primary focus on aerospace, semiconductors and oil & gas industry.
Frencken Mechatronics B.V. (7)	The Netherlands	-	-	100	100	Assembly, testing and engineering of mechatronic modules and equipment.
Frencken Technical Projects Assembly B.V. (7)	The Netherlands	-	-	100	100	Provision of services to Group companies.
Machinefabriek Gebrs. Frencken B.V. (7)	The Netherlands	-	-	100	100	Manufacturing and assembly of precision mechanical parts, sheet metal and prototyping.
Optiwa B.V. (7)	The Netherlands	-	-	100	100	Manufacturing and/or assembly of precision mechanical parts, modules, sheet metal and prototyping.

15 SUBSIDIARIES (CONT'D)

Name of subsidiary	Country of incorporation/ place of business	Effective equity interest held by the Group				Principal activities
		Company		Subsidiary		
		2022	2021	2022	2021	
		%	%	%	%	
Frencken Engineering B.V. (7)	The Netherlands	-	-	100	100	Research, development and engineering.
Frencken Logistics & Assembly B.V. (7)	The Netherlands	-	-	100	100	Provision of services to Group companies.
Frencken Investments B.V. (7)	The Netherlands	-	-	100	100	Property holding company.
NTZ Nederland B.V. (8)	The Netherlands	-	-	100	100	Design, engineering, manufacturing and sales of filters.
Frencken America Inc. (14)	USA	-	-	100	100	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 Sdn. Berhad (2)	Malaysia	-	-	100	100	Investment property holding company.
Juken Technology Engineering Sdn. Bhd. (2)	Malaysia	-	-	100	100	Manufacture of mould and die, plastic products and component sub-assembly.
Penchem Technologies Sdn. Bhd. (13)	Malaysia	50.94	-	-	-	Producing high performance adhesive products and thermal management products.
Penchem Industries Sdn. Bhd. (13)	Malaysia	-	-	50.94	-	Producing, testing and trading performance adhesives, thermal management products and all other type of chemicals for commercial and industrial use.
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.

15 SUBSIDIARIES (CONT'D)

Name of subsidiary	Country of incorporation/ place of business	Effective equity interest held by the Group				Principal activities
		Company		Subsidiary		
		2022 %	2021 %	2022 %	2021 %	
Juken (Zhuhai) Co., Ltd [4]	People's Republic of China	-	-	100	100	Injection mould making and injection moulding.
Frencken (Chuzhou) Co., Ltd [5]	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 [6]	Switzerland	-	-	100	100	Design and sales of micro-mechanical product components for automotive industry.

(1) Audited by Deloitte & Touche LLP, Singapore.

(2) Audited by Deloitte & Touche, Malaysia.

(3) Audited by Deloitte Touche Tohmatsu CPA LLP, People's Republic of China for consolidation purpose, and by Jiangsu Gongqin Certified Public Accountants Co., Ltd, 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 BDO China Dahua CPAs, People's Republic of China for statutory purpose.

(6) Audited by Deloitte AG, Switzerland for statutory purpose.

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

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

(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) Audited by T.H. Yew & Co., Malaysia for statutory purpose.

(14) This subsidiary is insignificant and unaudited.

15 SUBSIDIARIES (CONT'D)

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

Principal activities	Place of incorporation and operation	Number of wholly-owned subsidiaries	
		2022	2021
Investment holding			
Investment holding, providing of management services including sales & marketing and sourcing.	Malaysia	1	1
Mechatronics			
Investment holding, management, sales and business development.	The Netherlands	1	1
Manufacturing and assembly of precision mechanical parts, sheet metal and prototyping.	The Netherlands	2	2
Provision of value engineering, prototyping, program machining components and sheet metal parts manufacturing, modular and equipment system assembly, integration, testing and commissioning.	Singapore	1	1
Provide precision machining and engineering services, with a primary focus on aerospace, semiconductors and oil & gas industry.	Singapore	1	1
Manufacturing of precision machining components, sheet metal and assembly modular and equipment.	Malaysia	1	1
Manufacturing of precision machining components, sheet metal and assembly of modular and equipment.	People’s Republic of China	1	1
Designs, engineers and manufactures mechatronic modules, products and systems.	USA	1	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.	Singapore	1	1
Design, engineering, manufacturing and sales of filters.	The Netherlands	1	1
Manufacture of mould and die, plastic products and component sub-assembly.	Malaysia	1	1

15 SUBSIDIARIES (CONT'D)

Principal activities	Place of incorporation and operation	Number of wholly-owned subsidiaries	
		2022	**2021**
IMS (cont'd)			
Injection mould making and injection moulding.	People's Republic of China	1	1
Manufacture of mould and die, plastic products and component sub-assembly.	People's Republic of China	1	1
Manufacture and distribution of plastic products.	Thailand	1	1
Design and trading of micro-mechanical product components for automotive industry.	Switzerland	1	1
Sales office.	Hong Kong	1	1
Dormant.	Indonesia	1	1
Others			
Investment property holding.	Malaysia	1	1
		24	24

Principal activities	Place of incorporation and operation	Number of non wholly-owned subsidiaries	
		2022	**2021**
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
Others			
Producing high performance adhesive products and thermal management products.	Malaysia	1	-
Producing, testing and trading performance adhesives, thermal management products and all other type of chemicals for commercial and industrial use.	Malaysia	1	-
		4	2

No disclosure was made for non-wholly owned subsidiaries that have material non-controlling interests in the financial year ended 31 December 2022 and 2021 as the non-controlling interests are not material to the financial statements.

16 INVESTMENT IN AN ASSOCIATE

	The Group 2022 $'000	The Group 2021 $'000
Cost of investment in associates	14	-
Share of post-acquisition profit, net dividend received	2	-
	16	-

The details of the associated company is as follows:

Name of associate	Country of incorporation/ place of business	Effective equity interest 2022 %	Effective equity interest 2021 %	Principal activities
Held by Penchem Technologies Sdn. Bhd.				
12Make Sdn. Bhd.	Malaysia	33	-	Providing engineering services, designing, manufacturing, distributing, selling and providing 3D printing products and services

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

	Group and Company 2022 $'000	Group and Company 2021 $'000
Unquoted equity security designated at FVTOCI	1,995	1,995

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 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.

18 INTANGIBLE ASSETS

2022	Goodwill on consolidation $'000	Deferred development costs $'000	Patents $'000	Intellectual properties $'000	Total $'000
The Group					
Cost:					
At beginning of the financial year	20,215	17,534	2,414	5,962	46,125
Currency translation differences	(459)	(778)	(22)	(1)	(1,260)
Acquisition of a subsidiary (Note 37(d))	[1] 2,703	-	-	-	2,703
At end of the financial year	22,459	16,756	2,392	5,961	47,568
Accumulated amortisation:					
At beginning of the financial year	-	5,100	2,251	5,962	13,313
Currency translation differences	-	(163)	(14)	(1)	(178)
Amortisation charge	-	240	45	-	285
At end of the financial year	-	5,177	2,282	5,961	13,420
Accumulated impairment:					
At beginning of the financial year	2,199	11,149	-	-	13,348
Currency translation differences	(140)	(563)	-	-	(703)
At end of the financial year	2,059	10,586	-	-	12,645
Carrying amount:					
At 31 December 2022	20,400	993	110	-	21,503

2021	Goodwill on consolidation $'000	Deferred development costs $'000	Patents $'000	Intellectual properties $'000	Total $'000
The Group					
Cost:					
At beginning of the financial year	12,279	18,273	2,388	5,963	38,903
Currency translation differences	(456)	(739)	(2)	(1)	(1,198)
Acquisition of a subsidiary (Note 37(d))	8,392	-	-	-	8,392
Additions	-	-	28	-	28
At end of the financial year	20,215	17,534	2,414	5,962	46,125
Accumulated amortisation:					
At beginning of the financial year	-	4,959	2,212	5,963	13,134
Currency translation differences	-	(134)	(7)	(1)	(142)
Amortisation charge	-	275	46	-	321
At end of the financial year	-	5,100	2,251	5,962	13,313
Accumulated impairment:					
At beginning of the financial year	2,340	11,717	-	-	14,057
Currency translation differences	(141)	(568)	-	-	(709)
At end of the financial year	2,199	11,149	-	-	13,348
Carrying amount:					
At 31 December 2021	18,016	1,285	163	-	19,464

[1] This is a provisional goodwill arising from the acquisition of Penchem.

18 INTANGIBLE ASSETS (CONT'D)

(a) Goodwill on consolidation

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

The summary of the goodwill allocation is presented below:

	The Group	
	2022	**2021**
	$'000	**$'000**
Mechatronics:		
America	2,124	2,268
The Netherlands	7,187	7,356
Singapore	8,392	8,392
	17,703	18,016
Others:		
Malaysia	2,697	-
	20,400	18,016

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:

	2022		2021
	Mechatronics	**Others**	**Mechatronics**
	%	%	%
The Group			
Gross margin[1]	10.1 to 21.4	41.2	13.2 to 23.0
Growth rate[2]	0.0 to 2.0	0.0	0.0
Discount rate[3]	12.0 to 13.2	16.4	10.2 to 12.5

(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.

18 INTANGIBLE ASSETS (CONT'D)

(b) Deferred development costs

Deferred development costs relate to the cost capitalised by its subsidiaries for developing certain products. Amortisation of the deferred development costs 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 (2021 : 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 annually for impairment based on cash flow forecasts using the discount rate of 9.0% to 11.1% (2021 : 6.6% to 8.1%) to calculate its present value.

(c) Patents

Patents relate to certain design and specification of stepper motors, filter devices for micro filtration of oil and automation of material handling to laser welding machine for gearbox filters in cars.

Patents are amortised over their estimated useful life of 5 years.

(d) Intellectual properties

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

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

19 INVENTORIES

	The Group	
	2022	**2021**
	$'000	**$'000**
Raw materials	101,934	82,053
Work-in-progress	64,692	49,727
Finished goods	62,195	71,304
	228,821	203,084

The cost of inventories recognised as an expense and included in "cost of sales" amounts to $480,781,000 (2021 : $469,665,000).

Inventories of $119,139,000 (2021 : $82,901,000) have been pledged as security for certain bank overdrafts of the Group (Note 27).

20 TRADE RECEIVABLES

	The Group	
	2022	2021
	$'000	$'000
Trade receivables	123,609	123,673
Loss allowance	(402)	(362)
	123,207	123,311

Trade receivables of $45,867,000 (2021 : $43,491,000) have been pledged as security for certain banking facilities of the Group (Note 27).

As at 31 December 2022, approximately 28% (2021 : 32%) 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 (2021 : 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 2021	303
Amounts recovered	(33)
Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement	91
Currency translation difference	1
Balance as at 31 December 2021	362
Amounts recovered	(86)
Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement	147
Currency translation difference	(21)
Balance as at 31 December 2022	402

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

21 RECEIVABLES FROM SUBSIDIARIES

The receivables from subsidiaries are non-trade in nature, unsecured, interest free and issued with 30 days credit term.

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

For purpose of impairment assessment, the receivables are 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 receivables since initial recognition. Accordingly, for the purpose of impairment assessment for this receivable, 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 receivables as well as the loss upon default. Management determines the receivables 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).

22 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Other receivables	5,034	3,529	25	2
Deposits	2,315	1,797	-	-
Prepayments	5,166	10,449	13	14
Staff loans and advances	849	996	-	-
	13,364	16,771	38	16

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").

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 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.

23 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Short-term funds placed with Malaysian financial institutions	43,869	44,173	-	-
Deposits with licensed banks	17,580	4,409	16,900	4,200
Cash and bank balances	105,540	144,018	1,696	18,197
	166,989	192,600	18,596	22,397
Less: Bank overdrafts (Note 27)	(56,521)	(39,781)	-	-
Less: Deposits pledged as securities	(200)	(209)	-	-
Cash and cash equivalents in the statement of cash flows	110,268	152,610	18,596	22,397

Deposits with licensed banks of the Group amounting to $200,000 (2021 : $209,000) 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	
	2022	2021	2022	2021
Short-term funds placed with Malaysian financial institutions:				
Effective interest rate (% per annum)	1.84 to 2.20	1.57 to 1.84	-	-
Withdrawal notice (days)	1	1	-	-
Deposits with licensed banks:				
Effective interest rate (% per annum)	0 to 4.55	0 to 4.55	0.35 to 4.15	0.33 to 0.60
Maturity period (months)	1 to 12	3 to 24	1 to 6	3 to 9

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.

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $42,184,000 (2021 : $17,969,000) (Note 12) of which $495,000 (2021 : $1,049,000) was included in other payables at balance sheet date. Cash payments of $42,600,000 (2021 : $17,476,000) includes an amount of $911,000 (2021 : $556,000) 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).

24 TRADE PAYABLES

The carrying amounts 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).

25 OTHER PAYABLES, ACCRUALS AND PROVISIONS

	The Group		The Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Other payables	13,141	11,284	1,298	877
Other operating accruals	44,813	46,462	491	462
Provisions	365	308	365	308
	58,319	58,054	2,154	1,647
Add: Other payables (non-current)	199	-	-	-
	58,518	58,504	2,154	1,647

Movements in provisions are as follow:

	Group and Company Provision for directors' fee	
	2022	2021
	$'000	$'000
Balance at beginning of financial year	308	308
Provision made	365	308
Provision utilised	(308)	(308)
Balance at end of financial year	365	308

Other payables included an amount of $265,000 (2021 : $Nil) in respect of interest free credit granted by supplier. This amount is repayable over a period of 5 years. An amount of $199,000 (2021 : $Nil) has been included under non-current liabilities as repayment is not expected to be paid within the next 12 months.

The carrying amounts of other payables approximated their fair values at balance sheet date.

26 DEFERRED INCOME

Deferred income relates to government grants received for the acquisition of machinery to enhance productivity and cost effectiveness. The income will be recognised in the income statement on a straight-line basis over the useful life of the asset. There are no unfulfilled conditions or other contingencies attaching to this grant.

	The Group	
	2022	2021
	$'000	$'000
Balance at beginning of financial year	-	-
Acquisition of a subsidiary (Note 37(a))	108	-
Less : Amortisation of deferred income (Note 6)	(8)	-
Currency translation differences	(2)	-
	98	-
Less : Non-current portion	(75)	-
	23	-
Analyses as:		
- Current	23	-
- Non-current	75	-
	98	-

27 BORROWINGS

	The Group	
	2022	2021
	$'000	$'000
Current		
Short-term bank borrowings [(1)]:		
- Bank overdrafts	56,521	39,781
- Invoice financing	43,399	43,808
- Revolving credits	7,023	10,978
Term loans [(2)]	778	1,076
	107,721	95,643
Non-current		
Term loans [(2)]	1,090	1,582
	1,090	1,582

(1) Short-term bank borrowings:

Bank overdrafts of the Group include:

(a) $55,957,000 (2021 : $39,121,000) is secured by mortgage over properties (Note 12), pledged on machineries, other fixed assets and inventories (Note 19) and certain trade receivables (Note 20) of certain subsidiaries of the Group in The Netherlands.

(b) $326,000 (2021 : $522,000) is secured by exclusive charge on the entire present and future current assets and fixed assets of a subsidiary in India.

Bank overdrafts of the Group are repayable on demand and form an integral part of the Group's cash management. They are denominated in EUR, USD, INR and MYR (2021 : EUR, USD, INR and MYR) and bear interest at rates ranging from 1.70% to 9.40% (2021 : 0.84% to 9.40%) per annum.

Invoice financing of the Group include:

(a) $8,916,000 (2021 : $7,382,000) is pledged on the trade receivables (Note 20) of certain subsidiaries in the People's Republic of China.

(b) In financial year 2021, invoice financing of $1,861,000 was secured by personal guarantee by a formal director of a newly acquired subsidiary in Singapore. This personal guarantee has been discharged in 2022.

Invoice financing are denominated in USD, EUR, SGD, MYR, THB and RMB (2021 : USD, EUR, SGD, MYR and RMB), due within 1 to 6 months (2021 : 1 to 6 months) and bear interest at rates ranging from 2.43% to 7.85% (2021 : 0.75% to 5.22%) per annum.

Revolving credits of the Group are unsecured and denominated in SGD and USD (2021 : SGD and USD), due within 3 months and bear interest at rates ranging from 2.00% to 6.37% (2021 : 2.00% to 5.15%) per annum.

(2) Term loans of:

(a) $371,000 (2021 : $640,000) of the Group are denominated in RMB (2021 : RMB) and bear interest at rate of 7.50% (2021 : 7.50%) per annum. The term loans are repayable over a period of 3 years (2021 : 3 years) and are secured by machinery (Note 12) of a subsidiary in the People's Republic of China.

(b) $405,000 (2021 : $1,767,000) of the Group are denominated in SGD (2021 : SGD) and bear interest at rate of 2.00% to 3.00% (2021 : 2.50%) per annum. The term loans are repayable over a period of 5 years (2021 : 5 years) and are secured by personal guarantee by former directors of a subsidiary in Singapore.

27 BORROWINGS (CONT'D)

(2) Term loans of: (cont'd)

(c) $335,000 (2021 : $Nil) is secured by mortgage over a property (Note 12) and personal guarantee by existing and former directors of a newly acquired subsidiary in Malaysia.

(d) In financial year 2021, term loan of $251,000 of the Group were denominated in EUR, unsecured and bear interest at rate of 1.75% per annum. The term loans were fully repaid in financial year 2022.

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

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

Reconciliation of liabilities arising from financing activities

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

				Non-cash changes			
	At beginning of the financial year	Acquisition of a subsidiary (Note 37(a))	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
The Group							
2022							
Short-term bank borrowings	54,786	2	(2,271)	-	-	(2,095)	50,422
Term loans	2,658	361	(1,095)	-	-	(56)	1,868
Lease liabilities	22,216	12	(9,416)	30,070	(19)	(1,227)	41,636
	79,660	375	(12,782)	30,070	(19)	(3,378)	93,926
2021							
Short-term bank borrowings	43,582	1,348	9,602	-	-	254	54,786
Term loans	657	1,899	93	-	-	9	2,658
Lease liabilities	14,637	9,258	(6,212)	4,407	(7)	133	22,216
	58,876	12,505	3,483	4,407	(7)	396	79,660

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

28 LEASE LIABILITIES

	The Group	
	2022	2021
	$'000	$'000
Less than 1 year	9,639	8,924
Between 1 and 2 years	12,466	11,308
Between 2 and 5 years	4,396	3,119
After 5 years	16,324	23
	42,825	23,374
Less: Unearned interest	(1,189)	(1,158)
	41,636	22,216
Analyses as:		
- Current	9,214	8,238
- Non-current	32,422	13,978
	41,636	22,216

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

29 RETIREMENT BENEFIT OBLIGATIONS

Defined contribution plans

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

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 BVG-Sammelstiftung Swiss Life which bear 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.

29 RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

Retirement benefit plan (cont'd)

The actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out at 31 December 2022 by Allvisa Services 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
- possible inflation adjustments for the years after the first payment for recurring benefits.

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

	Valuation at	
	2022	**2021**
Discount rate	2.25%	0.35%
Expected benefit increase	0.00%	0.00%
Inflation	1.00%	1.00%
Disability decrement	85% LPP/BVG 2020	85% LPP/BVG 2020
Mortality decrement	LPP/BVG 2020 GT[1]	LPP/BVG 2020 GT[1]
Turnover rates	LPP/BVG 2020	LPP/BVG 2020
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	2.25%	0.50%

(1) LPP/BVG 2020 GT are a set of tables based on the observation of 15 large Swiss pension schemes between 2015 and 2019. 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 is as follows:

	The Group	
	2022	**2021**
	$'000	**$'000**
Present value of funded obligations	2,678	4,383
Fair value of plan assets	(2,231)	(3,167)
Net liability recognised in the balance sheet	447	1,216

29 RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

Retirement benefit plan (cont'd)

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

	The Group	
	2022	**2021**
	$'000	**$'000**
Service cost:		
- Current service cost	178	302
Interest income	(9)	(7)
Interest cost	13	12
Components of defined benefit costs recognised in income statement	182	307
Remeasurement on the net defined benefit liability:		
Actuarial gain on defined benefit obligation	(803)	(1,533)
Loss on plan assets excluding interest income	69	45
Components of defined benefit costs recognised in other comprehensive income	(734)	(1,488)
Total	(552)	(1,181)

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	
	2022	**2021**
	$'000	**$'000**
Balance at beginning of financial year	4,383	6,229
Remeasurement gains: Actuarial gains and losses:		
- Actuarial gain on defined benefit obligation	(803)	(1,533)
Current service cost	178	302
Interest cost	13	12
Contribution by plan participants	150	155
Exchange differences	(85)	(103)
Benefits paid	(1,158)	(679)
Balance at end of financial year	2,678	4,383

29 RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

Retirement benefit plan (cont'd)

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

	The Group	
	2022	**2021**
	$'000	**$'000**
Balance at beginning of financial year	3,167	3,572
Remeasurement loss:		
- Loss on plan assets exclude interest income	(69)	(45)
Interest income	9	7
Contributions by employer	193	213
Contributions by plan participants	150	155
Exchange difference	(61)	(56)
Benefits paid	(1,158)	(679)
Balance at end of financial year	2,231	3,167

The actual loss on plan assets amounts to $60,000 (2021 : $38,000).

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

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

- If the discount rate increases (decreases) by 0.25%, the defined benefit obligation would decrease by $110,000 (increase by $119,000).

- If the expected salary growth increases (decreases) by 0.25%, the defined benefit obligation would increase by $20,000 (decrease by $22,000).

- If the life expectancy increases (decreases) by one year for both men and women, the defined benefit obligation would increase by $33,000 (decrease by $32,000).

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 2022 is 15.4 years (2021 : 17.1 years).

The Group expects to contribute approximately $192,000 (2021 : $242,000) 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	
	2022	2021
	$'000	$'000
Deferred income tax assets	(1,427)	(1,487)
Deferred income tax liabilities	4,596	3,971
	3,169	2,484

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

	The Group	
	2022	2021
	$'000	$'000
Balance at beginning of financial year	2,484	2,015
Acquisition of a subsidiary (Note 37(a))	120	185
Currency translation differences	(53)	30
Charged/(Credited) to income statement (Note 9):		
- Current year	476	758
- Over recognition in previous financial year	236	(505)
	712	253
Utilisation	(94)	1
Balance at end of financial year	3,169	2,484

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:

<u>The Group</u>

Deferred income tax liabilities

	2022			2021		
	Accelerated tax depreciation	Others	Total	Accelerated tax depreciation	Others	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at beginning of financial year	2,172	1,799	3,971	2,118	1,334	3,452
Acquisition of a subsidiary (Note 37(a))	-	120	120	-	185	185
Currency translation differences	(151)	(5)	(156)	2	10	12
Utilisation	-	(94)	(94)	-	1	1
Charged to income statement	474	281	755	52	269	321
Balance at end of financial year	2,495	2,101	4,596	2,172	1,799	3,971

30 DEFERRED INCOME TAX (CONT'D)

The Group

Deferred income tax assets

	Unutilised tax losses $'000	Accruals $'000	Reinvestment allowance $'000	Total $'000
2022				
Balance at beginning of financial year	(266)	(675)	(546)	(1,487)
Currency translation differences	-	66	37	103
Charged (Credited) to income statement	-	49	(92)	(43)
Balance at end of financial year	(266)	(560)	(601)	(1,427)
2021				
Balance at beginning of financial year	(266)	(691)	(480)	(1,437)
Currency translation differences	-	(15)	33	18
Charged (Credited) to income statement	-	31	(99)	(68)
Balance at end of financial year	(266)	(675)	(546)	(1,487)

Deferred income tax assets are recognised for unutilised tax losses, accruals 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 2022 $'000	The Group 2021 $'000
Unutilised tax losses	746	792
Unutilised capital allowances	2,299	2,439
Unutilised reinvestment allowances	324	344

The above unutilised tax losses, unutilised capital allowances and unutilised reinvestment allowances have no expiry dates. No deferred tax asset has been recognised in respect of the amounts above due to the unpredictability of future profit streams.

At the end of the reporting period, the aggregate amount of temporary differences associated with unremitted earnings of subsidiaries for which deferred tax liabilities have not been recognised is $11,952,000 (2021 : $12,658,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

31 SHARE CAPITAL AND SHARE-BASED PAYMENTS

	Issued share capital	
	Number of ordinary shares	$'000
Group and Company		
2022		
Beginning and end of the financial year	427,025,409	104,444
2021		
Beginning of the financial year	426,472,409	104,329
Exercise of share options	553,000	115
End of financial year	427,025,409	104,444

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

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

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

(a) Share capital

The Company issued ordinary shares pursuant to the Company's employee share option scheme at the respective exercise price as shown below. The cost of issuing new ordinary shares amounted to $Nil (2021 : $115,000). The newly issued shares rank *pari passu* in all respects with the existing ordinary shares.

	Issued during financial year	Exercise price	Exercise period
2021			
2016 Options	500,000	$0.184	01.04.2018 to 31.03.2026
2017 Options	53,000	$0.432	06.12.2019 to 05.12.2027
	553,000		

31 SHARE CAPITAL AND SHARE-BASED PAYMENTS (CONT'D)

(a) Share capital (cont'd)

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

	Group and Company	
	2022	2021
	$'000	$'000
Exercise price paid by employees	-	115
Value of employee services	-	67
Total net consideration	-	182

Accordingly, a gain on issuance of new ordinary shares of $Nil (2021 : $67,000) is recognised in the capital reserve.

(b) Share options

Share options were granted to executive directors and Group employees who have been in the employment of the Group for a period of at least twelve (12) months under the Frencken Employee Share Option Scheme 2008 (the "ESOS 2008") and the Frencken Employee Share Option Scheme 2020 (the "ESOS 2020"), which became operative on 1 December 2008 and 26 January 2022 respectively.

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

The exercise price of the options is determined at the average of the closing prices of the Company's ordinary shares on the Singapore Exchange for three (3) and five (5) market days immediately preceding the date of the grant for ESOS 2008 and ESOS 2020 respectively. The vesting of the options is conditional on the executive director or employee of the Group completing another two (2) years of service to the Group from the date of grant of options.

Once the options have vested, they are exercisable for a contractual option term of eight (8) years. The options may be exercised in full or in part in respect of 1,000 shares or a multiple thereof, on the payment of the exercise price. The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of any other Company. The Group has no legal or constructive obligation to repurchase or settle the options in cash. If the options remained unexercised after the contractual option term from the date of grant, the options will be forfeited. Options are forfeited if the employee leaves the Group before the options vest.

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

On 26 January 2022, the Company granted options to subscribe for 470,000 ordinary shares of the Company at exercise price of $1.37 per share ("2022 Options"). The 2022 Options are exercisable from 26 January 2024 and expire on 25 January 2032.

31 SHARE CAPITAL AND SHARE-BASED PAYMENTS (CONT'D)

(b) Share options (cont'd)

Information in respect of share option granted under the ESOS 2008 and ESOS 2020 are 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							
2022							
2017 Options	1,112,000	-	-	-	1,112,000	$0.432	06.12.2019 to 05.12.2027
2022 Options	-	470,000	-	-	470,000	$1.370	26.01.2024 to 25.01.2032
	1,112,000	470,000	-	-	1,582,000		
2021							
2016 Options	500,000	-	-	(500,000)	-	$0.184	01.04.2018 to 31.03.2026
2017 Options	1,165,000	-	-	(53,000)	1,112,000	$0.432	06.12.2019 to 05.12.2027
	1,665,000	-	-	(553,000)	1,112,000		

The weighted average share price at the time of exercise was $Nil (2021 : $1.3801) per share.

32 STATUTORY RESERVE FUND

Statutory reserve fund arises from the following:

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

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

33 SEGMENT INFORMATION

(a) Business segments

Information reported to the key management personnel of the Group for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided, and in respect of the operations, the information is further analysed based on the different classes of customers. Management has chosen to organise the Group around differences in products and services.

The Group has two principal business segments under SFRS(I) 8, as described below, which are the Group's strategic business units. The two strategic business units are organised and managed separately because they require differing technological skill sets and marketing strategies. They are as follows:

- Mechatronics - specialising in the design and manufacture of complex electro-mechanical assemblies and automation systems for original equipment manufacturers.

- Integrated Manufacturing Services ("IMS") - specialising in a one-stop integrated solution to manufacture plastic components (including design and fabrication of mould) 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 Others segment comprises:

- an investment in property holding company; and

- companies in the business of producing, testing and trading of high performance adhesive products and thermal management products.

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

The accounting policies of the reportable segments are materially similar as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment with allocation of various costs, income and share of results of associated companies. This is the measure reported to the key management personnel of the Group for the purposes of resource allocation and assessment of segment performance.

33 SEGMENT INFORMATION (CONT'D)

(a) Business segments (cont'd)

	Mechatronics		IMS		Investment Holding & Management Services		Others		Eliminations		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External revenue	688,452	658,992	96,351	107,797	-	-	1,304	280	-	-	786,107	767,069
Inter-segment sales	-	-	-	-	11,785	11,332	-	-	(11,785)	(11,332)	-	-
	688,452	658,992	96,351	107,797	11,785	11,332	1,304	280	(11,785)	(11,332)	786,107	767,069
Segment results	55,356	59,723	4,642	7,397	6,413	4,674	232	130	-	-	66,643	71,924
Interest income	136	72	19	23	418	871	6	-	-	-	579	966
Finance costs	(3,367)	(1,617)	(802)	(746)	(2)	(6)	(6)	-	-	-	(4,177)	(2,369)
Share of results of an associate, net of tax	-	-	-	-	-	-	2	-	-	-	2	-
Profit before income tax	52,125	58,178	3,859	6,674	6,829	5,539	234	130	-	-	63,047	70,521
Income tax expense	(10,566)	(11,103)	(685)	(181)	(70)	(68)	(89)	(58)	-	-	(11,410)	(11,410)
Total profit	41,559	47,075	3,174	6,493	6,759	5,471	145	72	-	-	51,637	59,111
Segment assets	531,380	487,006	110,760	121,320	73,024	78,312	10,044	1,507	-	-	725,208	688,145
Segment liabilities	290,038	264,190	33,414	41,055	4,109	3,787	1,228	84	-	-	328,789	309,116
Other segment information:												
Capital expenditure	37,000	12,596	4,918	5,324	258	49	8	-	-	-	42,184	17,969
Addition of intangible assets	-	-	-	28	-	-	-	-	-	-	-	28
Depreciation and amortisation	19,616	14,577	8,229	8,516	134	142	116	64	-	-	28,095	23,299
Amortisation of deferred income	-	-	-	-	-	-	8	-	-	-	8	-
Other non-cash expenses other than depreciation and amortisation	54	7	38	58	94	3	-	-	-	-	186	68

For the purposes of monitoring segment performance and allocating resources between segments, the key management personnel of the Group monitor the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments. Goodwill has been allocated to reportable segments as described in Note 18.

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**	
	2022	**2021**	**2022**	**2021**
	$'000	**$'000**	**$'000**	**$'000**
Based on location of customer				
The Netherlands	213,713	197,330	67,831	35,493
People's Republic of China	97,580	119,010	36,612	40,552
Malaysia	56,286	79,405	40,330	32,136
Singapore	101,442	82,943	32,327	28,851
Czech Republic	44,696	42,124	-	-
Hungary	11,969	15,123	-	-
America	87,541	64,096	7,018	6,667
Germany	39,647	47,070	-	-
Switzerland	140	78	1,001	1,170
Thailand	73,486	67,645	1,256	1,543
India	8,359	8,142	2,992	2,485
Indonesia	9,596	10,472	-	-
United Kingdom	5,095	3,704	-	-
Mexico	13,648	8,348	-	-
Italy	8,173	8,215	-	-
Slovakia	2,511	2,670	-	-
Others	12,225	10,694	-	-
	786,107	797,069	189,367	148,897

(c) Information about major customers

Included in revenue arising from Mechatronics division of $688,452,000 (2021 : $658,992,000) are revenue of approximately $295,076,000 (2021 : $194,154,000) which arose from sales to the Group's 3 (2021 : 2) largest customers.

34 CAPITAL COMMITMENTS

	The Group	
	2022	**2021**
	$'000	**$'000**
Commitments in respect of contracts placed for the purchase of property, plant and equipment but not provided for	3,847	4,412

35 SHORT-TERM LEASE ARRANGEMENTS

At 31 December 2022, the Group is committed to $Nil (2021 : $277,000) for short-term leases.

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

(a) Market risk

(i) Currency risk

The Group operates mainly in Asia and Europe with dominant operations in Singapore, People's Republic of China, Malaysia, and The Netherlands. Entities in the Group transact in various foreign currencies and therefore, are exposed to movements in foreign currencies rates.

Foreign currencies exchange risk arises when the entities in the Group enter into transactions that are in a currency that is other than the functional currency such as Singapore Dollar ("SGD"), United States Dollar ("USD"), Euro ("EUR"), Malaysian Ringgit ("MYR"), Renminbi ("RMB"), Thai Baht ("THB") and Swiss Franc ("CHF").

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

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

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

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

	SGD $'000	USD $'000	EUR $'000	MYR $'000	RMB $'000	THB $'000	CHF $'000	Others $'000	Total $'000
At 31 December 2022									
Financial assets									
Cash and cash equivalents	43,432	26,208	28,224	48,779	18,569	1,293	37	447	166,989
Trade and other receivables	3,707	54,633	43,594	5,826	19,749	1,399	895	1,602	131,405
Intercompany receivables	4,886	1,596	1,433	2,871	15	-	15	-	10,816
Dividend receivables	11,960	-	-	2,657	-	-	-	-	14,617
	63,985	82,437	73,251	60,133	38,333	2,692	947	2,049	323,827
Financial liabilities									
Borrowings	(5,677)	(33,307)	(50,481)	(7,582)	(11,244)	(194)	-	(326)	(108,811)
Lease liabilities	(8,616)	(580)	(24,970)	(3,528)	(3,121)	-	(2)	(819)	(41,636)
Other financial liabilities	(21,278)	(23,723)	(85,397)	(14,120)	(18,104)	(1,773)	(1,200)	(1,235)	(166,830)
Intercompany payables	(4,886)	(1,596)	(1,433)	(2,871)	(15)	-	(15)	-	(10,816)
Dividend payables	(11,960)	-	-	(2,657)	-	-	-	-	(14,617)
	(52,417)	(59,206)	(162,281)	(30,758)	(32,484)	(1,967)	(1,217)	(2,380)	(342,710)
Net financial assets/ (liabilities)	11,568	23,231	(89,030)	29,375	5,849	725	(270)	(331)	(18,883)
Less: Net financial assets/ (liabilities) denominated in the respective entities functional currencies	(7,257)	(1,053)	96,803	(29,377)	(5,370)	(725)	278	645	
Currency exposure	4,311	22,178	7,773	(2)	479	-	8	314	

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

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

	SGD $'000	USD $'000	EUR $'000	MYR $'000	RMB $'000	THB $'000	CHF $'000	Others $'000	Total $'000
At 31 December 2021									
Financial assets									
Cash and cash equivalents	53,809	33,509	42,037	46,913	13,445	2,285	311	291	192,600
Trade and other receivables	4,142	55,304	38,772	7,429	19,878	1,419	1,382	1,307	129,633
Intercompany receivables	2,987	656	499	2,869	16	-	37	-	7,064
Dividend receivables	13,086	-	4,717	2,399	-	-	-	-	20,202
	74,024	89,469	86,025	59,610	33,339	3,704	1,730	1,598	349,499
Financial liabilities									
Borrowings	(11,549)	(28,180)	(37,448)	(8,803)	(10,146)	-	-	(1,099)	(97,225)
Lease liabilities	(12,948)	(786)	(2,197)	(1,357)	(4,888)	(17)	(23)	-	(22,216)
Other financial liabilities	(21,129)	(49,576)	(67,738)	(15,303)	(20,877)	(1,512)	(1,387)	(2,421)	(179,943)
Intercompany payables	(2,987)	(656)	(499)	(2,869)	(16)	-	(37)	-	(7,064)
Dividend payables	(13,086)	-	(4,717)	(2,399)	-	-	-	-	(20,202)
	(61,699)	(79,198)	(112,599)	(30,731)	(35,927)	(1,529)	(1,447)	(3,520)	(326,650)
Net financial assets/ (liabilities)	12,325	10,271	(26,574)	28,879	(2,588)	2,175	283	(1,922)	22,849
Less: Net financial assets/ (liabilities) denominated in the respective entities functional currencies	(6,759)	814	31,537	(28,880)	2,975	(2,175)	(283)	150	
Currency exposure	5,566	11,085	4,963	(1)	387	-	-	(1,772)	

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

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

With all other variables including tax rate being held constant, the effects arising from the major net currency exposure position will be as follows:

	2022 Increase/(Decrease)			2021 Increase/(Decrease)		
	Currency movement	Profit after income tax $'000	Other component of equity $'000	Currency movement	Profit after income tax $'000	Other component of equity $'000
The Group						
USD against MYR	6%			2%		
- strengthened		479	479		281	281
- weakened		(479)	(479)		(281)	(281)
EUR against MYR	3%			3%		
- strengthened		31	31		12	12
- weakened		(31)	(31)		(12)	(12)
SGD against MYR	1%			1%		
- strengthened		33	33		42	42
- weakened		(33)	(33)		(42)	(42)
EUR against SGD	1%			2%		
- strengthened		20	20		14	14
- weakened		(20)	(20)		(14)	(14)
USD against SGD	7%			1%		
- strengthened		428	428		(112)	(112)
- weakened		(428)	(428)		112	112
EUR against CHF	2%			5%		
- strengthened		34	34		94	94
- weakened		(34)	(34)		(94)	(94)
USD against RMB	4%			1%		
- strengthened		207	207		43	43
- weakened		(207)	(207)		(43)	(43)

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

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

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

	SGD $'000	EUR $'000	MYR $'000	Total $'000
At 31 December 2022				
Financial assets				
Cash and cash equivalents	18,586	10	-	18,596
Other receivables	32	232	-	264
Dividend receivables	11,960	-	2,657	14,617
	30,578	242	2,657	33,477
Financial liabilities				
Other financial liabilities	(2,260)	-	-	(2,260)
Net financial assets	28,318	242	2,657	31,217
Less: Net financial assets denominated in the Company's functional currency	(28,318)	-	-	
Currency exposure	-	242	2,657	
At 31 December 2021				
Financial assets				
Cash and cash equivalents	22,386	11	-	22,397
Other receivables	41	29	-	70
Dividend receivables	13,086	4,717	2,399	20,202
	35,513	4,757	2,399	42,669
Financial liabilities				
Other financial liabilities	(2,197)	-	-	(2,197)
Net financial assets	33,316	4,757	2,399	40,472
Less: Net financial assets denominated in the Company's functional currency	(33,316)	-	-	
Currency exposure	-	4,757	2,399	

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

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

With all other variables including tax rate being held constant, the effects arising from the major net currency exposure position will be as follows:

	2022 Increase/(Decrease)			2021 Increase/(Decrease)		
	Currency movement	Profit after income tax $'000	Other component of equity $'000	Currency movement	Profit after income tax $'000	Other component of equity $'000
The Company						
EUR against SGD	1%			2%		
- strengthened		2	2		79	79
- weakened		(2)	(2)		(79)	(79)
MYR against SGD	1%			1%		
- strengthened		22	22		20	20
- weakened		(22)	(22)		(20)	(20)

(ii) Price risk

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

(iii) Cash flow and fair value interest rate risks

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

The Group's exposure to changes in interest rates related primarily to its placement in fixed deposits, short-term funds, and bank borrowings. At balance sheet date, approximately 1.72% (2021 : 2.73%) 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.

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, THB, CHF and USD. 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 $535,000 (2021 : $473,000) as a result of higher/lower interest expense on these borrowings.

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

(b) Credit risk

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

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

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

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

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

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

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

(b) Credit risk (cont'd)

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

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

The Group	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
At 31 December 2022						
Trade receivables	20	Performing	Lifetime ECL	123,207	-	123,207
Trade receivables	20	In default	Lifetime ECL	402	(402)	-
Other receivables and deposits	22	Performing	12-month ECL	8,198	-	8,198
					(402)	
At 31 December 2021						
Trade receivables	20	Performing	Lifetime ECL	123,311	-	123,311
Trade receivables	20	In default	Lifetime ECL	362	(362)	-
Other receivables and deposits	22	Performing	12-month ECL	6,322	-	6,322
					(362)	

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 2022						
Receivables from subsidiaries	21	Performing	12-month ECL	239	-	239
Other receivables	22	Performing	12-month ECL	25	-	25
					-	
At 31 December 2021						
Receivables from subsidiaries	21	Performing	12-month ECL	68	-	68
Other receivables	22	Performing	12-month ECL	2	-	2
					-	

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

(b) Credit risk (cont'd)

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

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

Further details of credit risks on trade and other receivables are disclosed in Notes 20, 21 and 22 respectively.

(ii) Credit risk management

The Group's trade receivables comprise of mainly 4 debtors (2021 : 4 debtors) that individually represented 6% to 8% (2021 : 6% to 12%) 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	
	2022	**2021**
	$'000	**$'000**
Guarantees for banking facilities granted to subsidiaries:		
- unsecured	26,685	29,494

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

	The Group	
	2022	**2021**
	$'000	**$'000**
By geographical areas		
America	20,985	10,730
Malaysia	12,711	18,644
Singapore	13,193	20,786
The Netherlands	21,792	18,340
People's Republic of China	21,249	24,302
Czech Republic	11,178	8,587
Other countries	22,099	21,922
	123,207	123,311

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

(b) Credit risk (cont'd)

(ii) Credit risk management (cont'd)

	The Group	
	2022	2021
	$'000	$'000
By business segments		
Mechatronics		
Semiconductors	41,771	51,876
Medical	8,887	6,196
Analytical & Life Sciences	33,183	29,283
Industrial Automation	8,480	6,872
Others	4,152	1,448
	96,473	95,675
IMS		
Automotive	19,264	22,222
Consumer and Industrial Electronics	1,770	3,393
Tooling	721	657
Others	4,465	1,348
	26,220	27,620
Others	514	16
Total	123,207	123,311

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	
	2022	2021
	$'000	$'000
Past due < 3 months	12,973	11,376
Past due 3 to 6 months	1,368	1,587
Past due > 7 months	668	1,615
	15,009	14,578

(b) Other receivables

As at the end of financial year 2022 and 2021, no other receivables are past due but not impaired.

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

(c) Liquidity risk

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

Non-derivative financial liabilities

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

	Weighted average effective interest rate	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	After 5 years	Adjustment	Total
		$'000	$'000	$'000	$'000	$'000	$'000
The Group							
At 31 December 2022							
Payables	-	(166,631)	(66)	(133)	-	-	(166,830)
Borrowings at variable interest rate	3.07%	(110,229)	-	-	-	3,286	(106,943)
Borrowings at fixed interest rate	3.76%	(1,820)	(118)	-	-	70	(1,868)
Lease liabilities at fixed interest rate	2.28%	(9,639)	(12,466)	(4,396)	(16,324)	1,189	(41,636)
		(288,319)	(12,650)	(4,529)	(16,324)	4,545	(317,277)
At 31 December 2021							
Payables	-	(179,943)	-	-	-	-	(179,943)
Borrowings at variable interest rate	2.06%	(96,512)	-	-	-	1,945	(94,567)
Borrowings at fixed interest rate	3.64%	(2,296)	(459)	-	-	97	(2,658)
Lease liabilities at fixed interest rate	4.86%	(8,924)	(11,308)	(3,119)	(23)	1,158	(22,216)
		(287,675)	(11,767)	(3,119)	(23)	3,200	(299,384)

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

(c) Liquidity risk (cont'd)

Non-derivative financial liabilities (cont'd)

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

	Weighted average effective interest rate	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Adjustment	Total
		$'000	$'000	$'000	$'000	$'000
The Company						
At 31 December 2022						
Payables	-	(2,260)	-	-	-	(2,260)
		(2,260)	-	-	-	(2,260)
At 31 December 2021						
Payables	-	(2,197)	-	-	-	(2,197)
		(2,197)	-	-	-	(2,197)

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 2022							
Non-interest bearing	-	236,945	-	-	1,995	-	238,940
Fixed interest rate instruments	2.17%	61,923	-	-	-	(474)	61,449
		298,868	-	-	1,995	(474)	300,389
At 31 December 2021							
Non-interest bearing	-	273,651	-	-	1,995	-	275,646
Fixed interest rate instruments	1.71%	48,966	-	-	-	(384)	48,582
		322,617	-	-	1,995	(384)	324,228

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

(c) Liquidity risk (cont'd)

Non-derivative financial assets (cont'd)

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

	Weighted average effective interest rate	Less than 1 year	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 2022							
Non-interest bearing	-	16,577	-	-	1,995	-	18,572
Fixed interest rate instruments	2.25%	17,280	-	-	-	(380)	16,900
		33,857	-	-	1,995	(380)	35,472
At 31 December 2021							
Non-interest bearing	-	38,469	-	-	1,995	-	40,464
Fixed interest rate instruments	0.47%	4,220	-	-	-	(20)	4,200
		42,689	-	-	1,995	(20)	44,664

(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 2022 and 2021.

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

(e) Fair value measurements

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

The fair value of non-current assets is equivalent to its carrying amount.

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

	Group and Company		Fair value hierarchy	Valuation technique and key input
	2022	2021		
	$'000	$'000		
Financial asset at fair value through other comprehensive income				
Unquoted equity security	1,995	1,995	Level 3	Price/Book ratio of comparable industries.

There was no transfer between the different levels of the fair value hierarchy during the financial years ended 31 December 2022 and 2021.

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 sheet and in Note 36 to the financial statements:

	The Group		The Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Financial asset at FVTOCI (Note 17)	1,995	1,995	1,995	1,995
Trade receivables (Note 20)	123,207	123,311	-	-
Receivables from subsidiaries (Note 21)	-	-	239	68
Dividend receivable from subsidiaries	-	-	14,617	20,202
Other receivables, deposits and prepayments (Note 22)	13,364	16,771	38	16
Cash and cash equivalents (Note 23)	166,989	192,600	18,596	22,397
Less: Prepayments (Note 22)	(5,166)	(10,449)	(13)	(14)
Financial assets at amortised cost	298,394	322,233	33,477	42,669
Trade payables (Note 24)	108,312	121,889	-	-
Payable to a subsidiary	-	-	106	550
Other payables, accruals and provisions (Note 25)	58,518	58,054	2,154	1,647
Borrowings (Note 27)	108,811	97,225	-	-
Financial liabilities at amortised cost	275,641	277,168	2,260	2,197

37 ACQUISITION OF A SUBSIDIARY

2022

On 27 January 2022, the Company entered into a Sale and Purchase Agreement with two existing shareholders of Penchem Technologies Sdn. Bhd. ("Penchem") to purchase 261,500 ordinary shares, representing 50.00% of the ordinary shares of Penchem. The Company has also simultaneously entered into a Subscription Agreement with Penchem to subscribe for 10,058 ordinary shares of Penchem. Following the completion on 30 August 2022, the Company owns 50.94% of the issued share capital of Penchem for a consideration of $5,127,000, thereby obtaining control of Penchem.

Penchem is an entity incorporated in Malaysia with its principal activities being engaged in producing, testing and trading of high performance adhesive products and thermal management products and qualifies as a business as defined in SFRS(I) 3.

2021

On 6 September 2021, the Group acquired 100% of the issued share capital of Avimac Pte. Ltd. ("Avimac"), thereby obtaining control of Avimac.

Avimac is an entity incorporated in the Republic of Singapore with its principal activities being engaged in providing precision machining and engineering services, with a primary focus on aerospace, semiconductors and oil & gas industry, and qualifies as a business as defined in SFRS(I) 3.

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

(a) Identifiable assets acquired and liabilities assumed at the date of acquisition:

	Penchem [1] 2022 $'000	Avimac 2021 $'000
Non-Current Assets		
Property, plant and equipment	2,527	10,606
Right-of-use assets	820	1,887
Investment in an associate	15	-
	3,362	12,493
Current Assets		
Inventories	550	2,701
Trade receivables	382	1,110
Other receivables, deposits and prepayments	68	1,358
Tax recoverable	26	-
Cash and cash equivalents	1,497	957
	2,523	6,126
Current Liabilities		
Trade payables	(29)	(1,373)
Other payables, accruals and provisions	(276)	(500)
Deferred income	(23)	-
Borrowings	(60)	(1,883)
Lease liabilities	(6)	(1,890)
	(394)	(5,646)

37 ACQUISITION OF A SUBSIDIARY (CONT'D)

(a) Identifiable assets acquired and liabilities assumed at the date of acquisition: (cont'd)

	Penchem[1] 2022 $'000	Avimac 2021 $'000
Non-Current Liabilities		
Other payables, accruals and provisions	(220)	-
Deferred income	(85)	-
Borrowings	(303)	(1,364)
Lease liabilities	(6)	(7,368)
Deferred income tax liabilities	(120)	(185)
	(734)	(8,917)
Total identifiable assets acquired and liabilities assumed	4,757	4,056

[1] The final identifiable assets acquired and liabilities assumed is dependent on the completion of the valuation (including any intangible assets).

The fair value of the financial assets includes receivables acquired with a fair value of $450,000 (2021 : $2,468,000).

(b) Non-controlling interest

The non-controlling interest (49.06% ownership interest in Penchem) recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to $2,333,000.

(c) Consideration transferred (at acquisition date fair values)

	Penchem 2022 $'000	Avimac 2021 $'000
Cash	5,127	14,000
Settlement for amount due to Avimac [1]	-	(1,552)
Total consideration transferred	5,127	12,448

[1] Avimac has a business relationship with ETLA Limited. ("ETLA"), a wholly owned subsidiary of Frencken Group Limited. Avimac providing manufacturing solutions to ETLA. This pre-existing relationship between Avimac and ETLA is considered effectively settled upon the transaction.

Acquisition-related costs amounting to $61,000 (2021 : $117,000) have been excluded from the consideration transferred and have been recognised as an expense during the year, within the "Administrative and general expenses"line item in the income statement.

37 ACQUISITION OF A SUBSIDIARY (CONT'D)

(d) Goodwill arising on acquisition

	Penchem 2022 $'000	Avimac 2021 $'000
Consideration transferred	5,127	12,448
Add: Non-controlling interest	2,333	-
Less: Fair value of identifiable net assets acquired	(4,757)	(4,056)
Goodwill arising on acquisition	*2,703	8,392

* This is a provisional goodwill arising from the acquisition of Penchem. The final goodwill is dependent on the completion of the valuation of the assets acquired and liabilities assumed (including any intangible assets). Adjustments to the provisional amount maybe required upon finalisation of the valuation of net assets.

Goodwill arose in the acquisition of Avimac because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Avimac. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill is expected to be deductible for tax purposes.

(e) Net cash outflow on acquisition

	Penchem 2022 $'000	Avimac 2021 $'000
Consideration paid in cash	5,127	14,000
Less: Cash and cash equivalent balances acquired	(1,497)	(957)
Net cash outflow on acquisition	3,630	13,043

(f) Impact of acquisitions on the results of the Group

2022

Penchem contributed $1,033,000 revenue and $19,000 profit after tax to the Group for the period between the date of acquisition and the reporting date.

If the acquisition of Penchem had been completed on the first day of the financial year, Group revenue for the year would have been $788,294,000 and Group profit after tax would have been $51,872,000.

2021

Avimac contributed $2,733,000 revenue and $346,000 profit after tax to the Group for the period between the date of acquisition and the reporting date.

If the acquisition of Avimac had been completed on the first day of the financial year, Group revenue for the year would have been $770,714,000 and Group profit after tax would have been $58,876,000.

38 STANDARDS ISSUED BUT NOT EFFECTIVE

At the date of authorisation of these financial statements, the following SFRS(I)s pronouncements relevant to the Group and Company were issued but not effective:

Effective for annual periods beginning on or after 1 January 2023

- Amendments to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-current*
- Amendments to SFRS(I) 1-1 and SFRS(I) Practice Segment 2: *Disclosure of Accounting Policies*
- Amendments to SFRS(I) 1-8: *Definition of Accounting Estimates*

Management anticipates that the adoption of the above SFRS(I)s, SFRS(I) INTs and amendments to SFRS(I) in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial application.

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 2022 $'000	Use of property	Encumbrances
1.	No. 14 to 16 Hurksestraat, Eindhoven, The Netherlands	Frencken Investments B.V.	Freehold	12,300 sq m	8,143	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	2,502	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	5,478	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	1,079	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	1,125	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	1,160	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 2022 $'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	1,166	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	813	Production and office	-
9.	2368 Qingliu East Road, Chuzhou City, Anhui Province, China	Frencken (Chuzhou) Co., Ltd	50 years lease expiring 04.08.2067	28,083 sq m	9,097	Production and office	-
10.	No. 1015, Jalan Perindustrian Bukit Minyak 7, Kawasan Perindustrian Bukit Minyak, Mukim 13, Seberang Perai Tengah, 14100 Bukit Mertajam, Pulau Pinang, Malaysia	Penchem Technologies Sdn. Bhd.	60 years lease expiring 14.08.2068	4,466 sq m	1,632	Production and office	Legal charge in favour of OCBC Al-Amin Bank Berhad

STATISTIC OF SHAREHOLDINGS

As at 9 March 2023

Share Capital

No. of Issued Shares	:	427,025,409
No. of Treasury Shares	:	Nil
Class of Shares	:	Ordinary Shares
Voting Rights	:	One (1) vote per share

DISTRIBUTION OF SHAREHOLDERS

(As recorded in the Register of Members and Depository Register)

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	157	2.90	5,511	0.00
100 - 1,000	450	8.31	299,784	0.07
1,001 - 10,000	3,236	59.77	17,404,433	4.08
10,001 - 1,000,000	1,542	28.48	62,944,815	14.74
1,000,001 and above	29	0.54	346,370,866	81.11
TOTAL	**5,414**	**100.00**	**427,025,409**	**100.00**

TWENTY (20) LARGEST SHAREHOLDERS

(As recorded in the Register of Members and Depository Register)

No.	Name of Shareholder	No. of Shares	%
1.	UOB Kay Hian Pte Ltd	127,655,331	29.89
2.	DBS Nominees Pte Ltd	26,376,560	6.18
3.	Raffles Nominees (Pte) Limited	22,870,535	5.36
4.	Citibank Nominees Singapore Pte Ltd	20,076,758	4.70
5.	Maybank Securities Pte Ltd	18,651,556	4.37
6.	HSBC (Singapore) Nominees Pte Ltd	18,407,062	4.31
7.	CGS-CIMB Securities (Singapore) Pte Ltd	16,512,599	3.87
8.	OCBC Securities Private Ltd	13,753,573	3.22
9.	BPSS Nominees Singapore (Pte) Ltd	13,524,063	3.17
10.	Phillip Securities Pte Ltd	10,657,443	2.50
11.	Gooi Soon Chai	7,317,023	1.71
12.	Low Hock Peng	6,222,794	1.46
13.	Low Te Jinn	4,080,000	0.96
14.	K-Tee Holdings Sdn. Bhd.	4,060,000	0.95
15.	Mohamad Anwar Au	4,010,000	0.94
16.	DBSN Services Pte Ltd	3,998,324	0.94
17.	Goh Gaik Ewe	3,800,000	0.89
18.	iFast Financial Pte Ltd	3,628,316	0.85
19.	DB Nominees (Singapore) Pte Ltd	3,385,100	0.79
20.	Teo Cheng Tuan Donald	2,809,000	0.66
		331,796,037	**77.72**

PERCENTAGE OF SHAREHOLDING IN PUBLIC HANDS

Based on the information available to the Company as at 9 March 2023, approximately 68.69% 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 9 March 2023 (Cont'd)

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 9 MARCH 2023

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)]	7,417,023	1.74	93,623,068	21.92
Vimala Sgulboonrasi [(b)]	1,180,000	0.28	26,370,300	6.18
Micro Compact (M) Sdn. Bhd. [(c)]	-	-	26,332,206	6.17
Precico Holdings Sdn. Bhd. [(d)]	-	-	52,487,076	12.29
Prime Logic (M) Sdn. Bhd. [(e)]	-	-	28,192,206	6.60
Sinn Hin Company Sdn. Bhd. [(f)]	-	-	89,574,021	20.98

Notes:

(a) Dato' Gooi Soon Chai is deemed to have an interest in the 4,049,047 shares held by his family, shares held by Micro Compact (M) Sdn. Bhd., Prime Logic (M) Sdn. Bhd., Sinn Hin Company Sdn. Bhd., Precico Holdings Sdn. Bhd. 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 1967.

(b) Vimala Sgulboonrasi is deemed to have an interest in the shares held by UOB Kay Hian Securities (M) Sdn. Bhd. (for the account of Meng Tak Corporation Sdn. Bhd.) and Maybank Investment Bank Berhad (for the account of Meng Tak Corporation Sdn. Bhd.) by virtue of Section 4 of the Securities and Futures Act (Chapter 289) and Section 7 of the Companies Act 1967 and shares held through UOB Kay Hian Pte Ltd and UOB Kay Hian Securities (M) Sdn. Bhd. in the capital of the Company.

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("AGM") of the Company will be convened and held by way of electronic means on **27 April 2023 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 2022 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 3.64 cents per share for the financial year ended 31 December 2022. **(Resolution 2)**

3. To approve the payment of Directors' fees of S$365,000 for the financial year ended 31 December 2022. **(Resolution 3)**

4. To re-elect Mr Chia Chor Leong, retiring pursuant to Regulation 92 of the Company's Constitution. **(Resolution 4)**
   [See Explanatory Note 1]

5. To re-elect Mr Melvin Chan Wai Leong, retiring pursuant to Regulation 92 of the Company's Constitution. **(Resolution 5)**
   [See Explanatory Note 2]

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 1967, and the listing rules of the Singapore Exchange Securities Trading Limited, approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:

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

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

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

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

      (i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 50% of the total number of issued shares excluding treasury shares of the Company, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro-rata basis to shareholders of the Company does not exceed 20% of the total number of issued shares excluding treasury shares of the Company. Unless prior shareholder approval is required under the Listing Rules, an issue of treasury shares will not require further shareholder approval, and will not be included in the aforementioned limits.

SPECIAL BUSINESS (CONT'D)

For the purpose of this resolution, the total number of issued shares excluding treasury shares is based on the Company's total number of issued shares excluding treasury shares at the time this resolution is passed, after adjusting for;

a) new shares arising from the conversion or exercise of convertible securities;

b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the Singapore Exchange Securities Trading Limited; and

c) any subsequent bonus issue, consolidation or subdivision of the Company's shares;

(ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

[See Explanatory Note 3]

OTHER BUSINESS

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

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that subject to approval being obtained at the Annual General Meeting to be held on 27 April 2023.

1. A first and final tax exempt (one-tier) dividend of 3.64 cents per share for the financial year ended 31 December 2022 will be paid on 17 May 2023.

2. The Share Transfer Books and Register of Members of the Company will be closed on 8 May 2023 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 5 May 2023 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 5 May 2023 will be entitled to the payment of the proposed dividend.

On behalf of the Board,

Dennis Au
Executive Director

5 April 2023

Explanatory Notes on business to be transacted:

1. Mr Chia Chor Leong who is considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited, will, upon re-election as Director of the Company, remain as the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees. There are no relationships (including immediate family relationships) between Mr Chia Chor Leong and the other Directors of the Company or its shareholders. Please refer to pages 55 to 61 of the Corporate Governance Statement in the Annual Report for the detailed information as required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.

2. Mr Melvin Chan Wai Leong who is considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited, will, upon re-election as Director of the Company, remain as the Chairman of the Audit Committee and a member of the Nominating Committee. There are no relationships (including immediate family relationships) between Mr Melvin Chan Wai Leong and the other Directors of the Company or its shareholders. Please refer to pages 55 to 61 of the Corporate Governance Statement in the Annual Report for the detailed information as required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.

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.

Important Notes:

<u>Alternative Arrangements</u>

1. The Annual General Meeting ("AGM") will be convened and held by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.

2. Printed copies of this Notice of AGM (the "**Notice of AGM**"), Annual Report and Proxy Form will not be sent to members. Instead, the Notice of AGM, Annual Report and Proxy Form will be sent to members by electronic means via publication on the Company's website at https://frenckengroup.listedcompany.com/newsroom.html and announcement at the SGX website at https://www.sgx.com/securities/company-announcements.

3. **The Company will not be arranging for a physical meeting, and members will not be able to attend the AGM in person.** Instead, alternative arrangements have been put in place to allow members to participate at the AGM by: -

   (a) watching or listening to the AGM proceedings via the live audio-visual webcast and live audio -only stream (the "Live Webcast");

   (b) submitting questions in advance of the AGM or submitting text-based questions during the Live Webcast, and

   (c) voting at the AGM (i) "live" by the member or his/her/its duly appointed proxy(ies) via electronic means; or (ii) by appointing the Chairman of the AGM as proxy to vote on the member's behalf at the AGM.

<u>Registration for attendance at the AGM</u>

4. Members who wish to watch or listen to the "live" webcast of the AGM must pre-register at the following website https://conveneagm.sg/fgl_AGM2023 (the "**Registration Link**") by **2.30 p.m. on 24 April 2023** (the **"Registration Deadline"**).

   Members who hold their Shares through relevant intermediaries as defined in Section 181 of the Companies Act 1967 (including CPF and SRS investors) and who wish to watch or listen to the Live Webcast of the AGM and/or submit questions in advance of the AGM should approach their respective relevant intermediaries by **2.30 p.m. on 14 April 2023** (being at least seven (7) working days before the AGM)**.**

Important Notes: (cont'd)

4. Following authentication, authenticated members and proxyholders will receive an email notification, and would be able to access the webcast of the proceedings of the AGM using the account credentials created upon completion of registration.

   The access link, user identification and password details should only be used by the authenticated members and proxyholders and should not be shared with anyone else. If it is established that the access link, user identification and password details are being used by someone other than the authenticated members and proxyholders, the Company reserves the right to revoke the respective user's access to the AGM.

   Members and proxyholders who do not receive the confirmation email by **5.00 p.m. on 25 April 2023**, but have registered by the Registration Deadline, should contact the Company by email to corp@frenckengroup.com.

Submission of questions in advance of or "live" at the AGM

5. All members may, prior to the AGM, submit questions relating to the business of the AGM no later than **2.30 p.m. on 14 April 2023** via email to the Company at corp@frenckengroup.com.

   The Management and the Board of Directors of the Company will endeavour to address substantial and relevant questions (as may be determined by the Company in its sole discretion) received from members prior to the AGM by publishing the responses to those questions on the SGX website at https://www.sgx.com/securities/company-announcements and the Company's website at https://frenckengroup.listedcompany.com/newsroom.html at least forty-eight (48) hours prior to the closing date and time for the lodgement of the proxy forms, i.e. **by 22 April 2023**.

6. Members who registered and are verified to attend the AGM will be able to ask questions relating to the business of the AGM during the AGM by submitting text-based questions via the Live Webcast under the "Q&A" window/tab and then clicking "Ask a Question" to input queries in the questions text box. Where there are substantially similar questions, the Company will consolidate such questions. Consequently, not all questions may be individually addressed. The Company will endeavour to respond to such queries during the AGM as far as reasonably practicable.

7. Members who wish to appoint a proxy(ies) (other than the chairman of the AGM (the "Chairman")) to submit text-based questions "live" at the AGM on their behalf must, in addition to completing and submitting an instrument appointing a proxy(ies), ensure that their proxy(ies) pre-register separately via the Registration Link that will be sent to the appointed proxy(ies) by the Company upon verification of the Proxy Form(s).

Voting at the AGM

8. A member of the Company will not be able to attend the AGM in person. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights, the member may do so by:

   (a) casting the vote remotely in real time via electronic means when attending the AGM by way of the Live Webcast ("Live-Voting");

   (b) appointing a proxy or proxies to vote on the member's behalf at the AGM by Live-Voting when attending the AGM by way of the Live Webcast; or

   (c) by appointing the Chairman as proxy to vote on his/her/its behalf at the AGM.

9. A member entitled to attend and vote at the AGM (who is not a relevant intermediary as defined in Section 181 of the Companies Act) is entitled to appoint one (1) or two (2) proxies to attend and vote in his/her/its stead. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he/she/it specifies the proportion of his/her/its shareholding (expressed as a percentage of the whole) to be represented by each proxy.

10. A member who is a relevant intermediary entitled to attend and vote at the AGM is entitled to appoint more than one (1) proxy to attend and vote instead of the member, 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 one (1) proxy, it should annex to the Proxy Form the list of proxies, setting out, in respect of each proxy, the name, address, email address, NRIC/passport number and proportion of shareholding (number of Shares and percentage) in relation to which each proxy has been appointed. For the avoidance of doubt, a CPF Agent Bank or SRS Operator who intends to appoint CPF/SRS Investors as its proxies shall comply with this note to the Notice of AGM. The appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed in the Proxy Form.

Important Notes: (cont'd)

11. Investors who hold shares through relevant intermediaries as defined in Section 181 of the Companies Act, including CPF/SRS Investors may:

    (a) vote live via electronic means at the AGM if they are appointed as proxies by their respective CPF Agent Banks or SRS Operators, and should contact their respective CPF Agent Banks or SRS Operators if they have questions regarding their appointment as proxies; or

    (b) appoint the Chairman as proxy to vote on their behalf at the AGM, in which case they should approach their respective CPF Agent Banks or SRS Operators no later than **2.30 p.m. on 14 April 2023** (being at least seven (7) working days before the AGM) in order to allow sufficient time for their respective CPF Agent Banks or SRS Operators to in turn submit a proxy form to appoint the Chairman to vote on their behalf by **2.30 p.m. on 24 April 2023**.

    Such investors (including CPF/SRS Investors) who wish to participate in the AGM should contact the relevant intermediary through which they hold such Shares as soon as possible in order for the necessary arrangements to be made for their participation in the AGM.

12. Where a member (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

13. The instrument appointing a proxy or proxies must be submitted to the Company in the following manner:

    (a) if submitted by post, be lodged with the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road, #11-02 Singapore 068898; or

    (b) if submitted electronically, via email to the Company's Share Registrar at sg.is.proxy@sg.tricorglobal.com

    in either case, by **2.30 p.m. on 24 April 2023,** being not less than seventy-two (72) hours before the time appointed for holding the AGM, and in default the instrument of proxy shall not be treated as valid.

    A member who wishes to submit an instrument of proxy, must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

    In addition to the submission of proxy form, a member will also need to register his/her/its proxy(ies) via the online process through the pre-registration website at https://conveneagm.sg/fgl_AGM2023.

14. A proxy need not be a member of the Company. The Chairman, as proxy, need not be a member of the Company. A corporation which is a member of the Company may authorise by resolutions of its directors or other governing body, such person as it thinks fit to act as its representative at the meeting.

15. The instrument appointing a proxy must be signed by the appointor or his/her attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it shall be executed either under its common seal or under the hand of any officer or attorney duly authorised. The power of attorney or other authority, if any, under which the instrument of proxy is signed on behalf of the member or duly certified copy of that power of attorney or other authority (failing previous registration with the Company) shall be attached to the instrument of proxy, failing which the instrument may be treated as invalid.

<u>Others</u>

16. The Annual Report 2022 has been published on 5 April 2023 on the Company's website at https://frenckengroup.listedcompany.com/newsroom.html, and on the SGX website at https://www.sgx.com/securities/company-announcements.

17. The Company will, within one month after the date of the AGM, publish the minutes of the AGM on SGX website, and the minutes will include the responses to the questions which are addressed during the AGM, if any.

18. Members are advised to regularly check the Company's website at https://frenckengroup.listedcompany.com/newsroom.html, and the SGX website at https://www.sgx.com/securities/company-announcements for the latest updates on the status of the AGM.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, or by attending the AGM, a member of the Company:

1. 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) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes");

2. 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

3. 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. In addition, by attending the AGM and/or adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for any of the Purposes.

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

PROXY FORM

IMPORTANT

1. The AGM will be convened and held by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.

2. **A member will not be able to attend the AGM in person.** Instead, alternative arrangements have been put in place to allow members to participate at the AGM by (a) watching or listening to the AGM proceedings via the live audio-visual webcast and live-audio only stream, (b) submitting questions in advance of or "live" at the AGM, and (c) voting at the AGM (i) "live" by the member or his/her/its duly appointed proxy(ies) via electronic means; or (ii) by appointing the Chairman of the AGM as proxy to vote on the member's behalf at the AGM, are set out in the Notice of AGM.

3. A member (including a Relevant Intermediary) is able to participate at the AGM by electronic means or appoint proxy(ies) as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM conducted by electronic means, if such member wishes to exercise his/her/its voting rights at the AGM. In appointing the Chairman of the AGM as proxy, a member of the Company (including a Relevant Intermediary) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.

4. CPF/SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators by 2.30 p.m. on 14 April 2023 to submit their votes by 2.30 p.m. on 24 April 2023.

5. By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the Notes to this Proxy Form.

*I/We ________________________ (Name) * NRIC/Passport No./Company Registration No. ______________ of

____(Address)

being a member/members of FRENCKEN GROUP LIMITED (the "Company"), hereby appoint: -

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

*and/or

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

or failing the person, or either or both of the persons referred to above, the Chairman of the Annual General Meeting ("AGM") of the Company as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the AGM of the Company to be convened and held by way of **electronic means** on **Thursday, 27 April 2023 at 2.30 p.m.** and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for, against or abstain the Resolutions proposed at the AGM as indicated hereunder. In the absence of specific directions in respect of a resolution, the appointment of proxy for that resolution will be treated as invalid.

All resolutions put to the vote at the AGM shall be decided by way of poll.

(If you wish to exercise all your votes "For", "Against" or "Abstain", please tick [✓] within the box provided. Alternatively, please indicate the number of votes as appropriate.)

No.	Resolutions	For	Against	Abstain
Ordinary Business				
1.	To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2022 together with the Directors' Statement and Independent Auditor's Report thereon.			
2.	To declare a first and final tax exempt (one-tier) dividend of 3.64 cents per share for the financial year ended 31 December 2022.			
3.	To approve the payment of Directors' fees of S$365,000 for the financial year ended 31 December 2022.			
4.	To re-elect Mr Chia Chor Leong, retiring pursuant to Regulation 92 of the Company's Constitution.			
5.	To re-elect Mr Melvin Chan Wai Leong, retiring pursuant to Regulation 92 of the Company's Constitution.			
6.	To re-appoint Messrs Deloitte & Touche LLP as auditors of the Company and to authorise the Directors to fix their remuneration.			
Special Business				
7.	To authorise directors to allot shares pursuant to Section 161 of the Companies Act 1967.			

Dated this ________day of ________________ 2023

Total Number of Shares Held	
CDP	
Register of Members	
Total	

____

Signature(s) of Member(s)/Common Seal

** Delete accordingly*

IMPORTANT. Please read notes overleaf

Notes:-

1. A member who is unable to attend the AGM and wishes to appoint proxy(ies) to attend, speak and vote at the AGM on his/her/its behalf should complete, sign and return the instrument of proxy in accordance with the instructions printed thereon.
2. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
3. A member who is not a Relevant Intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote on his/her/its behalf at the AGM. A member of the company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. Where such member appoints two (2) proxies, the proportion of his shareholding to be represented by each proxy shall be specified. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his name in the Depository Register and any second named proxy as an alternate to the first named.
4. A member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the AGM, 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 (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act 1967.
5. A member can appoint the Chairman of the AGM as his/her/its proxy but this is not mandatory. The Chairman of the AGM, as proxy, need not be a member of the company.

   If a member wishes to appoint the Chairman of the AGM as proxy, such member (whether individual or corporate) must give specific instructions as to voting for, voting against, or abstentions from voting on, each resolution in the instrument appointing the Chairman of the AGM as proxy. If no specific direction as to voting or abstentions from voting in respect of a resolution in the form of proxy, the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.
6. For investors who hold shares through relevant intermediaries, including Central Provident Fund Investment Schemes ("CPF Investors") and/or Supplementary Retirement Scheme ("SRS Investors") should approach their respective CPF Agent Banks or SRS Operators to submit their votes **by 2.30 p.m. on 14 April 2023** (i.e. at least 7 working days before the AGM). CPF/SRS Investors should contact their respective CPF Agent Banks or SRS Operators for any queries they may have with regard to the appointment of proxy for the AGM.

(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. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal, executed as a deed in accordance with the Companies Act 1967 or under the hand of an attorney or an officer duly authorised, or in some other manner approved by the Directors. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument of proxy.
8. The instrument appointing the proxy, together with the letter or power of attorney or other authority under which it is signed or a duly certified copy thereof (if applicable), must be submitted either: -
   (a) if submitted by post, be lodged with the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road, #11-02 Singapore 068898; or
   (b) if submitted electronically, via email to the Company's Share Registrar at sg.is.proxy@sg.tricorglobal.com.

   in either case, not less than seventy-two (72) hours before the time appointed for holding the AGM i.e. **by 2.30 p.m. on 24 April 2023**, and failing which, the Proxy Form will not be treated as valid.

   A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

   In addition to the submission of proxy form, a member will also need to register his/her/its proxy(ies) via the online process through the pre-registration website at https://conveneagm.sg/fgl_AGM2023.
9. Completion and return of the Proxy Form by a member will not prevent him/her from attending, speaking and voting at the AGM if he/she so wishes. The appointment of the proxy(ies) for the AGM will be deemed to be revoked if the member attends the AGM and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the relevant instrument appointing a proxy(ies) to the AGM.

General:
The Company shall be entitled to reject an instrument of proxy 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 of proxy. 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 of proxy 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 AGM as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated **5 April 2023**.

www.frenckengroup.com