



**FRENCKEN GROUP LIMITED
and its Subsidiaries
Registration No. 199905084D**

**Condensed Interim Financial Statements
For the six months and full year ended 31 December 2022**



**FRENCKEN GROUP LIMITED
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Registration No. 199905084D**

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FRENCKEN GROUP LIMITED

(Registration No. 199905084D)

A. Condensed Interim Consolidated Income Statement

	Group					
	6 months ended			12 months ended		
	31-12-22 \$'000	31-12-21 \$'000	% Change	31-12-22 \$'000	31-12-21 \$'000	% Change
Revenue	397,172	391,771	1.4%	786,107	767,069	2.5%
Cost of sales	(339,000)	(328,249)	3.3%	(667,127)	(638,161)	4.5%
Gross profit	58,172	63,522	-8.4%	118,980	128,908	-7.7%
Other income (Note 1)	7,722	3,666	110.6%	12,295	7,616	61.4%
Selling and distribution expenses	(4,969)	(5,812)	-14.5%	(10,698)	(11,518)	-7.1%
Administrative and general expenses	(25,041)	(26,568)	-5.7%	(50,272)	(49,288)	2.0%
Other operating expenses (Note 1)	(2,619)	(2,032)	28.9%	(3,662)	(3,794)	-3.5%
Interest income	371	474	-21.7%	579	966	-40.1%
Finance costs	(2,719)	(1,326)	105.1%	(4,177)	(2,369)	76.3%
Share of results of an associate, net of tax	2	-	N.M.	2	-	N.M.
Profit before income tax	30,919	31,924	-3.1%	63,047	70,521	-10.6%
Income tax expense	(5,456)	(4,448)	22.7%	(11,410)	(11,410)	0.0%
Profit for the period/year	25,463	27,476	-7.3%	51,637	59,111	-12.6%
Profit attributable to:						
Equity holders of the Company	25,728	27,392	-6.1%	51,874	58,727	-11.7%
Non-controlling interests	(265)	84	N.M.	(237)	384	N.M.
	25,463	27,476	-7.3%	51,637	59,111	-12.6%
Note 1 - Other income/(Other operating expenses)						
Other Income	7,722	3,666	110.6%	12,295	7,616	61.4%
Other Operating Expenses	(2,619)	(2,032)	28.9%	(3,662)	(3,794)	-3.5%
	5,103	1,634	212.3%	8,633	3,822	125.9%
Included in Other income/(Other operating expenses):						
(Loss)/Gain on disposal of property, plant and equipment, net	83	95	-12.6%	326	136	139.7%
Property, plant and equipment written off	(3)	(29)	-89.7%	(9)	(68)	-86.8%
Government grants	1,140	1,228	-7.2%	2,043	2,643	-22.7%
Foreign exchange (loss)/gain, net	590	(857)	N.M.	1,365	(848)	N.M.
Scrap sales	718	765	-6.1%	1,418	1,191	19.1%
Project income	809	158	412.0%	1,133	212	434.4%
Fair value gain(loss) on financial assets designated at fair value through profit or loss, net	496	(18)	N.M.	830	(29)	N.M.
Payables written off	943	-	N.M.	943	-	N.M.
Other income	578	448	29.0%	865	742	16.6%
Other expenses	(251)	(156)	60.9%	(281)	(157)	79.0%
	5,103	1,634	212.3%	8,633	3,822	125.9%

N.M. : Not meaningful



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B. Condensed Interim Consolidated Statement of Comprehensive Income

	Group			
	6 months ended		12 months ended	
	31-12-22 \$'000	31-12-21 \$'000	31-12-22 \$'000	31-12-21 \$'000
<u>Statement of Comprehensive Income</u>				
Profit for the period/year	25,463	27,476	51,637	59,111
<i>Item that will not be reclassified subsequently to income statement :</i>				
- Remeasurement of defined benefit obligation	734	1,488	734	1,488
- Net fair value loss on financial asset designated at fair value through other comprehensive income	-	(240)	-	(1,240)
<i>Item that may be reclassified subsequently to income statement :</i>				
- Currency translation differences arising from consolidation	(10,031)	(2,915)	(19,855)	(3,918)
Total comprehensive income for the period/year	<u>16,166</u>	<u>25,809</u>	<u>32,516</u>	<u>55,441</u>
Attributable to:				
Equity holders of the Company	16,614	25,697	33,185	54,902
Non-controlling interests	(448)	112	(669)	539
Total comprehensive income for the period/year	<u>16,166</u>	<u>25,809</u>	<u>32,516</u>	<u>55,441</u>



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C. Condensed Interim Balance Sheet

	Group		Company	
	31-12-22	31-12-21	31-12-22	31-12-21
	\$'000	\$'000	\$'000	\$'000
NON-CURRENT ASSETS				
Property, plant and equipment	127,541	110,768	-	-
Right-of-use assets	38,965	17,180	-	-
Investment properties	1,358	1,485	-	-
Subsidiaries	-	-	133,261	128,025
Investment in an associate	16	-	-	-
Financial asset at fair value through other comprehensive income	1,995	1,995	1,995	1,995
Intangible assets	21,503	19,464	-	-
Deferred income tax assets	1,427	1,487	-	-
Total non-current assets	192,805	152,379	135,256	130,020
CURRENT ASSETS				
Inventories	228,821	203,084	-	-
Trade receivables	123,207	123,311	-	-
Receivables from subsidiaries	-	-	239	68
Dividends receivable from subsidiaries	-	-	14,617	20,202
Other receivables, deposits and prepayments	13,364	16,771	38	16
Tax recoverable	22	-	-	-
Cash and cash equivalents	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
CURRENT LIABILITIES				
Trade payables	108,312	121,889	-	-
Payable to a subsidiary	-	-	106	550
Other payables, accruals and provisions	58,319	58,054	2,154	1,647
Deferred gain	23	-	-	-
Borrowings	107,721	95,643	-	-
Lease liabilities	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	199	-	-	-
Deferred gain	75	-	-	-
Borrowings	1,090	1,582	-	-
Lease liabilities	32,422	13,978	-	-
Retirement benefit obligations	447	1,216	-	-
Deferred income tax liabilities	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	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	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
Non-controlling interests	4,531	2,867	-	-
TOTAL EQUITY	396,419	379,029	166,486	170,506



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D. Condensed Interim Consolidated Cash Flow Statement

	Group			
	6 months ended 31-12-22 \$'000	31-12-21 \$'000	12 months ended 31-12-22 \$'000	31-12-21 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit after tax	25,463	27,476	51,637	59,111
Adjustments for:				
Income tax expense	5,456	4,448	11,410	11,410
Share of results of an associate, net of tax	(2)	-	(2)	-
Exchange differences	(251)	532	353	568
Employee share option expense	97	-	177	-
Depreciation of property, plant and equipment	10,418	8,983	20,058	16,940
Depreciation of right-of-use assets	4,194	3,235	7,709	5,974
Depreciation of investment properties	15	32	43	64
(Gain)/Loss on disposal of property, plant and equipment, net	(83)	(95)	(326)	(136)
Property, plant and equipment written off	3	29	9	68
Interest income	(371)	(474)	(579)	(966)
Interest expense	2,719	1,326	4,177	2,369
Amortisation of deferred gain	(8)	-	(8)	-
Amortisation of intangible assets	139	153	285	321
Operating cash flow before working capital changes	47,789	45,645	94,943	95,723
Changes in operating assets and liabilities :				
Inventories	7,254	(18,571)	(35,270)	(61,082)
Receivables	23,770	9,114	(3,255)	(25,869)
Payables	(10,627)	25,465	(5,576)	50,086
Cash flows generated from operations	68,186	61,653	50,842	58,858
Tax paid	(4,795)	(6,537)	(8,839)	(16,115)
Interest paid	(2,719)	(1,326)	(4,177)	(2,369)
NET CASH GENERATED FROM OPERATING ACTIVITIES	60,672	53,790	37,826	40,374
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	371	474	579	966
Additions of intangible assets	-	(28)	-	(28)
Purchase of property, plant and equipment	(18,008)	(11,050)	(42,600)	(17,476)
Proceeds from disposal of property, plant and equipment	589	207	1,173	256
Repayment of loan from a third party	-	240	-	480
Acquisition of subsidiaries, net of cash acquired (Note 1)	(3,630)	(13,043)	(3,630)	(13,043)
NET CASH USED IN INVESTING ACTIVITIES	(20,678)	(23,200)	(44,478)	(28,845)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of share capital	-	10	-	115
Repayment of lease liabilities	(5,193)	(3,501)	(9,416)	(6,212)
Repayment of short-term bank borrowings	(47,373)	(90,886)	(188,286)	(165,815)
Repayment of term loans	(561)	(384)	(1,095)	(591)
Proceeds from short-term bank borrowings	40,662	92,054	186,015	175,417
Proceeds from term loans	-	684	-	684
Dividend paid to shareholders	-	-	(17,636)	(12,810)
Placement of deposits pledged as securities	(7)	-	(7)	-
NET CASH USED IN FINANCING ACTIVITIES	(12,472)	(2,023)	(30,425)	(9,212)
Net increase/(decrease) in cash and cash equivalents	27,522	28,567	(37,077)	2,317
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD/YEAR	85,361	123,976	152,610	151,132
Effect of exchange rate changes on cash and cash equivalents	(2,615)	67	(5,265)	(839)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	110,268	152,610	110,268	152,610



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D. Condensed Interim Consolidated Cash Flow Statement

	Group			
	6 months ended		12 months ended	
	31-12-22	31-12-21	31-12-22	31-12-21
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents at end of the financial year comprise:				
Short-term funds placed with Malaysian financial institutions	43,869	44,173	43,869	44,173
Deposits with licensed banks	17,580	4,409	17,580	4,409
Cash and bank balances	105,540	144,018	105,540	144,018
Bank overdrafts	(56,521)	(39,781)	(56,521)	(39,781)
	110,468	152,819	110,468	152,819
Less: Deposits pledged as securities	(200)	(209)	(200)	(209)
	110,268	152,610	110,268	152,610

Note 1 :

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, thereby obtaining control of Penchem. The carrying amount of Penchem's net assets in the Group's consolidated financial statements at the date of the acquisition was \$4,757,000.

On 6 September 2021, the Group acquired 100% interest in its indirect subsidiary, Avimac Pte Ltd ("Avimac"). The carrying amount of Avimac's net assets in the Group's consolidated financial statements at the date of the acquisition was \$4,056,000.

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:

	Penchem	Avimac
	2022	2021
	\$'000	\$'000
(a) Identifiable assets acquired and liabilities assumed at the date of acquisition		
<u>Non-Current Assets</u>		
Property, plant and equipment	2,527	10,606
Right-of-use assets	820	1,887
Investment in an associate	15	-
	<u>3,362</u>	<u>12,493</u>
<u>Current Assets</u>		
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
	<u>2,523</u>	<u>6,126</u>
<u>Current Liabilities</u>		
Trade payables	(29)	(1,373)
Other payables, accruals and provisions	(276)	(500)
Deferred gain	(23)	-
Borrowings	(60)	(1,883)
Lease liabilities	(6)	(1,890)
	<u>(394)</u>	<u>(5,646)</u>

Non-Current Liabilities

Other payables, accruals and provisions	(220)	-
Deferred gain	(85)	-
Borrowings	(303)	(1,364)
Lease liabilities	(6)	(7,368)
Deferred income tax liabilities	(120)	(185)
	<u>(734)</u>	<u>(8,917)</u>
Total identifiable assets acquired and liabilities assumed	<u>4,757</u>	<u>4,056</u>

The fair value of the financial assets includes receivables acquired with a fair value of \$450,000 (2021: S\$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)

Cash	5,127	14,000
Settlement for amount due to Avimac	-	(1,552)
Total consideration transferred	<u>5,127</u>	<u>12,448</u>

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.

(d) Goodwill arising on acquisition

Consideration transferred	5,127	12,448
Add: Non-controlling interest	2,333	-
Less: Fair value of identifiable net assets acquired	<u>(4,757)</u>	<u>(4,056)</u>
Goodwill arising on acquisition	<u>* 2,703</u>	<u>8,392</u>

* 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 may be required upon finalisation of the valuation of net assets.

(e) Net cash outflow on acquisition

Consideration paid in cash	5,127	14,000
Less: Cash and cash equivalent balances acquired	<u>(1,497)</u>	<u>(957)</u>
	<u>3,630</u>	<u>13,043</u>

(f) Impact of acquisitions on the results of the Group**2022**

Penchem contributed \$1.0 million revenue and \$0.1 million 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 \$788.3 million and Group profit after tax would have been \$51.9 million.

2021

Avimac contributed \$2.7 million revenue and \$0.3 million 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 \$770.7 million and Group profit after tax would have been \$58.9 million.



FRENCKEN GROUP LIMITED

(Registration No. 199905084D)

E. Condensed Interim Consolidated Statement of Changes in Equity

(a) Statement of changes in equity for the six months ended 31 December 2022 and 31 December 2021

	Attributable to equity holders of the Company											Non-Controlling Interests \$'000	Total Equity \$'000
	Share Capital \$'000	Foreign Currency Translation Reserve \$'000	Merger Reserve \$'000	Capital Reserve \$'000	Statutory Reserve Fund \$'000	Share Option Reserve \$'000	Fair Value Reserve \$'000	Other Reserve \$'000	Retained Profits \$'000	Total \$'000			
The Group													
At 1 July 2022	104,444	(6,926)	2,345	1,981	5,904	370	(4,405)	(269)	271,733	375,177	2,646	377,823	
Profit for the period	-	-	-	-	-	-	-	-	25,728	25,728	(265)	25,463	
Other comprehensive income:													
Remeasurement of defined benefit obligation	-	-	-	-	-	-	-	734	-	734	-	734	
Currency translation differences arising from consolidation	-	(9,987)	-	-	-	-	-	139	-	(9,848)	(183)	(10,031)	
Total comprehensive income/(loss) for the period	-	(9,987)	-	-	-	-	-	873	25,728	16,614	(448)	16,166	
<i>Transactions with owners recognised directly in equity</i>													
Transfer to statutory reserve fund	-	-	-	-	364	-	-	-	(364)	-	-	-	
Employee share option scheme - Value of employee services	-	-	-	-	-	97	-	-	-	97	-	97	
Non-controlling interest arising from acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	2,333	2,333	
	-	-	-	-	364	97	-	-	(364)	97	2,333	2,430	
At 31 December 2022	<u>104,444</u>	<u>(16,913)</u>	<u>2,345</u>	<u>1,981</u>	<u>6,268</u>	<u>467</u>	<u>(4,405)</u>	<u>604</u>	<u>297,097</u>	<u>391,888</u>	<u>4,531</u>	<u>396,419</u>	
At 1 July 2021	104,434	5,640	2,345	1,975	5,067	296	(4,165)	(1,805)	236,668	350,455	2,755	353,210	
Profit for the period	-	-	-	-	-	-	-	-	27,392	27,392	84	27,476	
Other comprehensive income/(loss):													
Remeasurement of defined benefit obligation	-	-	-	-	-	-	-	1,488	-	1,488	-	1,488	
Net fair value loss on financial asset designated at fair value through other comprehensive income	-	-	-	-	-	-	(240)	-	-	(240)	-	(240)	
Currency translation differences arising from consolidation	-	(2,990)	-	-	-	-	-	47	-	(2,943)	28	(2,915)	
Total comprehensive income/(loss) for the period	-	(2,990)	-	-	-	-	(240)	1,535	27,392	25,697	112	25,809	
<i>Transactions with owners recognised directly in equity</i>													
Transfer to/(from) statutory reserve fund	-	-	-	-	350	-	-	-	(350)	-	-	-	
Employee share option scheme - Issue of share capital	10	-	-	6	-	(6)	-	-	-	10	-	10	
	10	-	-	6	350	(6)	-	-	(350)	10	-	10	
At 31 December 2021	<u>104,444</u>	<u>2,650</u>	<u>2,345</u>	<u>1,981</u>	<u>5,417</u>	<u>290</u>	<u>(4,405)</u>	<u>(270)</u>	<u>263,710</u>	<u>376,162</u>	<u>2,867</u>	<u>379,029</u>	

Attributable to equity holders of the Company

	Share Capital \$'000	Foreign Currency Translation Reserve \$'000	Merger Reserve \$'000	Capital Reserve \$'000	Statutory Reserve Fund \$'000	Share Option Reserve \$'000	Fair Value Reserve \$'000	Retained Profits \$'000	Total \$'000
The Company									
At 1 July 2022	104,444	-	-	2,562	-	370	(4,405)	49,289	152,260
Profit for the period, representing total comprehensive income for the period	-	-	-	-	-	-	-	14,129	14,129
<i>Transactions with owners recognised directly in equity</i>									
Employee share option scheme - Value of employee services	-	-	-	-	-	97	-	-	97
	-	-	-	-	-	97	-	-	97
At 31 December 2022	<u>104,444</u>	<u>-</u>	<u>-</u>	<u>2,562</u>	<u>-</u>	<u>467</u>	<u>(4,405)</u>	<u>63,418</u>	<u>166,486</u>
At 1 July 2021	104,434	-	-	2,556	-	296	(4,165)	33,469	136,590
Profit for the period	-	-	-	-	-	-	-	34,146	34,146
Net fair value loss on financial asset designated at fair value through other comprehensive income	-	-	-	-	-	-	(240)	-	(240)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(240)	34,146	33,906
<i>Transactions with owners recognised directly in equity</i>									
Employee share option scheme - Issue of share capital	10	-	-	6	-	(6)	-	-	10
	10	-	-	6	-	(6)	-	-	10
At 31 December 2021	<u>104,444</u>	<u>-</u>	<u>-</u>	<u>2,562</u>	<u>-</u>	<u>290</u>	<u>(4,405)</u>	<u>67,615</u>	<u>170,506</u>

(b) Statement of changes in equity for the twelve months ended 31 December 2021 and 31 December 2020

	Attributable to equity holders of the Company											
	Share Capital \$'000	Foreign Currency Translation Reserve \$'000	Merger Reserve \$'000	Capital Reserve \$'000	Statutory Reserve Fund \$'000	Share Option Reserve \$'000	Fair Value Reserve \$'000	Other Reserve \$'000	Retained Profits \$'000	Total \$'000	Non- Controlling Interests \$'000	Total Equity \$'000
The Group												
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	-	-	-	-	-	-	-	734	-	734	-	734
Currency translation differences arising from consolidation	-	(19,563)	-	-	-	-	-	140	-	(19,423)	(432)	(19,855)
Total comprehensive income/(loss) for the year	-	(19,563)	-	-	-	-	-	874	51,874	33,185	(669)	32,516
<i>Transactions with owners recognised directly in equity</i>												
Transfer to statutory reserve fund	-	-	-	-	851	-	-	-	(851)	-	-	-
Employee share option scheme - Value of employee services	-	-	-	-	-	177	-	-	-	177	-	177
Non-controlling interest arising from acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	2,333	2,333
Dividend Paid	-	-	-	-	-	-	-	-	(17,636)	(17,636)	-	(17,636)
	-	-	-	-	851	177	-	-	(18,487)	(17,459)	2,333	(15,126)
At 31 December 2022	<u>104,444</u>	<u>(16,913)</u>	<u>2,345</u>	<u>1,981</u>	<u>6,268</u>	<u>467</u>	<u>(4,405)</u>	<u>604</u>	<u>297,097</u>	<u>391,888</u>	<u>4,531</u>	<u>396,419</u>
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	-	-	-	-	-	-	-	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 year	-	(4,143)	-	-	-	-	(1,240)	1,558	58,727	54,902	539	55,441
<i>Transactions with owners recognised directly in equity</i>												
Transfer to/(from) statutory reserve fund	-	-	-	-	989	-	-	-	(989)	-	-	-
Employee share option scheme - Issue of share capital	115	-	-	67	-	(67)	-	-	-	115	-	115
Dividend paid	-	-	-	-	-	-	-	-	(12,810)	(12,810)	-	(12,810)
	115	-	-	67	989	(67)	-	-	(13,799)	(12,695)	-	(12,695)
At 31 December 2021	<u>104,444</u>	<u>2,650</u>	<u>2,345</u>	<u>1,981</u>	<u>5,417</u>	<u>290</u>	<u>(4,405)</u>	<u>(270)</u>	<u>263,710</u>	<u>376,162</u>	<u>2,867</u>	<u>379,029</u>

Attributable to equity holders of the Company

	Share Capital \$'000	Foreign Currency Translation Reserve \$'000	Merger Reserve \$'000	Capital Reserve \$'000	Statutory Reserve Fund \$'000	Share Option Reserve \$'000	Fair Value Reserve \$'000	Retained Profits \$'000	Total \$'000
The Company									
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
<i>Transactions with owners recognised directly in equity</i>									
Employee share option scheme - Value of employee services	-	-	-	-	-	177	-	-	177
Dividend paid	-	-	-	-	-	-	-	(17,636)	(17,636)
	-	-	-	-	-	177	-	(17,636)	(17,459)
At 31 December 2022	<u>104,444</u>	<u>-</u>	<u>-</u>	<u>2,562</u>	<u>-</u>	<u>467</u>	<u>(4,405)</u>	<u>63,418</u>	<u>166,486</u>
At 1 January 2021	104,329	-	-	2,495	-	357	(3,165)	46,672	150,688
Profit for the year	-	-	-	-	-	-	-	33,753	33,753
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 year	-	-	-	-	-	-	(1,240)	33,753	32,513
<i>Transactions with owners recognised directly in equity</i>									
Employee share option scheme - Issue of share capital	115	-	-	67	-	(67)	-	-	115
Dividend paid	-	-	-	-	-	-	-	(12,810)	(12,810)
	115	-	-	67	-	(67)	-	(12,810)	(12,695)
At 31 December 2021	<u>104,444</u>	<u>-</u>	<u>-</u>	<u>2,562</u>	<u>-</u>	<u>290</u>	<u>(4,405)</u>	<u>67,615</u>	<u>170,506</u>



FRENCKEN GROUP LIMITED

(Registration No. 199905084D)

F. Notes to the condensed interim consolidated financial statements

1. Corporate information

Frencken Group Limited (the "Company") is incorporated in Singapore and listed on the Mainboard of Singapore Exchange Securities Trading Limited. These condensed interim consolidated financial statements as at and for the six months ended 31 December 2022 comprise the Company and its subsidiaries (collectively, the "Group"). The principal activity of the Company is that of an investment holding company.

The main principal activities of the Group are:

- (a) 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.
- (b) Design, engineering, manufacturing and sales of filters.
- (c) Manufacture of mould and die, plastic products and component sub-assembly.
- (d) Vacuum coating, thermal treatment and other related services for plastic component.
- (e) Design and sales of micromechanical product components for automotive industry.

2. Basis of Preparation

The condensed interim financial statements for the six months ended 31 December 2022 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last interim financial statements for the period ended 30 June 2022.

The accounting policies and methods of computation applied by the Group are consistent with those used in its most recent audited financial statements as well as all the applicable new/revised Financial Reporting Standards (FRS) and FRS interpretations which became effective for the financial years beginning on or after 1 January 2022.

The adoption of the new/revised FRS and FRS interpretations did not result in any substantial change to the Group's accounting policies nor any material impact on the Group's financial results.

The condensed interim financial statements are presented in Singapore dollar which is the Company's functional currency.

2.1 Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2021.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period are included in the following notes:

- Note 11 – impairment test of intangible assets: key assumptions underlying recoverable amounts

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment and revenue information

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.

4.1 Business segments

For the six months ended 31 December 2022

	Mechatronics	Integrated Manufacturing Services	Investment Holding & Management Services	Others	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Turnover						
External revenue	348,126	47,880	-	1,166	-	397,172
Inter-segment sales	-	-	5,748	-	(5,748)	-
	<u>348,126</u>	<u>47,880</u>	<u>5,748</u>	<u>1,166</u>	<u>(5,748)</u>	<u>397,172</u>
Segment results	28,218	2,328	2,562	157	-	33,265
Interest income	67	10	288	6	-	371
Finance costs	(2,280)	(433)	-	(6)	-	(2,719)
Share of results of an associate, net of tax	-	-	-	2	-	2
Profit before income tax						<u>30,919</u>
Income tax expense	(5,112)	(245)	(39)	(60)	-	<u>(5,456)</u>
Total profit						<u>25,463</u>
Other segment information:						
Capital expenditure	15,252	3,162	7	8	-	18,429
Depreciation and amortisation	10,641	3,972	65	88	-	14,766
Other non-cash expenses other than depreciation and amortisation	30	17	49	-	-	96
Amortisation of deferred gain	-	-	-	8	-	8

For the six months ended 31 December 2021

	Mechatronics \$'000	Integrated Manufacturing Services \$'000	Investment Holding & Management Services \$'000	Others \$'000	Eliminations \$'000	Total \$'000
Turnover						
External revenue	338,623	53,009	-	139	-	391,771
Inter-segment sales	-	-	6,211	-	(6,211)	-
	<u>338,623</u>	<u>53,009</u>	<u>6,211</u>	<u>139</u>	<u>(6,211)</u>	<u>391,771</u>
Segment results	29,309	1,357	2,043	67	-	32,776
Interest income	38	11	425	-	-	474
Finance costs	(889)	(434)	(3)	-	-	(1,326)
Profit before income tax						<u>31,924</u>
Income tax expense	(4,808)	421	(32)	(29)	-	<u>(4,448)</u>
Total profit						<u><u>27,476</u></u>
Other segment information:						
Capital expenditure	7,285	3,869	40	-	-	11,194
Addition of intangible assets	-	28	-	-	-	28
Depreciation and amortisation	7,861	4,438	72	32	-	12,403
Other non-cash expenses other than depreciation and amortisation	6	20	3	-	-	29

For the twelve months ended 31 December 2022

	Mechatronics \$'000	Integrated Manufacturing Services \$'000	Investment Holding & Management Services \$'000	Others \$'000	Eliminations \$'000	Total \$'000
Turnover						
External revenue	688,452	96,351	-	1,304	-	786,107
Inter-segment sales	-	-	11,785	-	(11,785)	-
	<u>688,452</u>	<u>96,351</u>	<u>11,785</u>	<u>1,304</u>	<u>(11,785)</u>	<u>786,107</u>
Segment results	55,356	4,642	6,413	232	-	66,643
Interest income	136	19	418	6	-	579
Finance costs	(3,367)	(802)	(2)	(6)	-	(4,177)
Share of results of an associate, net of tax	-	-	-	2	-	2
Profit before income tax						<u>63,047</u>
Income tax expense	(10,566)	(685)	(70)	(89)	-	<u>(11,410)</u>
Total profit						<u><u>51,637</u></u>
Other segment information:						
Capital expenditure	37,000	4,918	258	8	-	42,184
Depreciation and amortisation	19,616	8,229	134	116	-	28,095
Other non-cash expenses other than depreciation and amortisation	54	38	94	-	-	186
Amortisation of deferred gain	-	-	-	8	-	8

As at 31 December 2022

Segment assets	<u>531,380</u>	<u>110,760</u>	<u>73,024</u>	<u>10,044</u>	<u>-</u>	<u>725,208</u>
Segment liabilities	<u>290,038</u>	<u>33,414</u>	<u>4,109</u>	<u>1,228</u>	<u>-</u>	<u>328,789</u>

For the twelve months ended 31 December 2021

	Mechatronics	Integrated Manufacturing	Investment Holding & Management	Others	Eliminations	Total
Turnover	\$'000	Services \$'000	Services \$'000	\$'000	\$'000	\$'000
External revenue	658,992	107,797	-	280	-	767,069
Inter-segment sales	-	-	11,332	-	(11,332)	-
	658,992	107,797	11,332	280	(11,332)	767,069
Segment results	59,723	7,397	4,674	130	-	71,924
Interest income	72	23	871	-	-	966
Finance costs	(1,617)	(746)	(6)	-	-	(2,369)
Profit before income tax						70,521
Income tax expense	(11,103)	(181)	(68)	(58)	-	(11,410)
Total profit						59,111
Other segment information:						
Capital expenditure	12,596	5,324	49	-	-	17,969
Addition of intangible assets	-	28	-	-	-	28
Depreciation and amortisation	14,577	8,516	142	64	-	23,299
Other non-cash expenses other than depreciation and amortisation	7	58	3	-	-	68
<u>As at 31 December 2021</u>						
Segment assets	487,006	121,320	78,312	1,507	-	688,145
Segment liabilities	264,190	41,055	3,787	84	-	309,116

4.2 Geographical segments

	Revenue from external customers				Non-current assets	
	6 months ended		12 months ended			
	31-12-22 \$'000	31-12-21 \$'000	31-12-22 \$'000	31-12-21 \$'000	31-12-22 \$'000	31-12-21 \$'000
Based on location of customer						
The Netherlands	115,986	102,548	213,713	197,330	67,831	35,493
People's Republic of China	51,186	55,035	97,580	119,010	36,612	40,552
Malaysia	22,817	39,399	56,286	79,405	40,330	32,136
Czech Republic	21,659	22,075	44,696	42,124	-	-
Singapore	50,835	47,015	101,442	82,943	32,327	28,851
Hungary	5,784	9,377	11,969	15,123	-	-
America	51,709	31,321	87,541	64,096	7,018	6,667
Germany	20,676	23,608	39,647	47,070	-	-
Switzerland	88	18	140	78	1,001	1,170
Thailand	27,062	35,021	73,486	67,645	1,256	1,543
India	4,208	3,649	8,359	8,142	2,992	2,485
Indonesia	4,252	6,089	9,596	10,472	-	-
United Kingdom	1,815	2,323	5,095	3,704	-	-
Mexico	8,203	4,992	13,648	8,348	-	-
Italy	3,528	3,140	8,173	8,215	-	-
Slovakia	1,106	1,252	2,511	2,670	-	-
Others	6,258	4,909	12,225	10,694	-	-
	397,172	391,771	786,107	767,069	189,367	148,897

4.3 Information about major customers

Included in revenue arising from Mechatronics division of \$688,452,000 (31.12.2021 : \$658,992,000) are revenue of approximately \$104,451,000 (31.12.2021 : \$97,828,000) which arose from sales to the Group's largest customer.

4.4 Disaggregation of Revenue

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

For the six months ended 31 December 2022

	Mechatronics \$'000	Integrated Manufacturing Services \$'000	Others \$'000	Total \$'000
At a point in time:				
Sale of goods	345,516	44,869	-	390,385
Installation services	2,610	-	-	2,610
Rental income	-	-	1,166	1,166
	348,126	44,869	1,166	394,161
Over time:				
Sale of moulds	-	3,011	-	3,011
	348,126	47,880	1,166	397,172

For the six months ended 31 December 2021

	Mechatronics \$'000	Integrated Manufacturing Services \$'000	Others \$'000	Total \$'000
At a point in time:				
Sale of goods	334,485	49,675	-	384,160
Installation services	4,138	-	-	4,138
Rental income	-	-	139	139
	338,623	49,675	139	388,437
Over time:				
Sale of moulds	-	3,334	-	3,334
	338,623	53,009	139	391,771

For the twelve months ended 31 December 2022

	Mechatronics \$'000	Integrated Manufacturing Services \$'000	Others \$'000	Total \$'000
At a point in time:				
Sale of goods	680,955	91,037	-	771,992
Installation services	7,497	-	-	7,497
Rental income	-	-	1,304	1,304
	688,452	91,037	1,304	780,793
Over time:				
Sale of moulds	-	5,314	-	5,314
	688,452	96,351	1,304	786,107

For the twelve months ended 31 December 2021

	Mechatronics \$'000	Integrated Manufacturing Services \$'000	Others \$'000	Total \$'000
At a point in time:				
Sale of goods	650,789	102,875	-	753,664
Installation services	8,203	-	-	8,203
Rental income	-	-	280	280
	658,992	102,875	280	762,147
Over time:				
Sale of moulds	-	4,922	-	4,922
	658,992	107,797	280	767,069

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group and Company as at 31 December 2022 and 31 December 2021.

	Group		Company	
	31-12-22 \$'000	31-12-21 \$'000	31-12-22 \$'000	31-12-21 \$'000
Financial asset at fair value through other comprehensive income	1,995	1,995	1,995	1,995
Loans and receivables:				
Trade receivables	123,207	123,311	-	-
Receivables from subsidiaries	-	-	239	68
Dividend receivable from subsidiaries	-	-	14,617	20,202
Other receivables, deposits and prepayments	13,364	16,771	38	16
Cash and cash equivalents	166,989	192,600	18,596	22,397
Less: Prepayments	(5,166)	(10,449)	(13)	(14)
Total	298,394	322,233	33,477	42,669
Trade payables	108,312	121,889	-	-
Payable to a subsidiary	-	-	106	550
Other payables, accruals and provisions	58,518	58,054	2,154	1,647
Borrowings	108,811	97,225	-	-
Lease liabilities	41,636	22,216	-	-
Financial liabilities at amortised cost	317,277	299,384	2,260	2,197

6. Profit before income tax

	Group			
	6 months ended		12 months ended	
	31-12-22 \$'000	31-12-21 \$'000	31-12-22 \$'000	31-12-21 \$'000
Profit before income tax has been arrived after charging/(crediting):				
Other income including interest income	(8,093)	(4,140)	(12,874)	(8,582)
Amortisation of deferred gain	(8)	-	(8)	-
Interest on borrowings	2,719	1,326	4,177	2,369
Depreciation of property, plant and equipment	10,418	8,983	20,058	16,940
Depreciation of right-of-use assets	4,194	3,235	7,709	5,974
Depreciation of investment properties	15	32	43	64
Amortisation of intangible assets	139	153	285	321
Allowance/(write-back) for doubtful debts and bad debts written off	111	226	147	244
Allowance/(write back) for inventory obsolescence	255	1,958	1,138	2,405
Foreign exchange (gain)/loss, net	(590)	857	(1,365)	848
Adjustments for (over)/under provision of tax in respect of prior years	(457)	(1,881)	(657)	(2,585)
(Gain)/Loss on disposal of property, plant and equipment, net	(83)	(95)	(326)	(136)
Property, plant and equipment written off	3	29	9	68

7. Taxation

	Group			
	6 months ended		12 months ended	
	31-12-22 \$'000	31-12-21 \$'000	31-12-22 \$'000	31-12-21 \$'000
Income tax expense attributable to profit is made up of:				
- Current income tax	(5,265)	(5,533)	(11,235)	(13,045)
- Deferred income tax	(369)	(690)	(476)	(758)
	(5,634)	(6,223)	(11,711)	(13,803)
Over/ (under) recognition in respect of previous financial years:				
- Current income tax	645	1,546	893	2,080
- Deferred income tax	(188)	335	(236)	505
	457	1,881	657	2,585
Withholding tax	(279)	(106)	(356)	(192)
	(5,456)	(4,448)	(11,410)	(11,410)

8. Dividends

	Group	
	12 months ended	
	31-12-22 \$'000	31-12-21 \$'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)

9. Net asset value

	Group		Company	
	31-12-22 \$'000	31-12-21 \$'000	31-12-22 \$'000	31-12-21 \$'000
Net asset value per ordinary share based on issued share capital at the end of financial year (cents)	91.77	88.09	38.99	39.93

Net asset value per ordinary shares is calculated based on the Group's net asset value divided by the number of ordinary shares at 31.12.2022 of 427,025,409 (31.12.2021 : 427,025,409).

10. Financial assets at fair value through other comprehensive income ("Financial Asset at FVTOCI")

	Group and Company	
	31-12-22 \$'000	31-12-21 \$'000
Unquoted equity security designated as 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.

11. Intangible assets

Group	Goodwill on consolidation \$'000	Deferred development costs \$'000	Patents \$'000	Intellectual properties \$'000	Total \$'000
<u>For the six months ended 31 December 2022</u>					
<u>Cost:</u>					
At beginning of the financial period	19,920	16,952	2,336	5,962	45,170
Currency translation differences	(164)	(196)	56	(1)	(305)
Acquisition of a subsidiary	2,703	-	-	-	2,703
At end of the financial year	22,459	16,756	2,392	5,961	47,568
<u>Accumulated amortisation:</u>					
At beginning of the financial period	-	5,056	2,201	5,962	13,219
Currency translation differences	-	4	59	(1)	62
Amortisation charge	-	117	22	-	139
At end of the financial year	-	5,177	2,282	5,961	13,420
<u>Accumulated impairment:</u>					
At beginning of the financial period	2,108	10,782	-	-	12,890
Currency translation differences	(49)	(196)	-	-	(245)
At end of the financial year	2,059	10,586	-	-	12,645
Carrying value: At 31 December 2022	20,400	993	110	-	21,503

Goodwill on consolidation of \$20,400,000 included an amount of provisional goodwill of \$2,697,000. The finalisation of the goodwill amount is dependent on the completion of the valuation of net assets acquired.

(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:

	Group	
	31-12-22 \$'000	31-12-21 \$'000
<u>Mechatronics:</u>		
America	2,124	2,268
The Netherlands	7,187	7,356
Singapore	8,392	8,392
	17,703	18,016
<u>Others:</u>		
Malaysia *	2,697	-
	20,400	18,016

* provisional goodwill

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:

	Group			
	Mechatronics		Others	
	31-12-22	31-12-21	31-12-22	31-12-21
	%	%	%	%
Gross margin ⁽¹⁾	10.1 to 21.4	13.2 to 23.0	41.2	-
Growth rate ⁽²⁾	0.0 to 2.0	0.0	0.0	-
Discount rate ⁽³⁾	12.0 to 13.2	10.2 to 12.5	16.4	-

⁽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.

(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 for impairment based on cash flow forecasts using a discount rate of 9.0% to 11.1% (2021 : 6.6% to 8.1%) to calculate its present value.

During the financial year, management performed a review of the recoverable amount for the deferred development costs and no impairment loss (2021 : no impairment loss) has been recognised in the income statement because the recoverable amount is higher than the carrying value of which the recoverable amount is determined based on the value-in-use calculations.

(c) Patents

Patents relate to certain design and specification of stepper motors, 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.

12. Property, plant and equipment

During the six months ended 31 December 2022, the Group acquired property, plant and equipment with an aggregate cost of \$18,429,000 (six months ended 2021: \$11,194,000) of which \$450,000 (six months ended 2021: \$393,000) was included in other payables at balance sheet date. Cash payments of \$18,008,000 (six months ended 2021: \$11,050,000) includes an amount of \$29,000 (six months ended 2021: \$249,000) for payment from other payables to purchase property, plant and equipment incurred in previous financial year.

13. Investment properties

	Group	
	31-12-22 \$'000	31-12-21 \$'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 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'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.

	Group			
	6 months ended		12 months ended	
	31-12-22 \$'000	31-12-21 \$'000	31-12-22 \$'000	31-12-21 \$'000
The following amounts are recognised in income statement:				
Rental income	(133)	(139)	(271)	(280)
Direct operating expenses arising from:				
- Investment properties that generate rental income	12	13	27	30

14. Borrowings

	Group	
	31-12-22 \$'000	31-12-21 \$'000
Amount repayable within one year or on demand		
Secured	65,727	49,711
Unsecured	41,994	45,932
	107,721	95,643
Amount repayable after one year		
Secured	583	1,582
Unsecured	507	-
	1,090	1,582
Total	108,811	97,225

Details of any collaterals

Details of the borrowings of the Group and its securities as at 31 December 2022 are as follows:

	<u>Note</u>	Secured \$'000	Unsecured \$'000	Total \$'000
Bank overdrafts	(i)	56,283	238	56,521
Other short-term borrowings	(ii)	8,916	41,506	50,422
Term loans	(iii)	1,111	757	1,868
		66,310	42,501	108,811

- (i) bank overdrafts of :-
 (a) \$55,957,000 is secured by mortgage over properties, pledged on machineries, other fixed assets and inventories and certain trade receivables of certain subsidiaries of the Company in The Netherlands; and
 (b) \$326,000 is secured by exclusive charged on the entire present and future current and fixed assets of a subsidiary in India.
- (ii) other short-term borrowings of \$8,916,000 is pledged on the trade receivables of certain subsidiaries in China.
- (iii) term loans of :-
 (a) \$371,000 is secured by machinery of a subsidiary in China;
 (b) \$405,000 is secured by personal guarantee by a former director of a subsidiary in Singapore (in the process of being discharged); and
 (c) \$335,000 is secured by mortgage over property and personal guarantee by existing and former directors of a newly acquired subsidiary in Malaysia.

15. Share capital

	Group and Company			
	6 months ended 31 December 2022		6 months ended 31 December 2021	
	Number of ordinary shares	Amount \$'000	Number of ordinary shares	Amount \$'000
Beginning of the financial period	427,025,409	104,444	427,002,409	104,434
Exercise of share options	-	-	23,000	10
End of the financial year	427,025,409	104,444	427,025,409	104,444

Issued and paid up capital

There were no changes in the Company's share capital for the six months period ended 31 December 2022. There are no treasury shares held as at the end of the current financial year.

	Total number of issued shares as at	
	31-12-22	31-12-21
Number of issued shares	427,025,409	427,025,409
Number of treasury shares	-	-
Total number of issued shares excluding treasury shares	427,025,409	427,025,409

Share options

The movement of share options of the Company during the period from 1 July 2022 to 31 December 2022 is as follows:

Date of grant	Number of ordinary shares under option					Exercise price	Exercise period
	As at 01.07.22	Granted during the period	Forfeited during the period	Exercised during the period	As at 31.12.22		
6.12.2017 (2017 Option)	1,112,000	-	-	-	1,112,000	\$0.432	6.12.2019 - 5.12.2027
26.1.2022 (2022 Option)	470,000	-	-	-	470,000	\$1.370	26.1.2024 - 25.1.2032
	1,582,000	-	-	-	1,582,000		

	Total number of shares as at	
	31-12-22	31-12-21
Total number of shares that may be issued on exercise of share options outstanding	1,582,000	1,112,000

15.1 To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at	
	31-12-22	31-12-21
Total number of issued shares excluding treasury shares	427,025,409	427,025,409

15.2 A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

15.3 A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

16. Subsequent events

There are no known subsequent events which led to adjustments to this set of interim financial statements.



FRENCKEN GROUP LIMITED
(Registration No. 199905084D)

G. Other Information Required by Listing Rule Appendix 7.2

1. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the independent auditors.

2. Where the figures have been audited or reviewed, the auditors' report (including any modifications or emphasis of a matter).

Not applicable.

2A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:-

(a) Updates on the efforts taken to resolve each outstanding audit issue.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable.

3. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group			
	6 months ended		12 months ended	
	31-12-22	31-12-21	31-12-22	31-12-21
Earnings per ordinary share of the Group based on net profit attributable to the shareholders of the Company:				
(i) Based on weighted average number of shares (in cents)	6.02	6.41	12.15	13.75
- Weighted average number of shares (in thousand)	427,025	427,012	427,025	426,993
(ii) On a fully diluted basis (in cents)	6.02	6.40	12.13	13.73
- Adjusted weighted average number of shares (in thousand)	427,679	427,899	427,759	427,842

Basic earnings per share for the period/year is calculated based on the weighted average number of ordinary shares in issue.

4. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

a. any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

b. any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Frencken Group is a Global Integrated Technology Solutions Company that provides 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 segments.

The Group offers end-to-end solutions across the entire customer value chain - from product conceptualization, 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 over 3,600 employees located in 19 operating sites across Asia, Europe and the USA, the Group offers its growing base of customers a global reach backed by local expertise. Working in partnership with its global customers, the Group unites the strengths of its strategically located businesses to create value for its customers.

Income Statement

Group Revenue

	1H	2H	Full Year
FY2022 (S\$'000)	388,935	397,172	786,107
FY2021 (S\$'000)	375,298	391,771	767,069
yoy (%)	3.6	1.4	2.5

For the 12 months ended 31 December 2022 ("FY2022"), the Group registered a marginal increase in revenue to S\$786.1 million from S\$767.1 million in FY2021, notwithstanding the slowdown in the global 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 against the Singapore Dollar.

For the six months ended 31 December 2022 ("2H22"), the Group's revenue was relatively stable at S\$397.2 million year-on-year (yoy) compared to S\$391.8 million in 2H21. On a half-on-half (hoh) basis, the Group's revenue in 2H22 increased 2.1% over 1H22 as higher sales of the Mechatronics Division more than offset a sales decline of the IMS Division.

Revenue breakdown by Business Segment

	2H22	2H21	yoy	1H22	hoh	FY2022	FY2021	yoy
	S\$'000	S\$'000	%	S\$'000	%	S\$'000	S\$'000	%
MECHATRONICS DIVISION								
Semiconductor	152,220	149,061	2.1	152,750	(0.3)	304,970	289,899	5.2
Medical	62,196	51,917	19.8	45,694	36.1	107,890	100,966	6.9
Analytical & Life Sciences	72,179	76,850	(6.1)	75,144	(3.9)	147,323	147,353	(0.0)
Industrial Automation	52,244	51,127	2.2	57,350	(8.9)	109,594	104,707	4.7
Others	9,287	9,668	(3.9)	9,388	(1.1)	18,675	16,067	16.2
Mechatronics Total	348,126	338,623	2.8	340,326	2.3	688,452	658,992	4.5
IMS DIVISION								
Automotive	35,905	38,774	(7.4)	36,126	(0.6)	72,031	82,130	(12.3)
Consumer & Industrial Electronics	8,245	10,206	(19.2)	9,279	(11.1)	17,524	19,228	(8.9)
Others	719	695	3.5	763	(5.8)	1,482	1,517	(2.3)
Tooling	3,011	3,334	(9.7)	2,303	30.7	5,314	4,922	8.0
IMS Total	47,880	53,009	(9.7)	48,471	(1.2)	96,351	107,797	(10.6)

Note: The above does not include revenue derived from investment holding & management services segment, others segment and also before eliminations of inter-segment sales.

Revenue at the Mechatronics Division improved 4.5% 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.

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

Revenue of the medical segment increased 6.9% to S\$107.9 million in FY2022 on the back of a strong sales pick up in Europe and Asia during 2H22. This segment's sales of S\$62.2 million in 2H22 posted growth rates of 19.8% yoy from 2H21, and 36.1% hoh from 1H22.

The analytical & life sciences segment recorded stable revenue of S\$147.3 million in FY2022.

Segmental revenue of the Europe operations were adversely affected by the Euro's depreciation against the Group's reporting currency in SGD during FY2022.

Revenue of the industrial automation segment increased 4.7% to S\$109.6 million in FY2022. Revenue of this segment are typically lumpy in nature and dependent on the capital expenditure requirement of a key customer.

Revenue at the IMS Division decreased 10.6% to S\$96.4 million in FY2022 due mainly to lower sales of the automotive and consumer & industrial electronics segments.

Revenue of the automotive segment declined 12.3% to S\$72.0 million in FY2021 due to the weaker-than-expected recovery of the global automotive industry amid supply chain disruptions during the year.

Gross Profit Margin

The Group's gross profit decreased 7.7% yoy to S\$119.0 million in FY2022. Gross profit margin eased to 15.1% in FY2022 from 16.8% in FY2021 due to the impact of sharp inflationary cost pressures particularly at the Europe operations. The Group also incurred higher depreciation expenses in FY2022 as a result of capital investments to upgrade and expand its global manufacturing facilities, and a one-time write-down for inventory adjustment and obsolescence at the Group's subsidiary in the USA ("inventory write-down").

Other Income/Other operating expenses (refer to Note 1, Part 1 of Income Statement)

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 write-back of payables.

Selling and Administrative Expenses

Selling and distribution expenses decreased 7.1% to S\$10.7 million in FY2022, attributed mainly to lower transportation costs.

Administrative and general expenses remained stable at S\$50.3 million compared to S\$49.3 million in FY2021.

Finance Costs

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 lease liabilities arising from the expansion of the Group's facilities in Europe and Malaysia.

Group Profit before Income Tax

After accounting for the above items, the Group reported a profit before income tax of S\$63.0 million in FY2022, a decline of 10.6% from S\$70.5 million in FY2021.

Group Net Profit Attributable to Equity Holders of the Company ("PATMI")

	1H	2H	Full Year
FY2022 (S\$'000)	26,146	25,728	51,874
FY2021 (S\$'000)	31,335	27,392	58,727
yoy (%)	(16.6)	(6.1)	(11.7)

For 2H22, the Group reported net profit attributable to equity holders ("PATMI") of S\$25.7 million compared to S\$27.4 million in 2H21. Excluding the non-cash inventory write-down of S\$2.0 million, PATMI for 2H22 would be slightly higher at S\$27.7 million.

For FY2022, the Group reported PATMI of S\$51.9 million, a decrease of 11.7% from S\$58.7 million in FY2021.

Correspondingly, the Group recorded earnings per share (based on weighted average number of shares) of 12.15 cents in FY2022 compared to 13.75 cents in FY2021.

Dividend

In line with its practice of rewarding shareholders for their support, the Group is recommending to pay a final tax exempt (one-tier) dividend of 3.64 cents per share in respect of FY2022 as compared to 4.13 cents per share for FY2021. Since listing on the Singapore Exchange in 2005, the Group has consistently paid dividends representing at least 30% of its earnings every year.

Balance Sheet

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

Total assets increased to S\$725.2 million as at 31 December 2022 from S\$688.1 million as at 31 December 2021.

Property, plant and equipment 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 from S\$19.5 million, 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. Correspondingly, lease liabilities also increased to S\$41.6 million as at 31 December 2022 from S\$22.2 million as at 31 December 2021.

Inventories increased to S\$228.8 million compared to S\$203.1 million as at 31 December 2021, as part of the Group's measures to manage supply chain disruptions during FY2022. Trade receivables were relatively unchanged at S\$123.2 million as at 31 December 2022.

As at 31 December 2022, the Group's cash and cash equivalents decreased to S\$167.0 million from S\$192.6 million as at 31 December 2021. Total borrowings increased to S\$108.8 million as at 31 December 2022 from S\$97.2 million as at 31 December 2021. The Group had net cash of S\$58.2 million as at 31 December 2022 which translated to a total debt-to-equity ratio of 27.8%.

Cash Flow Analysis

The Group generated net cash of S\$37.8 million from operating activities in FY2022. Net cash used in investing activities amounted to S\$44.5 million in FY2022 due 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 of the above, the Group recorded a net decrease in cash and cash equivalents of S\$37.1 million during FY2022. When added to its opening cash and cash equivalents of S\$152.6 million at the beginning of FY2022 and after accounting for the negative effect of foreign currency movements of S\$5.3 million on its opening cash and cash equivalents, the Group had a cash balance of S\$110.2 million as at 31 December 2022.

5. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The Group's financial performance in 2H22 is generally in line with the guidance provided in its business update for 3Q22 which was posted on the SGX website on 28 November 2022.

6. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.

INDUSTRY CONDITIONS AND GROUP'S STRATEGIES

Businesses worldwide faced a host of challenges during 2022 as the global economy slumped into a slowdown due to headwinds arising from geopolitical tensions, growing inflationary cost pressures, rising interest rates and the Russia-Ukraine war which caused a severe dislocation in global supply chains. The China government's pandemic-related measures also heightened operating challenges for businesses in the country.

Besides these factors, the Group's performance in FY2022 was also affected by the weaker-than-anticipated recovery of the global automotive industry, the depreciation of the Euro against the Singapore Dollar as well as the near-term impact from strategic initiatives to expand its facilities and production capacity. Notwithstanding the strong headwinds and difficult operating environment, the Group still delivered stable revenue and remained profitable in FY2022.

Looking forward, the business environment is expected to remain challenging in 2023 amid ongoing uncertainties and expectations of a global economic slowdown. Backed by its diverse exposure to multiple market segments in the high technology industry and its balance sheet strength, the Group will continue focusing on investments in customers' programs to ensure it is in prime position when the global economy recovers.

Frencken's aim is to deliver sustainable and profitable growth in the long term through its strategy of strengthening the Group's market position in the high technology industry. To this end, the Group intends to continue executing programs that will increase its value proposition, raise operational excellence, strengthen global capabilities and deliver best-in-class quality.

Investments to cater for future revenue growth

The Group has made significant capital investments over the past two years to cater for future business growth by developing new production sites, as well as improving existing facilities in Europe, Malaysia and Singapore. These capital investments have expanded the production space, capacity and competencies of the Group. Coupled with its global footprint, Frencken possesses an attractive and unique value proposition to secure new opportunities with leading Original Equipment Manufacturers and ensure the Group is well placed to build additional revenue drivers in the coming years. In the interim period while the new operating sites are being set up and qualified, the Group expects overhead costs to increase.

Working with customers on cost management

The Group has taken steps to mitigate inflationary cost pressures through its operational initiatives and by negotiating cost sharing arrangements with customers. However, these efforts were undermined by the sustained increases in business costs during the year, particularly in Europe due to soaring energy expenses, higher material costs and rising manpower costs. As such, the Group has been working with certain customers in Europe to take a more proactive approach in future with regards to managing supply chain and operational costs. The Group expects its cost management efforts to have a positive effect on its Europe operations and will continue working closely with customers.

Long term growth supported by diversity and new programs

The Mechatronics Division has forged long-term customer relationships with multinational companies that are leaders in their respective fields.

For its semiconductor segment, the Group serves several customers in the front-end and back-end capital equipment industry. While the semiconductor industry is currently in the midst of a cyclical slowdown particularly for back-end equipment, the extent and outlook varies across the Group's customer spectrum. Specifically, the Group is leveraging on its capacity expansion in Malaysia to support its key customer in Europe, to build its presence in Asia. The Group has also made inroads with a new USA customer by successfully building and delivering 3 complete semiconductor vacuum transfer platforms for wafer processing equipment.

With its global footprint, expanded capacity and capability to manufacture products with submicron accuracy, Frencken has successfully secured new programs from a leading instrumentation company in the analytical & life sciences segment.

The Group has also been winning new programs from customers in the medical segment.

These new projects will help to buffer against slower conditions in the semiconductor industry and lower orders from a key customer in the industrial automation segment.

At the IMS Division, the Group foresees its automotive segment to benefit in the long term from programs driven by the V2X (vehicle-to-everything) trends. In this regard, the Group has been working in partnership with Sweden-based Gapwaves on developing automotive radar antenna solutions.

In the near term however, inflationary cost pressures and supply chain challenges are expected to continue dampening end-customer demand in the automotive sector.

BUSINESS SEGMENT OUTLOOK

Given the challenging and uncertain macroeconomic backdrop, the Group is adopting a cautious view for FY2023. Based on current indicators and barring unforeseen circumstances, the Group expects revenue in 1H23 to soften compared to 2H22 as present business visibility is hampered by volatile market conditions. The Group will update its revenue guidance as and when appropriate.

Anticipated performances of the Group's key business segments in 1H23 as compared to 2H22:

- **Semiconductor** segment is expected to post lower revenue;
- **Medical** segment's revenue is anticipated to decrease;
- **Analytical & life sciences** segment is expected to post higher revenue;
- **Industrial Automation** segment's revenue is anticipated to decrease; and
- **Automotive** segment is expected to register stable revenue.

7. Dividend

(a) Current Financial Period Reported on

Any dividend declared (recommended) for the current financial period reported on?

Yes

The Directors are pleased to recommend a first and final exempt (one-tier) dividend in respect of the financial year ended 31 December 2022 of 3.64 cents per ordinary share for approval by shareholders at the forthcoming Annual General Meeting to be convened on 27 April 2023.

Name of Dividend	Ordinary Tax Exempt
Dividend Type	Cash
Dividend amount per share (in cents)	3.64 cents per ordinary share
Par value of shares	Not applicable
Tax Rate	Not applicable

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Yes

The Directors recommended a first and final exempt (one-tier) dividend of 4.13 cents per ordinary share in respect of the financial year ended 31 December 2021 which was approved by shareholders at the Annual General Meeting convened on 22 April 2022.

Name of Dividend	Ordinary Tax Exempt
Dividend Type	Cash
Dividend amount per share (in cents)	4.13 cents per ordinary share
Par value of shares	Not applicable
Tax Rate	Not applicable

(c) Date Payable

The proposed dividend, if approved at the Annual General Meeting, will be paid on 17 May 2023.

(d) Books closure date

Notice is also hereby given that the Share Transfer Books and the Register of Members of the Company will be closed on Monday, 8 May 2023 for the purpose of determining the entitlement of Shareholders to the Final Dividend.

Duly completed 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 the close of business at 5.00 p.m. on Friday, 5 May 2023 will be registered to determine Shareholder's entitlements to the Final Dividend.

8. If no dividend has been declared/ recommended, a statement to that effect and reason(s) for the decision.

Not applicable

9. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Name of Interested Person	Aggregate value of all IPTs during the financial year under review (excluding transactions less than \$100,000)	
	31/12/22	31/12/21
Not applicable	-	-

The Company does not have any general mandate from shareholders pursuant to Rule 920.

10. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1) of the Listing Manual of SGX-ST.

Frencken Group Limited confirms that undertakings under Rule 720(1) have been obtained from all its directors and executive officers in the format set out in Appendix 7.7.

11. A breakdown of sales.

	31-12-22 \$'000	31-12-21 \$'000	% increase/ (decrease)
Sales reported for first half year	388,935	375,298	3.6%
Operating profit after tax before deducting minority interests reported for first half year	26,174	31,635	-17.3%
Sales reported for second half year	397,172	391,771	1.4%
Operating profit after tax before deducting minority interests reported for second half year	25,463	27,476	-7.3%

12. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

	Latest Full Year 2022 \$'000	Previous Full Year 2021 \$'000
Ordinary Dividend	15,544	17,636
Special Dividend	-	-
Preference Dividend	-	-
Total	<u>15,544</u>	<u>17,636</u>

13. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13). If there are no such persons, the issuer must make an appropriate negative statement.

Pursuant to Rule 704(13), Frencken Group Limited confirms that there is no person occupying managerial positions in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company.

BY ORDER OF THE BOARD

Mohamad Anwar Au
Executive Director
27-Feb-23