



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

**Condensed Interim Financial Statements
For the six months and full year ended 31 December 2021**



**FRENCKEN GROUP LIMITED
and its Subsidiaries
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		
	31/12/21 \$'000	31/12/20 \$'000	% Change	31/12/21 \$'000	31/12/20 \$'000	% Change
Revenue	391,771	328,108	19.4%	767,069	620,616	23.6%
Cost of sales	(328,249)	(268,107)	22.4%	(638,161)	(515,177)	23.9%
Gross profit	63,522	60,001	5.9%	128,908	105,439	22.3%
Other income (Note 1)	3,666	4,116	-10.9%	7,616	10,593	-28.1%
Selling and distribution expenses	(5,812)	(4,915)	18.3%	(11,518)	(9,551)	20.6%
Administrative and general expenses	(26,568)	(21,968)	20.9%	(49,288)	(43,160)	14.2%
Other operating expenses (Note 1)	(2,032)	(2,390)	-15.0%	(3,794)	(4,392)	-13.6%
Interest income	474	575	-17.6%	966	1,573	-38.6%
Finance costs	(1,326)	(1,139)	16.4%	(2,369)	(2,411)	-1.7%
Exceptional item (Note 2)	-	(6,221)	N.M.	-	(6,221)	N.M.
Profit before income tax	31,924	28,059	13.8%	70,521	51,870	36.0%
Income tax expense	(4,448)	(3,654)	21.7%	(11,410)	(8,824)	29.3%
Profit for the period/year	27,476	24,405	12.6%	59,111	43,046	37.3%
Profit attributable to:						
Equity holders of the Company	27,392	23,835	14.9%	58,727	42,571	38.0%
Non-controlling interests	84	570	-85.3%	384	475	-19.2%
	27,476	24,405	12.6%	59,111	43,046	37.3%
Note 1 - Other income/(Other operating expenses)						
Other Income	3,666	4,116	-10.9%	7,616	10,593	-28.1%
Other Operating Expenses	(2,032)	(2,390)	-15.0%	(3,794)	(4,392)	-13.6%
	1,634	1,726	-5.3%	3,822	6,201	-38.4%
Included in Other income/(Other operating expenses):						
(Loss)/Gain on disposal of property, plant and equipment, net	95	64	48.4%	136	179	-24.0%
Property, plant and equipment written off	(29)	(115)	-74.8%	(68)	(182)	-62.6%
Government grants	1,228	2,513	-51.1%	2,643	5,269	-49.8%
Foreign exchange (loss)/gain, net	(857)	(1,799)	-52.4%	(848)	(784)	8.2%
Scrap sales	765	338	126.3%	1,191	616	93.3%
Other income	606	732	-17.2%	954	1,121	-14.9%
Other expenses	(174)	(7)	2385.7%	(186)	(18)	933.3%
	1,634	1,726	-5.3%	3,822	6,201	-38.4%

Note 2 - Exceptional item comprise:-

This was in respect of impairment loss of deferred development costs in Frencken Europe B.V., an operating unit within Mechatronics division.

N.M. : Not meaningful



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B. Condensed Interim Consolidated Statement of Comprehensive Income

	Group			
	6 months ended		12 months ended	
	31/12/21 \$'000	31/12/20 \$'000	31/12/21 \$'000	31/12/20 \$'000
<u>Statement of Comprehensive Income</u>				
Profit for the period/year	27,476	24,405	59,111	43,046
<i>Item that will not be reclassified subsequently to income statement :</i>				
- Remeasurement of defined benefit obligation	1,488	(31)	1,488	(31)
- 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	(2,915)	5,417	(3,918)	8,532
Total comprehensive income for the period/year	<u>25,809</u>	<u>29,791</u>	<u>55,441</u>	<u>51,547</u>
Attributable to:				
Equity holders of the Company	25,697	29,254	54,902	51,100
Non-controlling interests	112	537	539	447
Total comprehensive income for the period/year	<u>25,809</u>	<u>29,791</u>	<u>55,441</u>	<u>51,547</u>



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C. Condensed Interim Balance Sheets

	Group		Company	
	31/12/21 \$'000	31/12/20 \$'000	31/12/21 \$'000	31/12/20 \$'000
NON-CURRENT ASSETS				
Property, plant and equipment	110,768	99,810	-	-
Right-of-use assets	17,180	16,753	-	-
Investment properties	1,485	1,572	-	-
Subsidiaries	-	-	128,025	128,025
Financial asset at fair value through other comprehensive income	1,995	3,235	1,995	3,235
Intangible assets	19,464	11,712	-	-
Deferred income tax assets	1,487	1,437	-	-
Total non-current assets	152,379	134,519	130,020	131,260
CURRENT ASSETS				
Inventories	203,084	143,200	-	-
Trade receivables	123,311	98,662	-	-
Receivables from subsidiaries	-	-	68	7
Dividends receivable from subsidiaries	-	-	20,202	8,114
Other receivables, deposits and prepayments	16,771	12,691	16	25
Tax recoverable	-	267	-	-
Cash and cash equivalents	192,600	174,454	22,397	12,772
Total current assets	535,766	429,274	42,683	20,918
Total assets	688,145	563,793	172,703	152,178
CURRENT LIABILITIES				
Trade payables	121,889	80,096	-	-
Payable to a subsidiary	-	-	550	555
Other payables, accruals and provisions	58,054	49,513	1,647	935
Borrowings	95,643	67,344	-	-
Lease liabilities	8,238	4,913	-	-
Income tax payable	4,545	9,811	-	-
Total current liabilities	288,369	211,677	2,197	1,490
NON CURRENT LIABILITIES				
Borrowings	1,582	-	-	-
Lease liabilities	13,978	9,724	-	-
Retirement benefit obligations	1,216	2,657	-	-
Deferred income tax liabilities	3,971	3,452	-	-
Total non-current liabilities	20,747	15,833	-	-
Total liabilities	309,116	227,510	2,197	1,490
NET ASSETS	379,029	336,283	170,506	150,688
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	104,444	104,329	104,444	104,329
Foreign currency translation reserve	2,650	6,793	-	-
Merger reserve	2,345	2,345	-	-
Capital reserve	1,981	1,914	2,562	2,495
Statutory reserve fund	5,417	4,428	-	-
Share option reserve	290	357	290	357
Fair value reserve	(4,405)	(3,165)	(4,405)	(3,165)
Other reserve	(270)	(1,828)	-	-
Retained profits	263,710	218,782	67,615	46,672
	376,162	333,955	170,506	150,688
Non-controlling interests	2,867	2,328	-	-
TOTAL EQUITY	379,029	336,283	170,506	150,688



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D. Condensed Interim Consolidated Cash Flow Statement

	Group			
	6 months ended		12 months ended	
	31/12/21 \$'000	31/12/20 \$'000	31/12/21 \$'000	31/12/20 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit after tax	27,476	24,405	59,111	43,046
Adjustments for:				
Income tax expense	4,448	3,654	11,410	8,824
Exchange differences	532	(122)	568	(613)
Gain arising from forfeited share options	-	(20)	-	(20)
Depreciation of property, plant and equipment	8,983	7,850	16,940	15,563
Depreciation of right-of-use assets	3,235	2,829	5,974	5,518
Depreciation of investment properties	32	33	64	65
Loss on disposal of club membership	-	-	-	2
(Gain)/Loss on disposal of property, plant and equipment, net	(95)	(64)	(136)	(179)
Property, plant and equipment written off	29	115	68	182
Interest income	(474)	(575)	(966)	(1,573)
Interest expense	1,326	1,139	2,369	2,411
Amortisation of intangible assets	153	295	321	529
Impairment loss of deferred development costs	-	6,221	-	6,221
Operating cash flow before working capital changes	45,645	45,760	95,723	79,976
Changes in operating assets and liabilities :				
Inventories	(18,571)	15,165	(61,082)	3,792
Receivables	9,114	(4,630)	(25,869)	3,636
Payables	25,465	9,600	50,086	647
Cash flows generated from operations	61,653	65,895	58,858	88,051
Tax paid	(6,537)	(3,334)	(16,115)	(6,005)
Interest paid	(1,326)	(1,139)	(2,369)	(2,411)
NET CASH GENERATED FROM OPERATING ACTIVITIES	53,790	61,422	40,374	79,635
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	474	575	966	1,573
Additions of intangible assets	(28)	(118)	(28)	(118)
Purchase of property, plant and equipment	(11,050)	(11,223)	(17,476)	(23,664)
Proceeds from intangible assets	-	-	-	7
Proceeds from disposal of property, plant and equipment	207	354	256	562
Repayment of loan from a third party	240	240	480	360
Acquisition of a subsidiary, net of cash acquired (Note 1)	(13,043)	-	(13,043)	-
Acquisition of non-controlling interests without a change in control (Note 2)	-	-	-	(1,478)
NET CASH USED IN INVESTING ACTIVITIES	(23,200)	(10,172)	(28,845)	(22,758)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of share capital	10	563	115	843
Repayment of lease liabilities	(3,501)	(3,852)	(6,212)	(6,334)
Repayment of short term bank borrowings	(90,886)	(65,115)	(165,815)	(124,604)
Repayment of term loans	(384)	(280)	(591)	(611)
Proceeds from short term bank borrowings	92,054	67,003	175,417	128,573
Proceeds from term loans	684	-	684	-
Dividend paid to shareholders	-	(12,760)	(12,810)	(12,760)
Placement of deposits pledged as securities	-	(71)	-	(71)
NET CASH USED IN FINANCING ACTIVITIES	(2,023)	(14,512)	(9,212)	(14,964)
Net increase in cash and cash equivalents	28,567	36,738	2,317	41,913
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD/YEAR	123,976	114,224	151,132	109,599
Effect of exchange rate changes on cash and cash equivalents	67	170	(839)	(380)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD/YEAR	152,610	151,132	152,610	151,132



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D. Condensed Interim Consolidated Cash Flow Statement

	Group			
	6 months ended		12 months ended	
	31/12/21	31/12/20	31/12/21	31/12/20
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents at end of the financial period/year comprise:				
Short term funds placed with Malaysian financial institutions	44,173	44,929	44,173	44,929
Deposits with licensed banks	4,409	12,417	4,409	12,417
Cash and bank balances	144,018	117,108	144,018	117,108
Bank overdrafts	(39,781)	(23,105)	(39,781)	(23,105)
	152,819	151,349	152,819	151,349
Less: Deposits pledged as securities	(209)	(217)	(209)	(217)
	152,610	151,132	152,610	151,132

Note 1 :

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 acquisition are as follows:

	<u>Avimac</u> \$'000
(a) Identifiable assets acquired and liabilities assumed at the date of acquisition	
<u>Non-Current Assets</u>	
Property, plant and equipment	10,606
Right-of-use assets	1,887
	<u>12,493</u>
<u>Current assets</u>	
Inventories	2,701
Trade receivables	1,110
Other receivables, deposits and prepayments	1,358
Cash and cash equivalents	957
	<u>6,126</u>
<u>Current liabilities</u>	
Trade payables	(1,373)
Other payables, accruals and provisions	(500)
Borrowings	(1,883)
Lease liabilities	(1,890)
	<u>(5,646)</u>
<u>Non-Current liabilities</u>	
Borrowings	(1,364)
Lease liabilities	(7,368)
Deferred income tax liabilities	(185)
	<u>(8,917)</u>
Total identifiable assets acquired and liabilities assumed	<u>4,056</u>

(b) Consideration transferred (at acquisition date fair values)

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

Acquisition-related costs amounting to \$117,000 have been excluded from the consideration transferred and have been recognised as an expense in the period, within the "Administrative and general expenses" line item in the income statement.

(c) Goodwill arising on acquisition

Consideration transferred	12,448
Less: Fair value of identifiable net assets acquired	<u>(4,056)</u>
Goodwill arising on acquisition	<u><u>8,392</u></u>

(d) Net cash outflow on acquisition

Consideration paid in cash	14,000
Less: Cash and cash equivalent balances acquired	<u>(957)</u>
	<u><u>13,043</u></u>

(e) Impact of acquisitions on the results of the Group

Avimac contributed \$2.7 million revenue and \$0.3 million to the Group's profit 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 would have been \$58.9 million.

Note 2 :

On 31 March 2020, the Group acquired the remaining 20% interest in its indirect subsidiary, Frencken America Inc. ("FAM"). Accordingly, FAM became a wholly-owned subsidiary of the Group. The carrying amount of FAM's net assets in the Group's consolidated financial statements at the date of the acquisition was \$4,485,000.

	<u>FAM</u>
	<u>\$'000</u>
Carrying amount of non-controlling interests ("NCI") acquired (\$4,485,000 x 20%)	897
Consideration paid to NCI	<u>1,478</u>
Decrease in equity attributable to owners of the Company	<u><u>(581)</u></u>



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 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 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:												
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 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>
At 1 July 2020	103,766	1,248	2,345	1,579	4,097	712	(3,165)	(1,702)	208,038	316,918	1,791	318,709
Profit for the period	-	-	-	-	-	-	-	-	23,835	23,835	570	24,405
Other comprehensive income/(loss):												
Remeasurement of define benefit obligation	-	-	-	-	-	-	-	(31)	-	(31)	-	(31)
Currency translation differences arising from consolidation	-	5,545	-	-	-	-	-	(95)	-	5,450	(33)	5,417
Total comprehensive income/(loss) for the period	-	5,545	-	-	-	-	-	(126)	23,835	29,254	537	29,791
<i>Transactions with owners recognised directly in equity</i>												
Transfer to/(from) statutory reserve fund	-	-	-	-	331	-	-	-	(331)	-	-	-
Employee share option scheme - Issue of share capital	563	-	-	335	-	(335)	-	-	-	563	-	563
- Gain arising from forfeited share options	-	-	-	-	-	(20)	-	-	-	(20)	-	(20)
Dividend paid	-	-	-	-	-	-	-	-	(12,760)	(12,760)	-	(12,760)
	563	-	-	335	331	(355)	-	-	(13,091)	(12,217)	-	(12,217)
At 31 December 2020	<u>104,329</u>	<u>6,793</u>	<u>2,345</u>	<u>1,914</u>	<u>4,428</u>	<u>357</u>	<u>(3,165)</u>	<u>(1,828)</u>	<u>218,782</u>	<u>333,955</u>	<u>2,328</u>	<u>336,283</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 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>
At 1 July 2020	103,766	-	-	2,160	-	712	(3,165)	45,178	148,651
Total comprehensive income for the period	-	-	-	-	-	-	-	14,254	14,254
<i>Transactions with owners recognised directly in equity</i>									
Employee share option scheme - Issue of share capital	563	-	-	335	-	(335)	-	-	563
- Gain arising from forfeited share options	-	-	-	-	-	(20)	-	-	(20)
Dividend paid	-	-	-	-	-	-	-	(12,760)	(12,760)
	563	-	-	335	-	(355)	-	(12,760)	(12,217)
At 31 December 2020	<u>104,329</u>	<u>-</u>	<u>-</u>	<u>2,495</u>	<u>-</u>	<u>357</u>	<u>(3,165)</u>	<u>46,672</u>	<u>150,688</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 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:												
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 statutory reserve fund	-	-	-	-	989	-	-	-	(989)	-	-	-
Employee share option scheme - Issue of share capital	115	-	-	67	-	(67)	-	-	-	115	-	115
Dividend Paid	115	-	-	67	989	(67)	-	-	(12,810)	(12,810)	-	(12,810)
									(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>
At 1 January 2020	103,486	(1,934)	2,345	1,990	3,834	882	(3,165)	(1,630)	189,565	295,373	2,778	298,151
Profit for the year	-	-	-	-	-	-	-	-	42,571	42,571	475	43,046
Other comprehensive income/(loss):												
Remeasurement of define benefit obligation	-	-	-	-	-	-	-	(31)	-	(31)	-	(31)
Currency translation differences arising from consolidation	-	8,727	-	-	-	-	-	(167)	-	8,560	(28)	8,532
Total comprehensive income/(loss) for the year	-	8,727	-	-	-	-	-	(198)	42,571	51,100	447	51,547
<i>Transactions with owners recognised directly in equity</i>												
Transfer to/(from) statutory reserve fund	-	-	-	-	594	-	-	-	(594)	-	-	-
Employee share option scheme - Issue of share capital	843	-	-	505	-	(505)	-	-	-	843	-	843
- Gain arising from forfeited share options	-	-	-	-	-	(20)	-	-	-	(20)	-	(20)
Acquisition of non-controlling interests without a change in control	-	-	-	(581)	-	-	-	-	-	(581)	(897)	(1,478)
Dividend paid	-	-	-	-	-	-	-	-	(12,760)	(12,760)	-	(12,760)
	843	-	-	(76)	594	(525)	-	-	(13,354)	(12,518)	(897)	(13,415)
At 31 December 2020	<u>104,329</u>	<u>6,793</u>	<u>2,345</u>	<u>1,914</u>	<u>4,428</u>	<u>357</u>	<u>(3,165)</u>	<u>(1,828)</u>	<u>218,782</u>	<u>333,955</u>	<u>2,328</u>	<u>336,283</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 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>
At 1 January 2020	103,486	-	-	1,990	-	882	(3,165)	45,191	148,384
Total comprehensive income for the year	-	-	-	-	-	-	-	14,241	14,241
<i>Transactions with owners recognised directly in equity</i>									
Employee share option scheme - Issue of share capital	843	-	-	505	-	(505)	-	-	843
- Gain arising from forfeited share options	-	-	-	-	-	(20)	-	-	(20)
Dividend paid	-	-	-	-	-	-	-	(12,760)	(12,760)
	843	-	-	505	-	(525)	-	(12,760)	(11,937)
At 31 December 2020	<u>104,329</u>	<u>-</u>	<u>-</u>	<u>2,495</u>	<u>-</u>	<u>357</u>	<u>(3,165)</u>	<u>46,672</u>	<u>150,688</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 2021 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 2021 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 2021.

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 2021.

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 2020.

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. No operating segments have been aggregated in arriving at the reportable segments of the Group.

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 other segment is an investment property holding company.

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

4.1 Business segments

For the six months ended 31 December 2021

	Mechatronics	Integrated Manufacturing Services	Investment Holding & Management Services	Others	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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 six months ended 31 December 2020

	Mechatronics \$'000	Integrated Manufacturing Services \$'000	Investment Holding & Management Services \$'000	Others \$'000	Eliminations \$'000	Total \$'000
Turnover						
External revenue	269,556	58,411	-	141	-	328,108
Inter-segment sales	-	231	4,869	-	(5,100)	-
	<u>269,556</u>	<u>58,642</u>	<u>4,869</u>	<u>141</u>	<u>(5,100)</u>	<u>328,108</u>
Segment results	25,265	8,360	1,161	58	-	34,844
Interest income	88	20	503	1	(37)	575
Finance costs	(730)	(428)	(18)	-	37	(1,139)
Impairment loss of deferred development costs	(6,221)	-	-	-	-	(6,221)
Profit before income tax						<u>28,059</u>
Income tax expense	(2,369)	(1,234)	(22)	(29)	-	<u>(3,654)</u>
Total profit						<u><u>24,405</u></u>
Other segment information:						
Capital expenditure	10,239	7	45	-	-	10,291
Addition of intangible assets	-	118	-	-	-	118
Depreciation and amortisation	6,400	4,507	67	33	-	11,007
Other non-cash expenses other than depreciation and amortisation	6,226	143	4	-	-	6,373

For the twelve 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	658,992	107,797	-	280	-	767,069
Inter-segment sales	-	-	11,332	-	(11,332)	-
	<u>658,992</u>	<u>107,797</u>	<u>11,332</u>	<u>280</u>	<u>(11,332)</u>	<u>767,069</u>
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						<u>70,521</u>
Income tax expense	(11,103)	(181)	(68)	(58)	-	<u>(11,410)</u>
Total profit						<u><u>59,111</u></u>
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
As at 31 December 2021						
Segment assets	<u>487,006</u>	<u>121,320</u>	<u>78,312</u>	<u>1,507</u>	<u>-</u>	<u>688,145</u>
Segment liabilities	<u>264,190</u>	<u>41,055</u>	<u>3,787</u>	<u>84</u>	<u>-</u>	<u>309,116</u>

For the twelve months ended 31 December 2020

	Mechatronics \$'000	Integrated Manufacturing Services \$'000	Investment Holding & Management Services \$'000	Others \$'000	Eliminations \$'000	Total \$'000
Turnover						
External revenue	520,459	99,874	-	283	-	620,616
Inter-segment sales	-	1,066	9,371	-	(10,437)	-
	<u>520,459</u>	<u>100,940</u>	<u>9,371</u>	<u>283</u>	<u>(10,437)</u>	<u>620,616</u>
Segment results	48,120	7,756	2,924	129	-	58,929
Interest income	327	40	1,295	1	(90)	1,573
Finance costs	(1,494)	(958)	(49)	-	90	(2,411)
Impairment loss of deferred development costs	(6,221)	-	-	-	-	(6,221)
Profit before income tax						<u>51,870</u>
Income tax expense	(7,089)	(1,616)	(60)	(59)	-	<u>(8,824)</u>
Total profit						<u><u>43,046</u></u>
Other segment information:						
Capital expenditure	14,650	7,890	52	-	-	22,592
Addition of intangible assets	-	118	-	-	-	118
Depreciation and amortisation	12,355	9,120	135	65	-	21,675
Other non-cash expenses other than depreciation and amortisation	6,253	185	4	-	-	6,442
	<u>6,253</u>	<u>185</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>6,442</u>
<u>As at 31 December 2020</u>						
Segment assets	<u>377,698</u>	<u>117,979</u>	<u>66,538</u>	<u>1,578</u>	<u>-</u>	<u>563,793</u>
Segment liabilities	<u>180,533</u>	<u>44,570</u>	<u>2,321</u>	<u>86</u>	<u>-</u>	<u>227,510</u>

4.2 Geographical segments

	Revenue from external customers				Non-current assets	
	6 months ended		12 months ended		31/12/21	31/12/20
	31/12/21	31/12/20	31/12/21	31/12/20	\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Based on location of customer						
The Netherlands	102,548	84,790	197,330	166,798	35,493	38,066
People's Republic of China	55,035	54,291	119,010	100,056	40,552	37,435
Malaysia	39,399	18,036	79,405	36,055	32,136	35,789
Czech Republic	22,075	19,707	42,124	34,891	-	-
Singapore	47,015	29,008	82,943	50,578	30,846	10,301
Hungary	9,377	5,278	15,123	7,843	-	-
America	31,321	32,717	64,096	62,587	6,667	5,476
Germany	23,608	21,082	47,070	40,825	-	-
Switzerland	18	12	78	12	1,170	1,299
Thailand	35,021	35,836	67,645	73,848	1,543	1,985
India	3,005	3,302	6,594	5,064	2,485	2,729
Indonesia	6,089	3,966	10,472	8,202	-	-
United Kingdom	1,654	1,310	2,831	2,042	-	-
Mexico	2,382	2,604	4,937	4,246	-	-
Italy	3,140	6,026	8,215	9,757	-	-
Slovakia	1,252	1,388	2,670	2,467	-	-
Others	8,832	8,755	16,526	15,345	-	2
	<u>391,771</u>	<u>328,108</u>	<u>767,069</u>	<u>620,616</u>	<u>150,892</u>	<u>133,082</u>

4.3 Information about major customers

Included in revenue arising from Mechatronics division of \$658,992,000 (31.12.2020 : \$520,459,000) are revenue of approximately \$97,828,000 (31.12.2020 : \$109,085,000) 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 2021

	Integrated Manufacturing		Others	Total
	Mechatronics	Services		
	\$'000	\$'000	\$'000	\$'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
	<u>338,623</u>	<u>49,675</u>	<u>139</u>	<u>388,437</u>
Over time:				
Sale of moulds	-	3,334	-	3,334
	<u>338,623</u>	<u>53,009</u>	<u>139</u>	<u>391,771</u>

For the six months ended 31 December 2020

	Integrated Manufacturing		Others	Total
	Mechatronics	Services		
	\$'000	\$'000	\$'000	\$'000
At a point in time:				
Sale of goods	268,064	55,737	-	323,801
Installation services	1,492	-	-	1,492
Rental income	-	-	141	141
	<u>269,556</u>	<u>55,737</u>	<u>141</u>	<u>325,434</u>
Over time:				
Sale of moulds	-	2,674	-	2,674
	<u>269,556</u>	<u>58,411</u>	<u>141</u>	<u>328,108</u>

For the twelve months ended 31 December 2021

	Integrated Manufacturing		Others	Total
	Mechatronics	Services		
	\$'000	\$'000	\$'000	\$'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
	<u>658,992</u>	<u>102,875</u>	<u>280</u>	<u>762,147</u>
Over time:				
Sale of moulds	-	4,922	-	4,922
	<u>658,992</u>	<u>107,797</u>	<u>280</u>	<u>767,069</u>

For the twelve months ended 31 December 2020

	Mechatronics \$'000	Integrated Manufacturing Services \$'000	Others \$'000	Total \$'000
At a point in time:				
Sale of goods	514,979	95,646	-	610,625
Installation services	5,480	-	-	5,480
Rental income	-	-	283	283
	<u>520,459</u>	<u>95,646</u>	<u>283</u>	<u>616,388</u>
Over time:				
Sale of moulds	-	4,228	-	4,228
	<u>520,459</u>	<u>99,874</u>	<u>283</u>	<u>620,616</u>

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 2021 and 31 December 2020.

	Group		Company	
	31/12/21 \$'000	31/12/20 \$'000	31/12/21 \$'000	31/12/20 \$'000
Financial asset at fair value through other comprehensive income	<u>1,995</u>	<u>3,235</u>	<u>1,995</u>	<u>3,235</u>
Loans and receivables:				
Trade receivables	123,311	98,662	-	-
Receivables from subsidiaries	-	-	68	7
Dividend receivable from subsidiaries	-	-	20,202	8,114
Other receivables, deposits and prepayments	16,771	12,691	16	25
Cash and cash equivalents	192,600	174,454	22,397	12,772
Less: Prepayments	(10,449)	(5,564)	(14)	(13)
Total	<u>322,233</u>	<u>280,243</u>	<u>42,669</u>	<u>20,905</u>
Trade payables	121,889	80,096	-	-
Payable to a subsidiary	-	-	550	555
Other payables, accruals and provisions	58,054	49,513	1,647	935
Borrowings	97,225	67,344	-	-
Lease liabilities	22,216	14,637	-	-
Less: Deferred grant income	-	(477)	-	-
Financial liabilities at amortised cost	<u>299,384</u>	<u>211,113</u>	<u>2,197</u>	<u>1,490</u>

6. Profit before income tax

	Group			
	6 months ended		12 months ended	
	31/12/21 \$'000	31/12/20 \$'000	31/12/21 \$'000	31/12/20 \$'000
Profit before income tax has been arrived after charging/(crediting):				
Investment income				
Other income including interest income	(4,140)	(4,691)	(8,582)	(12,166)
Interest on borrowings	1,326	1,139	2,369	2,411
Depreciation of property, plant and equipment	8,983	7,850	16,940	15,563
Depreciation of right-of-use assets	3,235	2,829	5,974	5,518
Depreciation of investment properties	32	33	64	65
Amortisation of intangible assets	153	295	321	529
Allowance/(write-back) for doubtful debts and bad debts written off	226	(34)	244	158
Allowance/(write back) for inventory obsolescence	1,958	251	2,405	844
Impairment in value of investments	-	-	-	-
Foreign exchange (gain)/loss, net	857	1,799	848	784
Adjustments for (over)/under provision of tax in respect of prior years	(2,048)	(960)	(2,752)	(904)
(Gain)/Loss on disposal of property, plant and equipment, net	(95)	(64)	(136)	(179)
Property, plant and equipment written off	29	115	68	182
Exceptional items:-				
Impairment loss of deferred development costs	-	6,221	-	6,221

7. Taxation

	Group			
	6 months ended		12 months ended	
	31/12/21 \$'000	31/12/20 \$'000	31/12/21 \$'000	31/12/20 \$'000
Income tax expense attributable to profit is made up of:				
- Current income tax	(5,533)	(5,512)	(13,045)	(10,483)
- Deferred income tax	(690)	1,064	(758)	956
	(6,223)	(4,448)	(13,803)	(9,527)
Over/ (under) recognition in respect of previous financial years:				
- Current income tax	1,546	491	2,080	831
- Deferred income tax	502	469	672	73
	2,048	960	2,752	904
Withholding tax	(273)	(166)	(359)	(201)
	(4,448)	(3,654)	(11,410)	(8,824)

8. Dividends

	Group	
	12 months ended	
	31/12/21 \$'000	31/12/20 \$'000
Ordinary dividends paid		
First and final tax exempt (one-tier) dividend paid in respect of the previous financial year of 3.00 cents (2019: 3.00 cents per share)	(12,810)	(12,760)

9. Net asset value

	Group		Company	
	31/12/21 \$'000	31/12/20 \$'000	31/12/21 \$'000	31/12/20 \$'000
	Net asset value per ordinary share based on issued share capital at the end of financial year (cents)	88.09	78.31	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 31.12.2021 of 427,025,409 (31.12.2020 : 426,472,409).

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

	Group and Company	
	31/12/21 \$'000	31/12/20 \$'000
	Unquoted equity security designated as at FVTOCI	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	Club membership \$'000	Intellectual properties \$'000	Total \$'000
For the six months ended 31 December 2021						
Cost:						
At beginning of the financial period	12,259	18,040	2,378	-	5,963	38,640
Currency translation differences	(436)	(506)	8	-	(1)	(935)
Additions	8,392	-	28	-	-	8,420
At end of the financial year	20,215	17,534	2,414	-	5,962	46,125
Accumulated amortisation:						
At beginning of the financial period	-	4,911	2,220	-	5,963	13,094
Currency translation differences	-	62	5	-	(1)	66
Amortisation charge	-	127	26	-	-	153
At end of the financial year	-	5,100	2,251	-	5,962	13,313
Accumulated impairment:						
At beginning of the financial period	2,334	11,691	-	-	-	14,025
Currency translation differences	(135)	(542)	-	-	-	(677)
At end of the financial year	2,199	11,149	-	-	-	13,348
Carrying value: At 31 December 2021	18,016	1,285	163	-	-	19,464

(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	
	31/12/21 \$'000	31/12/20 \$'000
Mechatronics:		
America	2,268	2,412
The Netherlands	7,356	7,527
Singapore	8,392	-
	18,016	9,939

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	
	31/12/21	31/12/20
<u>Mechatronics:</u>	%	%
Gross margin ⁽¹⁾	13.2 to 23.0	12.1 to 23.4
Growth rate ⁽²⁾	0.0	0.0
Discount rate ⁽³⁾	6.8 to 7.0	10.7 to 11.8

⁽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 (2020 : 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 6.6% to 8.1% (2020 : 5.7% to 9.7%) 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 (2020 : \$6,221,000) 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.

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 2021, the Group acquired property, plant and equipment with an aggregate cost of \$11,194,000 (six months ended 2020: \$10,291,000) of which \$393,000 (six months ended 2020: \$126,000) was included in other payables at balance sheet date. Cash payments of \$11,050,000 (six months ended 2020: \$11,223,000) includes an amount of \$249,000 (six months ended 2020: \$1,058,000) for payment from other payables to purchase property, plant and equipment incurred in previous financial year.

13. Investment properties

	Group	
	31/12/21 \$'000	31/12/20 \$'000
Cost:		
At beginning of the financial year	1,804	1,803
Currency translation differences	(27)	1
At end of the financial year	1,777	1,804
Accumulated depreciation:		
At beginning of the financial year	232	167
Charge for the financial year	64	65
Currency translation differences	(4)	-
At end of the financial year	292	232
Carrying amount at end of the financial year	1,485	1,572

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 2021 and 31 December 2020 are as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 31 December 2021				
Leasehold buildings	-	-	2,334	2,334
At 31 December 2020				
Leasehold buildings	-	-	2,289	2,289

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	
	31/12/21 \$'000	31/12/20 \$'000	31/12/21 \$'000	31/12/20 \$'000
The following amounts are recognised in income statement:				
Rental income	(139)	(141)	(280)	(283)
Direct operating expenses arising from:				
- Investment properties that generate rental income	13	15	30	29

14. Borrowings

	Group	
	31/12/21 \$'000	31/12/20 \$'000
Amount repayable within one year or on demand		
Secured	49,711	26,733
Unsecured	45,932	40,611
	95,643	67,344
Amount repayable after one year		
Secured	1,582	-
Unsecured	-	-
	1,582	-
Total	97,225	67,344

Details of any collaterals

Details of the borrowings of the Group and its securities as at 31 December 2021 are as follows:

	Note	Secured \$'000	Unsecured \$'000	Total \$'000
Bank overdrafts	(i)	39,643	138	39,781
Other short-term borrowings	(ii)	9,243	45,543	54,786
Term loans	(iii)	2,407	251	2,658
		<u>51,293</u>	<u>45,932</u>	<u>97,225</u>

(i) bank overdrafts of :-

- (a) \$39,121,000 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) \$522,000 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:

- (a) \$7,382,000 is pledged on the trade receivables of certain subsidiaries in China.
(b) \$1,861,000 is secured by personal guarantee by a former director of a newly acquired subsidiary in Singapore.

(iii) term loans of :-

- (a) \$640,000 is secured by by exclusive charged on the entire present and future current and fixed assets of a subsidiary in India; and
(b) \$1,767,000 is secured by personal guarantee by former directors of a newly acquired subsidiary in Singapore.

15. Share capital

	Group and Company			
	6 months ended 31 December 2021		6 months ended 31 December 2020	
	Number of ordinary shares	Amount \$'000	Number of ordinary shares	Amount \$'000
Beginning of the financial period	427,002,409	104,434	424,922,409	103,766
Exercise of share options	23,000	10	1,550,000	563
End of the financial year	<u>427,025,409</u>	<u>104,444</u>	<u>426,472,409</u>	<u>104,329</u>

Issued and paid up capital

During the six month period ended, the Company issued 23,000 new ordinary shares pursuant to the Company's employee share option scheme at the exercise price of \$0.432 each. There are no treasury shares held as at 31 December 2021.

	Total number of issued shares as at	
	31/12/21	31/12/20
Number of issued shares	427,025,409	426,472,409
Number of treasury shares	-	-
Total number of issued shares excluding treasury shares	<u>427,025,409</u>	<u>426,472,409</u>

Share options

The movement of share options of the Company during the period from 1 July 2021 to 31 December 2021 is as follows:

Date of grant	Number of ordinary shares under option				As at 31.12.21	Exercise price	Exercise period
	As at 01.07.21	Granted during the period	Forfeited during the period	Exercised during the period			
6.12.2017 (2017 Option)	1,135,000	-	-	(23,000)	1,112,000	\$0.432	6.12.2019 - 5.12.2027
	<u>1,135,000</u>	<u>-</u>	<u>-</u>	<u>(23,000)</u>	<u>1,112,000</u>		

	Total number of shares as at	
	31/12/21	31/12/20
Total number of shares that may be issued on exercise of share options outstanding	<u>1,112,000</u>	<u>1,665,000</u>

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	
	31/12/21	31/12/20
Total number of issued shares excluding treasury shares	427,025,409	426,472,409

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	
	31/12/21	31/12/20	31/12/21	31/12/20
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)	6.41	5.59	13.75	10.01
- Weighted average number of shares (in thousand)	427,012	426,053	426,993	425,394
(ii) On a fully diluted basis (in cents)	6.40	5.58	13.73	9.98
- Adjusted weighted average number of shares (in thousand)	427,899	427,120	427,842	426,394

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 conceptualisation, integrated design, prototyping and new product introductions, to supply chain design and management, state-of-the-art value and volume manufacturing and logistics services.

With 3,500 employees located in 18 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
FY2021 (S\$'000)	375,298	391,771	767,069
FY2020 (S\$'000)	292,508	328,108	620,616
yoy (%)	28.3	19.4	23.6

For the 12 months ended 31 December 2021 ("FY2021"), the Group's revenue increased 23.6% year-on-year (yoy) to S\$767.1 million, lifted by higher sales at both the Mechatronics and IMS Divisions.

For the six months ended 31 December 2021 ("2H21"), the Group's revenue increased 19.4% to S\$391.8 million driven mainly by higher sales of the Mechatronics Division. On a half-on-half (hoh) basis, the Group's revenue in 2H21 increased 4.4% over 1H21 despite challenging supply chain conditions in the global technology industry.

Revenue breakdown by Business Segment

Sales	2H21	2H20	yoy	1H21	hoh	FY2021	FY2020	yoy
	S\$'000	S\$'000	%	S\$'000	%	S\$'000	S\$'000	%
MECHATRONICS DIVISION								
Semiconductor	149,061	98,417	51.5	140,838	5.8	289,899	186,348	55.6
Medical	51,917	41,078	26.4	49,049	5.8	100,966	85,051	18.7
Analytical & Life Sciences	76,850	61,344	25.3	70,503	9.0	147,353	115,826	27.2
Industrial Automation	51,127	60,802	(15.9)	53,580	(4.6)	104,707	118,868	(11.9)
Others	9,668	7,915	22.1	6,399	51.1	16,067	14,366	11.8
Mechatronics Total	338,623	269,556	25.6	320,369	5.7	658,992	520,459	26.6
IMS DIVISION								
Automotive	38,774	46,126	(15.9)	43,356	(10.6)	82,130	77,025	6.6
Consumer & Industrial								
Electronics	10,206	8,442	20.9	9,022	13.1	19,228	16,524	16.4
Others	695	1,400	(50.4)	822	(15.5)	1,517	3,163	(52.0)
Tooling	3,334	2,674	24.7	1,588	109.9	4,922	4,228	16.4
IMS Total	53,009	58,642	(9.6)	54,788	(3.2)	107,797	100,940	6.8

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

Revenue at the Mechatronics Division increased 26.6% to S\$659.0 million in FY2021 on the back of double-digit sales growth of the semiconductor, medical and analytical segments.

The semiconductor segment recorded strong sales growth of 55.6% to S\$289.9 million in FY2021. This was driven by higher orders for both front-end and back-end semiconductor equipment from customers in Europe and Asia which reflects the underlying strength of the global semiconductor industry amid the COVID-19 pandemic.

Sales of the medical segment increased 18.7% to S\$101.0 million in FY2021, attributable mainly to an increase in demand from customers in Europe and Asia.

Sales of the analytical & life sciences segment increased 27.2% to S\$147.4 million in FY2021 due mainly to improving demand from customers in Europe.

Sales of the industrial automation segment softened 11.9% to S\$104.7 million in FY2021 due to lower capital expenditure for hard disk production equipment of a key customer. Sales of this segment are typically lumpy in nature and dependent on the capital expenditure of the key customer.

Revenue at the IMS Division increased 6.8% to S\$107.8 million in FY2021 due mainly to higher sales of the automotive and consumer & industrial electronics segments.

Sales of the automotive segment increased 6.6% to S\$82.1 million in FY2021. However, this segment's sales of S\$38.8 million in 2H21 was a decrease of 15.9% yoy compared to 2H20 due mainly to slower conditions in the global automotive industry that arose from supply chain bottlenecks.

Gross Profit Margin

In line with its revenue growth, the Group's gross profit increased 22.3% to S\$128.9 million in FY2021. For 2H21, gross profit rose 5.9% to S\$63.5 million from S\$60.0 million in 2H20. Gross profit margin in 2H21 eased to 16.2% from 18.3% in 2H20 due mainly to softer sales of the IMS Division. However, gross profit margin for FY2021 held steady at 16.8% in FY2021 compared to 17.0% in FY2020.

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

Other income, net of other operating expenses, decreased to S\$3.8 million in FY2021 from S\$6.2 million in FY2020. This was attributed mainly to a decrease in government grants under Singapore's Job Support Scheme and from various other governments.

Selling and Administrative Expenses

Selling and distribution expenses increased 20.6% to S\$11.5 million in FY2021 due primarily to increases in freight charges.

Administrative and general expenses increased 14.2% to S\$49.3 million in FY2021 attributable mainly to higher staff related expenses and professional fees.

Finance Costs

Finance costs were stable at S\$2.4 million in FY2021.

Exceptional Items (refer to Note 2 of the Income Statement)

The Group did not record exceptional items in FY2021.

Group Profit before Income Tax

After accounting for the above items, the Group reported a 36.0% increase in profit before income tax to S\$70.5 million in FY2021.

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

Reported PATMI including exceptional items

	1H	2H	Full Year
FY2021 (S\$'000)	31,335	27,392	58,727
FY2020 (S\$'000)	18,736	23,835 *	42,571
yoy (%)	67.2	14.9	38.0

* including impairment loss of deferred development costs of S\$6.2 million

After accounting for income tax of S\$11.4 million, the Group's net profit attributable to equity holders("PATMI") grew 38.0% to S\$58.7 million in FY2021. For 2H21, the Group's PATMI increased 14.9% yoy to S\$27.4 million.

PATMI excluding exceptional items

	1H	2H	Full Year
FY2021 (S\$'000)	31,335	27,392	58,727
FY2020 (S\$'000)	18,736	30,056	48,792
yoy (%)	67.2	(8.9)	20.4

Excluding the exceptional loss of S\$6.2 million in FY2020 (Refer to Note 2 of the Income Statement), the Group's PATMI would have increased 20.4% in FY2021. For 2H21, PATMI excluding exceptional items moderated by 8.9% to S\$27.4 million from S\$30.1 million in 2H20, attributed mainly to higher freight charges and administrative expenses.

Correspondingly, the Group's earnings per share (based on weighted average number of shares) increased to 13.75 cents in FY2021 from 10.01 cents in FY2020.

Dividend

To show appreciation to shareholders for their support, the Group is recommending to pay a higher final tax exempt (one-tier) dividend of 4.13 cents per share in respect of FY2021 as compared to 3.0 cents per share for FY2020. 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 2021, the Group had shareholders' equity of S\$376.2 million, equivalent to net asset value of 88.09 cents per share based on the total number of issued shares of 427.0 million shares.

Total assets increased to S\$688.1 million as at 31 December 2021 from S\$563.8 million as at 31 December 2020.

Property, plant and equipment increased to S\$110.8 million from S\$99.8 million as at 31 December 2020. During FY2021, the Group incurred capital expenditure of S\$17.5 million. Depreciation of property, plant and equipment amounted to S\$16.9 million. Intangible assets increased to S\$19.5 million as at 31 December 2021 from S\$11.7 million, attributed mainly to goodwill arising from the acquisition of Avimac Pte Ltd in FY2021 (Please see the Company's news release on 7 September 2021 for further information). As at 31 December 2021, the Group's right-of-use assets stood at S\$17.2 million.

As at 31 December 2021, the Group's cash and cash equivalents increased to S\$192.6 million from S\$174.4 million as at 31 December 2020. Inventories increased to S\$203.1 million compared to S\$143.2 million as at 31 December 2020, to meet the fulfilment of orders to customers. Trade receivables also increased to S\$123.3 million compared to S\$98.7 million as at 31 December 2020 in tandem with the increase in the Group's sales.

Trade payables increased to S\$121.9 million as at 31 December 2021 from S\$80.1 million as at 31 December 2020 in line with higher volume of business. The Group's lease liabilities stood at S\$22.2 million as at 31 December 2021.

Total borrowings increased to S\$97.2 million as at 31 December 2021 from S\$67.3 million as at 31 December 2020.

As at 31 December 2021, the Group had net cash of S\$95.4 million as compared to S\$107.1 million as at 31 December 2020. Total debt-to-equity ratio stood at 25.8%, compared to 20.2% at the end of December 2020.

Cash Flow Analysis

The Group generated net cash of S\$40.3 million from operating activities in FY2021. Net cash used in investing activities amounted to S\$28.8 million in FY2021 due mainly to capital expenditure and acquisition of a subsidiary in Singapore, which was offset partially by interest received.

Net cash used in financing activities amounted to S\$9.2 million in FY2021 due primarily to payment of dividends to shareholders and repayment of lease liabilities. This was partially offset by net proceeds from short-term borrowings.

As a result of the above, the Group recorded a net increase in cash and cash equivalents of S\$2.3 million during FY2021. When added to its opening cash and cash equivalents of S\$151.1 million at the beginning of FY2021 and after accounting for the negative effect of foreign currency movements of S\$0.8 million on its opening cash and cash equivalents, the Group had a cash balance of S\$152.6 million as at 31 December 2021.

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 2H21 is generally in line with the guidance provided in its business update for 3Q21 which was posted on the SGX website on 11 November 2021.

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

Notwithstanding the challenging operating environment caused by the COVID-19 pandemic and supply chain disruptions, Frencken delivered a strong performance in FY2021 with double-digit growth in its top- and bottom-line. This was driven by strong demand from customers in the semiconductor, analytical & life sciences and medical segments and continuous efforts to seek greater performance. While the automotive segment improved year-on-year in FY2021, customer demand was constrained by the semiconductor chip supply challenges.

While many countries are reopening their economies, a resurgence in COVID-19 variants and infection rates continue to challenge a full-fledged recovery. The Group continues working to mitigate supply chain bottlenecks and COVID-19 related disruptions in its workforce.

Going forward, Frencken will continue its long term strategy of strengthening its market position in the high technology industry, as well as focus on its goal of delivering sustainable and profitable growth.

As such, the Group will continue to execute programs to raise operational excellence, strengthen global capabilities, deliver best-in-class quality and pursue growth opportunities. To meet the overall demand from customers, the Group has been ramping up its output capability and increasing production space with new facilities in Europe, Malaysia and Singapore.

The Mechatronics Division has forged long term customer relationships with multinational companies that are leaders in their respective fields. To expand its wallet share with these customers, the division will continue collaborating closely with them on new product introductions while working to move up the value chain.

In addition to organic growth initiatives, the Group acquired Avimac Pte Ltd ("Avimac") in September 2021 to further strengthen the Mechatronics Division (Please see the Company's news release on 7 September 2021 for further information). This acquisition has expanded the division's production capacity and capability to support customers' new programs as well as provided access to new technologies and competencies. Avimac will also allow the division to develop and grow the commercial aerospace segment in the future.

The IMS Division is implementing programs to enhance its operations. The division has successfully secured its first automotive radar antenna program using its proprietary plastic metalization process. The Group expects the automotive segment to benefit from more programs in the future, driven by the V2X (vehicle-to-everything) trends.

To broaden its future growth platform in the high technology space, the Group announced a strategic move in January 2022 to acquire a controlling equity interest in Penchem Technologies Sdn. Bhd. ("Penchem"). Penchem is a high technology company focused on designing, developing, formulating and manufacturing polymer materials (Please see the Company's announcement on 27 January 2022 for further information). This acquisition will provide synergistic benefit to both the Group and Penchem. With a longer term time horizon, the Group is planning to incubate and integrate Penchem to scale up its revenue in the future and create a new growth pillar for Frencken. Hence, Penchem is not expected to contribute materially to the Group's financial performance in the short term.

BUSINESS SEGMENT OUTLOOK

Based on current indicators and barring any unforeseen circumstances or unforeseen deterioration in the business environment, the Group expects a moderate increase in its revenue in 1H22 as compared to 2H21.

Anticipated performances of the Group's key business segments in 1H22 as compared to 2H21:

- **Semiconductor** segment is expected to post higher revenue;
- **Medical** segment is expected to register stable revenue;
- **Analytical & life sciences** segment is expected to register stable revenue;
- **Industrial Automation** segment's revenue is anticipated to increase; and
- **Automotive** segment is expected to record higher 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 2021 of 4.13 cents per ordinary share for approval by shareholders at the forthcoming Annual General Meeting to be 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

(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 3.00 cents per ordinary share in respect of the financial year ended 31 December 2020 which was approved by shareholders at the Annual General Meeting convened on 29 April 2021.

Name of Dividend	Ordinary Tax Exempt
Dividend Type	Cash
Dividend amount per share (in cents)	3.00 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 18 May 2022.

(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, 9 May 2022 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, 6 May 2022 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)	
	31/12/21	31/12/20
	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.

	31/12/2021 \$'000	31/12/2020 \$'000	% increase/ (decrease)
Sales reported for first half year	375,298	292,508	28.3%
Operating profit after tax before deducting minority interests reported for first half year	31,635	18,641	69.7%
Sales reported for second half year	391,771	328,108	19.4%
Operating profit after tax before deducting minority interests reported for second half year	27,476	24,405	12.6%

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 2021 \$'000	Previous Full Year 2020 \$'000
Ordinary Dividend	17,636	12,794
Special Dividend	-	-
Preference Dividend	-	-
Total	<u>17,636</u>	<u>12,794</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
24-Feb-22