



FRENCKEN GROUP LIMITED

(Registration No. 199905084D)

Unaudited Second Quarter Financial Statements And Dividend Announcement

PART 1- INFORMATION REQUIRED FOR ANNOUNCEMENT OF QUARTERLY (Q1, Q2 & Q3), HALF YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	3 months ended			6 months ended		
	30/06/18 \$'000	30/06/17 \$'000	% Change	30/06/18 \$'000	30/06/17 \$'000	% Change
Revenue	147,426	125,961	17.0%	286,176	260,372	9.9%
Cost of sales	(123,251)	(104,235)	18.2%	(238,887)	(215,566)	10.8%
Gross profit	24,175	21,726	11.3%	47,289	44,806	5.5%
Other income (Note 1)	1,015	1,389	-26.9%	2,397	2,765	-13.3%
Selling and distribution expenses	(2,988)	(2,710)	10.3%	(6,073)	(5,533)	9.8%
Administrative and general expenses	(12,311)	(11,934)	3.2%	(24,200)	(23,895)	1.3%
Other operating expenses (Note 1)	(365)	(138)	164.5%	(1,014)	(1,145)	-11.4%
Interest income	295	389	-24.2%	862	423	103.8%
Finance costs	(730)	(367)	98.9%	(1,290)	(709)	81.9%
Net gain on disposal of subsidiaries *	-	6	N.M.	-	10,185	N.M.
Profit before income tax	9,091	8,361	8.7%	17,971	26,897	-33.2%
Income tax expense	(2,083)	(1,581)	31.8%	(4,145)	(3,729)	11.2%
Profit for the year	7,008	6,780	3.4%	13,826	23,168	-40.3%
Profit attributable to:						
Equity holders of the Company	7,000	6,636	5.5%	13,757	22,911	-40.0%
Non-controlling interests	8	144	-94.4%	69	257	-73.2%
	7,008	6,780	3.4%	13,826	23,168	-40.3%
Note 1 - Other income/(Other operating expenses)						
Other Income	1,015	1,389	-26.9%	2,397	2,765	-13.3%
Other Operating Expenses	(365)	(138)	164.5%	(1,014)	(1,145)	-11.4%
	650	1,251	-48.0%	1,383	1,620	-14.6%
Included in Other income/(Other operating expenses):						
(Loss)/Gain on disposal of property, plant and equipment, net	(211)	27	N.M.	(165)	(28)	489.3%
Property, plant and equipment written off	-	(120)	N.M.	-	(124)	N.M.
Investment property written off	-	-	N.M.	-	(8)	N.M.
Government grants	407	538	-24.3%	1,221	1,074	13.7%
Foreign exchange (loss)/gain, net	43	109	-60.6%	(234)	(512)	-54.3%
Amortisation of deferred gain	-	267	N.M.	-	532	N.M.
Scrap sales	197	139	41.7%	347	272	27.6%
Other income	218	337	-35.3%	218	460	-52.6%
Other expenses	(4)	(46)	-91.3%	(4)	(46)	-91.3%
	650	1,251	-48.0%	1,383	1,620	-14.6%

* Refer to Note 2 of the Cash Flow Statement for details.

N.M. : Not meaningful

1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year:-

	Group			Group		
	3 months ended			6 months ended		
	30/06/18	30/06/17	%	30/06/18	30/06/17	%
	\$'000	\$'000	Change	\$'000	\$'000	Change
Profit for the period/year is arrived at after charging/(crediting) :-						
Investment income	-	-	N.M.	-	-	N.M.
Other income including interest income	(1,310)	(1,778)	-26%	(3,259)	(3,188)	2%
Amortisation of deferred gain	-	(267)	N.M.	-	(532)	N.M.
Interest on borrowings	730	367	99%	1,290	709	82%
Depreciation of property, plant and equipment	3,922	3,436	14%	7,456	7,465	0%
Depreciation of investment property	17	8	113%	35	11	218%
Amortisation of intangible assets	327	322	2%	631	627	1%
(Write back)/Allowance for doubtful debts and bad debts written off	20	-	N.M.	28	6	367%
(Write back)/Allowance for inventory obsolescence	614	(72)	N.M.	899	34	2544%
Foreign exchange loss/(gain), net	(43)	(109)	-61%	234	512	-54%
Adjustments for under/(over) provision of tax in respect of prior years	(174)	(565)	-69%	(150)	(545)	-72%
Loss/(Gain) on disposal of property, plant and equipment, net	211	(27)	N.M.	165	28	489%
Property, plant and equipment written off	-	120	N.M.	-	124	N.M.
Investment property written off	-	-	N.M.	-	8	N.M.
Net gain on disposal of subsidiaries	-	(6)	N.M.	-	(10,185)	N.M.

N.M. : Not meaningful

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of immediately preceding financial year.

	30/06/18 \$'000	Group 31/12/17 \$'000 (restated) ⁽¹⁾	31/12/16 \$'000 (restated) ⁽¹⁾	Company 30/06/18 \$'000	31/12/17 \$'000
NON-CURRENT ASSETS					
Property, plant and equipment	99,791	93,904	100,022	-	-
Investment property	1,798	1,795	-	-	-
Subsidiaries	-	-	-	127,470	127,234
Financial asset, available-for-sale	3,805	3,805	4,132	3,805	3,805
Intangible assets	24,110	24,961	25,184	-	-
Deferred income tax assets	1,482	1,562	2,214	-	-
Other receivables, deposits and prepayments	-	-	1,661	-	-
Total non-current assets	130,986	126,027	133,213	131,275	131,039
CURRENT ASSETS					
Inventories	138,652	112,154	109,274	-	-
Trade receivables	113,185	100,314	90,668	-	-
Receivable from subsidiaries	-	-	-	6,591	5,767
Dividends receivable from subsidiaries	-	-	-	-	8,209
Other receivables, deposits and prepayments	11,064	12,549	10,631	30	34
Receivable from an associated company	-	-	108	-	-
Tax recoverable	560	958	619	-	-
Cash and cash equivalents	61,206	68,153	18,482	4,369	5,632
Total current assets	324,667	294,128	229,782	10,990	19,642
Total assets	455,653	420,155	362,995	142,265	150,681
CURRENT LIABILITIES					
Trade payables	76,125	61,896	51,523	-	-
Payable to a subsidiary	-	-	-	436	286
Other payables, accruals and provisions	33,463	37,478	30,385	323	598
Deferred gain	-	-	797	-	-
Borrowings	79,983	61,739	57,420	4,303	3,319
Income tax payable	2,237	2,380	2,059	7	8
Total current liabilities	191,808	163,493	142,184	5,069	4,211
NON-CURRENT LIABILITIES					
Borrowings	2,371	1,868	1,322	-	-
Retirement benefit obligations	1,195	1,519	1,474	-	-
Deferred income tax liabilities	3,701	3,733	3,343	-	-
Total non-current liabilities	7,267	7,120	6,139	-	-
Total liabilities	199,075	170,613	148,323	5,069	4,211
NET ASSETS	256,578	249,542	214,672	137,196	146,470
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	102,773	101,943	100,031	102,773	101,943
Foreign currency translation reserve	6,547	4,293	-	-	-
Merger reserve	2,345	2,345	2,345	-	-
Capital reserve	1,623	1,193	167	1,623	1,193
Statutory reserve fund	3,066	3,032	2,284	-	-
Share option reserve	694	888	1,723	694	888
Other reserve	(978)	(983)	(994)	-	-
Retained profits	138,156	134,488	107,096	32,106	42,446
	254,226	247,199	212,652	137,196	146,470
Non-controlling interests	2,352	2,343	2,020	-	-
TOTAL EQUITY	256,578	249,542	214,672	137,196	146,470

⁽¹⁾ The Group has adopted SFRS (I) on 1 January 2018 and has elected the transition option to reset its cumulative foreign currency translation reserve to zero at the date of transition of 1 January 2017. Please refer to paragraph 4.

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30/06/18	
Secured \$'000	Unsecured \$'000
31,962	48,021

As at 31/12/17	
Secured \$'000	Unsecured \$'000
33,187	28,552

Amount repayable after one year

As at 30/06/18	
Secured \$'000	Unsecured \$'000
1,022	1,349

As at 31/12/17	
Secured \$'000	Unsecured \$'000
314	1,554

Details of any collateral

Details of the borrowings of the Group and the Company and their securities as at 30 June 2018 are as follows:

	<u>Note</u>	Secured \$'000	Unsecured \$'000	Total \$'000
Bank overdrafts	(i)	21,756	1,600	23,356
Other short-term borrowings	(ii)	9,495	46,084	55,579
Term Loans	(iii)	1,733	1,686	3,419
		<u>32,984</u>	<u>49,370</u>	<u>82,354</u>

(i) bank overdrafts of :-

- (a) \$21,145,000 is secured by mortgage over properties, pledged on the trade receivables and inventories of all subsidiaries of the Company in The Netherlands; and
- (b) \$611,000 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 is pledged on the trade receivables of certain subsidiaries in China.

(iii) term loans are secured by exclusive charged on the entire present and future current and fixed assets of a subsidiary in India.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Group	
	3 months ended		6 months ended	
	30/06/18	30/06/17	30/06/18	30/06/17
	\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit after tax	7,008	6,780	13,826	23,168
Adjustments for:				
Income tax expense	2,083	1,581	4,145	3,729
Exchange differences	(94)	361	317	197
Employee share option expense	98	39	236	79
Depreciation of property, plant and equipment	3,922	3,436	7,456	7,465
Depreciation of investment property	17	8	35	11
Loss/(Gain) on disposal of property, plant and equipment, net	211	(27)	165	28
Property, plant and equipment written off	-	120	-	124
Investment property written off	-	-	-	8
Interest income	(295)	(389)	(862)	(423)
Interest expense	730	367	1,290	709
Amortisation of deferred gain	-	(267)	-	(532)
Amortisation of intangible assets	327	322	631	627
Net gain on disposal of subsidiaries (Note 2)	-	(6)	-	(10,185)
Operating cash flow before working capital changes	14,007	12,325	27,239	25,005
Changes in operating assets and liabilities :				
Inventories	(12,262)	(10,945)	(26,785)	(13,780)
Receivables	(2,507)	(6,218)	(11,392)	(16,334)
Payables	(247)	10,734	9,442	18,726
Associated company	-	3	-	110
Cash flows (used in)/generated from operations	(1,009)	5,899	(1,496)	13,727
Tax paid	(1,067)	(1,317)	(3,841)	(1,877)
Interest paid	(730)	(367)	(1,290)	(708)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(2,806)	4,215	(6,627)	11,142
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	295	389	862	423
Additions of intangible assets	-	(374)	-	(530)
Purchase of property, plant and equipment (Note 1)	(7,273)	(6,418)	(12,544)	(10,545)
Purchase of investment property	-	(1)	-	(34)
Proceeds from intangible assets	-	-	382	-
Proceeds from disposal of property, plant and equipment	372	142	426	581
Disposal of subsidiaries, net of cash disposed of (Note 2)	-	6	-	38,309
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(6,606)	(6,256)	(10,874)	28,204
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of share capital	492	1,074	830	1,697
Repayment of finance lease liabilities	-	(55)	-	(155)
Repayment of short term bank borrowings	(40,989)	(29,738)	(68,517)	(61,661)
Repayment of term loans	(198)	(168)	(416)	(333)
Proceeds from short term bank borrowings	44,442	36,025	85,946	69,066
Proceeds from term loans	274	902	1,418	902
Dividend paid to shareholders	(10,055)	(4,970)	(10,055)	(4,970)
Placement/(Withdrawal) of fixed deposits pledged as securities	1	-	(1)	-
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(6,033)	3,070	9,205	4,546
Net (decrease)/increase in cash and cash equivalents	(15,445)	1,029	(8,296)	43,892
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD/YEAR	52,493	33,259	44,604	(9,966)
Effect of exchange rate changes on cash and cash equivalents	682	(911)	1,422	(549)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD/YEAR	37,730	33,377	37,730	33,377

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group 3 months ended		Group 6 months ended	
	30/06/18	30/06/17	30/06/18	30/06/17
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents at end of the financial period/year comprise:				
Short term funds placed with a Malaysian financial institutions	45,926	26,933	45,926	26,933
Deposits with licensed banks	3,620	4,120	3,620	4,120
Cash and bank balances	11,660	27,379	11,660	27,379
Bank overdrafts	(23,356)	(24,935)	(23,356)	(24,935)
	37,850	33,497	37,850	33,497
Less: Deposits pledged as securities	(120)	(120)	(120)	(120)
	37,730	33,377	37,730	33,377

Note 1 :

During the financial period, the Group acquired property, plant and equipment with an aggregate cost of \$13,032,000 (30.06.2017: \$9,728,000) of which \$1,307,000 (30.06.2017: \$3,176,000) was included in other payables at balance sheet date. Cash payments of \$12,544,000 (30.06.2017: \$10,545,000) includes an amount of \$819,000 (30.06.2017: \$3,993,000) for payment from other payables to purchase property, plant and equipment incurred in previous financial year.

Note 2 : Disposal of subsidiaries

(a) Disposal of Shares in Precico Electronics Sdn Bhd ("PESB")

The Company together with its wholly-owned subsidiary, Frencken International Sdn Bhd ("FISB") (formerly known as Precico Group Sdn Bhd), has on 13 January 2017 entered into a Share Purchase Agreement ("SPA") with Valeo Bayen ("Valeo"), pursuant to which FISB has agreed to sell to Valeo 168,200,000 ordinary shares, representing the entire issued and paid-up share capital of PESB, a wholly-owned subsidiary under the IMS business segment, on the terms and subject to the conditions of the SPA for a cash consideration of RM128,000,000 less the Definitive Net Debt Amount (if positive figure) or add the Definitive Net Debt Amount (if negative figure), as the case may be as determined in accordance with Schedule 3 of the SPA.

The completion under the SPA has been effected on 31 March 2017 in accordance with the terms and conditions of the SPA and PESB has ceased to be a subsidiary of the Company with effect from 31 March 2017. As at Completion Date, FISB has received an Initial Payment of RM134,734,000 (a sum equivalent to RM128,000,000 add the Estimated Net Debt Amount being RM6,734,000) in accordance with the terms of the SPA.

FISB and Valeo have reached an agreement on the Post-Completion Statement on 30 June 2017 and the consideration has been determined to be RM134,754,000. The consideration was arrived at using the Initial Payment of RM134,734,000 and adding the difference between the Definitive Net Debt Amount of RM6,754,000 and Estimated Net Debt Amount of RM6,734,000 being RM20,000.

(b) Disposal of Shares in NTZ Micro Filtration USA Inc., NTZ Micro Filtration, LLC and NTZ Manufacturing USA, LLC

The Group's wholly-owned subsidiary NTZ International Holding B.V. ("NTZ International") has on 14 February 2017 entered into a Sale and Purchase Agreement with Mr C.G.M. Hendriks and Mr P.G.W. Nieuwland for the disposal of NTZ International's entire equity interests of its wholly-owned subsidiaries NTZ Micro Filtration Inc., and NTZ Micro Filtration LLC, as well as an associated company NTZ Manufacturing USA LLC (collectively referred to as the "American Entities") for a cash consideration of Euro10,000.

Details of the disposals are as follows:

	PESB \$'000	American Entities \$'000	Total \$'000
Carrying amounts of net assets over which control was lost			
<u>Non-current asset</u>			
Property, plant and equipment	15,268	381	15,649
Deferred development costs	-	132	132
	15,268	513	15,781
<u>Current assets</u>			
Inventories	10,778	332	11,110
Trade and other receivables	9,644	768	10,412
Cash and cash equivalents	3,667	374	4,041
	24,089	1,474	25,563

Current liabilities

Trade and other payables	(7,949)	(1,648)	(9,597)
Bank borrowing	-	(131)	(131)
Intercompany payables	(69)	(71)	(140)
Income tax payable	(4)	-	(4)
	<u>(8,022)</u>	<u>(1,850)</u>	<u>(9,872)</u>

Net assets derecognised

<u>31,335</u>	<u>137</u>	<u>31,472</u>
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Consideration received:

Cash	42,798	15	42,813
Less: Transaction costs related to disposal of subsidiaries	<u>(463)</u>	<u>-</u>	<u>(463)</u>
Total consideration received	<u>42,335</u>	<u>15</u>	<u>42,350</u>

Gain/(Loss) on disposal

Consideration received	42,335	15	42,350
Net assets derecognised	<u>(31,335)</u>	<u>(137)</u>	<u>(31,472)</u>
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity on loss of control of subsidiaries	62	(755)	(693)
Gain/(Loss) on disposal	<u>11,062</u>	<u>(877)</u>	<u>10,185</u>

Net cash outflow arising on disposal

Cash consideration received	42,335	15	42,350
Cash and cash equivalents disposed of	<u>(3,667)</u>	<u>(374)</u>	<u>(4,041)</u>
	<u>38,668</u>	<u>(359)</u>	<u>38,309</u>

1(d) Consolidated statement of comprehensive income

	3 months ended		6 months ended	
	30/06/18	30/06/17	30/06/18	30/06/17
	\$'000	\$'000	\$'000	\$'000
<u>Statement of Comprehensive Income</u>				
Profit for the period/year	7,008	6,780	13,826	23,168
<i>Item that may be reclassified subsequently to income statement :</i>				
- Currency translation differences arising from consolidation	(1,346)	2,362	2,199	611
Total comprehensive income for the period/year	<u>5,662</u>	<u>9,142</u>	<u>16,025</u>	<u>23,779</u>
Attributable to:				
Equity holders of the Company	5,682	8,997	16,016	23,546
Non-controlling interests	(20)	145	9	233
Total comprehensive income for the period/year	<u>5,662</u>	<u>9,142</u>	<u>16,025</u>	<u>23,779</u>

1(e)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

(a) Statement of changes in equity for the quarter ended 30 June 2018 and 30 June 2017

	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	Other Reserve \$'000	Retained Profits \$'000	Total \$'000	Non- Controlling Interests \$'000	Total Equity \$'000	
The Group												
At 1 April 2018	102,281	7,882	2,345	1,348	3,136	871	(995)	141,141	258,009	2,372	260,381	
Profit for the quarter	-	-	-	-	-	-	-	7,000	7,000	8	7,008	
Other comprehensive income/(loss):												
Currency translation differences arising from consolidation	-	(1,335)	-	-	-	-	17	-	(1,318)	(28)	(1,346)	
Total comprehensive income for the quarter	-	(1,335)	-	-	-	-	17	7,000	5,682	(20)	5,662	
Transactions with owners recognised directly in equity												
Transfer to statutory reserve fund	-	-	-	-	(70)	-	-	70	-	-	-	
Employee share option scheme - Value of employee services	-	-	-	-	-	98	-	-	98	-	98	
- Issue of share capital	492	-	-	275	-	(275)	-	-	492	-	492	
Dividend Paid	-	-	-	-	-	-	-	(10,055)	(10,055)	-	(10,055)	
	492	-	-	275	(70)	(177)	-	(9,985)	(9,465)	-	(9,465)	
At 30 June 2018	102,773	6,547	2,345	1,623	3,066	694	(978)	138,156	254,226	2,352	256,578	
At 1 April 2017	100,654	(31,031)	2,345	504	2,387	1,426	(991)	152,570	227,864	2,108	229,972	
Effect of adopting SFRS(I) *	-	29,302	-	-	-	-	-	(29,302)	-	-	-	
At 1 April 2017 (restated)	100,654	(1,729)	2,345	504	2,387	1,426	(991)	123,268	227,864	2,108	229,972	
Profit for the quarter	-	-	-	-	-	-	-	6,636	6,636	144	6,780	
Other comprehensive income/(loss):												
Currency translation differences arising from consolidation	-	2,365	-	-	-	-	(4)	-	2,361	1	2,362	
Total comprehensive income/(loss) for the quarter	-	2,365	-	-	-	-	(4)	6,636	8,997	145	9,142	
Transactions with owners recognised directly in equity												
Transfer to statutory reserve fund	-	-	-	-	(222)	-	-	222	-	-	-	
Employee share option scheme - Value of employee services	-	-	-	-	-	39	-	-	39	-	39	
- Issue of share capital	1,074	-	-	594	-	(594)	-	-	1,074	-	1,074	
Dividend paid	-	-	-	-	-	-	-	(4,970)	(4,970)	-	(4,970)	
	1,074	-	-	594	(222)	(555)	-	(4,748)	(3,857)	-	(3,857)	
At 30 June 2017	101,728	636	2,345	1,098	2,165	871	(995)	125,156	233,004	2,253	235,257	
	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	Retained Profits \$'000	Total \$'000				
The Company												
At 1 April 2018	102,281	-	-	1,348	-	871	42,329	146,829				
Total comprehensive income for the quarter	-	-	-	-	-	-	(168)	(168)				
Transactions with owners recognised directly in equity												
Employee share option scheme - Value of employee services	-	-	-	-	-	98	-	98				
- Issue of share capital	492	-	-	275	-	(275)	-	492				
	492	-	-	275	-	(177)	(10,055)	(9,465)				
At 30 June 2018	102,773	-	-	1,623	-	694	32,106	137,196				
At 1 April 2017	100,654	-	-	504	-	1,426	40,237	142,821				
Total comprehensive income for the quarter	-	-	-	-	-	-	(154)	(154)				
Transactions with owners recognised directly in equity												
Employee share option scheme - Value of employee services	-	-	-	-	-	39	-	39				
- Issue of share capital	1,074	-	-	594	-	(594)	-	1,074				
Dividend paid	-	-	-	-	-	-	(4,970)	(4,970)				
	1,074	-	-	594	-	(555)	(4,970)	(3,857)				
At 30 June 2017	101,728	-	-	1,098	-	871	35,113	138,810				

* The Group has adopted SFRS (I) on 1 January 2018 and has elected the transition option to reset its cumulative foreign currency translation reserve to zero at the date of transition of 1 January 2017. Please refer to paragraph 4.

(b) Statement of changes in equity for the six months ended 30 June 2018 and 30 June 2017

	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	Other Reserve \$'000	Retained Profits \$'000	Total \$'000	Non-Controlling Interests \$'000	Total Equity \$'000
The Group											
At 1 January 2018	101,943	(25,009)	2,345	1,193	3,032	888	(983)	163,790	247,199	2,343	249,542
Effect of adopting SFRS(I) *	-	29,302	-	-	-	-	-	(29,302)	-	-	-
At 1 January 2018 (restated)	101,943	4,293	2,345	1,193	3,032	888	(983)	134,488	247,199	2,343	249,542
Profit for the year	-	-	-	-	-	-	-	13,757	13,757	69	13,826
Other comprehensive income/(loss):											
Currency translation differences arising from consolidation	-	2,254	-	-	-	-	5	-	2,259	(60)	2,199
Total comprehensive income for the year	-	2,254	-	-	-	-	5	13,757	16,016	9	16,025
<i>Transactions with owners recognised directly in equity</i>											
Transfer to statutory reserve fund	-	-	-	-	34	-	-	(34)	-	-	-
Employee share option scheme - Value of employee services	-	-	-	-	-	236	-	-	236	-	236
- Issue of share capital	830	-	-	430	-	(430)	-	-	830	-	830
Dividend Paid	-	-	-	-	-	-	-	(10,055)	(10,055)	-	(10,055)
	830	-	-	430	34	(194)	-	(10,089)	(8,989)	-	(8,989)
At 30 June 2018	102,773	6,547	2,345	1,623	3,066	694	(978)	138,156	254,226	2,352	256,578
At 1 January 2017	100,031	(29,302)	2,345	167	2,284	1,723	(994)	136,398	212,652	2,020	214,672
Effect of adopting SFRS(I) *	-	29,302	-	-	-	-	-	(29,302)	-	-	-
At 1 January 2017 (restated)	100,031	-	2,345	167	2,284	1,723	(994)	107,096	212,652	2,020	214,672
Profit for the year	-	-	-	-	-	-	-	22,911	22,911	257	23,168
Other comprehensive income/(loss):											
Currency translation differences arising from consolidation	-	636	-	-	-	-	(1)	-	635	(24)	611
Total comprehensive income/(loss) for the year	-	636	-	-	-	-	(1)	22,911	23,546	233	23,779
<i>Transactions with owners recognised directly in equity</i>											
Transfer to/(from) statutory reserve fund	-	-	-	-	(119)	-	-	119	-	-	-
Employee share option scheme - Value of employee services	-	-	-	-	-	79	-	-	79	-	79
- Issue of share capital	1,697	-	-	931	-	(931)	-	-	1,697	-	1,697
Dividend Paid	-	-	-	-	-	-	-	(4,970)	(4,970)	-	(4,970)
	1,697	-	-	931	(119)	(852)	-	(4,851)	(3,194)	-	(3,194)
At 30 June 2017	101,728	636	2,345	1,098	2,165	871	(995)	125,156	233,004	2,253	235,257
	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	Retained Profits \$'000	Total \$'000			
The Company											
At 1 January 2018	101,943	-	-	1,193	-	888	42,446	146,470			
Total comprehensive income for the year	-	-	-	-	-	-	(285)	(285)			
<i>Transactions with owners recognised directly in equity</i>											
Employee share option scheme - Value of employee services	-	-	-	-	-	236	-	236			
- Issue of share capital	830	-	-	430	-	(430)	-	830			
Dividend paid	-	-	-	-	-	-	(10,055)	(10,055)			
	830	-	-	430	-	(194)	(10,055)	(8,989)			
At 30 June 2018	102,773	-	-	1,623	-	694	32,106	137,196			
At 1 January 2017	100,031	-	-	167	-	1,723	38,727	140,648			
Total comprehensive income for the year	-	-	-	-	-	-	1,356	1,356			
<i>Transactions with owners recognised directly in equity</i>											
Employee share option scheme - Value of employee services	-	-	-	-	-	79	-	79			
- Issue of share capital	1,697	-	-	931	-	(931)	-	1,697			
Dividend paid	-	-	-	-	-	-	(4,970)	(4,970)			
	1,697	-	-	931	-	(852)	(4,970)	(3,194)			
At 30 June 2017	101,728	-	-	1,098	-	871	35,113	138,810			

* The Group has adopted SFRS (I) on 1 January 2018 and has elected the transition option to reset its cumulative foreign currency translation reserve to zero at the date of transition of 1 January 2017. Please refer to paragraph 4.

1(e)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Issued and paid up capital

During the quarter, the Company issued 210,000 and 2,500,000 new ordinary shares pursuant to the Company's employee share option scheme at the exercise price of \$0.155 and \$0.184 each respectively. There are no treasury shares held as at the end of the current quarter.

	Total number of issued shares as at	
	30/06/18	30/06/17
Number of issued shares	420,907,409	415,178,409
Number of treasury shares	-	-
Total number of issued shares excluding treasury shares	<u>420,907,409</u>	<u>415,178,409</u>

Share options

The movement of share options of the Company during the period from 1 April 2018 to 30 June 2018 is as follows:

Date of grant	Number of ordinary shares under option					Exercise price	Exercise period
	As at 1.4.2018	Granted during the period	Forfeited during the period	Exercised during the period	As at 30.6.2018		
1.12.2008 (2008 Option)	300,000	0	0	(210,000)	90,000	\$0.155	1.12.2010 - 30.11.2018
1.12.2009 (2009 Option)	1,185,000	0	0	0	1,185,000	\$0.168	1.12.2011 - 30.11.2019
1.12.2010 (2010 Option)	2,615,000	0	0	0	2,615,000	\$0.224	1.12.2012 - 30.11.2020
7.10.2013 (2013 Option)	0	0	0	0	0	\$0.208	7.10.2015 - 6.10.2023
1.4.2016 (2016 Option)	3,000,000	0	0	(2,500,000)	500,000	\$0.184	1.4.2018 - 31.3.2026
6.12.2017 (2017 Option)	3,000,000	0	0	0	3,000,000	\$0.432	6.12.2019 - 5.12.2027
	<u>10,100,000</u>	<u>0</u>	<u>0</u>	<u>(2,710,000)</u>	<u>7,390,000</u>		

	Total number of shares as at	
	30/06/18	30/06/17
Total number of shares that may be issued on exercise of share options outstanding	<u>7,390,000</u>	<u>10,119,000</u>

1(e)(iii) 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	
	30/06/18	31/12/17
Total number of issued shares excluding treasury shares	<u>420,907,409</u>	<u>416,382,409</u>

1(e)(iv) 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.

2. 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.

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

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited financial statements have been applied.

In December 2017, The Accounting Standards Council has issued a new financial reporting framework - Singapore Financial Reporting Standards (International) ("SFRS(I)"), which is to be adopted by Singapore-incorporated companies listed on the Singapore Exchange, for annual periods beginning on or after 1 January 2018. SFRS (I) is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The Group and the Company has adopted the new framework for the first time for financial year ending 31 December 2018 and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) will be applied in the first set of SFRS(I) financial statements.

As a first-time adopter, the Group and the Company are to apply retrospectively, accounting policies based on each SFRS(I) effective as at the end of the first SFRS(I) reporting period (31 December 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ending 31 December 2018, an additional opening balance sheet as at date of transition (1 January 2017) will be presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are required for equity as at date of transition (1 January 2017) and as at end of last financial period under FRS (31 December 2017), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended 31 December 2017).

The Group has performed a detailed analysis of the transition options and other requirements of SFRS(I) and has determined that there will be no changes to the Group's and the Company's current accounting policies under the Financial Reporting Standards in Singapore or material adjustments on the initial transition to the new framework, other than those that may arise from implementing certain new SFRS(I) pronouncements effective at the same time, and the election of certain transition options available under SFRS(I) 1.

In adopting SFRS(I), the Group has elected the transition option to reset its translation reserve to zero at the date of transition on 1 January 2017. As a result, the Group reclassified cumulative translation losses of S\$29.3 million from foreign currency translation reserve account to retained profits as at 1 January 2017.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Refer to Paragraph 4

6. 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 3 months ended		Group 6 months ended	
	30/06/18	30/06/17	30/06/18	30/06/17
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)	1.66	1.60	3.28	5.58
- Weighted average number of shares (in thousand)	420,639	414,039	418,832	410,527
(ii) On a fully diluted basis (in cents)	1.65	1.58	3.26	5.52
- Adjusted weighted average number of shares (in thousand)	423,395	419,520	421,694	415,201

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

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year.

	Group		Company	
	30/06/18	31/12/17	30/06/18	31/12/17
Net asset value per ordinary share based on issued share capital at the end of financial period/year (cents)	60.40	59.37	32.60	35.18

Net asset value per ordinary shares is calculated based on the Group's net asset value divided by the number of ordinary shares at 30.06.2018 of 420,907,409 (31.12.2017 : 416,382,409).

8. 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.

Income Statement

Group Revenue

	1Q	2Q	1H	3Q	4Q	Full Year
FY2018 (S\$'000)	138,750	147,426	286,176	-	-	-
FY2017 (S\$'000)	134,411	125,961	260,372	129,245	125,469	515,086
yoy (%)	3.2	17.0	9.9	N.M.	N.M.	N.M.

For the three months ended 30 June 2018 ("2Q18"), the Group's revenue increased 17.0% to S\$147.4 million from S\$126.0 million in 2Q17, driven by higher sales at the Mechatronics and IMS Divisions.

For the six months ended 30 June 2018 ("1H18"), the Group posted revenue of S\$286.2 million, an increase of 9.9% from S\$260.4 million in 1H17. An increase in sales at the Mechatronics Division was partially offset by a sales decline at the IMS Division due mainly to the absence of sales in 1H18 from Precico Electronics Sdn. Bhd. ("PESB") which the Group divested on 31 March 2017. Excluding the revenue contribution from PESB in 1H17, the IMS Division would have recorded revenue growth of 5.8% in 1H18.

In 1H18, the Mechatronics and IMS Divisions contributed 77.2% and 22.7% respectively to the Group's revenue.

Revenue breakdown by Business Segment

Sales	2Q18	2Q17	yoy	1Q18	qoq	1H18	1H17	yoy
	S\$'000	S\$'000	%	S\$'000	%	S\$'000	S\$'000	%
MECHATRONICS DIVISION								
Semiconductor	31,396	30,594	2.6	35,923	(12.6)	67,319	61,763	9.0
Medical	21,187	16,606	27.6	19,759	7.2	40,946	32,094	27.6
Analytical	33,862	27,083	25.0	32,366	4.6	66,228	55,242	19.9
Industrial Automation	20,162	15,365	31.2	14,253	41.5	34,415	26,042	32.2
Others	7,396	5,302	39.5	4,622	60.0	12,018	9,420	27.6
Mechatronics Total	114,003	94,950	20.1	106,923	6.6	220,926	184,561	19.7
IMS DIVISION								
Automotive	24,960	20,986	18.9	23,506	6.2	48,466	55,534	(12.7)
Consumer & Industrial Electronics	5,672	5,700	(0.5)	5,367	5.7	11,039	10,774	2.5
Others	690	903	(23.6)	640	7.8	1,330	1,993	(33.3)
Tooling	2,028	3,353	(39.5)	2,242	(9.5)	4,270	7,441	(42.6)
IMS Total	33,350	30,942	7.8	31,755	5.0	65,105	75,742	(14.0)

Note : The above does not include revenue derived from investment holding and other segments. This revenue is minimal.

Revenue at the Mechatronics Division improved 20.1% to S\$114.0 million in 2Q18 from S\$95.0 million in 2Q17 due mainly to double-digit sales growth of the medical, analytical and industrial automation segments.

The medical segment's robust year-on-year sales growth of 27.6% in 2Q18 was attributable to higher demand from existing customers. Sales of the analytical segment grew 25.0% in 2Q18 driven mainly by higher demand from end-users in the life sciences and semiconductor industries.

Sales of the industrial automation segment, which is typically lumpy in nature, increased 31.2% year-on-year in 2Q18 due mainly to higher orders for storage drive production equipment. The semiconductor segment saw a moderation in growth to 2.6% year-on-year in 2Q18 as an increase in orders for front-end semiconductor equipment was partially counterbalanced by slower orders for back-end semiconductor equipment.

Revenue at the IMS Division increased 7.8% to S\$33.3 million in 2Q18 from S\$30.9 million in 2Q17. The automotive segment posted robust year-on-year growth of 18.9% which was offset by slower sales growth of the tooling and others segments.

Gross Profit Margin

The Group's gross profit increased 11.3% to S\$24.2 million in 2Q18 from S\$21.7 million in 2Q17. However gross profit margin softened to 16.4% in 2Q18 from 17.2% in 2Q17 due to a shift in the revenue contributions from the Group's business divisions.

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

Other income, net of other operating expenses, decreased to S\$0.7 million in 2Q18 from S\$1.3 million in 2Q17 due mainly to lower net foreign exchange gain, lower government grants and the absence of amortisation of deferred gain in 2Q18.

Selling and Administrative Expenses

Selling and distribution expenses increased 10.3% year-on-year to S\$3.0 million in 2Q18, attributable mainly to higher personnel and transportation costs. Administrative and general expenses increased 3.2% to S\$12.3 million in 2Q18 from S\$11.9 million in 2Q17 due mainly to an increase in personnel-related expenses and professional fees.

Finance Costs

Finance costs increased to S\$0.7 million in 2Q18 from S\$0.4 million in 2Q17, due mainly to higher short term borrowings for working capital purposes.

Group Profit before Income Tax

As a result of the above, the Group recorded profit before income tax of S\$9.1 million in 2Q18, an increase of 8.8% from S\$8.4 million in 2Q17.

Group Net Profit Attributable to Equity Holders of the Company

	1Q	2Q	1H	3Q	4Q	Full Year
FY2018 (S\$'000)	6,757	7,000	13,757	-	-	-
FY2017 (S\$'000)	16,275 *	6,636	22,911	5,014 *	5,185 #	33,110
yoy (%)	(58.5)	5.5	(40.0)	N.M.	N.M.	N.M.

*including net gain on disposal of subsidiaries of S\$10.2 million in 1Q17 and S\$0.3 million in 3Q17

#including impairment loss of financial asset, available-for-sale of S\$0.3 million

After accounting for income tax of S\$2.1 million, the Group reported a net profit attributable to equity holders of S\$7.0 million in 2Q18, an increase of 5.5% from S\$6.6 million in 2Q17.

For 1H18, the Group recorded a net profit attributable to equity holders of S\$13.8 million, down 40.0% from S\$22.9 million in 1H17. Excluding the net gain on disposal of subsidiaries of S\$10.2 million recognised in 1Q17, the Group posted net profit growth of 8.1% year-on-year from S\$12.7 million in 1H17.

In 1H18, the Mechatronics Division posted a higher net profit of S\$14.4 million as compared to S\$11.5 million in 1H17, while the IMS Division recorded a marginal loss of S\$0.2 million in 1H18 as compared to a profit of S\$1.7 million in 1H17.

Balance Sheet

As at 30 June 2018, the Group had shareholders' equity of S\$254.2 million, equivalent to net asset value of 60.4 cents per share based on the total number of issued shares of 420.9 million shares.

Total assets increased to S\$455.7 million as at 30 June 2018 from S\$420.2 million at the end of December 2017. Property, plant and equipment increased to S\$99.8 million from S\$93.9 million as at 31 December 2017, attributable mainly to purchases of property, plant and equipment during the period in review.

Cash and cash equivalents decreased to S\$61.2 million as at 30 June 2018 from S\$68.2 million as at 31 December 2017 due mainly to payments of the special dividend and final dividend in respect of FY2017.

Inventories increased to S\$138.7 million as at 30 June 2018 from S\$112.2 million at the end of December 2017 to meet the fulfillment of orders to customers. Trade receivables increased to S\$113.2 million from S\$100.3 million as at 31 December 2017 in tandem with higher Group sales.

Trade payables increased to S\$76.1 million as at 30 June 2018 from S\$61.9 million as at 31 December 2017, attributed to higher purchases of materials required to fulfill customers' orders. Total borrowings as at 30 June 2018 increased to S\$82.4 million from S\$63.6 million as at end December 2017 due to higher requirement for working capital purposes.

The Group had net borrowings of S\$21.1 million as at 30 June 2018 as compared to net cash of S\$4.5 million as at 31 December 2017. Total debt-to-equity ratio stood at 32.4%, compared to 25.7% as at 31 December 2017.

Cash Flow Analysis

The Group used net cash of S\$6.6 million for operating activities in 1H18. Net cash used for investing activities amounted to S\$10.9 million in 1H18, attributable mainly to capital expenditure. Net cash generated from financing activities amounted to S\$9.2 million in 1H18 due primarily to net proceeds derived from short term bank borrowings, offset partially by payment of dividends to shareholders.

As a result of the above, the Group recorded a net decrease in cash and cash equivalents of S\$8.3 million during 1H18. When added to its opening cash and cash equivalents of S\$44.6 million at the beginning of FY2018 and after accounting for the positive effect of foreign currency movements of S\$1.4 million on its opening cash and cash equivalents, the Group had an ending cash balance of S\$37.7 million as at 30 June 2018.

9. 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 results for 2Q18 are in line with the guidance provided in its financial statements posted on the SGX website on 10 May 2018.

10. 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

The prevailing global macroeconomic environment remains resilient. However, the Group is mindful of potential risks to current global economic growth due to concerns of trade tensions. The uneven end-user demand conditions may continue to persist across the different business sectors.

The Group's long term goal is to deliver sustainable and profitable growth to stakeholders. To achieve this, the Group's strategy is to operate in a broad array of market segments, end-user and geographical markets as it believes the business diversity will lead to greater resilience and stability. The Group is continuing to execute strategies and implement initiatives that will strengthen its position as a premier Global Integrated Technology Solutions Company.

The Mechatronics Division continues to focus on increasing its value-add to customers. To maintain its competitive advantage and ensure it has the requisite capabilities to support customers' technology and product roadmaps, the Mechatronics Division is continuously working on operational excellence initiatives and making appropriate investments in state-of-the-art facilities and equipment. The division is adding new cleanroom facilities as well as purchasing equipment to enhance its high precision machining capabilities and increase automation of its manufacturing operations.

The IMS Division is also working on operational improvement initiatives aimed at enhancing competencies, improving efficiency and strengthening profit margins. To increase differentiation of the automotive segment, the IMS Division is developing an "IMS Centre of Technology" in Johor to centralise its tool manufacturing capabilities for all its factories in Asia. Several programs are also being implemented to increase automation, implement lean manufacturing to reduce cost and wastage, and quicken its time-to-market.

To secure new programs and further expand market share, the Mechatronics and IMS Divisions are collaborating closely with both new and existing customers to develop the next generation of technology and products.

BUSINESS SEGMENT OUTLOOK

Market forecasters are projecting continued growth in 2018 for the semiconductor, life sciences and automotive markets, which are the Group's three largest business segments.

Based on current indicators, revenue of the semiconductor segment is anticipated to improve year-on-year in 3Q18. Robust sales of front-end semiconductor equipment is expected to offset a cyclical slowdown in demand from customers of back-end semiconductor equipment.

The analytical and medical segments are expected to record higher revenues in 3Q18 as compared to 3Q17. Revenue of the industrial automation segment is also anticipated to increase year-on-year in 3Q18, driven by orders for storage drive production equipment from a key customer.

Revenue of the automotive segment in 3Q18 is expected to be stable as compared to 3Q17.

11. Dividend

(a) Current Financial Period Reported on

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

None

(b) Corresponding Period of the Immediately Preceding Financial Year

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

None

12. If no dividend has been declared/ recommended, a statement to that effect.

Not applicable.

PART 11- ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Only applies to full year results

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Only applies to full year results

15. A breakdown of sales.

Only applies to full year results

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:-

Only applies to full year results

17. Interested Person Transactions

Name of Interested Person	Aggregate value of all IPTs during the financial period under review (excluding transactions less than \$100,000) 3 months ended	
	30/6/2018	30/6/2017
Not applicable	-	-

18. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1) of the Listing Manual.

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.

BY ORDER OF THE BOARD

Mohamad Anwar Au
Executive Director
10-Aug-18

Confirmation by Directors Pursuant to Clause 705(5) of the Listing Manual of SGX-ST

We, Mohamad Anwar Au and Dato' Gooi Soon Chai, being two directors of Frencken Group Limited ("the Company"), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the second quarter 2018 financial results to be false or misleading.

On behalf of the Board of Directors

(Signed)
Mohamad Anwar Au
Executive Director

(Signed)
Dato' Gooi Soon Chai
Non-Executive Director

Singapore, 10 August 2018