



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

**Condensed Interim Financial Statements
For the six months and full year ended 31 December 2023**



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

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FRENCKEN GROUP LIMITED

(Registration No. 199905084D)

A. Condensed Interim Consolidated Income Statement

	Group					
	6 months ended			12 months ended		
	31-12-23	31-12-22	%	31-12-23	31-12-22	%
\$'000	\$'000	Change	\$'000	\$'000	Change	
Revenue	391,827	397,172	-1.3%	742,859	786,107	-5.5%
Cost of sales	(337,125)	(339,000)	-0.6%	(644,855)	(667,127)	-3.3%
Gross profit	54,702	58,172	-6.0%	98,004	118,980	-17.6%
Other income (Note 1)	5,506	7,722	-28.7%	10,938	12,295	-11.0%
Selling and distribution expenses	(4,755)	(4,969)	-4.3%	(9,737)	(10,698)	-9.0%
Administrative and general expenses	(25,476)	(25,041)	1.7%	(49,524)	(50,272)	-1.5%
Other operating expenses (Note 1)	(1,712)	(2,619)	-34.6%	(3,343)	(3,662)	-8.7%
Interest income	595	371	60.4%	1,210	579	109.0%
Finance costs	(3,104)	(2,719)	14.2%	(6,014)	(4,177)	44.0%
Share of results of an associate, net of tax	(1)	2	N.M.	4	2	100.0%
Profit before income tax	25,755	30,919	-16.7%	41,538	63,047	-34.1%
Income tax expense	(5,641)	(5,456)	3.4%	(9,552)	(11,410)	-16.3%
Profit for the period/year	20,114	25,463	-21.0%	31,986	51,637	-38.1%
Profit attributable to:						
Equity holders of the Company	20,402	25,728	-20.7%	32,475	51,874	-37.4%
Non-controlling interests	(288)	(265)	8.7%	(489)	(237)	106.3%
	20,114	25,463	-21.0%	31,986	51,637	-38.1%
Note 1 - Other income/(Other operating expenses)						
Other Income	5,506	7,722	-28.7%	10,938	12,295	-11.0%
Other Operating Expenses	(1,712)	(2,619)	-34.6%	(3,343)	(3,662)	-8.7%
	3,794	5,103	-25.7%	7,595	8,633	-12.0%
Included in Other income/(Other operating expenses):						
Gain on disposal of property, plant and equipment, net	111	83	33.7%	284	326	-12.9%
Property, plant and equipment written off	(51)	(3)	1600.0%	(52)	(9)	477.8%
Government grants	684	1,140	-40.0%	1,383	2,043	-32.3%
Foreign exchange (loss)/gain, net	(448)	590	N.M.	(4)	1,365	N.M.
Amortisation of deferred income	11	8	37.5%	22	8	175.0%
Scrap sales	848	718	18.1%	1,632	1,418	15.1%
Project income	1,609	809	98.9%	2,269	1,133	100.3%
Revaluation gain on financial assets	722	496	45.6%	1,439	830	73.4%
Payables written off	-	943	N.M.	-	943	N.M.
Other income	308	570	-46.0%	632	857	-26.3%
Other expenses	-	(251)	N.M.	(10)	(281)	-96.4%
	3,794	5,103	-25.7%	7,595	8,633	-12.0%

N.M. : Not meaningful



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B. Condensed Interim Consolidated Statement of Comprehensive Income

	Group			
	6 months ended		12 months ended	
	31-12-23 \$'000	31-12-22 \$'000	31-12-23 \$'000	31-12-22 \$'000
<u>Statement of Comprehensive Income</u>				
Profit for the period/year	20,114	25,463	31,986	51,637
<i>Item that will not be reclassified subsequently to income statement :</i>				
- Remeasurement of defined benefit obligation	70	734	70	734
<i>Item that may be reclassified subsequently to income statement :</i>				
- Currency translation differences arising from consolidation	(4,760)	(10,031)	(7,846)	(19,855)
Total comprehensive income for the period/year	<u>15,424</u>	<u>16,166</u>	<u>24,210</u>	<u>32,516</u>
Attributable to:				
Equity holders of the Company	15,766	16,614	24,709	33,185
Non-controlling interests	(342)	(448)	(499)	(669)
Total comprehensive income for the period/year	<u>15,424</u>	<u>16,166</u>	<u>24,210</u>	<u>32,516</u>



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C. Condensed Interim Balance Sheet

	Group		Company	
	31-12-23	31-12-22	31-12-23	31-12-22
	\$'000	\$'000	\$'000	\$'000
NON-CURRENT ASSETS				
Property, plant and equipment	129,816	127,541	-	-
Right-of-use assets	49,333	38,965	-	-
Investment properties	1,259	1,358	-	-
Subsidiaries	-	-	133,275	133,261
Investment in an associate	19	16	-	-
Financial asset at fair value through other comprehensive income	1,995	1,995	1,995	1,995
Intangible assets	21,348	21,503	-	-
Deferred income tax assets	1,363	1,427	-	-
Other receivables, deposits and prepayments	1,676	-	-	-
Total non-current assets	206,809	192,805	135,270	135,256
CURRENT ASSETS				
Inventories	203,396	228,821	-	-
Trade receivables	171,193	123,207	-	-
Receivables from subsidiaries	-	-	65	239
Dividends receivable from subsidiaries	-	-	9,644	14,617
Other receivables, deposits and prepayments	9,442	13,364	43	38
Tax recoverable	1,815	22	-	-
Cash and cash equivalents	142,631	166,989	18,752	18,596
Total current assets	528,477	532,403	28,504	33,490
Total assets	735,286	725,208	163,774	168,746
CURRENT LIABILITIES				
Trade payables	124,802	108,312	-	-
Payable to a subsidiary	-	-	236	106
Other payables, accruals and provisions	52,120	58,319	1,933	2,154
Deferred income	10	23	-	-
Borrowings	91,569	107,721	-	-
Lease liabilities	7,703	9,214	-	-
Income tax payable	6,036	6,371	-	-
Total current liabilities	282,240	289,960	2,169	2,260
NON CURRENT LIABILITIES				
Other payables, accruals and provisions	120	199	-	-
Deferred income	61	75	-	-
Borrowings	480	1,090	-	-
Lease liabilities	42,276	32,422	-	-
Retirement benefit obligations	430	447	-	-
Deferred income tax liabilities	4,401	4,596	-	-
Total non-current liabilities	47,768	38,829	-	-
Total liabilities	330,008	328,789	2,169	2,260
NET ASSETS	405,278	396,419	161,605	166,486
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	104,444	104,444	104,444	104,444
Foreign currency translation reserve	(24,712)	(16,913)	-	-
Merger reserve	2,345	2,345	-	-
Capital reserve	1,981	1,981	2,562	2,562
Statutory reserve fund	6,936	6,268	-	-
Share option reserve	555	467	555	467
Fair value reserve	(4,405)	(4,405)	(4,405)	(4,405)
Other reserve	637	604	-	-
Retained profits	313,465	297,097	58,449	63,418
	401,246	391,888	161,605	166,486
Non-controlling interests	4,032	4,531	-	-
TOTAL EQUITY	405,278	396,419	161,605	166,486



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D. Condensed Interim Consolidated Cash Flow Statement

	Group			
	6 months ended		12 months ended	
	31-12-23 \$'000	31-12-22 \$'000	31-12-23 \$'000	31-12-22 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit after tax	20,114	25,463	31,986	51,637
Adjustments for:				
Income tax expense	5,641	5,456	9,552	11,410
Share of results of an associate, net of tax	1	(2)	(4)	(2)
Exchange differences	(523)	(251)	(777)	353
Employee share option expense	97	97	193	177
Depreciation of property, plant and equipment	10,972	10,418	21,899	20,058
Depreciation of right-of-use assets	3,948	4,194	7,869	7,709
Depreciation of investment properties	9	15	19	43
Gain on lease modification	(112)	-	(112)	-
Gain on disposal of property, plant and equipment, net	(111)	(83)	(284)	(326)
Property, plant and equipment written off	51	3	52	9
Interest income	(595)	(371)	(1,210)	(579)
Interest expense	3,104	2,719	6,014	4,177
Amortisation of deferred income	(11)	(8)	(22)	(8)
Amortisation of intangible assets	167	139	327	285
Operating cash flow before working capital changes	42,752	47,789	75,502	94,943
Changes in operating assets and liabilities :				
Inventories	34,039	7,254	25,847	(35,270)
Receivables	(55,459)	23,770	(44,881)	(3,255)
Payables	38,097	(10,627)	10,291	(5,576)
Cash flows generated from operations	59,429	68,186	66,759	50,842
Tax paid	(4,610)	(4,795)	(11,752)	(8,839)
Interest paid	(3,133)	(2,719)	(6,043)	(4,177)
NET CASH GENERATED FROM OPERATING ACTIVITIES	51,686	60,672	48,964	37,826
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	595	371	1,210	579
Additions of intangible assets	(21)	-	(38)	-
Purchase of property, plant and equipment	(17,169)	(18,008)	(26,845)	(42,600)
Proceeds from disposal of property, plant and equipment	450	589	527	1,173
Loan to a third party	-	-	(2,500)	-
Repayment of loan from a third party	231	-	349	-
Acquisition of subsidiary, net of cash acquired (Note 1)	-	(3,630)	-	(3,630)
NET CASH USED IN INVESTING ACTIVITIES	(15,914)	(20,678)	(27,297)	(44,478)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of lease liabilities	(4,555)	(5,193)	(9,910)	(9,416)
Repayment of short-term bank borrowings	(39,910)	(47,373)	(134,601)	(188,286)
Repayment of term loans	(350)	(561)	(800)	(1,095)
Proceeds from short-term bank borrowings	35,524	40,662	124,530	186,015
Proceeds from term loans	475	-	475	-
Dividend paid to shareholders	-	-	(15,544)	(17,636)
Placement of fixed deposits pledged as securities	-	(7)	-	(7)
NET CASH USED IN FINANCING ACTIVITIES	(8,816)	(12,472)	(35,850)	(30,425)
Net increase/(decrease) in cash and cash equivalents	26,956	27,522	(14,183)	(37,077)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD/YEAR	66,418	85,361	110,268	152,610
Effect of exchange rate changes on cash and cash equivalents	(2,179)	(2,615)	(4,890)	(5,265)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	91,195	110,268	91,195	110,268



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D. Condensed Interim Consolidated Cash Flow Statement

	Group			
	6 months ended		12 months ended	
	31-12-23	31-12-22	31-12-23	31-12-22
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents at end of the financial year comprise:				
Short-term funds placed with Malaysian financial institutions	46,595	43,869	46,595	43,869
Deposits with licensed banks	21,247	17,580	21,247	17,580
Cash and bank balances	74,789	105,540	74,789	105,540
Bank overdrafts	(51,238)	(56,521)	(51,238)	(56,521)
	91,393	110,468	91,393	110,468
Less: Deposits pledged as securities	(198)	(200)	(198)	(200)
	91,195	110,268	91,195	110,268

Note 1 :

On 27 January 2022, the Company entered into a Sale and Purchase Agreement with two existing shareholders of Penchem Technologies Sdn. Bhd. ("Penchem") to purchase 261,500 ordinary shares, representing 50.00% of the ordinary shares of Penchem. The Company had also simultaneously entered into a Subscription Agreement with Penchem to subscribe for 10,058 ordinary shares of Penchem. Following the completion on 30 August 2022, the Company owned 50.94% of the issued share capital of Penchem for a consideration of \$5,127,000, thereby obtaining control of Penchem. The carrying amount of Penchem's net assets in the Group's consolidated financial statements at the date of the acquisition was \$4,757,000.

Details of the consideration paid, the assets acquired and liabilities assumed and the effect on the cash flows of the Group, at the acquisition date, are as follows:

	Penchem
	2022
	\$'000
(a) Identifiable assets acquired and liabilities assumed at the date of acquisition	
<u>Non-Current Assets</u>	
Property, plant and equipment	2,527
Right-of-use assets	820
Investment in an associate	15
	<u>3,362</u>
<u>Current Assets</u>	
Inventories	550
Trade receivables	382
Other receivables, deposits and prepayments	68
Tax recoverable	26
Cash and cash equivalents	1,497
	<u>2,523</u>
<u>Current Liabilities</u>	
Trade payables	(29)
Other payables, accruals and provisions	(276)
Deferred income	(23)
Borrowings	(60)
Lease liabilities	(6)
	<u>(394)</u>

<u>Non-Current Liabilities</u>	
Other payables, accruals and provisions	(220)
Deferred income	(85)
Borrowings	(303)
Lease liabilities	(6)
Deferred income tax liabilities	(120)
	<u>(734)</u>
Total identifiable assets acquired and liabilities assumed	<u>4,757</u>

In 2022, the fair value of the financial assets includes receivables acquired with a fair value of \$450,000.

(b) Non-controlling interest

In 2022, the non-controlling interest (49.06% ownership interest in Penchem) recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to \$2,333,000.

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

Cash consideration transferred	<u>5,127</u>
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Acquisition-related costs amounting to \$61,000 have been excluded from the consideration transferred and have been recognised as an expense in financial year ended 2022, within the "Administrative and general expenses" line item in the income statement.

(d) Goodwill arising on acquisition

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

In 2022, goodwill of \$2,703,000 arising from acquisition of Penchem Technologies Sdn. Bhd was determined provisionally. In 2023, the valuation of assets acquired and liabilities assumed was completed and the final amount of goodwill determined was \$2,697,000. The minimal difference between final and provisional goodwill of \$6,000 was due to foreign exchange difference.

(e) Net cash outflow on acquisition

Consideration paid in cash	5,127
Less: Cash and cash equivalent balances acquired	(1,497)
Net cash outflow on acquisition	<u>3,630</u>

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

In 2022, Penchem contributed \$1,033,000 revenue and \$19,000 profit after tax to the Group for the period between the date of acquisition and the reporting date.

If the acquisition of Penchem had been completed on the first day of the financial year, Group revenue for the year would have been \$788,294,000 and Group profit after tax would have been \$51,872,000.



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E. Condensed Interim Consolidated Statement of Changes in Equity

(a) Statement of changes in equity for the six months ended 31 December 2023 and 31 December 2022

	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 2023	104,444	(20,096)	2,345	1,981	6,712	563	(4,405)	657	293,182	385,383	4,374	389,757
Profit for the period	-	-	-	-	-	-	-	-	20,402	20,402	(288)	20,114
Other comprehensive income:												
Remeasurement of defined benefit obligation	-	-	-	-	-	-	-	70	-	70	-	70
Currency translation differences arising from consolidation	-	(4,616)	-	-	-	-	-	(90)	-	(4,706)	(54)	(4,760)
Total comprehensive income/(loss) for the period	-	(4,616)	-	-	-	-	-	(20)	20,402	15,766	(342)	15,424
<i>Transactions with owners recognised directly in equity</i>												
Transfer to statutory reserve fund	-	-	-	-	224	-	-	-	(224)	-	-	-
Employee share option scheme - Value of employee services	-	-	-	-	-	97	-	-	-	97	-	97
Transfer arising from forfeited share options	-	-	-	-	-	(105)	-	-	105	-	-	-
Dividend Paid	-	-	-	-	224	(8)	-	-	(119)	97	-	97
At 31 December 2023	<u>104,444</u>	<u>(24,712)</u>	<u>2,345</u>	<u>1,981</u>	<u>6,936</u>	<u>555</u>	<u>(4,405)</u>	<u>637</u>	<u>313,465</u>	<u>401,246</u>	<u>4,032</u>	<u>405,278</u>
At 1 July 2022	104,444	(6,926)	2,345	1,981	5,904	370	(4,405)	(269)	271,733	375,177	2,646	377,823
Profit for the period	-	-	-	-	-	-	-	-	25,728	25,728	(265)	25,463
Other comprehensive income/(loss):												
Remeasurement of define benefit obligation	-	-	-	-	-	-	-	734	-	734	-	734
Currency translation differences arising from consolidation	-	(9,987)	-	-	-	-	-	139	-	(9,848)	(183)	(10,031)
Total comprehensive income/(loss) for the period	-	(9,987)	-	-	-	-	-	873	25,728	16,614	(448)	16,166
<i>Transactions with owners recognised directly in equity</i>												
Transfer to/(from) statutory reserve fund	-	-	-	-	364	-	-	-	(364)	-	-	-
Employee share option scheme - Value of employee services	-	-	-	-	-	97	-	-	-	97	-	97
Non-controlling interests arising from acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	2,333	2,333
	-	-	-	-	364	97	-	-	(364)	97	2,333	2,430
At 31 December 2022	<u>104,444</u>	<u>(16,913)</u>	<u>2,345</u>	<u>1,981</u>	<u>6,268</u>	<u>467</u>	<u>(4,405)</u>	<u>604</u>	<u>297,097</u>	<u>391,888</u>	<u>4,531</u>	<u>396,419</u>

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 2023	104,444	-	-	2,562	-	563	(4,405)	47,634	150,798
Profit for the period, representing total comprehensive income for the period	-	-	-	-	-	-	-	10,815	10,815
<i>Transactions with owners recognised directly in equity</i>									
Employee share option scheme - Value of employee services	-	-	-	-	-	97	-	-	97
Reversal arising from forfeited share options	-	-	-	-	-	(105)	-	-	(105)
Dividend paid	-	-	-	-	-	(8)	-	-	(8)
At 31 December 2023	<u>104,444</u>	<u>-</u>	<u>-</u>	<u>2,562</u>	<u>-</u>	<u>555</u>	<u>(4,405)</u>	<u>58,449</u>	<u>161,605</u>
At 1 July 2022	104,444	-	-	2,562	-	370	(4,405)	49,289	152,260
Profit for the period, representing total comprehensive income for the period	-	-	-	-	-	-	-	14,129	14,129
<i>Transactions with owners recognised directly in equity</i>									
Employee share option scheme - Value of employee services	-	-	-	-	-	97	-	-	97
	-	-	-	-	-	97	-	-	97
At 31 December 2022	<u>104,444</u>	<u>-</u>	<u>-</u>	<u>2,562</u>	<u>-</u>	<u>467</u>	<u>(4,405)</u>	<u>63,418</u>	<u>166,486</u>

(b) Statement of changes in equity for the twelve months ended 31 December 2023 and 31 December 2022

	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 2023	104,444	(16,913)	2,345	1,981	6,268	467	(4,405)	604	297,097	391,888	4,531	396,419
Profit for the year	-	-	-	-	-	-	-	-	32,475	32,475	(489)	31,986
Other comprehensive income/(loss):												
Remeasurement of defined benefit obligation	-	-	-	-	-	-	-	70	-	70	-	70
Currency translation differences arising from consolidation	-	(7,799)	-	-	-	-	-	(37)	-	(7,836)	(10)	(7,846)
Total comprehensive income/(loss) for the year	-	(7,799)	-	-	-	-	-	33	32,475	24,709	(499)	24,210
<i>Transactions with owners recognised directly in equity</i>												
Transfer to statutory reserve fund	-	-	-	-	668	-	-	-	(668)	-	-	-
Employee share option scheme - Value of employee services	-	-	-	-	-	193	-	-	-	193	-	193
Transfer arising from forfeited share options	-	-	-	-	-	(105)	-	-	105	-	-	-
Dividend Paid	-	-	-	-	668	88	-	-	(15,544)	(15,544)	-	(15,544)
	-	-	-	-	668	88	-	-	(16,107)	(15,351)	-	(15,351)
At 31 December 2023	<u>104,444</u>	<u>(24,712)</u>	<u>2,345</u>	<u>1,981</u>	<u>6,936</u>	<u>555</u>	<u>(4,405)</u>	<u>637</u>	<u>313,465</u>	<u>401,246</u>	<u>4,032</u>	<u>405,278</u>
At 1 January 2022	104,444	2,650	2,345	1,981	5,417	290	(4,405)	(270)	263,710	376,162	2,867	379,029
Profit for the year	-	-	-	-	-	-	-	-	51,874	51,874	(237)	51,637
Other comprehensive income/(loss):												
Remeasurement of define benefit obligation	-	-	-	-	-	-	-	734	-	734	-	734
Currency translation differences arising from consolidation	-	(19,563)	-	-	-	-	-	140	-	(19,423)	(432)	(19,855)
Total comprehensive income/(loss) for the year	-	(19,563)	-	-	-	-	-	874	51,874	33,185	(669)	32,516
<i>Transactions with owners recognised directly in equity</i>												
Transfer to/(from) statutory reserve fund	-	-	-	-	851	-	-	-	(851)	-	-	-
Employee share option scheme - Value of employee services	-	-	-	-	-	177	-	-	-	177	-	177
Non-controlling interests arising from acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	2,333	2,333
Dividend paid	-	-	-	-	-	-	-	-	(17,636)	(17,636)	-	(17,636)
	-	-	-	-	851	177	-	-	(18,487)	(17,459)	2,333	(15,126)
At 31 December 2022	<u>104,444</u>	<u>(16,913)</u>	<u>2,345</u>	<u>1,981</u>	<u>6,268</u>	<u>467</u>	<u>(4,405)</u>	<u>604</u>	<u>297,097</u>	<u>391,888</u>	<u>4,531</u>	<u>396,419</u>

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 2023	104,444	-	-	2,562	-	467	(4,405)	63,418	166,486
Profit for the year, representing total comprehensive income for the financial year	-	-	-	-	-	-	-	10,575	10,575
<i>Transactions with owners recognised directly in equity</i>									
Employee share option scheme - Value of employee services	-	-	-	-	-	193	-	-	193
Reversal arising from forfeited share options	-	-	-	-	-	(105)	-	-	(105)
Dividend paid	-	-	-	-	-	-	-	(15,544)	(15,544)
	-	-	-	-	-	88	-	(15,544)	(15,456)
At 31 December 2023	<u>104,444</u>	<u>-</u>	<u>-</u>	<u>2,562</u>	<u>-</u>	<u>555</u>	<u>(4,405)</u>	<u>58,449</u>	<u>161,605</u>
At 1 January 2022	104,444	-	-	2,562	-	290	(4,405)	67,615	170,506
Profit for the year, representing total comprehensive income for the financial year	-	-	-	-	-	-	-	13,439	13,439
<i>Transactions with owners recognised directly in equity</i>									
Employee share option scheme - Value of employee services	-	-	-	-	-	177	-	-	177
Dividend paid	-	-	-	-	-	-	-	(17,636)	(17,636)
	-	-	-	-	-	177	-	(17,636)	(17,459)
At 31 December 2022	<u>104,444</u>	<u>-</u>	<u>-</u>	<u>2,562</u>	<u>-</u>	<u>467</u>	<u>(4,405)</u>	<u>63,418</u>	<u>166,486</u>



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 2023 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 trading of micromechanical product components for automotive industry.

2. Basis of Preparation

The condensed interim financial statements for the six months ended 31 December 2023 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 2023.

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 2023.

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 2022.

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

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

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

3. Seasonal operations

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

4. Segment and revenue information

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

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

- Mechatronics - specialising in the design and manufacture of complex electro-mechanical assemblies and automation systems for original equipment manufacturers.
- Integrated Manufacturing Services ("IMS") - specialising in a one-stop integrated solution to manufacture plastic components (including design and fabrication of mould) for assembly into modules and finished products. It also designs and manufactures high quality oil filters.

The Investment Holding & Management Services segment is not a business segment but essentially are investment holding companies and providing management services to companies within the Group.

The Others segment comprises:

- an investment in property holding company; and
- companies in the business of producing, testing and trading of high performance adhesive products and thermal management products.

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

4.1 Business segments

For the six months ended 31 December 2023

	Mechatronics	Integrated Manufacturing Services	Investment Holding & Management Services	Others	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Turnover						
External revenue	342,970	47,483	-	1,374	-	391,827
Inter-segment sales	-	-	5,191	-	(5,191)	-
	<u>342,970</u>	<u>47,483</u>	<u>5,191</u>	<u>1,374</u>	<u>(5,191)</u>	<u>391,827</u>
Segment results	22,022	3,359	2,737	147	-	28,265
Interest income	116	38	428	13	-	595
Finance costs	(2,763)	(316)	(3)	(22)	-	(3,104)
Share of results of an associate, net of tax	-	-	-	(1)	-	(1)
Profit before income tax						<u>25,755</u>
Income tax expense	(4,119)	(1,380)	(39)	(103)	-	<u>(5,641)</u>
Total profit						<u><u>20,114</u></u>
Other segment information:						
Capital expenditure	15,442	1,491	3	246	-	17,182
Addition of intangible assets	-	21	-	-	-	21
Depreciation and amortisation	11,314	3,619	57	106	-	15,096
Amortisation of deferred income	-	-	-	11	-	11
Other non-cash expenses other than depreciation and amortisation	72	25	50	1	-	148

For the six months ended 31 December 2022

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

For the twelve months ended 31 December 2023

	Mechatronics	Integrated Manufacturing Services	Investment Holding & Management Services	Others	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Turnover						
External revenue	646,219	93,781	-	2,859	-	742,859
Inter-segment sales	-	-	10,003	-	(10,003)	-
	<u>646,219</u>	<u>93,781</u>	<u>10,003</u>	<u>2,859</u>	<u>(10,003)</u>	<u>742,859</u>
Segment results	36,267	4,164	5,609	298	-	46,338
Interest income	249	48	892	25	(4)	1,210
Finance costs	(5,321)	(662)	(4)	(31)	4	(6,014)
Share of results of an associate, net of tax	-	-	-	4	-	4
Profit before income tax						<u>41,538</u>
Income tax expense	(7,721)	(1,612)	(74)	(145)	-	<u>(9,552)</u>
Total profit						<u><u>31,986</u></u>
Other segment information:						
Capital expenditure	24,264	2,224	6	257	-	26,751
Addition of intangible assets	-	38	-	-	-	38
Depreciation and amortisation	22,349	7,430	117	218	-	30,114
Amortisation of deferred income	-	-	-	22	-	22
Other non-cash expenses other than depreciation and amortisation	99	46	99	1	-	245

As at 31 December 2023

Segment assets	<u>545,054</u>	<u>108,800</u>	<u>71,886</u>	<u>9,546</u>	<u>-</u>	<u>735,286</u>
Segment liabilities	<u>292,713</u>	<u>32,187</u>	<u>4,077</u>	<u>1,031</u>	<u>-</u>	<u>330,008</u>

For the twelve months ended 31 December 2022

	Mechatronics	Integrated Manufacturing Services	Investment Holding & Management Services	Others	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Turnover						
External revenue	688,452	96,351	-	1,304	-	786,107
Inter-segment sales	-	-	11,785	-	(11,785)	-
	<u>688,452</u>	<u>96,351</u>	<u>11,785</u>	<u>1,304</u>	<u>(11,785)</u>	<u>786,107</u>
Segment results	55,356	4,642	6,413	232	-	66,643
Interest income	136	19	418	6	-	579
Finance costs	(3,367)	(802)	(2)	(6)	-	(4,177)
Share of results of an associate, net of tax	-	-	-	2	-	2
Profit before income tax						<u>63,047</u>
Income tax expense	(10,566)	(685)	(70)	(89)	-	<u>(11,410)</u>
Total profit						<u><u>51,637</u></u>
Other segment information:						
Capital expenditure	37,000	4,918	258	8	-	42,184
Depreciation and amortisation	19,616	8,229	134	116	-	28,095
Amortisation of deferred income	-	-	-	8	-	8
Other non-cash expenses other than depreciation and amortisation	54	38	94	-	-	186
	<u>54</u>	<u>38</u>	<u>94</u>	<u>-</u>	<u>-</u>	<u>186</u>
<u>As at 31 December 2022</u>						
Segment assets	<u>531,380</u>	<u>110,760</u>	<u>73,024</u>	<u>10,044</u>	<u>-</u>	<u>725,208</u>
Segment liabilities	<u>290,038</u>	<u>33,414</u>	<u>4,109</u>	<u>1,228</u>	<u>-</u>	<u>328,789</u>

4.2 Geographical segments

	Revenue from external customers				Non-current assets	
	6 months ended		12 months ended		31-12-23 \$'000	31-12-22 \$'000
	31-12-23 \$'000	31-12-22 \$'000	31-12-23 \$'000	31-12-22 \$'000		
Based on location of customer						
The Netherlands	166,162	115,986	303,697	213,713	81,922	67,831
People's Republic of China	26,900	51,186	59,982	97,580	34,845	36,612
Malaysia	16,946	22,817	40,819	56,286	39,649	40,330
Czech Republic	34,483	21,659	62,569	44,696	-	-
Singapore	40,738	50,835	69,599	101,442	35,821	32,327
Hungary	3,173	5,784	9,765	11,969	-	-
America	32,912	51,709	53,136	87,541	6,644	7,018
Germany	25,845	20,676	47,464	39,647	-	-
Switzerland	42	88	78	140	896	1,001
Thailand	24,777	27,062	51,285	73,486	1,088	1,256
India	3,348	4,208	7,271	8,359	2,567	2,992
Indonesia	3,786	4,252	8,351	9,596	-	-
United Kingdom	1,221	1,815	3,512	5,095	-	-
Mexico	2,447	8,203	4,868	13,648	-	-
Italy	3,248	3,528	7,019	8,173	-	-
Slovakia	670	1,106	2,110	2,511	-	-
Others	5,129	6,258	11,334	12,225	-	-
	<u>391,827</u>	<u>397,172</u>	<u>742,859</u>	<u>786,107</u>	<u>203,432</u>	<u>189,367</u>

4.3 Information about major customers

Included in revenue arising from Mechatronics division of \$646,219,000 (31.12.2022 : \$688,452,000) are revenue of approximately \$366,725,000 (31.12.2022 : \$295,076,000) which arose from sales to the Group's 3 (31.12.2022 : 3) largest customers.

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 2023

	Mechatronics \$'000	Integrated Manufacturing Services \$'000	Others \$'000	Total \$'000
At a point in time:				
Sale of goods	341,142	44,935	1,249	387,326
Installation services	1,828	-	-	1,828
Rental income	-	-	125	125
	<u>342,970</u>	<u>44,935</u>	<u>1,374</u>	<u>389,279</u>
Over time:				
Sale of moulds	-	2,548	-	2,548
	<u>342,970</u>	<u>47,483</u>	<u>1,374</u>	<u>391,827</u>

For the six months ended 31 December 2022

	Mechatronics \$'000	Integrated Manufacturing Services \$'000	Others \$'000	Total \$'000
At a point in time:				
Sale of goods	345,516	44,869	1,033	391,418
Installation services	2,610	-	-	2,610
Rental income	-	-	133	133
	<u>348,126</u>	<u>44,869</u>	<u>1,166</u>	<u>394,161</u>
Over time:				
Sale of moulds	-	3,011	-	3,011
	<u>348,126</u>	<u>47,880</u>	<u>1,166</u>	<u>397,172</u>

For the twelve months ended 31 December 2023

	Mechatronics \$'000	Integrated Manufacturing Services \$'000	Others \$'000	Total \$'000
At a point in time:				
Sale of goods	641,928	89,389	2,604	733,921
Installation services	4,291	-	-	4,291
Rental income	-	-	255	255
	<u>646,219</u>	<u>89,389</u>	<u>2,859</u>	<u>738,467</u>
Over time:				
Sale of moulds	-	4,392	-	4,392
	<u>646,219</u>	<u>93,781</u>	<u>2,859</u>	<u>742,859</u>

For the twelve months ended 31 December 2022

	Mechatronics \$'000	Integrated Manufacturing Services \$'000	Others \$'000	Total \$'000
At a point in time:				
Sale of goods	680,955	91,037	1,033	773,025
Installation services	7,497	-	-	7,497
Rental income	-	-	271	271
	<u>688,452</u>	<u>91,037</u>	<u>1,304</u>	<u>780,793</u>
Over time:				
Sale of moulds	-	5,314	-	5,314
	<u>688,452</u>	<u>96,351</u>	<u>1,304</u>	<u>786,107</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 2023 and 31 December 2022.

	Group		Company	
	31-12-23 \$'000	31-12-22 \$'000	31-12-23 \$'000	31-12-22 \$'000
Financial asset at fair value through other comprehensive income	<u>1,995</u>	<u>1,995</u>	<u>1,995</u>	<u>1,995</u>
Loans and receivables:				
Trade receivables	171,193	123,207	-	-
Receivables from subsidiaries	-	-	65	239
Dividend receivable from subsidiaries	-	-	9,644	14,617
Other receivables, deposits and prepayments	9,442	13,364	43	38
Cash and cash equivalents	142,631	166,989	18,752	18,596
Less: Prepayments	(3,685)	(5,166)	(8)	(13)
Total	<u>319,581</u>	<u>298,394</u>	<u>28,496</u>	<u>33,477</u>
Trade payables	124,802	108,312	-	-
Payable to a subsidiary	-	-	236	106
Other payables, accruals and provisions	52,240	58,518	1,933	2,154
Borrowings	92,049	108,811	-	-
Financial liabilities at amortised cost	<u>269,091</u>	<u>275,641</u>	<u>2,169</u>	<u>2,260</u>

6. Profit before income tax

	Group			
	6 months ended		12 months ended	
	31-12-23 \$'000	31-12-22 \$'000	31-12-23 \$'000	31-12-22 \$'000
Profit before income tax has been arrived after charging/(crediting):				
Other income including interest income	(6,101)	(8,093)	(12,148)	(12,874)
Amortisation of deferred gain	(11)	(8)	(22)	(8)
Interest on borrowings	3,104	2,719	6,014	4,177
Depreciation of property, plant and equipment	10,972	10,418	21,899	20,058
Depreciation of right-of-use assets	3,948	4,194	7,869	7,709
Depreciation of investment properties	9	15	19	43
Amortisation of intangible assets	167	139	327	285
Allowance/(write-back) for doubtful debts and bad debts written off	162	111	211	147
Allowance/(write back) for inventory obsolescence	1,792	255	3,687	1,138
Foreign exchange (gain)/loss, net	448	(590)	4	(1,365)
Adjustments for (over)/under provision of tax in respect of prior years	(304)	(457)	(245)	(657)
Gain on disposal of property, plant and equipment, net	(111)	(83)	(284)	(326)
Property, plant and equipment written off	51	3	52	9

7. Taxation

	Group			
	6 months ended		12 months ended	
	31-12-23 \$'000	31-12-22 \$'000	31-12-23 \$'000	31-12-22 \$'000
Income tax expense attributable to profit is made up of:				
- Current income tax	(5,127)	(5,265)	(9,098)	(11,235)
- Deferred income tax	(178)	(369)	29	(476)
	(5,305)	(5,634)	(9,069)	(11,711)
Over/ (under) recognition in respect of previous financial years:				
- Current income tax	284	645	431	893
- Deferred income tax	20	(188)	(186)	(236)
	304	457	245	657
Withholding tax	(640)	(279)	(728)	(356)
	(5,641)	(5,456)	(9,552)	(11,410)

8. Dividends

	Group	
	12 months ended	
	31-12-23 \$'000	31-12-22 \$'000
Ordinary dividends paid		
First and final tax exempt (one-tier) dividend paid in respect of the previous financial year of 3.64 cents (2021: 4.13 cents per share)	(15,544)	(17,636)

9. Net asset value

	Group		Company	
	31-12-23 \$'000	31-12-22 \$'000	31-12-23 \$'000	31-12-22 \$'000
	Net asset value per ordinary share based on issued share capital at the end of financial year (cents)	93.96	91.77	37.84

Net asset value per ordinary shares is calculated based on the Group's net asset value divided by the number of ordinary shares at 31.12.2023 of 427,025,409 (31.12.2022 : 427,025,409).

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

	Group and Company	
	31-12-23 \$'000	31-12-22 \$'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	Intellectual properties \$'000	Total \$'000
<u>For the six months ended 31 December 2023</u>					
<u>Cost:</u>					
At beginning of the financial period	22,557	17,009	2,431	5,961	47,958
Currency translation differences	35	195	2	-	232
Addition	-	21	-	-	21
At end of the financial year	22,592	17,225	2,433	5,961	48,211
<u>Accumulated amortisation:</u>					
At beginning of the financial period	-	5,407	2,346	5,961	13,714
Currency translation differences	-	128	2	-	130
Amortisation charge	-	142	25	-	167
At end of the financial year	-	5,677	2,373	5,961	14,011
<u>Accumulated impairment:</u>					
At beginning of the financial period	2,089	10,708	-	-	12,797
Currency translation differences	11	44	-	-	55
At end of the financial year	2,100	10,752	-	-	12,852
Carrying value: At 31 December 2023	20,492	796	60	-	21,348

(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	
	31-12-23 \$'000	31-12-22 \$'000
<u>Mechatronics:</u>		
America	2,166	2,124
The Netherlands	7,237	7,187
Singapore	8,392	8,392
	17,795	17,703
<u>Others:</u>		
Malaysia	2,697	2,697
	20,492	20,400

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

Key assumptions used for value-in-use calculations:

	Group			
	Mechatronics		Others	
	31-12-23	31-12-22	31-12-23	31-12-22
	%	%	%	%
Gross margin ⁽¹⁾	9.0 to 20.2	10.1 to 21.4	42.2	41.2
Growth rate ⁽²⁾	0.0 to 2.0	0.0 to 2.0	0.0	0.0
Discount rate ⁽³⁾	10.8 to 15.5	12.0 to 13.2	16.2	16.4

⁽¹⁾ Forecasted gross margin.

⁽²⁾ Weighted average growth rate used to extrapolate cash flows beyond the forecast period.

⁽³⁾ Discount rate applied to the pre-tax cash flow projections.

These assumptions were used for the analysis of each CGU within the business segment.

Management determined forecasted gross margin based on past performance and its expectations for market development. The weighted average growth rates used were consistent with forecast used and industry knowledge. The discount rates used reflect specific risks relating to the relevant segments.

Management believes that any reasonably possible change in the key assumptions on which the CGU's recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

(b) Deferred development costs

Deferred development costs relate to the cost capitalised by its subsidiaries for developing certain products. Amortisation of the deferred development costs begins when the development is completed and are amortised on the expected units of production basis or over the estimated useful life of 5 to 10 years (2022 : 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 8.0% to 10.0% (2022 : 9.0% to 11.1%) to calculate its present value.

During the financial year, management performed a review of the recoverable amount for the deferred development costs and no impairment loss (2022 : no impairment loss) has been recognised in the income statement because the recoverable amount is higher than the carrying value of which the recoverable amount is determined based on the value-in-use calculations.

(c) Patents

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

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

(d) Intellectual properties

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

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

12. Property, plant and equipment

During the six months ended 31 December 2023, the Group acquired property, plant and equipment with an aggregate cost of \$17,182,000 (six months ended 2022: \$18,429,000) of which \$106,000 (six months ended 2022: \$450,000) was included in other payables at balance sheet date. Cash payments of \$17,169,000 (six months ended 2022: \$18,008,000) includes an amount of \$93,000 (six months ended 2022: \$29,000) for payment from other payables to purchase property, plant and equipment incurred in previous financial year.

13. Investment properties

	Group	
	31-12-23 \$'000	31-12-22 \$'000
Cost:		
At beginning of the financial year	1,675	1,777
Currency translation differences	(99)	(102)
At end of the financial year	<u>1,576</u>	<u>1,675</u>
Accumulated depreciation:		
At beginning of the financial year	317	292
Charge for the financial year	19	43
Currency translation differences	(19)	(18)
At end of the financial year	<u>317</u>	<u>317</u>
Carrying amount at end of the financial year	<u>1,259</u>	<u>1,358</u>

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 2023 and 31 December 2022 are as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 31 December 2023				
Leasehold buildings	-	-	2,587	2,587
At 31 December 2022				
Leasehold buildings	-	-	2,566	2,566

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	
	31-12-23 \$'000	31-12-22 \$'000	31-12-23 \$'000	31-12-22 \$'000
The following amounts are recognised in income statement:				
Rental income	(125)	(133)	(255)	(271)
Direct operating expenses arising from:				
- Investment properties that generate rental income	12	12	26	27

14. Borrowings

	Group	
	31-12-23 \$'000	31-12-22 \$'000
Amount repayable within one year or on demand		
Secured	55,032	65,727
Unsecured	36,537	41,994
	91,569	107,721
Amount repayable after one year		
Secured	158	583
Unsecured	322	507
	480	1,090
Total	<u>92,049</u>	<u>108,811</u>

Details of any collaterals

Details of the borrowings of the Group and its securities as at 31 December 2023 are as follows:

	<u>Note</u>	Secured \$'000	Unsecured \$'000	Total \$'000
Bank overdrafts	(i)	50,973	265	51,238
Other short-term borrowings	(ii)	3,879	35,425	39,304
Term loans	(iii)	338	1,169	1,507
		55,190	36,859	92,049

- (i) bank overdrafts of :-
 (a) \$50,866,000 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) \$107,000 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 \$3,879,000 is pledged on the trade receivables of certain subsidiaries in China.
- (iii) term loans of :-
 (a) \$153,000 is secured by machinery of a subsidiary in China; and
 (b) \$185,000 is secured by mortgage over property and personal guarantee by existing and former directors of a subsidiary in Malaysia (in the process of being discharged).

15. Share capital

	Group and Company			
	6 months ended 31 December 2023		6 months ended 31 December 2022	
	Number of ordinary shares	Amount \$'000	Number of ordinary shares	Amount \$'000
Beginning of the financial period	427,025,409	104,444	427,025,409	104,444
Exercise of share options	-	-	-	-
End of the financial year	427,025,409	104,444	427,025,409	104,444

Issued and paid up capital

There were no changes in the Company's share capital for the six months period ended 31 December 2023. There are no treasury shares held as at the end of the current financial year.

	Total number of issued shares as at	
	31-12-23	31-12-22
Number of issued shares	427,025,409	427,025,409
Number of treasury shares	-	-
Total number of issued shares excluding treasury shares	427,025,409	427,025,409

Share options

The movement of share options of the Company during the period from 1 July 2023 to 31 December 2023 is as follows:

Date of grant	Number of ordinary shares under option					Exercise price	Exercise period
	As at 01.07.23	Granted during the period	Forfeited during the period	Exercised during the period	As at 31.12.23		
6.12.2017 (2017 Option)	1,112,000	-	(400,000)	-	712,000	\$0.432	6.12.2019 - 5.12.2027
26.1.2022 (2022 Option)	470,000	-	-	-	470,000	\$1.370	26.1.2024 - 25.1.2032
	1,582,000	-	(400,000)	-	1,182,000		

	Total number of shares as at	
	31-12-23	31-12-22
Total number of shares that may be issued on exercise of share options outstanding	1,182,000	1,582,000

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

	As at	
	31-12-23	31-12-22
Total number of issued shares excluding treasury shares	427,025,409	427,025,409

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

Not applicable.

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

Not applicable.

16. Subsequent events

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



FRENCKEN GROUP LIMITED
(Registration No. 199905084D)

G. Other Information Required by Listing Rule Appendix 7.2

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

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

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

Not applicable.

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

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

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

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

Not applicable.

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

	Group			
	6 months ended		12 months ended	
	31-12-23	31-12-22	31-12-23	31-12-22
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)	4.78	6.02	7.60	12.15
- Weighted average number of shares (in thousand)	427,025	427,025	427,025	427,025
(ii) On a fully diluted basis (in cents)	4.77	6.02	7.60	12.13
- Adjusted weighted average number of shares (in thousand)	427,447	427,679	427,441	427,759

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

With over 3,600 employees in 19 operating sites across Asia, Europe, and the USA, the Group offers its growing customer base 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
FY2023 (S\$'000)	351,032	391,827	742,859
FY2022 (S\$'000)	388,935	397,172	786,107
yoy (%)	(9.7)	(1.3)	(5.5)

For the 12 months ended 31 December 2023 ("FY2023"), the Group's revenue decreased 5.5% to S\$742.9 million amid a challenging macroeconomic environment and slower business conditions for companies operating in the technology sector.

While the Group's revenue of S\$391.8 million in the six months ended 31 December 2023 (2H23) was marginally lower year-on-year (yoy) compared to S\$397.2 million in 2H22, it was an increase of 11.6% when compared to the six-month period ended 30 June 2023 (1H23). The half-on-half (hoh) increase was buoyed mainly by higher sales of the semiconductor and analytical & life sciences segments.

Revenue breakdown by Business Segment

	2H23	2H22	yoy	1H23	hoh	FY2023	FY2022	yoy
	S\$'000	S\$'000	%	S\$'000	%	S\$'000	S\$'000	%
MECHATRONICS DIVISION								
Semiconductor	159,639	152,220	4.9	122,714	30.1	282,353	304,970	(7.4)
Medical	61,236	62,196	(1.5)	58,961	3.9	120,197	107,890	11.4
Analytical & Life Sciences	89,386	72,179	23.8	80,371	11.2	169,757	147,323	15.2
Industrial Automation	24,999	52,244	(52.1)	35,108	(28.8)	60,107	109,594	(45.2)
Others	7,710	9,287	(17.0)	6,095	26.5	13,805	18,675	(26.1)
Mechatronics Total	342,970	348,126	(1.5)	303,249	13.1	646,219	688,452	(6.1)
IMS DIVISION								
Automotive	34,473	35,905	(4.0)	35,076	(1.7)	69,549	72,031	(3.4)
Consumer & Industrial								
Electronics	9,405	8,245	14.1	8,485	10.8	17,890	17,524	2.1
Others	1,057	719	47.0	893	18.4	1,950	1,482	31.6
Tooling	2,548	3,011	(15.4)	1,844	38.2	4,392	5,314	(17.4)
IMS Total	47,483	47,880	(0.8)	46,298	2.6	93,781	96,351	(2.7)

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

The Mechatronics Division's revenue decreased 6.1% to S\$646.2 million in FY2023 from S\$688.5 million in FY2022. Higher sales from the semiconductor, medical and analytical & life sciences segments of its Europe operations helped to offset lower sales of the industrial automation and semiconductor businesses of its Asia operations.

The semiconductor segment's revenue decreased 7.4% to S\$282.4 million in FY2023 from S\$305.0 million in FY2022. This segment registered more robust sales in Europe during FY2023 when compared to FY2022 due mainly to a jump in orders from a key customer. This increase partially cushioned the impact of lower sales in Asia, which was affected by the industry slowdown and had contributed to a significant portion of the semiconductor segment's revenue in FY2022. On a hoh basis, this segment's revenue improved 30.1% to S\$159.6 million in 2H23 from S\$122.7 million in 1H23.

The medical segment's revenue increased 11.4% to S\$120.2 million in FY2023 from S\$107.9 million in FY2022 due mainly to higher sales to a significant European customer.

The analytical & life sciences segment's revenue increased 15.2% to S\$169.8 million in FY2023 from S\$147.3 million in FY2022, lifted by higher sales in Europe. On a hoh basis, this segment's revenue also increased 11.2% to S\$89.4 million in 2H23.

The industrial automation segment's revenue decreased 45.2% to S\$60.1 million in FY2023 from S\$109.6 million in FY2022 due to a significant slowdown in orders from a key customer in data storage solutions. This segment's revenue is typically lumpy and dependent on the capital expenditure of this key customer.

The IMS Division registered moderately lower revenue of S\$93.8 million in FY2023. This was due mainly to a 3.4% decline in the automotive segment's sales to S\$69.5 million from S\$72.0 million in FY2022.

Gross Profit Margin

The Group's gross profit decreased 17.6% to S\$98.0 million in FY2023 from S\$119.0 million in FY2022. Gross profit margin contracted to 13.2% in FY2023 from 15.1% in FY2022 due to lower revenue, inflationary cost pressures and increased depreciation expenses from capital investments to upgrade and expand the Group's global manufacturing facilities.

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

Other income, net of other operating expenses, decreased 12.0% to S\$7.6 million in FY2023 from S\$8.6 million in FY2022 due mainly to a decrease in foreign exchange gain and lower government grants.

Selling and Administrative Expenses

Selling and distribution expenses decreased 9.0% to S\$9.7 million in FY2023 from S\$10.7 million in FY2022 due mainly to lower transport and freight expenses.

Administrative and general expenses of S\$49.5 million in FY2023 were slightly lower than S\$50.3 million in FY2022, attributed mainly to decreased staff-related costs.

Finance Costs

Finance costs increased 44.0% to S\$6.0 million in FY2023 from S\$4.2 million due to higher interest rates as total borrowings dropped year-on-year.

Group Profit before Income Tax

After accounting for the above items, the Group's profit before income tax decreased 34.1% to S\$41.5 million in FY2023 from S\$63.0 million in FY2022.

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

	1H	2H	Full Year
FY2023 (S\$'000)	12,073	20,402	32,475
FY2022 (S\$'000)	26,146	25,728	51,874
yoy (%)	(53.8)	(20.7)	(37.4)

After deducting income tax expense of S\$9.6 million, the Group reported a net profit attributable to equity holders ("PATMI") of S\$32.5 million in FY2023, a decrease of 37.4% from S\$51.9 million in FY2022. For 2H23, the Group's PATMI declined 20.7% yoy to S\$20.4 million. However, this represented a hoh increase of 69.0% from S\$12.1 million in 1H23.

The Group recorded earnings per share (based on weighted average number of shares) of 7.60 cents in FY2023 compared to 12.15 cents in FY2022.

Dividend

In line with its practice of rewarding shareholders for their support, the Group recommends paying a final tax-exempt (one-tier) dividend of 2.28 cents per share for FY2023 as compared to 3.64 cents per share for FY2022. Since listing on the Singapore Exchange in 2005, the Group has consistently paid dividends, representing at least 30% of its annual earnings.

Balance Sheet

As at 31 December 2023, the Group had shareholders' equity of S\$401.2 million, equivalent to net asset value of 93.96 cents per share based on total number of issued shares of 427.0 million shares.

Total assets stood at S\$735.3 million as at 31 December 2023 compared to S\$725.2 million as at 31 December 2022.

Property, plant and equipment increased to S\$129.8 million as at 31 December 2023 from S\$127.5 million as at 31 December 2022. During FY2023, the Group incurred capital expenditure of S\$26.8 million. Depreciation of property, plant and equipment amounted to S\$21.9 million in FY2023.

As at 31 December 2023, the Group's right-of-use assets increased to S\$49.3 million from S\$39.0 million as at 31 December 2022. Correspondingly, lease liabilities also increased to S\$50.0 million as at 31 December 2023 from S\$41.6 million as at 31 December 2022.

Inventories decreased to S\$203.4 million as at 31 December 2023 from S\$228.8 million as at 31 December 2022 due mainly to improved inventory management and adjustments to stock levels in response to the slower conditions in the semiconductor industry.

Trade receivables as at 31 December 2023 increased to S\$171.2 million from S\$123.2 million as at 31 December 2022 in tandem with higher sales from new semiconductor programs in the fourth quarter of FY2023.

As at 31 December 2023, the Group's cash and cash equivalents decreased to S\$142.6 million from S\$167.0 million as at 31 December 2022. Total borrowings decreased to S\$92.0 million as at 31 December 2023 from S\$108.8 million as at 31 December 2022. The Group had net cash of S\$50.6 million as at 31 December 2023. Total debt-to-equity ratio was 22.9% at the end of FY2023.

Cash Flow Analysis

The Group generated net cash of S\$49.0 million from operating activities in FY2023. Net cash used in investing activities amounted to S\$27.3 million in FY2023 due mainly to capital expenditure.

Net cash used in financing activities amounted to S\$35.9 million in FY2023, due primarily to the payment of dividends to shareholders, net repayment of bank borrowings, and lease liabilities.

As a result of the above, the Group recorded a net decrease in cash and cash equivalents of S\$14.2 million during FY2023. When added to its opening cash and cash equivalents of S\$110.3 million at the beginning of FY2023 and after accounting for the negative effect of foreign currency movements of S\$4.9 million on its opening cash and cash equivalents, the Group had a cash balance of S\$91.2 million as at 31 December 2023.

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 2H23 is generally in line with the guidance provided in its business update for 3Q23 which was posted on the SGX website on 22 November 2023.

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

The business environment in FY2023 was challenging for companies operating in the technology sector. This was due primarily to the steep cyclical downturn in the semiconductor industry, inflationary cost pressures, higher interest rate environment, and prevailing global geopolitical uncertainties. The Group also had near-term impact of its investments in the prior two years to expand and upgrade its global manufacturing facilities.

As such, the Group's financial performance in FY2023 was softer than the previous financial year. However, on a sequential basis, the Group witnessed better revenue and net profit in 2H23 compared to 1H23. This was buoyed mainly by continued demand and new programs from our key customers in the semiconductor and analytical & life sciences segments in Europe.

The Group is maintaining a cautious stance given the uncertain global economic outlook and prevailing challenges in the business environment. Nevertheless, Frencken is confident of weathering the current headwinds on the back of its financial strength, diverse exposure to multiple market segments and entrenched relationships with key customers who are among the market leaders in the high technology industry.

Leveraging on our expanded capacity and strategic manufacturing sites in Europe, Asia and the USA, Frencken will continue to focus on investments in programs for existing and new customers. This will ensure the Group remains well-positioned to capitalise on a recovery in the global economy and technology sector.

BUSINESS SEGMENT OUTLOOK

Based on current indicators and barring unforeseen circumstances, the Group expects to post stable revenue in 1H24 as compared to 2H23.

Anticipated performances of the Group's key business segments in 1H24 as compared to 2H23:

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

7. Dividend

(a) Current Financial Period Reported on

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

Yes

The Directors are pleased to recommend a first and final exempt (one-tier) dividend in respect of the financial year ended 31 December 2023 of 2.28 cents per ordinary share for approval by shareholders at the forthcoming Annual General Meeting to be convened on 25 April 2024.

Name of Dividend	Ordinary Tax Exempt
Dividend Type	Cash
Dividend amount per share (in cents)	2.28 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 3.64 cents per ordinary share in respect of the financial year ended 31 December 2022 which was approved by shareholders at the Annual General Meeting convened on 27 April 2023.

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

(c) Date Payable

The proposed dividend, if approved at the Annual General Meeting, will be paid on 15 May 2024.

(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, 6 May 2024 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.), 9 Raffles Place, #26-01 Republic Plaza Tower 1, Singapore 048619, up to the close of business at 5.00 p.m. on Friday, 3 May 2024 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)	
	31/12/23	31/12/22
	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.

	31-12-23 \$'000	31-12-22 \$'000	% increase/ (decrease)
Sales reported for first half year	351,032	388,935	-9.7%
Operating profit after tax before deducting minority interests reported for first half year	11,872	26,174	-54.6%
Sales reported for second half year	391,827	397,172	-1.3%
Operating profit after tax before deducting minority interests reported for second half year	20,114	25,463	-21.0%

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 2023 \$'000	Previous Full Year 2022 \$'000
Ordinary Dividend	9,736	15,544
Special Dividend	-	-
Preference Dividend	-	-
Total	<u>9,736</u>	<u>15,544</u>

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

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

BY ORDER OF THE BOARD

Mohamad Anwar Au
Executive Director
27-Feb-24