



FRENCKEN GROUP LIMITED

(Registration No. 199905084D)

Unaudited First 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		
	31/03/19 \$'000	31/03/18 \$'000	% Change
Revenue	159,079	138,750	14.7%
Cost of sales	(133,959)	(115,636)	15.8%
Gross profit	25,120	23,114	8.7%
Other income (Note 1)	1,090	1,382	-21.1%
Selling and distribution expenses	(3,042)	(3,085)	-1.4%
Administrative and general expenses	(10,826)	(11,889)	-8.9%
Other operating expenses (Note 1)	(726)	(649)	11.9%
Interest income	378	567	-33.3%
Finance costs	(756)	(560)	35.0%
Profit before income tax	11,238	8,880	26.6%
Income tax expense	(2,598)	(2,062)	26.0%
Profit for the year	8,640	6,818	26.7%
Profit attributable to:			
Equity holders of the Company	8,598	6,757	27.2%
Non-controlling interests	42	61	-31.1%
	8,640	6,818	26.7%
<u>Note 1 - Other income/(Other operating expenses)</u>			
Other Income	1,090	1,382	-21.1%
Other Operating Expenses	(726)	(649)	11.9%
	364	733	-50.3%
Included in Other income/(Other operating expenses):			
(Loss)/Gain on disposal of property, plant and equipment, net	41	46	-10.9%
Government grants	485	814	-40.4%
Foreign exchange (loss)/gain, net	(656)	(277)	136.8%
Scrap sales	150	150	N.M.
Project income	128	-	N.M.
Other income	216	-	N.M.
	364	733	-50.3%

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		
	3 months ended		
	31/03/19	31/03/18	%
	\$'000	\$'000	Change
Profit for the period is arrived at after charging/(crediting) :-			
Investment income	-	-	-
Other income including interest income	(1,468)	(1,949)	-25%
Interest on borrowings	756	560	35%
Depreciation of property, plant and equipment	3,900	3,534	10%
Depreciation of right-of-use assets	1,194	-	N.M.
Depreciation of investment properties	16	18	-11%
Amortisation of intangible assets	139	304	-54%
Allowance/(write-back) for doubtful debts and bad debts written off	31	8	288%
Allowance/(write back) for inventory obsolescence	23	285	-92%
Foreign exchange (gain)/ loss, net	656	277	137%
Adjustments for (over)/ under provision of tax in respect of prior years	(18)	24	N.M.
(Gain)/Loss on disposal of property, plant and equipment, net	(41)	(46)	-11%

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.

	Group		Company	
	31/03/19	31/12/18	31/03/19	31/12/18
	\$'000	\$'000	\$'000	\$'000
NON-CURRENT ASSETS				
Property, plant and equipment	97,035	97,353	-	-
Right-of-use assets ⁽¹⁾	17,058	-	-	-
Investment properties	1,700	1,704	-	-
Subsidiaries	-	-	127,764	127,666
Financial asset at fair value through other comprehensive income	3,235	3,235	3,235	3,235
Intangible assets	19,322	19,684	-	-
Deferred income tax assets	1,426	1,445	-	-
Other receivables, deposits and prepayments	720	840	-	-
Total non-current assets	<u>140,496</u>	<u>124,261</u>	<u>130,999</u>	<u>130,901</u>
CURRENT ASSETS				
Inventories	146,300	144,619	-	-
Trade receivables	110,834	115,870	-	-
Receivables from subsidiaries	-	-	6,921	6,766
Dividends receivable from subsidiaries	-	-	11,211	11,282
Other receivables, deposits and prepayments	12,147	10,897	21	39
Tax recoverable	793	1,009	-	-
Cash and cash equivalents	69,835	67,084	5,073	4,667
Total current assets	<u>339,909</u>	<u>339,479</u>	<u>23,226</u>	<u>22,754</u>
Total assets	480,405	463,740	154,225	153,655
CURRENT LIABILITIES				
Trade payables	69,683	79,198	-	-
Payable to a subsidiary	-	-	633	572
Other payables, accruals and provisions	38,273	38,267	1,097	706
Lease liabilities ⁽¹⁾	4,243	-	-	-
Borrowings	66,544	67,496	4,734	4,758
Income tax payable	5,292	4,577	12	9
Total current liabilities	<u>184,035</u>	<u>189,538</u>	<u>6,476</u>	<u>6,045</u>
NON CURRENT LIABILITIES				
Lease liabilities ⁽¹⁾	12,926	-	-	-
Borrowings	1,032	1,210	-	-
Retirement benefit obligations	1,816	1,624	-	-
Deferred income tax liabilities	3,722	3,849	-	-
Total non-current liabilities	19,496	6,683	-	-
Total liabilities	<u>203,531</u>	<u>196,221</u>	<u>6,476</u>	<u>6,045</u>
NET ASSETS	<u>276,874</u>	<u>267,519</u>	<u>147,749</u>	<u>147,610</u>
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	103,080	102,892	103,080	102,892
Foreign currency translation reserve	1,570	1,184	-	-
Merger reserve	2,345	2,345	-	-
Capital reserve	1,770	1,682	1,770	1,682
Statutory reserve fund	3,565	3,483	-	-
Share option reserve	841	831	841	831
Fair value reserve	(3,165)	(3,165)	(3,165)	(3,165)
Other reserve	(958)	(967)	-	-
Retained profits	165,123	156,607	45,223	45,370
	<u>274,171</u>	<u>264,892</u>	<u>147,749</u>	<u>147,610</u>
Non-controlling interests	2,703	2,627	-	-
TOTAL EQUITY	<u>276,874</u>	<u>267,519</u>	<u>147,749</u>	<u>147,610</u>

⁽¹⁾ The Group has adopted SFRS(I) 16 Leases with effect from 1 January 2019. 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 31/03/19	
Secured \$'000	Unsecured \$'000
32,881	37,906

As at 31/12/18	
Secured \$'000	Unsecured \$'000
28,907	38,589

Amount repayable after one year

As at 31/03/19	
Secured \$'000	Unsecured \$'000
13,510	448

As at 31/12/18	
Secured \$'000	Unsecured \$'000
716	494

Details of any collateral

Details of the borrowings of the Group and the Company and their securities as at 31 March 2019 are as follows:

	Note	Secured \$'000	Unsecured \$'000	Total \$'000
Lease liabilities	(i)	17,169	-	17,169
Bank overdrafts	(ii)	21,931	1,246	23,177
Other short-term borrowings	(iii)	6,109	35,729	41,838
Term Loans	(iv)	1,182	1,379	2,561
		<u>46,391</u>	<u>38,354</u>	<u>84,745</u>

(i) lease liabilities are secured over the right-of-use assets.

(ii) bank overdrafts of :-

- (a) \$21,419,000 is secured by mortgage over properties, pledged on the trade receivables and inventories of all subsidiaries of the Company in The Netherlands; and
- (b) \$512,000 is secured by exclusive charged on the entire present and future current and fixed assets of a subsidiary in India.

(iii) other short-term borrowings is pledged on the trade receivables of certain subsidiaries in China.

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

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	
	31/03/19	31/03/18
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit after tax	8,640	6,818
Adjustments for:		
Income tax expense	2,598	2,062
Exchange differences	804	411
Employee share option expense	98	138
Depreciation of property, plant and equipment	3,900	3,534
Depreciation of right-of-use assets	1,194	-
Depreciation of investment properties	16	18
(Gain)/Loss on disposal of property, plant and equipment, net	(41)	(46)
Interest income	(378)	(567)
Interest expense	756	560
Amortisation of intangible assets	139	304
Operating cash flow before working capital changes	17,726	13,232
Changes in operating assets and liabilities :		
Inventories	(2,557)	(14,523)
Receivables	3,565	(8,885)
Payables	(7,300)	9,689
Cash flows generated from/(used in) operations	11,434	(487)
Tax paid	(1,755)	(2,774)
Interest paid	(756)	(560)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	8,923	(3,821)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	378	567
Purchase of property, plant and equipment (Note 1)	(5,007)	(5,271)
Proceeds from intangible assets	-	382
Proceeds from disposal of property, plant and equipment	56	54
Repayment of loan from a third party	60	-
NET CASH USED IN INVESTING ACTIVITIES	(4,513)	(4,268)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	188	338
Repayment of lease liabilities	(1,090)	-
Repayment of short term bank borrowings	(23,570)	(27,528)
Repayment of term loans	(129)	(218)
Proceeds from short term bank borrowings	20,997	41,504
Proceeds from term loans	-	1,144
Placement of deposits pledged as securities	(26)	(2)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(3,630)	15,238
Net increase in cash and cash equivalents	780	7,149
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	45,060	44,604
Effect of exchange rate changes on cash and cash equivalents	672	740
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	46,512	52,493

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	
	31/03/19	31/03/18
	\$'000	\$'000
Cash and cash equivalents at end of the financial period comprise:		
Short term funds placed with Malaysian financial institutions	44,219	45,996
Deposits with licensed banks	3,646	4,121
Cash and bank balances	21,970	19,251
Bank overdrafts	(23,177)	(16,754)
	<u>46,658</u>	<u>52,614</u>
Less: Deposits pledged as securities	(146)	(121)
	<u><u>46,512</u></u>	<u><u>52,493</u></u>

Note 1 :

During the financial period, the Group acquired property, plant and equipment with an aggregate cost of \$3,478,000 (31.03.2018: \$6,123,000) of which \$65,000 (31.03.2018: \$1,360,000) was included in other payables at balance sheet date. Cash payments of \$5,007,000 (31.03.2018: \$5,271,000) includes an amount of \$1,594,000 (31.03.2018: \$508,000) for payment from other payables to purchase property, plant and equipment incurred in previous financial year.

1(d) Consolidated statement of comprehensive income

	Group	
	3 months ended	
	31/03/19	31/03/18
	\$'000	\$'000
<u>Statement of Comprehensive Income</u>		
Profit for the period	8,640	6,818
<i>Item that may be reclassified subsequently to income statement :</i>		
- Currency translation differences arising from consolidation	429	3,545
Total comprehensive income for the period	<u><u>9,069</u></u>	<u><u>10,363</u></u>
Attributable to:		
Equity holders of the Company	8,993	10,334
Non-controlling interests	76	29
Total comprehensive income for the period	<u><u>9,069</u></u>	<u><u>10,363</u></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 31 March 2019 and 31 March 2018

	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 2019	102,892	1,184	2,345	1,682	3,483	831	(3,165)	(967)	156,607	264,892	2,627	267,519
Profit for the quarter	-	-	-	-	-	-	-	-	8,598	8,598	42	8,640
Other comprehensive income: Currency translation differences arising from consolidation	-	386	-	-	-	-	-	9	-	395	34	429
Total comprehensive income for the quarter	-	386	-	-	-	-	-	9	8,598	8,993	76	9,069
Transactions with owners recognised directly in equity												
Transfer to statutory reserve fund	-	-	-	-	82	-	-	-	(82)	-	-	-
Employee share option scheme - Value of employee services	-	-	-	-	-	98	-	-	-	98	-	98
- Issue of share capital	188	-	-	88	-	(88)	-	-	-	188	-	188
	188	-	-	88	82	10	-	-	(82)	286	-	286
At 31 March 2019	103,080	1,570	2,345	1,770	3,565	841	(3,165)	(958)	165,123	274,171	2,703	276,874
At 1 January 2018	101,943	4,293	2,345	1,193	3,032	888	(2,595)	(983)	137,083	247,199	2,343	249,542
Profit for the quarter	-	-	-	-	-	-	-	-	6,757	6,757	61	6,818
Other comprehensive income/(loss): Currency translation differences arising from consolidation	-	3,589	-	-	-	-	-	(12)	-	3,577	(32)	3,545
Total comprehensive income/(loss) for the quarter	-	3,589	-	-	-	-	-	(12)	6,757	10,334	29	10,363
Transactions with owners recognised directly in equity												
Transfer to/(from) statutory reserve fund	-	-	-	-	104	-	-	-	(104)	-	-	-
Employee share option scheme - Value of employee services	-	-	-	-	-	138	-	-	-	138	-	138
- Issue of share capital	338	-	-	155	-	(155)	-	-	-	338	-	338
	338	-	-	155	104	(17)	-	-	(104)	476	-	476
At 31 March 2018	102,281	7,882	2,345	1,348	3,136	871	(2,595)	(995)	143,736	258,009	2,372	260,381
	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 2019	102,892	-	-	1,682	-	831	(3,165)	45,370	147,610			
Total comprehensive loss for the quarter	-	-	-	-	-	-	-	(147)	(147)			
Transactions with owners recognised directly in equity												
Employee share option scheme - Value of employee services	-	-	-	-	-	98	-	-	98			
- Issue of share capital	188	-	-	88	-	(88)	-	-	188			
	188	-	-	88	-	10	-	-	286			
At 31 March 2019	103,080	-	-	1,770	-	841	(3,165)	45,223	147,749			
At 1 January 2018	101,943	-	-	1,193	-	888	(2,595)	45,041	146,470			
Total comprehensive loss for the quarter	-	-	-	-	-	-	-	(117)	(117)			
Transactions with owners recognised directly in equity												
Employee share option scheme - Value of employee services	-	-	-	-	-	138	-	-	138			
- Issue of share capital	338	-	-	155	-	(155)	-	-	338			
	338	-	-	155	-	(17)	-	-	476			
At 31 March 2018	102,281	-	-	1,348	-	871	(2,595)	44,924	146,829			

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 640,000 and 360,000 new ordinary shares pursuant to the Company's employee share option scheme at the exercise price of \$0.168 and \$0.224 each respectively. There are no treasury shares held as at the end of the current quarter.

	Total number of issued shares as at	
	31/03/19	31/03/18
Number of issued shares	422,502,409	418,197,409
Number of treasury shares	-	-
Total number of issued shares excluding treasury shares	<u>422,502,409</u>	<u>418,197,409</u>

Share options

The movement of share options of the Company during the period from 1 January 2019 to 31 March 2019 is as follows:

Date of grant	Number of ordinary shares under option					Exercise price	Exercise period
	As at 1.1.2019	Granted during the period	Forfeited during the period	Exercised during the period	As at 31.3.2019		
1.12.2009 (2009 Option)	1,030,000	0	(640,000)	0	390,000	\$0.168	1.12.2011 - 30.11.2019
1.12.2010 (2010 Option)	2,265,000	0	(360,000)	0	1,905,000	\$0.224	1.12.2012 - 30.11.2020
1.4.2016 (2016 Option)	500,000	0	0	0	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>6,795,000</u>	<u>0</u>	<u>(1,000,000)</u>	<u>0</u>	<u>5,795,000</u>		

	Total number of shares as at	
	31/03/19	31/03/18
Total number of shares that may be issued on exercise of share options outstanding	<u>5,795,000</u>	<u>10,100,000</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	
	31/03/19	31/12/18
Total number of issued shares excluding treasury shares	<u>422,502,409</u>	<u>421,502,409</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.

Other than as mentioned in Paragraph 5 regarding the adoption of SFRS(I) 16 *Leases* effective from 1 January 2019, there were no significant changes in the accounting policies and methods of computation adopted in the financial statements of the current reporting period as compared to the most recently audited annual financial statements as at 31 December 2018.

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.

The Group has adopted SFRS(I) 16 *Leases* which are effective for the financial period beginning on or after 1 January 2019. The Group has opted for cumulative catch-up approach where the comparative figures for the year prior to the first adoption was not restated. Right-of-use assets will be measured at the amount of the lease liabilities (adjusted for any prepaid or accrued lease expenses).

On adoption of SFRS(I) 16 *Leases* on 1 January 2019, the Group has recognised right-of-use assets of S\$18,237,000 and lease liabilities of S\$18,237,000 unless they qualify for low value assets or short-term leases upon the application of SFRS(I) 16.

Except for the adoption of SFRS(I) 16, the adoption of the other new/revised standards that are effective on 1 January 2019 has no material impact on the financial statements.

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	
	31/03/19	31/03/18
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)	2.04	1.62
- Weighted average number of shares (in thousand)	421,666	417,006
(ii) On a fully diluted basis (in cents)	2.03	1.60
- Adjusted weighted average number of shares (in thousand)	423,183	421,877

Basic earnings per share for the period 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	
	31/03/19	31/12/18	31/03/19	31/12/18
Net asset value per ordinary share based on issued share capital at the end of financial period/year (cents)	64.89	62.84	34.97	35.02

Net asset value per ordinary shares is calculated based on the Group's net asset value divided by the number of ordinary shares at 31.03.2019 of 422,502,409 (31.12.2018 : 421,502,409).

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.

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 automotive, healthcare, industrial, life sciences and semiconductor industries.

The Group has capabilities to offer end-to-end solutions across the entire customer value chain - from product conceptualisation, integrated design, prototyping and new product introductions, to supply chain design and management, state-of-the-art value and volume manufacturing and logistics services.

With 3,500 employees located in 16 operating sites across Asia, Europe and the USA, the Group offers its growing base of customers a global reach backed by local expertise. Working in partnership with its global customers, the Group unites the strengths of its strategically located businesses to create value for its customers.

Income Statement

Group Revenue

	1Q	2Q	3Q	4Q	Full Year
FY2019 (S\$'000)	159,079	-	-	-	-
FY2018 (S\$'000)	138,750	147,426	163,913	175,702	625,791
yoy (%)	14.7	N.M.	N.M.	N.M.	N.M.

For the three months ended 31 March 2019 ("1Q19"), the Group's revenue increased 14.7% year-on-year (yoy) to S\$159.1 million. This was driven mainly by sales growth of the Mechatronics Division. The IMS Division recorded a marginal sales decline in 1Q19.

The Mechatronics and IMS Divisions contributed 80.5% and 19.5% respectively to Group revenue in 1Q19.

Revenue breakdown by Business Segment

Sales	1Q19	1Q18	yoy	4Q18	qoq
	S\$'000	S\$'000	%	S\$'000	%
MECHATRONICS DIVISION					
Semiconductor	26,380	35,923	(26.6)	27,686	(4.7)
Medical	19,460	19,759	(1.5)	22,055	(11.8)
Analytical	36,023	32,366	11.3	36,519	(1.4)
Industrial Automation	41,961	14,253	194.4	53,499	(21.6)
Others	4,174	4,622	(9.7)	4,806	(13.2)
Mechatronics Total	127,998	106,923	19.7	144,565	(11.5)
IMS DIVISION					
Automotive	24,296	23,506	3.4	24,029	1.1
Consumer & Industrial Electronics	4,697	5,367	(12.5)	4,657	0.9
Others	699	640	9.2	559	25.0
Tooling	1,318	2,242	(41.2)	1,828	(27.9)
IMS Total	31,010	31,755	(2.3)	31,073	(0.2)

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

Revenue at the Mechatronics Division increased 19.7% yoy to S\$128.0 million in 1Q19, driven mainly by robust sales growth of the industrial automation segment.

Sales of the industrial automation segment, which is typically lumpy in nature, increased 194.4% yoy in 1Q19 due to higher orders for storage drive production equipment from a key multinational customer in Asia.

The analytical segment recorded a sales increase of 11.3% in 1Q19, attributable primarily to increased orders from a key customer in Europe as a result of steady demand from end-users of analytical equipment. The medical segment registered relatively stable yoy sales in 1Q19.

Sales of the semiconductor segment decreased 26.6% yoy in 1Q19 due to the general slowdown in demand for semiconductor equipment. A decline in orders for products related to back-end equipment was partially buffered by increased sales from New Product Introductions projects for front-end semiconductor equipment.

Revenue of the IMS Division registered a marginal sales decline of 2.3% yoy in 1Q19 due mainly to reduced sales of the consumer & industrial electronics and tooling segments.

Sales of the automotive segment improved 3.4% yoy, lifted by higher sales of automotive gearbox filter products.

Gross Profit Margin

As a result of higher revenue, the Group's gross profit increased 8.7% to S\$25.1 million in 1Q19 from S\$23.1 million in 1Q18. Gross profit margin decreased slightly to 15.8% in 1Q19 from 16.7% in 1Q18 due mainly to a shift in revenue contributions from the Group's diverse business segments.

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

Other income, net of other operating expenses, decreased to S\$0.4 million in 1Q19 from S\$0.7 million in 1Q18 due mainly to higher net foreign exchange loss and lower government grants, partially offset by scrap sales, project and other income.

Selling and Administrative Expenses

Selling and distribution expenses were marginally lower at S\$3.0 million in 1Q19 compared to S\$3.1 million in 1Q18. Administrative and general expenses decreased 8.9% yoy to S\$10.8 million from S\$11.9 million in 1Q18 due primarily to lower staff salaries and related costs.

Finance Costs

Finance costs in 1Q19 increased to S\$0.8 million from S\$0.6 million in 1Q18 due mainly to the recognition of interest expense arising from the adoption of SFRS(I) 16 Leases.

Group Profit before Income Tax

After accounting for the above items, the Group's profit before income tax increased 26.6% to S\$11.2 million in 1Q19 from S\$8.9 million in 1Q18.

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

	1Q	2Q	3Q	4Q	Full Year
FY2019 (S\$'000)	8,598	-	-	-	-
FY2018 (S\$'000)	6,757	7,000	5,257 *	11,016 #	30,030
yoy (%)	27.2	N.M.	N.M.	N.M.	N.M.

* including impairment loss of goodwill of S\$2.1 million, impairment loss of deferred development costs of S\$1.4 million and impairment loss of property, plant and equipment of S\$0.5 million.

including gain on disposal of a subsidiary of S\$0.1 million.

After accounting for income tax of S\$2.6 million, the Group reported a net profit attributable to equity holders ("PATMI") of S\$8.6 million in 1Q19, an increase of 27.2% from S\$6.8 million in 1Q18.

In 1Q19, the Mechatronics Division posted PATMI of S\$8.0 million, up from S\$7.0 million in 1Q18, while the IMS Division reported PATMI of S\$0.5 million, reversing its loss of S\$0.1 million in 1Q18.

Balance Sheet

As at 31 March 2019, the Group had shareholders' equity of S\$274.2 million, equivalent to net asset value of 64.89 cents per share based on the total number of issued shares of 422.5 million shares.

Total assets increased to S\$480.4 million as at 31 March 2019 from S\$463.7 million as at 31 December 2018. Property, plant and equipment was slightly lower at S\$97.0 million compared to S\$97.4 million as at 31 December 2018. Following the adoption of the SFRS(I) 16 *Leases*, the Group's operating leases are recognised on the balance sheet as right-of-use assets and lease liabilities. As at 31 March 2019, the Group's right-of-use assets stood at S\$17.1 million.

Cash and cash equivalents increased to S\$69.8 million as at 31 March 2019 from S\$67.1 million as at 31 December 2018. Inventories increased to S\$146.3 million as at 31 March 2019 from S\$144.6 million as at 31 December 2018 to meet the fulfillment of orders to customers. Trade receivables decreased to S\$110.8 million as at 31 March 2019 from S\$115.9 million as at 31 December 2018.

Trade payables decreased to S\$69.7 million as at 31 March 2019 from S\$79.2 million as at 31 December 2018. The Group's lease liabilities stood at S\$17.2 million as at 31 March 2019.

Total borrowings as at 31 March 2019 decreased to S\$67.6 million from S\$68.7 million as at end December 2018.

The Group had net cash of S\$2.3 million as at 31 March 2019 as compared to net borrowings of S\$1.6 million as at 31 December 2018. Total debt-to-equity ratio stood at 24.6% as at 31 March 2019.

Cash Flow Analysis

The Group generated net cash of S\$8.9 million from operating activities in 1Q19. Net cash used for investing activities amounted to S\$4.5 million in 1Q19, attributable mainly to capital expenditure. Net cash used in financing activities amounted to S\$3.6 million in 1Q19 due primarily to net borrowings derived from short term bank borrowings and repayment of principal portion of the lease liabilities.

As a result of the above, the Group recorded a net increase in cash and cash equivalents of S\$0.8 million during 1Q19. When added to its opening cash and cash equivalents of S\$45.1 million at the beginning of FY2019 and after accounting for the positive effect of foreign currency movements of S\$0.6 million on its opening cash and cash equivalents, the Group had an ending cash balance of S\$46.5 million as at 31 March 2019.

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 1Q19 are in line with the guidance provided in its financial statements posted on the SGX website on 21 February 2019.

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 Group registered record revenue and PATMI (excluding exceptional items) for FY2018 and has continued to perform commendably during the first quarter of the new financial year despite tougher market conditions in the global technology sector. In 1Q19, the Group reported a 27.2% year-on-year increase in PATMI to S\$8.6 million on the back of 14.7% year-on-year growth in revenue to S\$159.1 million.

Looking ahead, the macroeconomic backdrop is expected to remain challenging due to uncertainties caused by trade concerns and a cyclical downturn in semiconductor industry.

Frencken will continue to operate in a broad array of business segments, end-user markets and geographical regions. This business diversity provides greater resilience and stability to the Group.

In the long term, the Group believes the global technology sector will continue to benefit from the positive market trends in cloud computing, big data, artificial intelligence, the proliferation of connected devices and Internet of Things ("IOT"). Hence, the Group is confident of its long term business prospects and will stay focused on its goal to deliver sustainable and profitable growth to stakeholders.

Frencken aims to further strengthen its position as a premier Global Integrated Technology Solutions Company by continuing to execute strategies that will enhance its value proposition to customers.

To move up the value chain and remain in sync with customers' future demand trends, the Mechatronics Division is embarking on a strategy to evolve its business from a "Build to Print" model into a "Build to Spec" or "Original Design Manufacturer" model. The division is also implementing initiatives to drive productivity, improve customer focus, raise manufacturing and supply chain excellence and enhance competence development.

The IMS Division is seeking to drive revenue growth and improve profitability by expanding its market share with existing customers, leveraging on new industry trends and opportunities for growth and diversification, as well as through continuous quality and efficiency improvements.

BUSINESS SEGMENT OUTLOOK

Based on current indicators, revenue of the industrial automation segment, which is typically lumpy in nature, is anticipated to continue posting robust year-on-year growth in 2Q19, on the back of orders for storage drive production equipment from a key multinational customer in Asia.

The analytical and medical segments are expected to show year-on-year revenue growth in 2Q19.

On the other hand, revenue of the semiconductor segment is anticipated to decrease year-on-year in 2Q19. Higher sales of New Product Introductions projects for front-end semiconductor equipment will continue to buffer against the impact of the semiconductor industry's cyclical downturn.

Revenue of the automotive segment in 2Q19 is expected to be relatively stable as compared to 2Q18.

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	
	31/3/19	31/3/18
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
9-May-19

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

We, Mohamad Anwar Au and Melvin Chan Wai Leong, 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 first quarter 2019 financial results to be false or misleading.

On behalf of the Board of Directors

(signed)

Mohamad Anwar Au
Executive Director

(signed)

Melvin Chan Wai Leong
Independent Director

Singapore, 9 May 2019