



FRENCKEN GROUP LIMITED

(Registration No. 199905084D)

Unaudited Third 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			9 months ended		
	30/09/17	30/09/16	%	30/09/17	30/09/16	%
	\$'000	\$'000	Change	\$'000	\$'000	Change
Revenue	129,245	120,707	7.1%	389,617	355,237	9.7%
Cost of sales	(108,547)	(101,967)	6.5%	(324,113)	(300,758)	7.8%
Gross profit	20,698	18,740	10.4%	65,504	54,479	20.2%
Other income (Note 1)	1,230	1,034	19.0%	3,995	3,964	0.8%
Selling and distribution expenses	(2,685)	(2,671)	0.5%	(8,218)	(8,140)	1.0%
Administrative and general expenses	(12,067)	(10,623)	13.6%	(35,962)	(31,829)	13.0%
Other operating expenses (Note 1)	(537)	(447)	20.1%	(1,682)	(1,964)	-14.4%
Interest income	367	31	1083.9%	790	122	547.5%
Finance costs	(354)	(350)	1.1%	(1,063)	(1,141)	-6.8%
Profit before income tax and exceptional item	6,652	5,714	16.4%	23,364	15,491	50.8%
Net gain on disposal of subsidiaries *	274	-	N.M.	10,459	-	N.M.
Profit before income tax	6,926	5,714	21.2%	33,823	15,491	118.3%
Income tax expense	(1,883)	(1,377)	36.7%	(5,612)	(3,962)	41.6%
Profit for the year	5,043	4,337	16.3%	28,211	11,529	144.7%
Profit attributable to:						
Equity holders of the Company	5,014	4,379	14.5%	27,925	11,543	141.9%
Non-controlling interests	29	(42)	N.M.	286	(14)	N.M.
	5,043	4,337	16.3%	28,211	11,529	144.7%
Note 1 - Other income/(Other operating expenses)						
Other Income	1,230	1,034	19.0%	3,995	3,964	0.8%
Other Operating Expenses	(537)	(447)	20.1%	(1,682)	(1,964)	-14.4%
	693	587	18.1%	2,313	2,000	15.7%
Included in Other income/(Other operating expenses):						
Gain/(loss) on disposal of property, plant and equipment, net	49	(26)	N.M.	21	114	-81.6%
Property, plant and equipment written off	-	(32)	N.M.	(124)	(41)	202.4%
Investment property written off	-	-	N.M.	(8)	-	N.M.
Government grants	355	264	34.5%	1,429	1,149	24.4%
Foreign exchange (loss)/gain, net	(254)	(91)	179.1%	(766)	(889)	-13.8%
Amortisation of deferred gain	265	266	-0.4%	797	797	N.M.
Scrap sales	184	136	35.3%	456	417	9.4%
Other income	64	76	-15.8%	524	478	9.6%
Other expenses	30	(6)	N.M.	(16)	(25)	-36.0%
	693	587	18.1%	2,313	2,000	15.7%

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

N.M. : Not meaningful

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

	Group			Group		
	3 months ended			9 months ended		
	30/09/17	30/09/16	%	30/09/17	30/09/16	%
	\$'000	\$'000	Change	\$'000	\$'000	Change
Profit for the period is arrived at after charging/(crediting) :-						
Investment income	-	-	N.M.	-	-	N.M.
Other income including interest income	(1,597)	(1,065)	50%	(4,785)	(4,086)	17%
Amortisation of deferred gain	(265)	(266)	N.M.	(797)	(797)	N.M.
Interest on borrowings	354	350	1%	1,063	1,141	-7%
Depreciation of property, plant and equipment	3,470	3,956	-12%	10,935	11,918	-8%
Depreciation of investment property	11	-	N.M.	22	-	N.M.
Amortisation of intangible assets	329	251	31%	956	709	35%
(Write-back)/Allowance for doubtful debts and bad debts written off	-	(5)	N.M.	6	(27)	N.M.
(Write back)/Allowance for inventory obsolescence	950	-	N.M.	984	(5)	N.M.
Foreign exchange (gain)/loss, net	254	91	179%	766	889	-14%
Adjustments for (over)/under provision of tax in respect of prior years	(148)	(70)	111%	(693)	(451)	54%
(Gain)/Loss on disposal of property, plant and equipment, net	(49)	26	N.M.	(21)	(114)	-82%
Property, plant and equipment written off	-	32	N.M.	124	41	202%
Investment property written off	-	-	N.M.	8	-	N.M.
Net gain on disposal of subsidiaries	(274)	-	N.M.	(10,459)	-	N.M.

N.M. : Not meaningful

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

	Group		Company	
	30/09/17	31/12/16	30/09/17	31/12/16
	\$'000	\$'000	\$'000	\$'000
NON-CURRENT ASSETS				
Property, plant and equipment	89,079	100,022	-	-
Investment property	1,745	-	-	-
Subsidiaries	-	-	127,466	127,347
Financial asset, available-for-sale	4,132	4,132	4,132	4,132
Intangible assets	25,629	25,184	-	-
Deferred income tax assets	1,649	2,214	-	-
Other receivables, deposits and prepayments	1,056	1,661	-	-
Total non-current assets	123,290	133,213	131,598	131,479
CURRENT ASSETS				
Inventories	109,566	109,274	-	-
Trade receivables	88,881	90,668	-	-
Receivable from subsidiaries	-	-	5,533	282
Dividends receivable from subsidiaries	-	-	-	4,210
Other receivables, deposits and prepayments	12,674	10,631	20	13
Receivable from an associated company	-	108	-	-
Tax recoverable	298	619	-	-
Cash and cash equivalents	60,607	18,482	5,558	5,044
Total current assets	272,026	229,782	11,111	9,549
Total assets	395,316	362,995	142,709	141,028
CURRENT LIABILITIES				
Trade payables	52,654	51,523	-	-
Payable to a subsidiary	-	-	230	-
Other payables, accruals and provisions	36,335	30,385	609	377
Deferred gain	-	797	-	-
Borrowings	54,273	57,420	3,026	-
Income tax payable	3,873	2,059	6	3
Total current liabilities	147,135	142,184	3,871	380
NON-CURRENT LIABILITIES				
Borrowings	1,702	1,322	-	-
Retirement benefit obligations	1,408	1,474	-	-
Deferred income tax liabilities	3,567	3,343	-	-
Total non-current liabilities	6,677	6,139	-	-
Total liabilities	153,812	148,323	3,871	380
NET ASSETS	241,504	214,672	138,838	140,648
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	101,773	100,031	101,773	100,031
Foreign currency translation reserve	(27,538)	(29,302)	-	-
Merger reserve	2,345	2,345	-	-
Capital reserve	1,124	167	1,124	167
Statutory reserve fund	2,246	2,284	-	-
Share option reserve	885	1,723	885	1,723
Other reserve	(993)	(994)	-	-
Retained profits	159,391	136,398	35,056	38,727
	239,233	212,652	138,838	140,648
Non-controlling interests	2,271	2,020	-	-
TOTAL EQUITY	241,504	214,672	138,838	140,648

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

Amount repayable in one year or less, or on demand

As at 30/09/17	
Secured \$'000	Unsecured \$'000
32,573	21,700

As at 31/12/16	
Secured \$'000	Unsecured \$'000
36,137	21,283

Amount repayable after one year

As at 30/09/17	
Secured \$'000	Unsecured \$'000
46	1,656

As at 31/12/16	
Secured \$'000	Unsecured \$'000
278	1,044

Details of any collateral

Details of the borrowings of the Group and the Company and their securities as at 30 September 2017 are as follows:

	<u>Note</u>	Secured \$'000	Unsecured \$'000	Total \$'000
Bank overdrafts	(i)	25,322	1,187	26,509
Other short-term borrowings	(ii)	7,063	20,139	27,202
Term Loans	(iii)	234	2,030	2,264
		<u>32,619</u>	<u>23,356</u>	<u>55,975</u>

(i) bank overdrafts of :-

- (a) \$24,807,000 is secured by mortgage over properties, pledged on the trade receivables and inventories of all subsidiaries of the Company in The Netherlands; and
- (b) \$515,000 is secured by exclusive charged on the entire present and future current and fixed assets of a subsidiary in India.

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

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

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

	Group 3 months ended		Group 9 months ended	
	30/09/17	30/09/16	30/09/17	30/09/16
	\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit after tax	5,043	4,337	28,211	11,529
Adjustments for:				
Income tax expense	1,883	1,377	5,612	3,962
Exchange differences	(652)	(505)	(455)	(761)
Employee share option expense	40	37	119	79
Depreciation of property, plant and equipment	3,470	3,956	10,935	11,918
Depreciation of investment property	11	-	22	-
Loss/(Gain) on disposal of property, plant and equipment, net	(49)	26	(21)	(114)
Property, plant and equipment written off	-	32	124	41
Written back of impairment loss of property, plant and equipment	(16)	-	(16)	-
Investment property written off	-	-	8	-
Interest income	(367)	(31)	(790)	(122)
Interest expense	354	350	1,063	1,141
Amortisation of deferred gain	(265)	(266)	(797)	(797)
Amortisation of intangible assets	329	251	956	709
Net gain on disposal of subsidiaries (Note 2)	(274)	-	(10,459)	-
Operating cash flow before working capital changes	9,507	9,564	34,512	27,585
Changes in operating assets and liabilities :				
Inventories	4,586	4,096	(9,194)	(2,567)
Receivables	6,695	216	(9,639)	(4,831)
Payables	(4,117)	(2,007)	14,609	2,350
Associated company	5	(31)	115	(169)
Cash flows generated from operations	16,676	11,838	30,403	22,368
Tax paid	(898)	(1,600)	(2,775)	(3,930)
Interest paid	(355)	(351)	(1,063)	(1,150)
NET CASH GENERATED FROM OPERATING ACTIVITIES	15,423	9,887	26,565	17,288
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	367	31	790	122
Additions of intangible assets	(125)	(300)	(655)	(2,313)
Purchase of property, plant and equipment (Note 1)	(5,905)	(3,640)	(16,450)	(13,960)
Purchase of investment property	(171)	-	(205)	-
Proceeds from disposal of property, plant and equipment	80	3	661	211
Disposal of subsidiaries, net of cash disposed of (Note 2)	274	-	38,583	-
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(5,480)	(3,906)	22,724	(15,940)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of share capital	45	52	1,742	162
Repayment of finance lease liabilities	(2)	(65)	(157)	(215)
Repayment of short term bank borrowings	(34,620)	(47,636)	(96,281)	(99,459)
Repayment of term loans	(143)	(1,071)	(476)	(1,795)
Proceeds from short term bank borrowings	26,389	42,678	95,455	105,505
Proceeds from term loans	42	762	944	762
Dividend paid to shareholders	-	-	(4,970)	(3,039)
Withdrawal/(Placement) of fixed deposits pledged as securities	-	-	-	2
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(8,289)	(5,280)	(3,743)	1,923
Net increase in cash and cash equivalents	1,654	701	45,546	3,271
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD/YEAR	33,377	(9,086)	(9,966)	(11,613)
Effect of exchange rate changes on cash and cash equivalents	(1,052)	197	(1,601)	154
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	33,979	(8,188)	33,979	(8,188)

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

	Group 3 months ended		Group 9 months ended	
	30/09/17	30/09/16	30/09/17	30/09/16
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents at end of the financial period comprise:				
Short term funds placed with a Malaysian financial institutions	42,728	3,053	42,728	3,053
Deposits with licensed banks	4,120	451	4,120	451
Cash and bank balances	13,759	14,815	13,759	14,815
Bank overdrafts	(26,509)	(26,392)	(26,509)	(26,392)
	34,098	(8,073)	34,098	(8,073)
Less: Deposits pledged as securities	(119)	(115)	(119)	(115)
	33,979	(8,188)	33,979	(8,188)

Note 1 :

During the financial period, the Group acquired property, plant and equipment with an aggregate cost of \$17,455,000 (30.09.2016: \$14,548,000) of which \$5,497,000 (30.09.2016: \$2,505,000) was included in other payables at balance sheet date. Cash payments of \$16,450,000 (30.09.2016: \$13,960,000) includes an amount of \$4,492,000 (30.09.2016 : \$1,917,000) for payment from other payables to purchase property, plant and equipment incurred in previous financial year.

Note 2 : Disposal of subsidiaries

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

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

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

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

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

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

Details of the disposals are as follows:

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

Current liabilities

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

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

Cash	42,798	15	42,813
Less: Transaction costs related to disposal of subsidiaries	(189)	-	(189)
Total consideration received	<u>42,609</u>	<u>15</u>	<u>42,624</u>

Gain/(Loss) on disposal

Consideration received	42,609	15	42,624
Net assets derecognised	(31,335)	(137)	(31,472)
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity on loss of control of subsidiaries	62	(755)	(693)
Gain/(Loss) on disposal	<u>11,336</u>	<u>(877)</u>	<u>10,459</u>

Net cash outflow arising on disposal

Cash consideration received	42,609	15	42,624
Cash and cash equivalents disposed of	(3,667)	(374)	(4,041)
	<u>38,942</u>	<u>(359)</u>	<u>38,583</u>

1(d) Consolidated statement of comprehensive income

	3 months ended		9 months ended	
	30/09/17	30/09/16	30/09/17	30/09/16
	\$'000	\$'000	\$'000	\$'000
<u>Statement of Comprehensive Income</u>				
Profit for the period	5,043	4,337	28,211	11,529
<i>Item that may be reclassified subsequently to income statement :</i>				
- Currency translation differences arising from consolidation	1,119	(2,372)	1,730	(2,258)
Total comprehensive income for the period	<u>6,162</u>	<u>1,965</u>	<u>29,941</u>	<u>9,271</u>
Attributable to:				
Equity holders of the Company	6,144	2,049	29,690	9,390
Non-controlling interests	18	(84)	251	(119)
Total comprehensive income for the period	<u>6,162</u>	<u>1,965</u>	<u>29,941</u>	<u>9,271</u>

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

(a) Statement of changes in equity for the quarter ended 30 September 2017 and 30 September 2016

	Attributable to equity holders of the Company									
	Share Capital \$'000	Foreign Currency Translation Reserve \$'000	Merger Reserve \$'000	Capital Reserve \$'000	Statutory Reserve Fund \$'000	Share Option Reserve \$'000	Other Reserve \$'000	Retained Profits \$'000	Total \$'000	Non-Controlling Interests \$'000
The Group										
At 1 July 2017	101,728	(28,666)	2,345	1,098	2,165	871	(995)	154,458	233,004	2,253
Profit for the quarter	-	-	-	-	-	-	-	5,014	5,014	29
Other comprehensive income/(loss): Currency translation differences arising from consolidation	-	1,128	-	-	-	-	2	-	1,130	(11)
Total comprehensive income/(loss) for the quarter	-	1,128	-	-	-	-	2	5,014	6,144	18
<i>Transactions with owners recognised directly in equity</i>										
Transfer to statutory reserve fund	-	-	-	-	81	-	-	(81)	-	-
Employee share option scheme - Value of employee services	-	-	-	-	-	40	-	-	40	-
- Issue of share capital	45	-	-	26	-	(26)	-	-	45	-
	45	-	-	26	81	14	-	(81)	85	-
At 30 September 2017	101,773	(27,538)	2,345	1,124	2,246	885	(993)	159,391	239,233	2,271
At 1 July 2016	99,769	(25,784)	2,345	50	1,769	1,764	-	128,172	208,085	1,938
Profit for the quarter	-	-	-	-	-	-	-	4,379	4,379	(42)
Other comprehensive income/(loss): Currency translation differences arising from consolidation	-	(2,330)	-	-	-	-	-	-	(2,330)	(42)
Total comprehensive income/(loss) for the quarter	-	(2,330)	-	-	-	-	-	4,379	2,049	(84)
<i>Transactions with owners recognised directly in equity</i>										
Transfer to/(from) statutory reserve fund	-	-	-	-	98	-	-	(98)	-	-
Employee share option scheme - Value of employee services	-	-	-	-	-	37	-	-	37	-
- Issue of share capital	52	-	-	22	-	(22)	-	-	52	-
	52	-	-	22	98	15	-	(98)	89	-
At 30 September 2016	99,821	(28,114)	2,345	72	1,867	1,779	-	132,453	210,223	1,854
Attributable to equity holders of the Company										
	Share Capital \$'000	Foreign Currency Translation Reserve \$'000	Merger Reserve \$'000	Capital Reserve \$'000	Statutory Reserve Fund \$'000	Share Option Reserve \$'000	Retained Profits \$'000	Total \$'000		
The Company										
At 1 July 2017	101,728	-	-	1,098	-	871	35,113	138,810		
Total comprehensive loss for the quarter	-	-	-	-	-	-	(57)	(57)		
<i>Transactions with owners recognised directly in equity</i>										
Employee share option scheme - Value of employee services	-	-	-	-	-	40	-	40		
- Issue of share capital	45	-	-	26	-	(26)	-	45		
	45	-	-	26	-	14	-	85		
At 30 September 2017	101,773	-	-	1,124	-	885	35,056	138,838		
At 1 July 2016	99,769	-	-	50	-	1,764	34,961	136,544		
Total comprehensive loss for the quarter	-	-	-	-	-	-	(44)	(44)		
<i>Transactions with owners recognised directly in equity</i>										
Employee share option scheme - Value of employee services	-	-	-	-	-	37	-	37		
- Issue of share capital	52	-	-	22	-	(22)	-	52		
	52	-	-	22	-	15	-	89		
At 30 September 2016	99,821	-	-	72	-	1,779	34,917	136,589		

(b) Statement of changes in equity for the nine months ended 30 September 2017 and September 2016

	Attributable to equity holders of the Company										
	Share Capital \$'000	Foreign Currency Translation Reserve \$'000	Merger Reserve \$'000	Capital Reserve \$'000	Statutory Reserve Fund \$'000	Share Option Reserve \$'000	Other Reserve \$'000	Retained Profits \$'000	Total \$'000	Non-Controlling Interests \$'000	Total Equity \$'000
The Group											
At 1 January 2017	100,031	(29,302)	2,345	167	2,284	1,723	(994)	136,398	212,652	2,020	214,672
Profit for the period	-	-	-	-	-	-	-	27,925	27,925	286	28,211
Other comprehensive income/(loss): Currency translation differences arising from consolidation	-	1,764	-	-	-	-	1	-	1,765	(35)	1,730
Total comprehensive income/(loss) for the period	-	1,764	-	-	-	-	1	27,925	29,690	251	29,941
<i>Transactions with owners recognised directly in equity</i>											
Transfer to statutory reserve fund	-	-	-	-	(38)	-	-	38	-	-	-
Employee share option scheme - Value of employee services	-	-	-	-	-	119	-	-	119	-	119
- Issue of share capital	1,742	-	-	957	-	(957)	-	-	1,742	-	1,742
Dividend Paid	-	-	-	-	-	-	-	(4,970)	(4,970)	-	(4,970)
	1,742	-	-	957	(38)	(838)	-	(4,932)	(3,109)	-	(3,109)
At 30 September 2017	101,773	(27,538)	2,345	1,124	2,246	885	(983)	159,391	239,233	2,271	241,504
At 1 January 2016	99,659	(25,961)	2,345	(15)	1,622	1,787	-	124,194	203,631	1,973	205,604
Profit for the period	-	-	-	-	-	-	-	11,543	11,543	(14)	11,529
Other comprehensive income/(loss): Currency translation differences arising from consolidation	-	(2,153)	-	-	-	-	-	-	(2,153)	(105)	(2,258)
Total comprehensive income/(loss) for the period	-	(2,153)	-	-	-	-	-	11,543	9,390	(119)	9,271
<i>Transactions with owners recognised directly in equity</i>											
Transfer to/(from) statutory reserve fund	-	-	-	-	245	-	-	(245)	-	-	-
Employee share option scheme - Value of employee services	-	-	-	-	-	79	-	-	79	-	79
- Issue of share capital	162	-	-	87	-	(87)	-	-	162	-	162
Dividend Paid	-	-	-	-	-	-	-	(3,039)	(3,039)	-	(3,039)
	162	-	-	87	245	(8)	-	(3,284)	(2,798)	-	(2,798)
At 30 September 2016	99,821	(28,114)	2,345	72	1,867	1,779	-	132,453	210,223	1,854	212,077
Attributable to equity holders of the Company											
	Share Capital \$'000	Foreign Currency Translation Reserve \$'000	Merger Reserve \$'000	Capital Reserve \$'000	Statutory Reserve Fund \$'000	Share Option Reserve \$'000	Retained Profits \$'000	Total \$'000			
The Company											
At 1 January 2017	100,031	-	-	167	-	1,723	38,727	140,648			
Total comprehensive income for the period	-	-	-	-	-	-	1,299	1,299			
<i>Transactions with owners recognised directly in equity</i>											
Employee share option scheme - Value of employee services	-	-	-	-	-	119	-	119			
- Issue of share capital	1,742	-	-	957	-	(957)	-	1,742			
Dividend paid	-	-	-	-	-	-	(4,970)	(4,970)			
	1,742	-	-	957	-	(838)	(4,970)	(3,109)			
At 30 September 2017	101,773	-	-	1,124	-	885	35,056	138,838			
At 1 January 2016	99,659	-	-	(15)	-	1,787	38,021	139,452			
Total comprehensive income for the period	-	-	-	-	-	-	(65)	(65)			
<i>Transactions with owners recognised directly in equity</i>											
Employee share option scheme - Value of employee services	-	-	-	-	-	79	-	79			
- Issue of share capital	162	-	-	87	-	(87)	-	162			
Dividend paid	-	-	-	-	-	-	(3,039)	(3,039)			
	162	-	-	87	-	(8)	(3,039)	(2,798)			
At 30 September 2016	99,821	-	-	72	-	1,779	34,917	136,589			

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 4,000 and 200,000 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	
	30/09/17	30/09/16
Number of issued shares	415,382,409	405,492,409
Number of treasury shares	-	-
Total number of issued shares excluding treasury shares	<u>415,382,409</u>	<u>405,492,409</u>

Share options

The movement of share options of the Company during the period from 1 July 2017 to 30 September 2017 is as follows:

Date of grant	Number of ordinary shares under option					Exercise price	Exercise period
	As at 1.7.2017	Granted during the period	Forfeited during the period	Exercised during the period	As at 30.9.2017		
1.12.2008 (2008 Option)	1,050,000	0	0	0	1,050,000	\$0.155	1.12.2010 - 30.11.2018
1.12.2009 (2009 Option)	2,464,000	0	0	(4,000)	2,460,000	\$0.168	1.12.2011 - 30.11.2019
1.12.2010 (2010 Option)	3,605,000	0	0	(200,000)	3,405,000	\$0.224	1.12.2012 - 30.11.2020
7.10.2013 (2013 Option)	0	0	0	0	0	\$0.208	7.10.2015 - 6.10.2023
1.4.2016 (2016 Option)	3,000,000	0	0	0	3,000,000	\$0.184	1.4.2018 - 31.3.2026
	<u>10,119,000</u>	<u>0</u>	<u>0</u>	<u>(204,000)</u>	<u>9,915,000</u>		

	Total number of shares as at	
	30/09/17	30/09/16
Total number of shares that may be issued on exercise of share options outstanding	<u>9,915,000</u>	<u>19,805,000</u>

1(e)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at	
	30/09/17	31/12/16
Total number of issued shares excluding treasury shares	<u>415,382,409</u>	<u>406,642,409</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.

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 2017.

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

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.

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

	Group 3 months ended		Group 9 months ended	
	30/09/17	30/09/16	30/09/17	30/09/16
Earnings per ordinary share of the Group based on net profit attributable to the shareholders of the Company:				
(i) Based on weighted average number of shares (in cents)	1.21	1.08	6.78	2.85
- Weighted average number of shares (in thousand)	415,221	405,209	412,109	404,969
(ii) On a fully diluted basis (in cents)	1.19	1.07	6.69	2.83
- Adjusted weighted average number of shares (in thousand)	421,230	409,066	417,335	407,408

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	
	30/09/17	31/12/16	30/09/17	31/12/16
Net asset value per ordinary share based on issued share capital at the end of financial period/year (cents)	57.59	52.29	33.42	34.59

Net asset value per ordinary shares is calculated based on the Group's net asset value divided by the number of ordinary shares at 30.09.2017 of 415,382,409 (31.12.2016 : 406,642,409).

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

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

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

Income Statement

Group Revenue

	1Q	2Q	3Q	9M	4Q	Full Year
FY2017 (S\$'000)	134,411	125,961	129,245	389,617	-	-
FY2016 (S\$'000)	114,017	120,513	120,707	355,237	111,182	466,419
yoy (%)	17.9	4.5	7.1	9.7	N.M.	N.M.

For the three months ended 30 September 2017 ("3Q17"), Group revenue increased 7.1% to S\$129.2 million from S\$120.7 million in 3Q16 due to higher sales of the Mechatronics Division. The IMS Division posted a decline in sales due mainly to the absence of sales from Precico Electronics Sdn. Bhd. ("PESB") in 3Q17 following the completion of the disposal of PESB on 31 March 2017. Excluding the revenue contribution from PESB in 3Q16, Group revenue would have increased 19.1% year-on-year in 3Q17.

For the nine months ended 30 September 2017 ("9M17"), Group revenue gained 9.7% to S\$389.6 million from S\$355.2 million in 9M16 due to higher sales contribution from the Mechatronics Division. Excluding the revenue contributions from PESB in 9M16 and 1Q17, Group revenue would have increased by 18.7% in 9M17.

Revenue breakdown by Business Segment

Sales	3Q17	3Q16	yoy	2Q17	qoq	9M17	9M16	yoy
	S\$'000	S\$'000	%	S\$'000	%	S\$'000	S\$'000	%
MECHATRONICS DIVISION								
Semiconductor	28,100	18,650	50.7	30,594	(8.2)	89,863	58,850	52.7
Medical	18,486	16,283	13.5	16,606	11.3	50,580	48,699	3.9
Analytical	27,807	22,156	25.5	27,083	2.7	83,049	63,550	30.7
Industrial Automation	16,593	18,545	(10.5)	15,365	8.0	42,635	48,962	(12.9)
Others	5,534	4,203	31.7	5,302	4.4	14,954	12,301	21.6
Mechatronics Total	96,520	79,837	20.9	94,950	1.7	281,081	232,362	21.0
IMS DIVISION								
Automotive	22,791	31,249	(27.1)	20,986	8.6	78,325	94,018	(16.7)
Consumer & Industrial								
Electronics	5,362	5,122	4.7	5,700	(5.9)	16,136	15,541	3.8
Others	891	1,031	(13.6)	903	(1.3)	2,884	3,215	(10.3)
Tooling	3,612	3,468	4.2	3,353	7.7	11,053	10,093	9.5
IMS Total	32,656	40,870	(20.1)	30,942	5.5	108,398	122,867	(11.8)

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

Revenue at the Mechatronics Division improved 20.9% to S\$96.5 million in 3Q17 from S\$79.8 million in 3Q16, driven mainly by increased sales of the semiconductor, medical and analytical segments.

In tandem with continued growth of the global semiconductor industry since the start of 2017, the Group recorded higher sales from its semiconductor segment in 3Q17. This was attributed mainly to increased orders for products that are related to front-end and back-end semiconductor equipment.

The analytical segment also registered higher orders during 3Q17, driven mainly by demand from end-users in the life sciences and semiconductor industries. Sales of the medical segment improved in 3Q17 primarily on the back of higher demand from existing customers. On the other hand, sales of the industrial automation segment, which is typically lumpy in nature, declined in 3Q17 as compared to 3Q16 in line with lower requirements from its customers.

Revenue at the IMS Division decreased by 20.1% to S\$32.7 million in 3Q17 from S\$40.9 million in 3Q16. This was attributed mainly to the reduction in sales of the automotive segment following the disposal of PESB. Excluding the contribution from PESB in 3Q16, the automotive segment would have registered a sales increase of 15.1% in 3Q17 from the year-ago period. The consumer & industrial electronics segment registered higher revenue in 3Q17 as compared to 3Q16 in tandem with the increase in sales to a key customer.

Gross Profit Margin

In tandem with higher sales, the Group's gross profit increased 10.4% to S\$20.7 million in 3Q17 from S\$18.7 million in 3Q16. Gross profit for 9M17 was S\$65.5 million, up 20.2% year-on-year from S\$54.5 million.

Gross profit margin for 3Q17 increased to 16.0% from 15.5% in 3Q16. Similarly, the Group's gross profit margin also expanded to 16.8% in 9M17 as compared to 15.3% in 9M16. The increases were attributed mainly to improved capacity utilisation and shift in sales mix.

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

Other income, net of other operating expenses, increased marginally to S\$0.7 million in 3Q17 from S\$0.6 million in 3Q16. Other income, net of other operating expenses, for 9M17 also increased to S\$2.3 million from S\$2.0 million in 9M16. The increases were attributed primarily to higher government grants.

Selling and Administrative Expenses

Selling and distribution expenses in 3Q17 were unchanged at S\$2.7 million compared to 3Q16. For 9M17, selling and distribution expenses increased slightly to S\$8.2 million from S\$8.1 million in 9M16.

Administrative and general expenses increased by 13.6% to S\$12.1 million in 3Q17 from S\$10.6 million in 3Q16, and by 13.0% to S\$36.0 million in 9M17 from S\$31.8 million in 9M16. The increase in administrative and general expenses was attributed mainly to higher staff costs, provision for bonuses and performance incentive, consultancy fees and IT-related expenses.

Finance Costs

Finance costs remained stable at S\$0.4 million in 3Q17 compared to 3Q16, and S\$1.1 million for 9M17 compared to 9M16.

Group Profit before Income Tax & Exceptional Item

The Group's profit before income tax ("PBT") and exceptional item in 3Q17 increased 16.4% to S\$6.6 million from S\$5.7 million in 3Q16. The Group reported an exceptional gain of S\$0.3 million in 3Q17 arising from the finalisation of transaction cost of PESB disposal in 1Q17. Including this net gain, the Group's PBT in 3Q17 increased 21.2% year-on-year to S\$6.9 million.

For 9M17, the Group's PBT, excluding the net gain on disposal of subsidiaries, improved by 50.8% to S\$23.3 million from S\$15.5 million in 9M16. Including the net gain on disposal of subsidiaries totaling S\$10.5 million, the Group registered PBT of S\$33.8 million in 9M17, representing an increase of 118.3% from 9M16.

Group Net Profit Attributable to Equity Holders of the Company

	1Q	2Q	3Q	9M	4Q	Full Year
FY2017 (S\$'000)	16,275 *	6,636	5,014	27,925	-	-
FY2016 (S\$'000)	3,060	4,104	4,379	11,543	4,362	15,905
yoy (%)	431.9	61.7	14.5	141.9	N.M.	N.M.

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

After accounting for income tax, the Group reported net profit attributable to equity holders of S\$5.0 million in 3Q17, an increase of 14.5% from S\$4.4 million in 3Q16.

Net profit attributable to equity holders for 9M17 increased by 141.9% to S\$27.9 million from S\$11.5 million in 9M16. Excluding the net gain on disposal of subsidiaries, the Group posted a 51.3% increase in net profit to S\$17.5 million in 9M17 from S\$11.5 million in 9M16. The Mechatronics and IMS Divisions posted net profits of S\$16.7 million and S\$1.4 million respectively in 9M17 as compared to S\$11.1 million and S\$0.6 million in 9M16.

Balance Sheet

As at 30 September 2017, the Group had shareholders' equity of S\$239.0 million, equivalent to net asset value of 57.59 cents per share based on the total number of issued shares of 415.4 million shares.

Total assets as at 30 September 2017 increased to S\$395.3 million from S\$363.0 million at the end of December 2016. Cash and cash equivalents increased to S\$60.6 million from S\$18.5 million as at 31 December 2016 due mainly to proceeds from disposal of subsidiaries. Inventories were relatively stable at S\$109.6 million compared to S\$109.3 million at the end of December 2016. Trade receivables decreased marginally to S\$88.9 million from S\$90.7 million as at 31 December 2016.

Trade payables increased to S\$52.7 million as at 30 September 2017 from S\$51.5 million as at 31 December 2016, attributed to higher purchases of materials required to fulfill customers' orders. Total borrowings as at 30 September 2017 stood at S\$56.0 million, down from S\$58.7 million as at 31 December 2016.

The Group had net cash of S\$4.6 million as at 30 September 2017, compared to net borrowings of S\$40.3 million as at 31 December 2016.

Cash Flow Analysis

The Group generated net cash from operating activities of S\$26.6 million in 9M17. Net cash generated from investing activities amounted to S\$22.7 million in 9M17, attributed mainly to proceeds from the disposal of subsidiaries which was offset partially by capital expenditure. Net cash used in financing activities amounted to S\$3.7 million in 9M17 due mainly to payment of dividends with respect to FY2016, offset partially by net proceeds from issuance of share capital following the exercise of share options granted to employees.

As a result of the above, the Group recorded a net increase in cash and cash equivalents of S\$45.6 million during 9M17. When added to its opening cash and cash equivalents of minus S\$10.0 million at the beginning of 9M17 and after accounting for the negative effect of foreign currency movements of S\$1.6 million on its opening cash and cash equivalents, the Group had an ending cash balance of S\$34.0 million as at 30 September 2017.

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 3Q17 are in line with the guidance provided in its financial statements posted on the SGX website on 10 August 2017.

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 AND GROUP STRATEGIES

While there are indications that the global economy is improving, its recovery is subject to risks from ongoing political and economic uncertainties around the world.

Although the uneven demand conditions across different business sectors could pose challenges to the business operating environment, the diversity of the Group's business, customer base and geographical reach is expected to provide resilience and stability in its performance.

The Group's goal is to deliver sustainable and profitable long-term growth. To realise this outcome, the Group is continuing to focus on achieving operational excellence and executing strategies to strengthen its position as a premier Global Integrated Technology Solutions Company.

In 9M17, the Group delivered positive results due to robust sales growth of its semiconductor, analytical and medical segments. This was achieved on the back of strong demand for semiconductor equipment as well as the Group's efforts to secure new programs with its customers. Both the Mechatronics and IMS divisions are working closely with customers on the next generation of technology and products to expand its market share.

The Mechatronics division continues to develop new capabilities while closely tracking customers' technology and product roadmaps. This division is benefiting from several initiatives implemented to raise its capacity, operational efficiency and productivity.

The IMS Division continues to enhance its competencies and increase the competitive edge of its automotive segment by providing end-to-end solutions. Besides the automation of critical manufacturing processes, the division is developing a "IMS Centre of Expertise" which will focus on mould design and fabrication, moulding technology, and engineering support for new programs. The IMS division is in the process of setting up a new manufacturing facility in Chuzhou, Anhui Province.

BUSINESS SEGMENT OUTLOOK

Based on current indicators, revenue of the semiconductor segment is expected to be higher in 4Q17 as compared to 4Q16, albeit slower than in 3Q17 which is in line with the outlook for the global semiconductor equipment industry.

The analytical and medical segments are also anticipated to record higher revenues in 4Q17 as compared to 4Q16.

The industrial automation segment is projected to post lower revenue in 4Q17 versus 4Q16 due to a slowdown in the demand for production equipment for storage drives.

Revenue of the automotive segment is expected to be lower in 4Q17 as compared to 4Q16, owing mainly to the disposal of PESB with effect from 1 April 2017. Excluding the revenue of PESB in 4Q16, the automotive segment is expected to show higher year-on-year growth.

11. Dividend

(a) Current Financial Period Reported on

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

None

(b) Corresponding Period of the Immediately Preceding Financial Year

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

None

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

Not applicable.

PART 11- ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

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

Only applies to full year results

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

Only applies to full year results

15. A breakdown of sales.

Only applies to full year results

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

Only applies to full year results

17. Interested Person Transactions

Name of Interested Person	Aggregate value of all IPTs during the financial period under review (excluding transactions less than \$100,000) 3 months ended	
	30/9/2017	30/9/2016
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
8-Nov-17

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

We, Mohamad Anwar Au and Dato' Gooi Soon Chai, being two directors of Frencken Group Limited ("the Company"), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the third quarter 2017 financial results to be false or misleading.

On behalf of the Board of Directors

(Signed)
Mohamad Anwar Au
Executive Director

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

Singapore, 8 November 2017