FRENCKEN GROUP LIMITED

(Registration No. 199905084D)

Unaudited Second Quarter Financial Statements And Dividend Announcement

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

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

	3 months ended			1H ended		
	30/06/09 $'000	30/06/08 $'000	% Change	30/06/09 $'000	30/06/08 $'000	% Change
Revenue	40,818	58,429	-30.1%	79,556	120,093	-33.8%
Cost of sales	(38,172)	(50,315)	-24.1%	(74,156)	(102,374)	-27.6%
Gross profit	2,646	8,114	-67.4%	5,400	17,719	-69.5%
Other gains	790	554	42.6%	1,313	881	49.0%
Selling and distribution expenses	(1,058)	(1,227)	-13.8%	(1,934)	(2,483)	-22.1%
Administrative and general expenses	(2,608)	(2,572)	1.4%	(4,761)	(5,247)	-9.3%
Other operating expenses	(82)	(48)	70.8%	(210)	(328)	-36.0%
Interest income	130	323	-59.8%	364	605	-39.8%
Finance costs	(108)	(9)	1100.0%	(111)	(22)	404.5%
Share of result of associated companies	-	(25)	N.M.	-	(34)	N.M.
Profit before negative goodwill and income tax	(290)	5,110	-105.7%	61	11,091	-99.5%
Negative goodwill *	13,426	-	N.M.	13,426	-	N.M.
Profit before income tax	13,136	5,110	157.1%	13,487	11,091	21.6%
Income tax expense	218	(1,067)	120.4%	(11)	(2,651)	-99.6%
Net profit attributable to equity holders	13,354	4,043	230.3%	13,476	8,440	59.7%

Analysis of Net Profit						
Profit before negative goodwill and income tax	(290)	5,110	-105.7%	61	11,091	-99.5%
Income tax expense	218	(1,067)	120.4%	(11)	(2,651)	-99.6%
Net profit before negative goodwill attributable to business	**(72)**	**4,043**	**-101.8%**	**50**	**8,440**	**-99.4%**
Negative goodwill *	**13,426**	**-**	**N.M.**	**13,426**	**-**	**N.M.**
Net profit attributable to equity holders	13,354	4,043	230.3%	13,476	8,440	59.7%

* This negative goodwill arising from the acquisition of ETLA Limited in May 2009 is recognised as a gain in the income statement in accordance with FRS 103 for Business Combinations. This provisional gain is computed based on the excess of provisional fair value of identifiable assets and liabilities of ETLA Limited and its subsidiaries at the date of acquisition over the purchase consideration.

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			1H ended		
	30/06/09	30/06/08	%	30/06/09	30/06/08	%
	$'000	$'000	Change	$'000	$'000	Change
Profit for the period is arrived at after charging/(crediting) :-						
Investment income	-	-	-	-	-	-
Other income including interest income	(920)	(877)	4.9%	(1,677)	(1,486)	12.9%
Interest on borrowings	108	9	1100.0%	111	22	404.5%
Depreciation of property, plant and equipment	2,525	2,028	24.5%	4,694	4,139	13.4%
(Write-back)/Allowance for doubtful debts and bad debts written off	-	-	-	12	-	N.M.
(Write back)/Allowance for inventory obsolescence	(53)	(516)	-89.7%	(38)	(516)	-92.6%
Impairment in value of investments	-	-	-	-	-	-
Foreign exchange (gain)/ loss -realised	194	(64)	403.1%	276	70	294.3%
Foreign exchange (gain)/ loss -unrealised	(364)	(53)	586.8%	(499)	29	-1820.7%
Adjustments for (over)/ under provision of tax in respect of prior years	36	-	N.M.	68	-	N.M.
(Gain)/Loss on disposal of property, plant and equipment	-	(144)	N.M.	(10)	(161)	-93.8%
Property, plant and equipment written off	12	2	500.0%	13	4	225.0%
Negative goodwill arising from acquisition	(13,426)	-	N.M.	(13,426)	-	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	
	30/06/09	**31/12/08**	**30/06/09**	**31/12/08**
	$'000	**$'000**	**$'000**	**$'000**
NON-CURRENT ASSETS				
Property, plant and equipment	92,724	53,684	-	-
Investments in subsidiaries	-	-	68,335	51,297
Financial asset, available-for-sale	6,400	6,400	6,400	6,400
Goodwill arising on consolidation	13,757	13,757	-	-
Deferred income tax assets	1,056	1,176	-	-
	113,937	75,017	74,735	57,697
CURRENT ASSETS				
Inventories	57,274	45,976	-	-
Trade receivables	44,560	41,551	-	-
Receivable from subsidiaries	-	-	1,629	2,540
Dividends receivable from subsidiaries	-	-	-	7,143
Other receivables	3,880	3,968	121	741
Tax recoverable	916	593	-	-
Financial asset, available-for-sale (N1)	5,289	6,049	-	-
Cash and cash equivalents	45,626	39,736	6,433	7,609
	157,545	137,873	8,183	18,033
Total assets	271,482	212,890	82,918	75,730
CURRENT LIABILITIES				
Trade payables	21,713	19,943	-	-
Other payables	14,711	11,142	652	641
Borrowings	16,832	76	-	-
Taxation	56	93	1	10
	53,312	31,254	653	651
NON CURRENT LIABILITIES				
Borrowings	14,234	134	-	-
Deferred income tax liabilities	2,104	1,805	-	-
	16,338	1,939	-	-
Total liabilities	69,650	33,193	653	651
NET ASSETS	201,832	179,697	82,265	75,079
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	90,552	76,615	90,552	76,615
Foreign currency translation reserve	8,290	7,844	-	-
Capital reserve	2,345	2,345	-	-
Share option reserve	140	14	140	14
Retained profits / (Accumulated losses)	100,505	92,879	(8,427)	(1,550)
	111,280	103,082	(8,287)	(1,536)
TOTAL EQUITY	201,832	179,697	82,265	75,079

(N1) This represents a short term funds placed with a Malaysian financial institution

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

Amount repayable in one year or less, or on demand

As at 30/06/09		As at 31/12/08	
Secured $'000	**Unsecured $'000**	**Secured $'000**	**Unsecured $'000**
3,095	13,737	76	-

Amount repayable after one year

As at 30/06/09		As at 31/12/08	
Secured $'000	**Unsecured $'000**	**Secured $'000**	**Unsecured $'000**
13,637	597	134	-

Details of any collateral

The secured borrowings of the Group as at 30 June 2009 comprise building loans and finance lease liabilities and are secured by mortgages over the leasehold properties, machinery, equipment and motor vehicles owned by certain subsidiaries in the Group.

The secured borrowings of the Group as at 31 December 2008 comprised finance lease liabilities and were secured on equipment and motor vehicles.

One of the newly acquired subsidiary is required to comply with certain financial covenants in respect of certain bank borrowings. This subsidiary has complied with all the financial covenants except for one, which waiver has been obtained from the lender for the non-compliance. This subsidiary is required to obtain waiver at each reporting of the quarterly and full year results, if the financial covenants are breach.

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 1H ended	
	30/06/09	**30/06/08**	**30/06/09**	**30/06/08**
	$ '000	**$ '000**	**$ '000**	**$ '000**
CASH FLOWS FROM OPERATING ACTIVITIES				
Total profit	13,354	4,043	13,476	8,440
Adjustments for:				
Income tax expense	(218)	1,067	11	2,651
Exchange differences	(199)	116	(144)	221
Employee share option expense	60		126	-
Depreciation of property, plant and equipment	2,525	2,028	4,694	4,139
(Gain)/Loss on disposal of property, plant and equipment	-	(144)	(10)	(161)
Property, plant and equipment written off	12	2	13	4
Interest income	(130)	(323)	(364)	(605)
Interest expense	108	9	111	22
Share of result of associated companies	-	25	-	34
Negative goodwill arising from acquisition	(13,426)	-	(13,426)	-
Operating cash flow before working capital changes	2,086	6,823	4,487	14,745
Changes in operating assets and liabilities :				
Inventories	2,836	2,378	3,561	3,126
Receivables	1,977	1,321	7,780	436
Payables	(1,785)	(3,719)	(6,696)	(7,787)
Cash flows generated from operations	5,114	6,803	9,132	10,520
Tax paid	(697)	(2,264)	(1,121)	(3,344)
Tax refunded	383	-	383	-
Interest paid	(108)	(9)	(111)	(22)
NET CASH GENERATED FROM OPERATING ACTIVITIES	4,692	4,530	8,283	7,154
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	130	323	364	605
Withdrawal/(Placement) of short term fund with a Malaysian financial institution	(34)	3,543	760	2,998
Purchase of property, plant and equipment **(Note 1)**	(1,751)	(821)	(2,505)	(1,504)
Proceeds from disposal of property, plant and equipment	-	242	27	278
Acquisition of a subsidiary, net of cash acquired **(Note 2)**	3,749	-	3,749	-
NET CASH GENERATED FROM INVESTING ACTIVITIES	2,094	3,287	2,395	2,377
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of finance lease liabilities	(314)	(106)	(352)	(270)
Repayment of short term borrowings	(4,145)	(1,070)	(4,145)	(1,620)
Repayment of term loans	(124)	-	(124)	-
Proceeds from short term borrowings	3,243	606	3,243	1,797
Proceeds from term loans	2,294	-	2,294	-
Dividend paid to shareholders	(5,850)	(6,917)	(5,850)	(6,917)
NET CASH USED IN FINANCING ACTIVITIES	(4,896)	(7,487)	(4,934)	(7,010)
Net increase in cash and cash equivalents	1,890	330	5,744	2,521
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD / YEAR	42,824	36,834	39,736	34,693
Effect of exchange rate changes on cash and cash equivalents	912	(111)	146	(161)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	45,626	37,053	45,626	37,053

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

	Group		Group	
	3 months ended		1H ended	
	30/06/09	30/06/08	30/06/09	30/06/08
	$ '000	$ '000	$ '000	$ '000
Cash and cash equivalents at end of the financial period comprise:				
Deposits with licensed banks	34,707	25,225	34,707	25,225
Cash and bank balances	10,919	11,828	10,919	11,828
Bank overdrafts	-	-	-	-
	45,626	37,053	45,626	37,053
			-	

Note 1 :
During the financial period, the Group acquired property, plant and equipment with an aggregate cost of $2,791,000 (30.06.2008: $2,155,000) of which $27,000 (30.06.2008: $65,000) was acquired by means of finance lease arrangement and $259,000 (30.06.2008: $586,000) included in other payables at balance sheet date. Cash payments of $2,505,000 (30.06.2008: $1,504,000) were made to purchase these property, plant and equipment.

Note 2 :
On 15 May 2009, the Company acquired 100% of the issued share capital of ETLA Limited ("ETLA"). Upon acquisition, ETLA became a wholly owned subsidiary of the Group.

The fair values of the identifiable assets and liabilities of ETLA Limited and its subsidiaries at the date of acquisition were as follows:

		$ '000
Property, plant and equipment		40,880
Inventories		14,600
Trade and other receivables		10,487
Tax recoverable		7
Cash and cash equivalent		6,225
Trade and other payables		(11,842)
Bank borrowings		(29,216)
Deferred income tax liabilities		(802)
Identifiable net assets acquired		30,339
Negative goodwill arising from consolidation taken to income statements		(13,426)
Cost of business combination		16,913
Total cost of business combination is as follows:-		
Consideration for acquisition:		
Issuance of 71,471,067 ordinary shares at $0.195 each		13,937
Directly attributable professional fees		
- Amount paid	2,476	
- Unpaid balance / provision taken up in accruals	500	2,976
		16,913
The effect of the acquisition on cash flow is as follows:		
Professional fees settled in cash		2,476
Less : Cash and cash equivalents in subsidiary acquired		(6,225)
Net cash inflow on acquisition		(3,749)

Initial Accounting of Acquisition Determined Provisionally
The initial accounting of the acquisition, involving identifying and determining the fair values to be assigned to the ETLA Limited and its subsidiaries identifiable assets, liabilities and contingent liabilities and the cost of the combination, has been determined provisionally. In accordance with FRS 103, the company has up to twelve months from date of acquisition to finalise the initial accounting.

1(d) Consolidated statement of comprehensive income

	3 months ended		1H ended	
	30/06/09	30/06/08	30/06/09	30/06/08
	$'000	$'000	$ '000	$ '000
Statement of Comprehensive Income				
Net profit attributable to equity holders	13,354	4,043	13,476	8,440
Other comprehensive income for the period :				
Currency translation differences	3,022	(1,535)	446	(1,622)
Total comprehensive income for the period attributable to equity holders	16,376	2,508	13,922	6,818

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

(a) Statement of changes in equity for the quarter ended 30 June 2009 and 30 June 2008

	Attributable to equity holders of the Company					Total Equity
	Share Capital $ '000	Currency Translation Differences $ '000	Capital Reserve $ '000	Share Option Reserve $ '000	Retained Profits $ '000	$ '000
The Group						
At 1 April 2009	76,615	5,268	2,345	80	93,001	177,309
Total comprehensive income for the quarter	-	3,022	-	-	13,354	16,376
Employee share option scheme - value of employees services	-	-	-	60	-	60
Issue of share capital	13,937	-	-	-	-	13,937
Dividend paid	-	-	-	-	(5,850)	(5,850)
At 30 June 2009	90,552	8,290	2,345	140	100,505	201,832
At 1 April 2008	76,615	14,156	2,345	-	89,508	182,624
Total comprehensive income for the quarter	-	(1,535)	-	-	4,043	2,508
Dividend paid	-	-	-	-	(6,917)	(6,917)
At 30 June 2008	76,615	12,621	2,345	-	86,634	178,215

	Attributable to equity holders of the Company					Total Equity
	Share Capital $ '000	Currency Translation Differences $ '000	Capital Reserve $ '000	Share Option Reserve $ '000	Accumulated Losses $ '000	$ '000
The Company						
At 1 April 2009	76,615	-	-	80	(1,805)	74,890
Total comprehensive income for the quarter	-	-	-	-	(772)	(772)
Employee share option scheme - value of employees services	-	-	-	60	-	60
Issue of share capital	13,937	-	-	-		13,937
Dividend paid	-	-	-	-	(5,850)	(5,850)
At 30 June 2009	90,552	-	-	140	(8,427)	82,265
At 1 April 2008	76,615	-	-	-	(738)	75,877
Total comprehensive income for the quarter	-	-	-	-	86	86
Dividend paid	-	-	-	-	(6,917)	(6,917)
At 30 June 2008	76,615	-	-	-	(7,569)	69,046

(b) Statement of changes in equity for the half year ended 30 June 2009 and 30 June 2008

	Attributable to equity holders of the Company					Total Equity
The Group	**Share Capital $ '000**	**Currency Translation Differences $ '000**	**Capital Reserve $ '000**	**Share Option Reserve $ '000**	**Retained Profits $ '000**	**$ '000**
At 1 January 2009	76,615	7,844	2,345	14	92,879	179,697
Total comprehensive income for the financial period	-	446	-	-	13,476	13,922
Employee share option scheme - value of employees services	-	-	-	126	-	126
Issue of share capital	13,937	-	-	-	-	13,937
Dividend paid	-	-	-	-	(5,850)	(5,850)
At 30 June 2009	90,552	8,290	2,345	140	100,505	201,832
At 1 January 2008	76,615	14,243	2,345	-	85,111	178,314
Total comprehensive income for the financial period	-	(1,622)	-	-	8,440	6,818
Dividend paid	-	-	-	-	(6,917)	(6,917)
At 30 June 2008	76,615	12,621	2,345	-	86,634	178,215

	Attributable to equity holders of the Company					Total Equity
The Company	**Share Capital $ '000**	**Currency Translation Differences $ '000**	**Capital Reserve $ '000**	**Share Option Reserve $ '000**	**Accumulated Losses $ '000**	**$ '000**
At 1 January 2009	76,615	-	-	14	(1,550)	75,079
Total comprehensive income for the financial period	-	-	-	-	(1,027)	(1,027)
Employee share option scheme - value of employees services	-	-	-	126	-	126
Issue of share capital	13,937	-	-	-		13,937
Dividend paid	-	-	-	-	(5,850)	(5,850)
At 30 June 2009	90,552	-	-	140	(8,427)	82,265
At 1 January 2008	76,615	-	-	-	(704)	75,911
Total comprehensive income for the financial period	-	-	-	-	52	52
Dividend paid	-	-	-	-	(6,917)	(6,917)
At 30 June 2008	76,615	-	-	-	(7,569)	69,046

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 71,471,067 ordinary shares as consideration for the acquisition of 100% equity interest in ETLA

Limited. Consequent to this, the issued and paid up capital of the Company has increased from 304,713,258 shares to 376,184,325 shares.

Share options

On 1 December 2008, the Company granted 8,960,000 options pursuant to Frencken Group's Employee Share Option Scheme at exercise price of $0.155 per share ("2008 Options"). The 2008 Options are exercisable from 1 December 2010 and expire on 30 November 2018. As at 30 June 2009, there were 8,960,000 unissued shares of the Company under options in the 2008 Options.

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.

	Total number of issued shares as at	
	30/06/09	**31/12/08**
Number of issued shares	376,184,325	304,713,258
Number of treasury shares	-	-
Total number of issued shares excluding treasury shares	376,184,325	304,713,258

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 and 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 2009.

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 1H ended	
	30/06/09	**30/06/08**	**30/06/09**	**30/06/08**
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)	3.95	1.33	4.19	2.77
- Weighted average number of shares (in thousand)	338,485	304,713	321,693	304,713
(ii) On a fully diluted basis (in cents)	3.95	1.33	4.19	2.77
- Adjusted weighted average number of shares (in thousand)	338,485	304,713	321,693	304,713

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

Diluted earnings per share

There is no diluted earnings per share for the quarter and half-year ended 30 June 2009 as the average market price of the ordinary shares of the Company for the quarter and half-year ended 30 June 2009 was below the exercise price of the options granted.

There were no potential dilutive ordinary shares in existence for the quarter and half-year ended 30 June 2008 and accordingly, no diluted earnings per share amount has been presented.

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

	Group		Company	
	30/06/09	**31/12/08**	**30/06/09**	**31/12/08**
Net asset value per ordinary share based on issued share capital at the end of financial period (cents)	53.65	58.97	21.87	24.64

Net asset value per ordinary shares is calculated based on the Group's net asset value divided by the number of ordinary shares at 30.06.2009 of 376,184,325 (31.12.2008 : 304,713,258).

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

In May 2009, the Group completed the acquisition of a 100% interest in ETLA Limited by way of a scheme of arrangement under section 210 of the Singapore's Companies Act. As such, ETLA Limited (ETLA) now operates as part of the Group's Mechatronics Division and its financial performance for the month of June 2009 has been consolidated in the Group's financial performance for the three months ended 30 June 2009 (2Q09).

Group Revenue

	1Q	2Q	q-o-q	1H
FY2009 (S$ m)	38.8	40.8	5.4%	79.6
FY2008 (S$ m)	61.7	58.4	-5.2%	120.1
y-o-y	-37.2%	-30.1%	-	-33.8%

For 2Q09, the Group reported revenue of S$40.8 million. This was a year-on-year decline of 30.1%, compared to S$58.4 million in 2Q08, due to lower sales at both the Mechatronics and EMS divisions as a result of the weaker global economic environment. However, Group revenue rose 5.4% sequentially in 2Q09, from S$38.7 million in 1Q09, due mainly to the maiden single-month revenue contribution from ETLA.

For the six months ended 30 June 2009 (1H09), Group revenue decreased 33.8% year-on-year to S$79.6 million, from S$120.1 million in 1H08, due to the adverse impact of the global economic slowdown.

Revenue breakdown by Division

	2Q09		2Q08		y-o-y
	S$ m	%	S$ m	%	%
Mechatronics	29.0	71.0	40.4	69.2	(28.4)
EMS	11.8	29.0	18.0	30.8	(34.2)
Total	40.8	100.0	58.4	100.0	(30.1)

In 2Q09, revenue at the Mechatronics Division declined 28.4% year-on-year to S$29.0 million to contribute 71.0% of the Group's revenue. Meanwhile, revenue at the EMS Division decreased 34.2% year-on-year to S$11.8 million in 2Q09. On a six-month basis, the Mechatronics Division has continued to account for the dominant share of the Group's revenue.

Mechatronics Division

Revenue breakdown by Business Segment

	2Q09	2Q08	y-o-y	1H09	1H08	y-o-y
	S$ m	S$ m	%	S$ m	S$ m	%
Semiconductor	3.5	8.5	(58.8)	5.9	19.7	(70.1)
Medical	9.7	16.8	(42.3)	23.5	33.4	(29.7)
Analytical	8.6	11.6	(26.2)	16.9	24.8	(31.6)
Industrial Automation	3.2	0.0	N.M.	3.2	0.0	N.M.
Others	4.0	3.5	13.6	6.9	7.0	(1.0)
Total	29.0	40.4	(28.4)	56.4	84.9	(33.5)

Global demand for capital equipment remained weak during 2Q09 as continued uncertainty over the economic outlook has led to businesses delaying capital investments. As a result, the Mechatronics Division witnessed slower customer orders across all its principal segments during the quarter.

Sales at the medical business segment in 2Q09 slowed 42.3% year-on-year to S$9.7 million due to lower sales to an existing customer, as well as the delay in the market introduction of a new product for another medical customer.

The prolonged cyclical downturn in the semiconductor equipment market has continued to dampen the division's semiconductor business. However, while sales to this segment contracted 58.8% year-on-year to S$3.5 million in 2Q09, there was a sequential increase of 47.8% from sales of S$2.4 million in 1Q09 due partly to a maiden sales contribution from ETLA's semiconductor business.

Similarly for the analytical business segment, sales of S$8.6 million in 2Q09 registered a marginal quarter-on-quarter increase from S$8.3 in 1Q09 due to the inclusion of sales from the analytical business of ETLA. On a year-on-year basis, sales for this segment declined 26.2% from S$11.6 million in 2Q08 due to slower market conditions.

During 2Q09, the division recorded sales of S$4.0 million to customers in other industries, which translated into increases of 13.6% year-on-year, and 33.1% quarter-on-quarter due to the additional contribution from ETLA.

The acquisition of ETLA brought in a new Industrial Automation business segment, which resulted in an additional sales contribution of S$3.2 million in 2Q09.

EMS Division

Revenue breakdown by Business Segment

	2Q09	2Q08	y-o-y	1H09	1H08	y-o-y
	S$ m	S$ m	%	S$ m	S$ m	%
Keypad / Telco	4.1	6.5	(37.1)	7.9	14.7	(46.7)
Office Automation	3.7	4.7	(20.6)	7.3	7.8	(7.0)
Automotive	3.1	3.5	(13.0)	5.6	6.5	(12.5)
Others	0.9	3.3	(70.7)	2.3	6.2	(62.2)
Total	11.8	18.0	(34.2)	23.1	35.2	(34.3)

Business conditions for the automotive and office automation business segments continued to be impacted by soft economic conditions in the USA, which is the designated end-market for a significant portion of these segments' products. While sales of the office automation business segment contracted 20.6% year-on-year to S$3.7 million, it held steady when compared to sales of S$3.5 million in 1Q09. Similarly for the automotive business segment, sales slipped 13.0% year-on-year to S$3.1 million in 2Q09, but recorded an increase of 20.2% from S$2.5 million in 1Q09.

Sales of the keypad/telco business segment declined 37.1% year-on-year to S$4.1 million in 2Q09 due to intense competition in the global mobile handset market. Sales to customers in other industries also decreased to S$0.9 million, compared to S$3.3 million in 2Q08.

Gross Profit

Group gross profit (GP) declined 67.4% to S$2.6 million in 2Q09, from S$8.1 million in 2Q08. Both the Mechatronics and EMS Divisions witnessed a contraction in their respective GP margins in 2Q09 due to higher absorption of fixed overhead costs arising from lower capacity utilisation, and variations in their sales mix. As a result, the Group's GP margin contracted to 6.5% in 2Q09, compared to 13.9% in 2Q08.

For similar reasons, the Group's GP margin in 1H09 declined to 6.8%, from 14.8% in 1H08.

Other Gains

Other gains rose 42.6% to S$0.8 million, compared to S$0.6 million in 2Q08, due mainly to an increase in governmental grants.

Operating expenses

Selling and distribution expenses declined 13.8% to S$1.1 million, from S$1.2 million in 2Q08, mainly due to lower transport and forwarding charges, a decrease in sales commissions and other marketing and promotion expenses. Compared to 2Q08, administrative and general expenses in 2Q09 remained steady at S$2.6 million while other operating expenses rose to S$0.1 million due to an increase in foreign exchange losses.

Interest Income and Finance Costs

Interest income decreased to S$0.1 million in 2Q09, from S$0.3 million in 2Q08, primarily due to lower interest rates during the period. The Group also incurred finance costs of S$0.1 million, mainly due to the inclusion of interest charges on borrowings of ETLA for one month.

Negative goodwill

During 2Q09, the Group recognized a one-time gain of S$13.4 million from negative goodwill arising from its acquisition in May 2009 of ETLA, for which the purchase consideration was lower than the provisional fair value of net identifiable assets.

Taxation

The Group benefited from a tax credit of S$0.2 million in 2Q09, compared to income tax expense of S$1.1 million in 2Q08. This arose from reversal of deferred tax liabilities due to losses incurred by certain subsidiaries of the Group during the period.

Group Net Profit

As a result of the above factors, the Group reported a net profit of S$13.4 million in 2Q09, an increase of 230.3% from S$4.0 million in 2Q08. Excluding the negative goodwill of S$13.4 million that was recognised during the period, the Group recorded a loss of S$72,000 in 2Q09.

For 1H09, Group net profit was S$13.5 million, compared to S$8.4 million in 1H08. Excluding the negative goodwill of S$13.4 million, the Group recorded a net profit of S$50,000 for 1H09.

Balance Sheet

Following the acquisition of ETLA, the Group's total assets and shareholders' equity increased to S$271.5 million and S$201.8 million respectively as at 30 June 2009, compared to S$212.9 million and S$179.7 million respectively at the end of FY2008.

Property, plant and equipment (PPE) increased to S$92.7 million as at 30 June 2009, from S$53.7 million at the end of FY2008. This was primarily due to the consolidation of additional PPE that arose from the Group's acquisition of ETLA.

Cash and cash equivalents (including short-term funds placed with a Malaysian financial institution) rose to S$50.9 million at the end of 1H09, compared to S$45.8 million as at 31 December 2008.

As at 30 June 2009, the Group had inventories of S$57.3 million, compared to S$46.0 million at end-FY2008. The increase was mainly attributable to the inclusion of inventories held by ETLA following its acquisition by the Group. If ETLA's inventories of S$14.0 million are excluded, the Group's inventories would have declined to S$43.3 million attributable mainly to lower inventory level at the Mechatronics Division. However, inventory turnover (excluding ETLA) of the Group lengthened to 113 days, compared to 86 days for FY2008 due to the delay in commercial production launch of certain projects by its customers.

The Group had trade receivables of S$44.6 million at the end of 1H09, compared to S$41.6 million at the end of December 2008. This was mainly due to the inclusion of trade receivables related to the Group's acquisition of ETLA. If ETLA's trade receivables of S$13.1 million are excluded, the Group's trade receivables would have shown a decline to S$31.5 million due to lower sales recorded during the period.

Total borrowings as at 30 June 2009 increased to S$31.1 million due primarily to the inclusion of outstanding borrowings of ETLA, which amounted to S$30.9 million. However, the Group has remained in a net cash position of S$19.8 million at the end of 1H09.

Trade payables increased to S$21.7 million, from S$19.9 million as at 31 December 2008, attributable mainly to the inclusion of outstanding trade payables of S$7.4 million owing by ETLA. If ETLA's trade payables are excluded, the Group's trade payable would have shown a decline to S$14.3 million in line with lower purchases.

The Group's share capital increased by S$13.9 million from S$76.6 million to S$90.5 million due to the issue of 71,471,067 new shares at S$0.195 per share as consideration for the acquisition of ETLA.

Cash Flow Analysis

The Group generated net cash flow from operating activities of S$8.3 million in 1H09, compared to S$7.2 million in 1H08. The higher net cash generated from operating activities despite lower net profit (excluding negative goodwill) was mainly due to lower working capital requirements and income tax payment.

After accounting for cash generated from investing activities of S$2.4 million and cash used for financing activities of S$4.9 million, the Group ended the period with a net cash gain of S$5.8 million. When added to its opening cash and cash equivalents of S$39.7 million and accounting for the positive effect of the restatement of the opening cash denominated in foreign currencies of S$0.1 million, the ending cash balance of the Group increased to S$45.6 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement was previously disclosed in the First Quarter FY2009 financial results or results presentation.

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.

While the global economy is beginning to show tentative signs of stabilizing, the outlook for high technology capital equipment remains uncertain. In addition, any potential recovery in demand in the short-term is likely to be uneven across the different sectors and industries in the global supply chain.

Upon the completion of its acquisition of ETLA in May 2009, the Group has expanded its mechatronics operations in Asia through production facilities in Singapore, Malaysia and China. The Group's management is currently focusing on the following strategic initiatives:

- Accelerate and enhance design and development capability as well as capacity in Europe to support the enlarged manufacturing facilities in Asia
- Strengthen New Product Introduction (NPI) team in Asia for smooth transfer of projects from customers and also within the Group
- Explore sales expansion opportunities via strategic partnerships with existing and new customers by leveraging the Group's value chain proposition and enlarged geographical footprint
- Strengthen overall manufacturing capability in Asia to capitalise on new opportunities in key and emerging markets and
- Build up global sourcing, procurement and total supply chain – seek out best value components and strategic suppliers worldwide to enhance Group's overall competitiveness.

At the same time, the Group will continue executing its long term strategy to build a more stable revenue base for the EMS Division. The division is progressively shifting its focus towards higher-value and longer life cycle products in the office automation and automotive business segments.

Backed by its sound financial position, the Group believes its current efforts and plans to strengthen the operations of both the Mechatronics and EMS Divisions will place it in a stronger competitive position to capitalise on opportunities when business conditions recover.

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/Jun/09 $'000	30/Jun/08 $'000
Not applicable	-	-

BY ORDER OF THE BOARD

Gooi Soon Hock
Executive Director
13-Aug-09

Confirmation by Directors Pursuant to Clause 705(4) of the Listing Manual of SGX-ST

We, Gooi Soon Hock and Sebastiaan Johannes van Sprang, being two directors of Frencken Group Limited ("the Company"), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the second quarter 2009 financial results to be false or misleading.

On behalf of the Board of Directors

(Signed)	*(Signed)*
Gooi Soon Hock	Sebastiaan Johannes van Sprang
Executive Director	Executive Director

Singapore, 13 August 2009