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		
	30/06/10 $'000	30/06/09 $'000	% Change	30/06/10 $'000	30/06/09 $'000	% Change
Revenue	102,788	40,818	151.8%	173,532	79,556	118.1%
Cost of sales	(89,224)	(38,172)	133.7%	(150,233)	(74,156)	102.6%
Gross profit	13,564	2,646	412.6%	23,299	5,400	331.5%
Other gains	784	790	-0.8%	1,571	1,313	19.6%
Selling and distribution expenses	(2,011)	(1,058)	90.1%	(3,643)	(1,934)	88.4%
Administrative and general expenses	(4,428)	(2,608)	69.8%	(8,185)	(4,761)	71.9%
Other operating expenses	(642)	(82)	682.9%	(1,341)	(210)	538.6%
Interest income	118	130	-9.2%	333	364	-8.5%
Finance costs	(497)	(108)	360.2%	(878)	(111)	691.0%
Profit/(Loss) before negative goodwill and income tax	6,888	(290)	2475.2%	11,156	61	18188.5%
Negative goodwill *	-	13,426	N.M.	-	13,426	N.M.
Profit before income tax	6,888	13,136	-47.6%	11,156	13,487	-17.3%
Income tax expense	(1,118)	218	612.8%	(2,342)	(11)	21190.9%
Net profit attributable to equity holders	5,770	13,354	-56.8%	8,814	13,476	-34.6%
<u>Analysis of Net Profit</u>						
Profit before negative goodwill and income tax	6,888	(290)	2475.2%	11,156	61	18188.5%
Income tax expense	(1,118)	218	612.8%	(2,342)	(11)	21190.9%
Net profit before negative goodwill attributable to	**5,770**	**(72)**	**8113.9%**	**8,814**	**50**	**17528.0%**
Negative goodwill *	**-**	**13,426**	**N.M.**	**-**	**13,426**	**N.M.**
Net profit attributable to equity holders	5,770	13,354	-56.8%	8,814	13,476	-34.6%

***** This negative goodwill arose from the acquisition of ETLA Limited in May 2009 was recognised as a gain in the income statement in accordance with FRS 103 for Business Combinations. This provisional gain was 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		
	30/06/10	30/06/09	%	30/06/10	30/06/09	%
	$'000	$'000	Change	$'000	$'000	Change
Profit for the period is arrived at after charging/(crediting) :-						
Investment income	-	-	-	-	-	-
Other income including interest income	(902)	(920)	-2.0%	(1,904)	(1,677)	13.5%
Interest on borrowings	497	108	360.2%	878	111	691.0%
Depreciation of property, plant and equipment	2,839	2,525	12.4%	5,715	4,694	21.8%
(Write-back)/Allowance for doubtful debts and bad debts written off	220	-	N.M.	220	12	1733.3%
(Write back)/Allowance for inventory obsolescence	507	(53)	1056.6%	475	(38)	1350.0%
Impairment in value of investments	-	-	-	-	-	-
Foreign exchange (gain)/ loss -realised	772	194	297.9%	1,066	276	286.2%
Foreign exchange (gain)/ loss -unrealised	(110)	(364)	-69.8%	154	(499)	130.9%
Adjustments for (over)/ under provision of tax in respect of prior years	-	36	N.M.	115	68	69.1%
(Gain)/Loss on disposal of property, plant and equipment	(80)	-	N.M.	(87)	(10)	770.0%
Property, plant and equipment written off	-	12	N.M.	3	13	-76.9%
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	
	30/06/10	**31/12/09**	**30/06/10**	**31/12/09**
	$'000	**$'000**	**$'000**	**$'000**
NON-CURRENT ASSETS				
Property, plant and equipment	80,232	82,861	-	-
Investments in subsidiaries	-	-	73,327	73,068
Financial asset, available-for-sale	6,400	6,400	6,400	6,400
Goodwill arising on consolidation	10,358	10,358	-	-
Deferred income tax assets	212	1,673	-	-
	97,202	101,292	79,727	79,468
CURRENT ASSETS				
Inventories	68,148	55,513	-	-
Trade receivables	75,696	54,167	-	-
Receivable from subsidiaries	-	-	3,984	4,384
Dividends receivable from subsidiaries	-	-	-	3,878
Other receivables	7,028	3,141	8	13
Tax recoverable	108	273	-	-
Cash and cash equivalents	55,667	61,208	2,344	3,491
	206,647	174,302	6,336	11,766
Assets classifed as held-for-sale	-	3,131	-	-
	206,647	177,433	6,336	11,766
Total assets	303,849	278,725	86,063	91,234
CURRENT LIABILITIES				
Trade payables	51,944	34,182	-	-
Other payables	15,492	14,426	121	248
Borrowings	32,062	19,490	-	-
Income tax payable	893	524	1	3
	100,391	68,622	122	251
NON CURRENT LIABILITIES				
Borrowings	11,966	12,805	-	-
Deferred income tax liabilities	634	2,010	-	-
	12,600	14,815	-	-
Total liabilities	112,991	83,437	122	251
NET ASSETS	190,858	195,288	85,941	90,983
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	90,552	90,552	90,552	90,552
Treasury shares	(2,002)	-	(2,002)	-
Foreign currency translation reserve	(2,869)	5,856	-	-
Capital reserve	2,345	2,345	-	-
Statutory reserve fund	456	156	-	-
Share option reserve	535	276	535	276
Retained profits / (Accumulated losses)	101,841	96,103	(3,144)	155
TOTAL EQUITY	190,858	195,288	85,941	90,983

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

Amount repayable in one year or less, or on demand

As at 30/06/10		As at 31/12/09	
Secured $'000	**Unsecured $'000**	**Secured $'000**	**Unsecured $'000**
1,522	30,540	1,482	18,008

Amount repayable after one year

As at 30/06/10		As at 31/12/09	
Secured $'000	**Unsecured $'000**	**Secured $'000**	**Unsecured $'000**
11,928	38	12,673	132

Details of any collateral

The secured borrowings of the Group as at 30 June 2010 and 31 December 2009 comprise building loans and finance lease liabilities and are secured by certain leasehold properties, equipment and motor vehicles of the Group.

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	
	30/06/10	30/06/09	30/06/10	30/06/09
	$ '000	$ '000	$ '000	$ '000
CASH FLOWS FROM OPERATING ACTIVITIES				
Total profit	5,770	13,354	8,814	13,476
Adjustments for:				
Income tax expense	1,118	(218)	2,342	11
Exchange differences	20	(199)	140	(144)
Employee share option expense	127	60	259	126
Depreciation of property, plant and equipment	2,839	2,525	5,715	4,694
(Gain)/Loss on disposal of property, plant and equipment	(80)	-	(87)	(10)
Property, plant and equipment written off	-	12	3	13
Interest income	(118)	(130)	(333)	(364)
Interest expense	497	108	878	111
Negative goodwill arising from acquisition	-	(13,426)	-	(13,426)
Operating cash flow before working capital changes	10,173	2,086	17,731	4,487
Changes in operating assets and liabilities :				
Inventories	1,379	2,836	(15,889)	3,561
Receivables	(18,728)	1,977	(24,374)	7,780
Payables	9,237	(1,785)	20,603	(6,696)
Cash flows generated from/(used in) operations	2,061	5,114	(1,929)	9,132
Tax paid	(1,344)	(697)	(1,880)	(1,121)
Tax refunded	3	383	206	383
Interest paid	(497)	(108)	(878)	(111)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	223	4,692	(4,481)	8,283
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	118	130	333	364
Purchase of property, plant and equipment **(Note 1)**	(2,479)	(1,751)	(3,154)	(2,505)
Proceeds from disposal of property, plant and equipment	82	-	114	27
Acquisition of a subsidiary, net of cash acquired **(Note 2)**	-	3,749	-	3,749
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(2,279)	2,128	(2,707)	1,635
CASH FLOWS FROM FINANCING ACTIVITIES				
Purchase of treasury shares	(1,772)	-	(2,002)	-
Repayment of finance lease liabilities	(65)	(314)	(200)	(352)
Repayment of short term borrowings	(16,591)	(4,145)	(26,847)	(4,145)
Repayment of term loans	(502)	(124)	(1,001)	(124)
Proceeds from short term borrowings	22,736	3,243	39,495	3,243
Proceeds from term loans	-	2,294	-	2,294
Dividend paid to shareholders	(2,776)	(5,850)	(2,776)	(5,850)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	1,030	(4,896)	6,669	(4,934)
Net increase/(decrease) in cash and cash equivalents	(1,026)	1,924	(519)	4,984
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD / YEAR	59,755	48,104	61,208	45,785
Effect of exchange rate changes on cash and cash equivalents	(3,277)	887	(5,237)	146
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	55,452	50,915	55,452	50,915

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	
	30/06/10	30/06/09	30/06/10	30/06/09
	$ '000	$ '000	$ '000	$ '000
Cash and cash equivalents at end of the financial period comprise:				
Short term fund placed with a Malaysian financial institution	4,922	5,289	4,922	5,289
Deposits with licensed banks	6,658	34,707	6,658	34,707
Cash and bank balances	44,087	10,919	44,087	10,919
Bank overdrafts	(215)	-	(215)	-
	55,452	50,915	55,452	50,915

Note 1 :

During the financial period, the Group acquired property, plant and equipment with an aggregate cost of $3,400,000 (30.06.2009: $2,791,000) of which $Nil (30.06.2009: $27,000) was acquired by means of finance lease arrangement and $246,000 (30.06.2009: $259,000) included in other payables at balance sheet date. Cash payments of $3,154,000 (30.06.2009: $2,505,000) 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:

		30/06/09
		$ '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 was 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 was 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	
	30/06/10	30/06/09	30/06/10	30/06/09
	$'000	$'000	$ '000	$ '000
Statement of Comprehensive Income				
Net profit attributable to equity holders	5,770	13,354	8,814	13,476
Other comprehensive income for the period :				
Currency translation differences	(5,273)	3,022	(8,725)	446
Total comprehensive income for the period attributable to equity holders	497	16,376	89	13,922

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 2010 and 30 June 2009

	Attributable to equity holders of the Company							Total Equity
	Share Capital $ '000	Treasury Shares $ '000	Currency Translation Differences $ '000	Capital Reserve $ '000	Statutory Reserve Fund $ '000	Share Option Reserve $ '000	Retained Profits $ '000	$ '000
The Group								
At 1 April 2010	90,552	(230)	2,404	2,345	237	408	99,066	194,782
Total comprehensive income for the quarter	-	-	(5,273)	-	-	-	5,770	497
Purchase of treasury shares	-	(1,772)	-	-	-	-	-	(1,772)
Transfer to statutory reserve fund	-	-	-	-	219	-	(219)	-
Employee share option scheme - value of employees services	-	-	-	-	-	127	-	127
Dividend paid	-	-	-	-	-	-	(2,776)	(2,776)
At 30 June 2010	90,552	(2,002)	(2,869)	2,345	456	535	101,841	190,858
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

	Attributable to equity holders of the Company							Total Equity
	Share Capital $ '000	Treasury Shares $ '000	Currency Translation Differences $ '000	Capital Reserve $ '000	Statutory Reserve Fund $ '000	Share Option Reserve $ '000	Accumulated Losses $ '000	$ '000
The Company								
At 1 April 2010	90,552	(230)	-	-	-	408	(273)	90,457
Total comprehensive income for the quarter	-	-	-	-	-	-	(95)	(95)
Purchase of treasury shares	-	(1,772)	-	-	-	-	-	(1,772)
Employee share option scheme - value of employees services	-	-	-	-	-	127	-	127
Dividend paid	-	-	-	-	-	-	(2,776)	(2,776)
At 30 June 2010	90,552	(2,002)	-	-	-	535	(3,144)	85,941
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

(b) Statement of changes in equity for the half year ended 30 June 2010 and 30 June 2009

	Attributable to equity holders of the Company							Total Equity
The Group	Share Capital $ '000	Treasury Shares $ '000	Currency Translation Differences $ '000	Capital Reserve $ '000	Statutory Reserve Fund $ '000	Share Option Reserve $ '000	Retained Profits $ '000	$ '000
At 1 January 2010	90,552	-	5,856	2,345	156	276	96,103	195,288
Total comprehensive income for the financial period	-	-	(8,725)	-	-	-	8,814	89
Purchase of treasury share	-	(2,002)	-	-	-	-	-	(2,002)
Transfer to statutory reserve fund	-	-	-	-	300	-	(300)	-
Employee share option scheme - value of employees services	-	-	-	-	-	259	-	259
Dividend paid	-	-	-	-	-	-	(2,776)	(2,776)
At 30 June 2010	90,552	(2,002)	(2,869)	2,345	456	535	101,841	190,858
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

	Attributable to equity holders of the Company							Total Equity
The Company	Share Capital $ '000	Treasury Shares $ '000	Currency Translation Differences $ '000	Capital Reserve $ '000	Statutory Reserve Fund $ '000	Share Option Reserve $ '000	Retained Profits/ (Accumulated Losses) $ '000	$ '000
At 1 January 2010	90,552	-	-	-	-	276	155	90,983
Total comprehensive income for the financial period	-	-	-	-	-	-	(523)	(523)
Purchase of treasury shares	-	(2,002)	-	-	-	-	-	(2,002)
Employee share option scheme - value of employees services	-	-	-	-	-	259	-	259
Dividend paid	-	-	-	-	-	-	(2,776)	(2,776)
At 30 June 2010	90,552	(2,002)	-	-	-	535	(3,144)	85,941
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

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 exercised its share buy-back mandate and bought back 7,126,000 ordinary shares from the market. Total number of ordinary shares bought back as at 30 June 2010 amounted to 8,056,000. These are held as treasury shares.

	Total number of issued shares as at	
	30/06/10	**31/12/09**
Number of issued shares	376,184,325	376,184,325
Number of treasury shares	(8,056,000)	-
Total number of issued shares excluding treasury shares	368,128,325	376,184,325

Share options

The movement of share options of the Company during the period from 1 April 2010 to 30 June 2010 is as follows:

Date of grant	Number of ordinary shares under option					Exercise Price	Exercise period
	As at 1.4.2010	Granted during the period	Forfeited during the period	Exercised during the period	As at 30.06.2010		
1.12.2008 (2008 Option)	8,610,000	-	-	-	8,610,000	$0.155	1.12.2010 - 30.11.2018
1.12.2009 (2009 Option)	8,800,000	-	-	-	8,800,000	$0.168	1.12.2011 - 30.11.2019
	17,410,000	-	-	-	17,410,000		

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	
	30/06/10	**31/12/09**
Total number of issued shares excluding treasury shares	368,128,325	376,184,325

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 2010.

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**	
	30/06/10	**30/06/09**	**30/06/10**	**30/06/09**
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)	1.54	3.95	2.35	4.19
- Weighted average number of shares (in thousand)	373,562	338,485	374,857	321,693
(ii) On a fully diluted basis (in cents)	1.53	3.95	2.33	4.19
- Adjusted weighted average number of shares (in thousand)	377,925	338,485	378,470	321,693

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 were 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.

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**	
	30/06/10	**31/12/09**	**30/06/10**	**31/12/09**
Net asset value per ordinary share based on issued share capital at the end of financial period/year (cents)	51.85	51.91	23.35	24.19

Net asset value per ordinary shares is calculated based on the Group's net asset value divided by the number of ordinary shares at 30.06.2010 of 368,128,325 (31.12.2009 : 376,184,325).

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 high-tech capital and consumer equipment service provider that has two main business divisions. The Mechatronics Division provides 'One-Stop' solutions for the design, development and production of complex, high precision industrial machinery and capital equipment for global Original Equipment Manufacturers from the medical, semiconductor, analytical and industrial automation industries. The EMS Division offers integrated contract design and manufacturing services of automotive, office automation and other consumer products to a global customer base.

Key corporate developments

The Group completed two key corporate developments in the preceding 12 months that are relevant in the comparison of its financial performance for the three months ended 30 June 2010 (2Q10), against the corresponding period in the previous year.

1) In May 2009, the Group completed the acquisition of a 100% interest in ETLA Limited (ETLA) by way of a scheme of arrangement under section 210 of the Singapore Companies Act. Together, ETLA and Frencken Mechatronics (M) Sdn Bhd operate as the Asian operations of the Group's Mechatronics Division ("Mechatronics Asia"). As its financial performance was consolidated in the Group's financial statements from 1 June 2009, Mechatronics Asia recorded a single month of revenue contribution to the Group in 2Q09.

2) In January 2010, the Group announced the sale of certain assets related to the keypad product segment of its EMS Division. This was in line with the Group's long term strategy to fully focus the EMS Division's operations and resources on products with higher-value and longer life cycles in the office automation and automotive business segments. Production of the keypad segment was discontinued from February 2010 and hence, ceased to contribute revenue from 2Q10 onwards.

Income Statement

Group Revenue

	1Q	2Q	3Q	4Q	Full Year
FY2010 (S$ m)	70.7	102.8	-	-	-
FY2009 (S$ m)	38.7	40.8	58.7	68.7	206.9
y-o-y (%)	82.6	151.8	-	-	-

Group revenue increased 151.8% year-on-year (yoy) to S$102.8 million in 2Q10, from S$40.8 million in 2Q09. The Group's better performance in 2Q10 was due to an improvement in market conditions in the global technology sector, as well as the revenue contribution of S$53.1 million from Mechatronics Asia during this three month period, compared to the single month contribution of S$5.9 million in 2Q09.

On a sequential basis, Group revenue in 2Q10 increased 45.3% quarter-on-quarter (qoq), from S$70.7 million in 1Q10, as the Group continued to benefit from improving order flows from its customers.

For the six months ended 30 June 2010 (1H10), Group revenue increased 118.1% to S$173.5 million, from S$79.6 million in 1H09.

Revenue breakdown by Division

	2Q10		2Q09		y-o-y
	S$ m	%	S$ m	%	%
Mechatronics	86.3	83.9	29.0	71.0	197.7
EMS	16.5	16.1	11.8	29.0	39.5
Total	102.8	100.0	40.8	100.0	151.8

The Mechatronics Division recorded revenue of S$86.3 million in 2Q10 to register increases of 197.7% yoy from S$29.0 million in 2Q09, and 61.1% qoq from S$53.5 million in 1Q10. This was due to the strong recovery in the semiconductor segment and the three months contribution from Mechatronics Asia which was further boosted by an upsurge in demand in the industrial automation segment.

The financial performance of Mechatronics Europe would have been higher if not for the substantial depreciation of the Euro against the Singapore Dollar during the period under review. Nonetheless, the Mechatronics Division's expanded scale of operations increased its share of Group revenue to 83.9% in 2Q10, compared to 71.0% in 2Q09.

Revenue at the EMS Division increased 39.5% to S$16.5 million in 2Q10, from S$11.8 million in 2Q09, despite the discontinuation of the keypad segment. This was due to stronger sales of the office automation and automotive segments during the period under review. On a sequential basis however, the division's revenue in 2Q10 was softer when compared against S$17.2 million in 1Q10.

Mechatronics Division

Revenue breakdown by Business Segment

	2Q10	2Q09	y-o-y	1H10	1H09	y-o-y
	S$ m	S$ m	%	S$ m	S$ m	%
Semiconductor	20.9	3.5	494.1	37.7	5.9	538.7
Medical	13.4	9.7	38.6	25.9	23.5	10.6
Analytical	12.7	8.6	47.0	22.9	16.9	34.9
Industrial Automation	32.3	3.2	907.5	40.8	3.2	1,172.8
Others	7.0	4.0	76.2	12.5	6.9	80.2
Total	86.3	29.0	197.7	139.8	56.4	147.6

The Group's semiconductor business continued to benefit from the recovery of the semiconductor equipment sector and reported strong revenue growth of close to 500% yoy to S$20.9 million in 2Q10.

With improving sales in Europe and Asia, the semiconductor business segment achieved its fifth consecutive quarter of sales growth in 2Q10 with a gain of 24.6% qoq from S$16.8 million in 1Q10. As a result, the semiconductor business segment saw its share of the Mechatronics Division's revenue increase to 24.2% in 2Q10, compared to 12.1% in 2Q09.

Sales at the medical business segment of S$13.4 million in 2Q10 was an increase of 38.6% yoy from S$9.7 million in 2Q09, and a gain of 7.2% qoq from S$12.5 million in 1Q10. This was due primarily to higher sales to key medical customers in Europe during the quarter under review.

The analytical business segment registered a sales increase of 47.0% yoy to S$12.7 million in 2Q10. On a sequential basis, this was a gain of 23.6% qoq from S$10.2 million in 1Q10. The stronger performance of this business segment was driven mainly by improving sales of the Asia operations.

The industrial automation business segment recorded a sharp increase in revenue to S$32.3 million compared to S$3.2 million in 2Q09 and S$8.5 million in 1Q10. This is mainly attributable to robust sales of automated production equipment for data storage products. As a result, the industrial automation business segment accounted for the largest share of the Mechatronics Division's revenue in 2Q10 with a contribution of 37.5%.

Revenue from other business segments increased 76.2% yoy to S$7.0 million due mainly to higher sales at the Asia operations. Sequentially, revenue from other business segments also rose 26.4% compared to S$5.5 million in 1Q10.

EMS Division

Revenue breakdown by Business Segment

	2Q10	2Q09	y-o-y	1H10	1H09	y-o-y
	S$ m	S$ m	%	S$ m	S$ m	%
Keypad / Telco	-	4.1	N.M.	2.5	7.9	(67.9)
Office Automation	8.8	3.7	136.7	18.0	7.3	147.5
Automotive	4.6	3.1	48.5	9.2	5.6	63.1
Others *	3.1	0.9	224.9	4.0	2.3	72.9
Total	16.5	11.8	39.5	33.7	23.1	46.0

*** With the discontinuance of keypad business, telco sales have been reclassified as 'Others' with effect from 2Q10**

Sales of the office automation business segment increased 136.7% yoy to S$8.8 million in 2Q10, mainly due to an expansion in the range of products for an existing customer. Compared to S$9.2 million in 1Q10, sales of this business segment in 2Q10 accounted for 53.4% of the EMS Divison's revenue.

The automotive business segment also recorded a stronger performance in 2Q10 with sales gaining 48.5% yoy to S$4.6 million due to a recovery of the automotive industry, especially in the United States. On a sequential basis, sales of this business segment were stable when compared to S$4.6 million in 1Q10.

Following the Group's strategic decision to cease the keypad business from February 2010, the EMS Division did not record sales in the Keypad/Telco segment in 2Q10. As such, telco sales have been reclassified under the Others segment.

Sales from the Others segment of S$3.1 million in 2Q10 increased by a significant 224.9% yoy from S$0.9 million in 2Q09 due to the inclusion of telco sales as well as improving order flows from customers.

Gross Profit

The Group's gross profit (GP) increased 412.6% to S$13.6 million in 2Q10, from S$2.6 million in 2Q09. This is attributable to an increase in the capacity utilization of its manufacturing operations, which is in line with the higher sales generated during the quarter under review.

An increase in the GP margin of the Mechatronics Division enabled the Group to double its overall GP margin to 13.2%, from 6.5% in 2Q09.

Other Gains

Other gains remained stable at S$0.8 million in 2Q10 relative to 2Q09.

Operating Expenses

Selling and distribution expenses increased 90.1% to S$2.0 million in 2Q10, from S$1.1 million in 2Q09. This was due mainly to the inclusion of S$1.0 million in selling and distribution costs from Mechatronics Asia, primarily for higher transport, freight and forwarding charges, salaries, as well as provision for doubtful debt of S$0.2 million.

Administrative and general expenses increased 69.8% to S$4.4 million in 2Q10, from S$2.6 million in 2Q09, due mainly to additional administrative and general costs from Mechatronics Asia of S$1.8 million during the period under review.

Other operating expenses increased to S$0.6 million in 2Q10, compared to S$0.1 million in 2Q09. This was due mainly to an increase in foreign exchange loss as a result of the depreciation of the Euro and US Dollar vis-à-vis the Malaysian Ringgit and Singapore Dollar.

Finance Costs

Finance costs increased to S$0.5 million in 2Q10, from S$0.1 million in 2Q09, attributable mainly to the inclusion of interest charges on borrowings of Mechatronics Asia.

Taxation

Income tax expense increased to S$1.1 million in 2Q10, compared to the tax credit of S$0.2 million in 2Q09, in line with higher taxable profits during the period under review.

Group Net Profit

As a result of the above factors, the Group reported a net profit of S$5.8 million in 2Q10 from a net loss of S$0.1 million in 2Q09 (before accounting for negative goodwill of S$13.4 million). The negative goodwill arose from the Group's acquisition of ETLA in May 2009.

Sequentially, the Group's net profit of S$5.8 million in 2Q10 was an increase of 89.6% qoq from S$3.0 million in 1Q10. For 1H10, the Group posted a net profit of S$8.8 million.

Balance Sheet

The Group maintained its net cash position as at 30 June 2010, with cash and cash equivalents of S$55.7 million, compared to S$61.2 million as at 31 December 2009. Shareholders' equity stood at S$190.9 million, compared to S$195.3 million at the end of FY2009.

Total assets increased to S$303.8 million as at 30 June 2010, from S$278.7 million as at 31 December 2009, due mainly to increases in inventories and trade receivables.

The Group's inventories increased to S$68.1 million at the end of 1H10, compared to S$55.5 million at the end of FY2009, in order to fulfill the higher level of customer orders at both its Europe and Asia operations. Trade receivables increased to S$75.7 million, from S$54.2 million as at 31 December 2009, in line with the increasing volume of sales during 2Q10.

As at 30 June 2010, total borrowings increased to S$44.0 million, from S$32.3 million at the end FY2009. This is attributable primarily to Mechatronics Asia's trade borrowings for additional working capital needs. Nonetheless, the Group remained in a net cash position of S$11.7 million at the end of 1H10.

Trade payables increased to S$51.9 million, from S$34.2 million as at 31 December 2009. This was due to increased purchases of raw materials in line with the higher level of business activity, as well as early delivery of materials in Europe ahead of the mid-year holiday period.

Cash Flow Analysis

The Group used net cash of S$4.5 million for operating activities in 1H10, compared to net cash of S$8.3 million generated in 1H09. This was due mainly to additional working capital requirements due to higher level of business activity during the quarter under review.

Net cash used in investing activities during 1H10 was S$2.7 million, which was mainly for capital expenditure. The Group generated net cash from financing activities of S$6.7 million in 1H10, mainly from net proceeds of S$11.5 million related to bank borrowings, primarily from Mechatronics Asia, which were offset by dividend payment of S$2.8 million and purchases of treasury shares amounting to S$2.0 million.

As a result of the above, the Group ended the period with a net decrease in cash and cash equivalents of S$0.5 million. When added to its opening cash and cash equivalents of S$61.2 million and accounting for the negative effect of the restatement of the opening cash denominated in foreign currencies of S$5.2 million, the Group had an ending cash balance of S$55.5 million as at 30 June 2010.

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 2Q10 are in line with guidance provided in its First Quarter Financial Statements and Dividend Announcement posted on the SGXNet on 13 May 2010.

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.

Sales revenue and orders in the high technology capital and consumer equipment segments were positive due to the strong recovery in demand during the first half of 2010.

Mechatronics Division

The Mechatronics Division continues to benefit from the increased demand of the global capital equipment market.

The enlarged scale and global integration of the Mechatronics Division have resulted in higher order intake at both its Europe and Asia operations, as well as increased interest from existing and potential customers to explore new business opportunities.

The division presently has multiple projects at various stages of development for customers in the semiconductor, medical, analytical and industrial automation business segments. A number of these projects are expected to be launched for commercial production in the remaining quarters of FY2010.

To capitalise on the rapid growth of the capital equipment market in China, the Group is in the process of expanding the capacity of its mechatronics facility in Wuxi with completion scheduled for 1Q11.

While the Group expects seasonality factors in Europe and order volatility for the industrial automation segment to have an impact on the Mechatronics Divison's revenue in 3Q10, the Group continues to expect the Mechatronics Division to report improved sales performance for FY2010 compared to FY2009.

EMS Division

The EMS Division continues to realign its operations and resources to better support its focus on the growing automotive and office automation business segments following the Group's strategic decision to discontinue the keypad business from February 2010.

The division is also focusing on rationalizing and enhancing its operations after the consolidation of its three manufacturing companies in May 2010 into a single integrated EMS entity to form a leaner and more cost effective outfit.

Prospects of securing new projects in the automotive business segment remain positive and the EMS Division is working to broaden its base of automotive customers. In addition, studies are being carried out to assess the feasibility of the division's plans for the geographical expansion of its automotive business into China to capitalize on the positive prospects of the market there. The Group has made good progress in securing new projects and the launch of these new projects for automotive and office automation products is expected to build a stable and growing revenue base for the EMS Division in the mid to longer term.

In FY2010 and 1H11, the Group does not expect the contribution margins from the office automation and automotive business segments to fully offset the loss of contribution resulting from the termination of the keypad business.

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	
	30/06/10 $'000	30/06/09 $'000
Not applicable	-	-

BY ORDER OF THE BOARD

Gooi Soon Hock
Executive Director
12-Aug-10

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

We, Gooi Soon Hock and Hendrik Gezinus Tappel, 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 2010 financial results to be false or misleading.

On behalf of the Board of Directors

(Signed)
Gooi Soon Hock
Executive Director

(Signed)
Hendrik Gezinus Tappel
Executive Director

Singapore, 12 August 2010