



**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		
	30/06/11 \$'000	30/06/10 \$'000	% Change	30/06/11 \$'000	30/06/10 \$'000	% Change
Revenue	88,595	102,788	-13.8%	171,414	173,532	-1.2%
Cost of sales	(77,527)	(89,224)	-13.1%	(151,298)	(150,233)	0.7%
Gross profit	11,068	13,564	-18.4%	20,116	23,299	-13.7%
Other income	1,233	784	57.3%	2,674	1,571	70.2%
Selling and distribution expenses	(1,997)	(2,011)	-0.7%	(3,718)	(3,643)	2.1%
Administrative and general expenses	(4,561)	(4,428)	3.0%	(8,662)	(8,185)	5.8%
Other operating expenses	(624)	(642)	-2.8%	(1,270)	(1,341)	-5.3%
Interest income	181	118	53.4%	315	333	-5.4%
Finance costs	(86)	(497)	-82.7%	(235)	(878)	-73.2%
Profit before income tax	5,214	6,888	-24.3%	9,220	11,156	-17.4%
Income tax expense	(974)	(1,118)	-12.9%	(1,947)	(2,342)	-16.9%
Net profit attributable to equity holders	4,240	5,770	-26.5%	7,273	8,814	-17.5%

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		
	30/06/11	30/06/10	%	30/06/11	30/06/10	%
	\$'000	\$'000	Change	\$'000	\$'000	Change
<b>Profit for the period is arrived at after charging/(crediting) :-</b>						
Investment income	-	-	-	-	-	-
Other income including interest income	(1,414)	(902)	56.8%	(2,989)	(1,904)	57.0%
Interest on borrowings	86	497	-82.7%	235	878	-73.2%
Depreciation of property, plant and equipment	2,970	2,839	4.6%	5,809	5,715	1.6%
(Write-back)/Allowance for doubtful debts and bad debts written off	25	220	-88.6%	(88)	220	N.M.
(Write back)/Allowance for inventory obsolescence	(63)	507	N.M.	374	475	-21.3%
Impairment in value of investments	-	-	-	-	-	-
Foreign exchange (gain)/ loss, net	205	662	-69.0%	308	1,220	-74.8%
Adjustments for (over)/ under provision of tax in respect of prior years	(2)	-	N.M.	(2)	115	N.M.
(Gain)/Loss on disposal of property, plant and equipment	12	(80)	N.M.	(15)	(87)	-82.8%
Property, plant and equipment written off	13	-	N.M.	15	3	400.0%
Exceptional items	-	-	-	-	-	-

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	
	30/06/11 \$'000	31/12/10 \$'000	30/06/11 \$'000	31/12/10 \$'000
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	70,406	66,562	-	-
Investments in subsidiaries	-	-	74,003	73,594
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	1,527	1,335	-	-
Other receivables, deposits and prepayments	4,416	4,278	-	-
	<u>93,107</u>	<u>88,933</u>	<u>80,403</u>	<u>79,994</u>
<b>CURRENT ASSETS</b>				
Inventories	75,155	62,028	-	-
Trade receivables	64,087	69,655	-	-
Receivables from subsidiaries	-	-	1,848	797
Dividends receivable from subsidiaries	-	-	-	5,592
Other receivables, deposits and prepayments	8,848	9,950	8	12
Tax recoverable	78	76	-	-
Cash and cash equivalents	45,782	52,998	20,312	20,843
	<u>193,950</u>	<u>194,707</u>	<u>22,168</u>	<u>27,244</u>
Total assets	287,057	283,640	102,571	107,238
<b>CURRENT LIABILITIES</b>				
Trade payables	40,330	39,628	-	-
Other payables, accruals and provisions	20,129	19,256	197	296
Payables to subsidiaries	-	-	74	-
Deferred gain	1,063	1,063	-	-
Borrowings	17,712	19,351	-	-
Income tax payable	2,787	1,089	2	4
	<u>82,021</u>	<u>80,387</u>	<u>273</u>	<u>300</u>
<b>NON CURRENT LIABILITIES</b>				
Deferred gain	5,581	6,113	-	-
Borrowings	42	99	-	-
Deferred income tax liabilities	165	751	-	-
	5,788	6,963	-	-
Total liabilities	<u>87,809</u>	<u>87,350</u>	<u>273</u>	<u>300</u>
<b>NET ASSETS</b>	<u>199,248</u>	<u>196,290</u>	<u>102,298</u>	<u>106,938</u>
<b>EQUITY</b>				
Capital and reserves attributable to the Company's equity holders				
Share capital	90,552	90,552	90,552	90,552
Treasury shares	(2,063)	(2,544)	(2,063)	(2,544)
Foreign currency translation reserve	(5,599)	(5,900)	-	-
Merger reserve	2,345	2,345	-	-
Capital reserve	(91)	-	(91)	-
Statutory reserve fund	567	571	-	-
Share option reserve	1,092	802	1,092	802
Retained profits	112,445	110,464	12,808	18,128
<b>TOTAL EQUITY</b>	<u>199,248</u>	<u>196,290</u>	<u>102,298</u>	<u>106,938</u>

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

**Amount repayable in one year or less, or on demand**

<b>As at 30/06/11</b>	
<b>Secured</b>	<b>Unsecured</b>
<b>\$'000</b>	<b>\$'000</b>
202	17,510

<b>As at 31/12/10</b>	
<b>Secured</b>	<b>Unsecured</b>
<b>\$'000</b>	<b>\$'000</b>
6,378	12,973

**Amount repayable after one year**

<b>As at 30/06/11</b>	
<b>Secured</b>	<b>Unsecured</b>
<b>\$'000</b>	<b>\$'000</b>
42	-

<b>As at 31/12/10</b>	
<b>Secured</b>	<b>Unsecured</b>
<b>\$'000</b>	<b>\$'000</b>
99	-

**Details of any collateral**

The secured borrowings of the Group as at 30 June 2011 comprise finance lease liabilities and are secured by certain 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.**

	<b>Group</b>		<b>Group</b>	
	<b>3 months ended</b>	<b>3 months ended</b>	<b>1H ended</b>	<b>1H ended</b>
	<b>30/06/11</b>	<b>30/06/10</b>	<b>30/06/11</b>	<b>30/06/10</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net profit attributable to equity holders	4,240	5,770	7,273	8,814
Adjustments for:				
Income tax expense	974	1,118	1,947	2,342
Exchange differences	331	20	303	140
Employee share option expense	202	127	409	259
Depreciation of property, plant and equipment	2,970	2,839	5,809	5,715
Loss/(Gain) on disposal of property, plant and equipment, net	12	(80)	(15)	(87)
Property, plant and equipment written off	13	-	15	3
Interest income	(181)	(118)	(315)	(333)
Interest expense	86	497	235	878
Amortisation of deferred gain	(266)	-	(532)	-
Operating cash flow before working capital changes	<u>8,381</u>	<u>10,173</u>	<u>15,129</u>	<u>17,731</u>
<b>Changes in operating assets and liabilities :</b>				
Inventories	(5,625)	1,379	(12,563)	(15,889)
Receivables	5,441	(18,728)	7,016	(24,374)
Payables	561	9,237	637	20,603
<b>Cash flows generated from/(used in) operations</b>	<u>8,758</u>	<u>2,061</u>	<u>10,219</u>	<u>(1,929)</u>
Tax paid	(662)	(1,344)	(1,085)	(1,880)
Tax refunded	-	3	-	206
Interest paid	(86)	(497)	(235)	(878)
<b>NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES</b>	<u>8,010</u>	<u>223</u>	<u>8,899</u>	<u>(4,481)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	181	118	315	333
Purchase of property, plant and equipment ( <b>Note 1</b> )	(4,283)	(2,479)	(10,059)	(3,154)
Proceeds from disposal of property, plant and equipment	14	82	151	114
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(4,088)</u>	<u>(2,279)</u>	<u>(9,593)</u>	<u>(2,707)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from re-issuance of treasury shares	251	-	344	-
Purchase of treasury shares	-	(1,772)	(73)	(2,002)
Repayment of finance lease liabilities	(73)	(65)	(184)	(200)
Repayment of short term borrowings	(15,046)	(16,591)	(28,899)	(26,847)
Repayment of term loans	-	(502)	(6,048)	(1,001)
Proceeds from short term borrowings	16,648	22,736	31,082	39,495
Dividend paid to shareholders	(5,296)	(2,776)	(5,296)	(2,776)
<b>NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES</b>	<u>(3,516)</u>	<u>1,030</u>	<u>(9,074)</u>	<u>6,669</u>
Net increase/(decrease) in cash and cash equivalents	406	(1,026)	(9,768)	(519)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD / YEAR</b>	43,036	59,755	52,998	61,208
Effect of exchange rate changes on cash and cash equivalents	(98)	(3,277)	114	(5,237)
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	<u>43,344</u>	<u>55,452</u>	<u>43,344</u>	<u>55,452</u>

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	
	30/06/11	30/06/10	30/06/11	30/06/10
	\$ '000	\$ '000	\$ '000	\$ '000
<b>Cash and cash equivalents at end of the financial period comprise:</b>				
Short term fund placed with a Malaysian financial institution	5,255	4,922	5,255	4,922
Deposits with licensed banks	20,913	6,658	20,913	6,658
Cash and bank balances	19,614	44,087	19,614	44,087
Bank overdrafts	(2,438)	(215)	(2,438)	(215)
	<u>43,344</u>	<u>55,452</u>	<u>43,344</u>	<u>55,452</u>

**Note 1 :**

During the financial period, the Group acquired property, plant and equipment with an aggregate cost of \$10,529,000 (30.06.2010: \$3,400,000) of which \$Nil (30.06.2010: \$Nil) was acquired by means of finance lease arrangement and \$470,000 (30.06.2010: \$246,000) included in other payables at balance sheet date. Cash payments of \$10,059,000 (30.06.2010: \$3,154,000) were made to purchase these property, plant and equipment.

**1(d) Consolidated statement of comprehensive income**

	3 months ended		1H ended	
	30/06/11	30/06/10	30/06/11	30/06/10
	\$ '000	\$ '000	\$ '000	\$ '000
<b><u>Statement of Comprehensive Income</u></b>				
Net profit attributable to equity holders	4,240	5,770	7,273	8,814
Other comprehensive (expense)/ income for the period :				
Currency translation differences	(790)	(5,273)	301	(8,725)
Total comprehensive income for the period attributable to equity holders	<u>3,450</u>	<u>497</u>	<u>7,574</u>	<u>89</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 June 2011 and 30 June 2010**

	Attributable to equity holders of the Company								Total Equity
	Share Capital \$ '000	Treasury Shares \$ '000	Foreign Currency Translation Reserve \$ '000	Merger Reserve \$ '000	Capital Reserve \$ '000	Statutory Reserve Fund \$ '000	Share Option Reserve \$ '000	Retained Profits \$ '000	\$ '000
<b>The Group</b>									
At 1 April 2011	90,552	(2,467)	(4,809)	2,345	(24)	554	976	113,514	200,641
Total comprehensive (expense)/ income for the quarter	-	-	(790)	-	-	-	-	4,240	3,450
Purchase of treasury shares	-	-	-	-	-	-	-	-	-
Transfer to statutory reserve fund	-	-	-	-	-	13	-	(13)	-
Employee share option scheme - Value of employee services	-	-	-	-	-	-	202	-	202
- Treasury shares re-issued	-	404	-	-	(67)	-	(86)	-	251
Dividend paid	-	-	-	-	-	-	-	(5,296)	(5,296)
At 30 June 2011	<u>90,552</u>	<u>(2,063)</u>	<u>(5,599)</u>	<u>2,345</u>	<u>(91)</u>	<u>567</u>	<u>1,092</u>	<u>112,445</u>	<u>199,248</u>
At 1 April 2010	90,552	(230)	2,404	2,345	-	237	408	99,066	194,782
Total comprehensive (expense)/ 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 employee services	-	-	-	-	-	-	127	-	127
Dividend paid	-	-	-	-	-	-	-	(2,776)	(2,776)
At 30 June 2010	<u>90,552</u>	<u>(2,002)</u>	<u>(2,869)</u>	<u>2,345</u>	<u>-</u>	<u>456</u>	<u>535</u>	<u>101,841</u>	<u>190,858</u>
	Attributable to equity holders of the Company								Total Equity
	Share Capital \$ '000	Treasury Shares \$ '000	Foreign Currency Translation Reserve \$ '000	Merger Reserve \$ '000	Capital Reserve \$ '000	Statutory Reserve Fund \$ '000	Share Option Reserve \$ '000	Retained Profits/ (Accumulated Losses) \$ '000	\$ '000
<b>The Company</b>									
At 1 April 2011	90,552	(2,467)	-	-	(24)	-	976	18,112	107,149
Total comprehensive expense for the quarter	-	-	-	-	-	-	-	(8)	(8)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-
Employee share option scheme - Value of employee services	-	-	-	-	-	-	202	-	202
- Treasury shares re-issued	-	404	-	-	(67)	-	(86)	-	251
Dividend paid	-	-	-	-	-	-	-	(5,296)	(5,296)
At 30 June 2011	<u>90,552</u>	<u>(2,063)</u>	<u>-</u>	<u>-</u>	<u>(91)</u>	<u>-</u>	<u>1,092</u>	<u>12,808</u>	<u>102,298</u>
At 1 April 2010	90,552	(230)	-	-	-	-	408	(273)	90,457
Total comprehensive expense for the quarter	-	-	-	-	-	-	-	(95)	(95)
Purchase of treasury shares	-	(1,772)	-	-	-	-	-	-	(1,772)
Employee share option scheme - Value of employee services	-	-	-	-	-	-	127	-	127
Dividend paid	-	-	-	-	-	-	-	(2,776)	(2,776)
At 30 June 2010	<u>90,552</u>	<u>(2,002)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>535</u>	<u>(3,144)</u>	<u>85,941</u>

**(b) Statement of changes in equity for the half year ended 30 June 2011 and 30 June 2010**

	Attributable to equity holders of the Company							Total Equity	
	Share Capital \$ '000	Treasury Shares \$ '000	Foreign Currency Translation Reserve \$ '000	Merger Reserve \$ '000	Capital Reserve \$ '000	Statutory Reserve Fund \$ '000	Share Option Reserve \$ '000	Retained Profits \$ '000	\$ '000
<b>The Group</b>									
At 1 January 2011	90,552	(2,544)	(5,900)	2,345	-	571	802	110,464	196,290
Total comprehensive income for the financial period	-	-	301	-	-	-	-	7,273	7,574
Purchase of treasury share	-	(73)	-	-	-	-	-	-	(73)
Transfer to statutory reserve fund	-	-	-	-	-	(4)	-	4	-
Employee share option scheme - Value of employee services	-	-	-	-	-	-	409	-	409
- Treasury shares re-issued	-	554	-	-	(91)	-	(119)	-	344
Dividend paid	-	-	-	-	-	-	-	(5,296)	(5,296)
At 30 June 2011	<u>90,552</u>	<u>(2,063)</u>	<u>(5,599)</u>	<u>2,345</u>	<u>(91)</u>	<u>567</u>	<u>1,092</u>	<u>112,445</u>	<u>199,248</u>
At 1 January 2010	90,552	-	5,856	2,345	-	156	276	96,103	195,288
Total comprehensive (expense)/ 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 employee services	-	-	-	-	-	-	259	-	259
Dividend paid	-	-	-	-	-	-	-	(2,776)	(2,776)
At 30 June 2010	<u>90,552</u>	<u>(2,002)</u>	<u>(2,869)</u>	<u>2,345</u>	<u>-</u>	<u>456</u>	<u>535</u>	<u>101,841</u>	<u>190,858</u>
	Attributable to equity holders of the Company							Total Equity	
	Share Capital \$ '000	Treasury Shares \$ '000	Foreign Currency Translation Reserve \$ '000	Merger Reserve \$ '000	Capital Reserve \$ '000	Statutory Reserve Fund \$ '000	Share Option Reserve \$ '000	Retained Profits/ (Accumulated Losses) \$ '000	\$ '000
<b>The Company</b>									
At 1 January 2011	90,552	(2,544)	-	-	-	-	802	18,128	106,938
Total comprehensive expense for the financial period	-	-	-	-	-	-	-	(24)	(24)
Purchase of treasury shares	-	(73)	-	-	-	-	-	-	(73)
Employee share option scheme - Value of employee services	-	-	-	-	-	-	409	-	409
- Treasury shares re-issued	-	554	-	-	(91)	-	(119)	-	344
Dividend paid	-	-	-	-	-	-	-	(5,296)	(5,296)
At 30 June 2011	<u>90,552</u>	<u>(2,063)</u>	<u>-</u>	<u>-</u>	<u>(91)</u>	<u>-</u>	<u>1,092</u>	<u>12,808</u>	<u>102,298</u>
At 1 January 2010	90,552	-	-	-	-	-	276	155	90,983
Total comprehensive expense for the financial period	-	-	-	-	-	-	-	(523)	(523)
Purchase of treasury shares	-	(2,002)	-	-	-	-	-	-	(2,002)
Employee share option scheme - Value of employee services	-	-	-	-	-	-	259	-	259
Dividend paid	-	-	-	-	-	-	-	(2,776)	(2,776)
At 30 June 2010	<u>90,552</u>	<u>(2,002)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>535</u>	<u>(3,144)</u>	<u>85,941</u>



**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, there were no ordinary shares bought back from the market. The Company re-issued 1,620,000 treasury shares during the quarter pursuant to the Company's employee share option scheme at the exercise price of \$0.155 each. The cost of the treasury shares re-issued amounted to \$404,352. The number of treasury shares held as at the end of current quarter was 8,261,000 shares.

	<b>Total number of issued shares as at</b>	
	<b>30/06/11</b>	<b>31/12/10</b>
Number of issued shares	376,184,325	376,184,325
Number of treasury shares acquired	(10,481,000)	(10,227,000)
Number of treasury shares re-issued	2,220,000	-
Total number of issued shares excluding treasury shares	<b>367,923,325</b>	<b>365,957,325</b>

Share options

The movement of share options of the Company during the period from 1 April 2011 to 30 June 2011 is as follows:

Date of grant	Number of ordinary shares under option					Exercise Price	Exercise period
	As at 1.4.2011	Granted during the period	Forfeited during the period	Exercised during the period	As at 30.06.2011		
1.12.2008 (2008 Option)	7,780,000	-	-	(1,620,000)	6,160,000	\$0.155	1.12.2010 - 30.11.2018
1.12.2009 (2009 Option)	8,310,000	-	-	-	8,310,000	\$0.168	1.12.2011 - 30.11.2019
1.12.2010 (2010 Option)	8,870,000	-	-	-	8,870,000	\$0.224	1.12.2012 - 30.11.2020
	<b>24,960,000</b>	<b>-</b>	<b>-</b>	<b>(1,620,000)</b>	<b>23,340,000</b>		

**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.**

	<b>As at</b>	
	<b>30/06/11</b>	<b>31/12/10</b>
Total number of issued shares excluding treasury shares	<b>367,923,325</b>	<b>365,957,325</b>

**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.**

During the quarter, the Company re-issued 1,620,000 treasury shares pursuant to the Company's employee share option scheme. The cost of the treasury shares re-issued amounted to \$404,352.

**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 2011.

**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	
	30/06/11	30/06/10	30/06/11	30/06/10
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)	1.15	1.54	1.98	2.35
- Weighted average number of shares (in thousand)	367,642	373,562	366,876	374,857
(ii) On a fully diluted basis (in cents)	1.14	1.53	1.97	2.33
- Adjusted weighted average number of shares (in thousand)	371,101	377,925	369,651	378,470

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	
	30/06/11	31/12/10	30/06/11	31/12/10
Net asset value per ordinary share based on issued share capital at the end of financial period/year (cents)	54.15	53.64	27.80	29.22

Net asset value per ordinary shares is calculated based on the Group's net asset value divided by the number of ordinary shares at 30.06.2011 of 367,923,325 (31.12.2010 : 365,957,325).

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 in the medical, semiconductor, analytical and industrial automation industries. This division has a network of production and engineering facilities strategically located in The Netherlands, Singapore, China and Malaysia.

- The EMS Division offers integrated contract design and manufacturing services for automotive, office automation and other consumer products to a global customer base, from its manufacturing base in Penang, Malaysia.

#### Corporate developments

In January 2010, the Group announced the sale of certain assets related to the keypad product segment of its EMS Division, which is in line with the division's long term strategy to fully focus its operations and resources on higher value added products with longer life cycles in the automotive and niche office automation segments. For the six months ended 30 June 2010 (1H10), the keypad segment contributed a single month of revenue to the Group as production was discontinued from February 2010.

#### Income Statement

##### Group Revenue

	1Q	2Q	3Q	4Q	Full Year
FY2011 (S\$ m)	82.8	88.6	-	-	-
FY2010 (S\$ m)	70.7	102.8	81.1	97.2	351.8
y-o-y (%)	17.1	(13.8)	-	-	-

For the three months ended 30 June 2011 (2Q11), the Group recorded revenue of S\$88.6 million, a decrease of 13.8% year-on-year (yoy) from S\$102.8 million in 2Q10. This was attributed to the normalisation of sales in the industrial automation segment after the exceptional sales recorded by this segment in 2Q10.

Despite earlier concerns of component shortages and delayed investments resulting from the devastating earthquake and tsunami in Japan in March, the Group did not observe any significant impact on its business during 2Q11. On a sequential basis, Group revenue increased 7.0% quarter-on-quarter (qoq), from S\$82.8 million in 1Q11. As a result, the Group reported stable revenue of S\$171.4 million in 1H11, compared to S\$173.5 million in 1H10.

##### Revenue breakdown by Division

	2Q11		2Q10		y-o-y
	S\$ m	%	S\$ m	%	%
<b>Mechatronics</b>	70.9	80.0	86.3	83.9	(17.9)
<b>EMS</b>	17.7	20.0	16.5	16.1	7.3
<b>Total</b>	88.6	100.0	102.8	100.0	(13.8)

The Mechatronics Division recorded revenue of S\$70.9 million in 2Q11, a decrease of 17.9% from S\$86.3 million in 2Q10. This was mainly due to the normalisation of sales in the industrial automation segment, which off-set the growth in the analytical segment.

Revenue at the EMS Division in 2Q11 increased 7.3% to S\$17.7 million, from S\$16.5 million in 2Q10 due mainly to higher sales in the automotive segment.

On a sequential basis, revenue of the Mechatronics Division and the EMS Division in 2Q11 increased 7.9% and 3.6% from S\$65.7 million and S\$17.1million respectively in 1Q11.

For 1H11, the Mechatronics Division recorded revenue of S\$136.6 million which is 2.3% lower than S\$139.8 million achieved in 1H10. It accounts for a dominant 79.7% share of the Group's revenue. The EMS Division's revenue increased to S\$34.8 million in 1H11, from S\$33.7 million in 1H10.

## **Mechatronics Division**

### **Revenue breakdown by Business Segment**

	2Q11	2Q10	y-o-y	1H11	1H10	y-o-y
	S\$ m	S\$ m	%	S\$ m	S\$ m	%
<b>Semiconductor</b>	21.1	20.9	1.1	40.4	37.7	7.2
<b>Medical</b>	14.3	13.4	6.6	28.5	25.9	9.9
<b>Analytical</b>	16.0	12.7	26.6	31.8	22.9	39.0
<b>Industrial Automation</b>	11.4	32.3	(65.0)	20.7	40.8	(49.4)
<b>Others</b>	8.1	7.0	16.4	15.2	12.5	21.5
<b>Total</b>	70.9	86.3	(17.9)	136.6	139.8	(2.3)

Revenue from the semiconductor segment of S\$21.1 million in 2Q11 was higher y-o-y compared to S\$20.9 million in 2Q10, due mainly to firm sales to a major existing customer in Europe. Sequentially, this segment saw an increase of 9.6% q-o-q from S\$19.3 million in 1Q11, due mainly to improved sales in Asia.

The medical segment contributed sales of S\$14.3 million in 2Q11, which was a gain of 6.6% y-o-y from S\$13.4 million in 2Q10. It remained steady sequentially compared to sales of S\$14.2 million recorded in 1Q11.

Revenue from the analytical business segment increased 26.6% y-o-y to S\$16.0 million in 2Q11 from S\$12.7 million in 2Q10. This was mainly due to robust sales to existing customers in Europe. Sequentially, this segment's revenue in 2Q11 remained steady compared to S\$15.8 million recorded in 1Q11.

The industrial automation segment revenue of S\$11.4 million in 2Q11 translated to a y-o-y decline of 65.0%. This was attributed to the normalisation of sales after the exceptional sales recorded by this segment in 2Q10. On a sequential basis, the revenue was 20.9% higher compared to S\$9.3 million recorded in 1Q11.

Revenue from customers in the Others business segments grew to S\$8.1 million in 2Q11 to register a y-o-y increase of 16.4% from S\$7.0 million in 2Q10. Sequentially, the revenue grew by 14.9% from S\$7.1 million in 1Q11.

## **EMS Division**

### **Revenue breakdown by Business Segment**

	2Q11	2Q10	y-o-y	1H11	1H10	y-o-y
	S\$ m	S\$ m	%	S\$ m	S\$ m	%
<b>Keypad / Telco</b>	-	-	N.M.	-	2.5	N.M.
<b>Office Automation</b>	8.6	8.8	(2.8)	16.3	18.0	(9.4)
<b>Automotive</b>	7.3	4.6	61.2	14.8	9.2	61.4
<b>Others *</b>	1.8	3.1	(43.0)	3.7	4.0	(7.4)
<b>Total</b>	17.7	16.5	7.3	34.8	33.7	3.4

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

The automotive segment registered strong revenue growth of 61.2% to S\$7.3 million in 2Q11 compared to S\$4.6 million in 2Q10. This was mainly due to increased orders of existing products. On a sequential basis, sales of this segment were stable when compared to S\$7.5 million in 1Q11.

Revenue of the office automation segment remained steady in 2Q11 at S\$8.6 million compared to S\$8.8 million in 2Q10. Sequentially, this segment saw a pick-up in 2Q11 with sales increasing 11.5% from S\$7.7 million in 1Q11.

Sales of the Others segment decreased 43.0% y-o-y due to slower orders from telco customers. Sequentially, sales steadied at \$1.8 million compared to S\$1.9 million recorded in 1Q11. This follows the Group's strategic decision to cease production of keypads from early February 2010, whereby sales of telco products were reclassified under the Others segment with effect from 2Q10.

For 1H11, the office automation segment's sales of S\$16.3 million accounted for the largest share of 46.7% of the EMS Division's revenue while the automotive segment's contribution grew to 42.6% compared to 27.3% in 1H10.

## **Gross Profit**

The Group's GP margin decreased from 13.2% in 2Q10 to 12.5% in 2Q11. Sequentially, Group GP margin was higher compared to 10.9% in 1Q11.

## **Other Income**

Other income increased 57.3% to S\$1.2 million in 2Q11 from S\$0.8 million in 2Q10. This was attributable mainly to unrealised foreign exchange gains and gain on amortisation of deferred income from the disposal of the Group's properties at 1 and 2 Changi North Street 2 in the previous financial year.

## Operating Expenses

Selling and distribution expenses in 2Q11 remained stable at S\$2.0 million compared to 2Q10. Administrative and general expenses in 2Q11 saw a marginal 3.0% increase to S\$4.6 million, from S\$4.4 million in 2Q10. Other operating expenses were also stable at S\$0.6 million in 2Q11.

## Finance Costs

Finance costs decreased to S\$0.1 million in 2Q11, from S\$0.5 million in 2Q10. This was attributable mainly to lower borrowings of Mechatronics Asia arising from retirement of term loan raised to finance the Group's premises in Bangi, Malaysia.

## Taxation

Income tax expense decreased to S\$1.0 million in 2Q11 compared to S\$1.1 million in 2Q10, in line with lower taxable profits during the quarter under review. The Group's effective tax rate for 2Q11 stood at 18.7% compared to 16.2% in 2Q10 mainly due to a shift in profit mix.

## Group Net Profit

	1Q	2Q	3Q	4Q	Full Year
FY2011 (S\$ m)	3.0	4.2	-	-	-
FY2010 (S\$ m)	3.1	5.8	3.0	5.7	17.6
y-o-y (%)	(0.4)	(26.5)	-	-	-

As a result of the above factors, the Group reported a net profit of S\$4.2 million, a 26.5% decrease from S\$5.8 million in 2Q10. Sequentially, Group net profit in 2Q11 increased 39.8% from S\$3.0 million in 1Q11. Accordingly, the Group's net profit margin of 4.8% in 2Q11 was lower than 5.6% in 2Q10 but higher than 3.7% in 1Q11.

For 1H11, the Group recorded net profit of S\$7.3 million, a 17.5% decrease from S\$8.8 million in 1H10.

## Balance Sheet

The Group maintained a sound balance sheet as at 30 June 2011 with a net cash position of S\$28.0 million. Cash and cash equivalents stood at S\$45.8 million while bank borrowings amounted to S\$17.8 million. Shareholders' equity rose to S\$199.2 million, from S\$196.3 million at the end of December 2010, which translates to a net asset value of 54.15 cents per share.

Total assets stood at S\$287.1 million as at 30 June 2011. Property, plant and equipment increased to S\$70.4 million, from S\$66.6 million at the end of December 2010, due mainly to the expansion of production facilities in the Group's new premises in China, upgrading of facilities in Europe and addition of automotive production facilities in Malaysia.

The Group's inventories increased to S\$75.2 million as at 30 June 2011, compared to S\$62.0 million at the end of December 2010, due to higher material requirements to fulfill customer orders and the usual stock build-up ahead of the Europe summer holidays.

Trade receivables declined 8.0% to S\$64.1 million as at 30 June 2011, from S\$69.7 million as at 31 December 2010. Trade payables were slightly higher at S\$40.3 million, compared to S\$39.6 million at the end of FY2010, due mainly to higher purchases of raw materials at Mechatronics Asia.

Total borrowings were lower at S\$17.8 million as at 30 June 2011, compared to S\$19.5 million at end December 2010, attributable primarily to retirement of term loan raised for the property at Bangi, Malaysia.

## Cash Flow Analysis

The Group generated net cash of S\$8.0 million from operating activities in 2Q11, compared to S\$0.2 million in 2Q10. This was mainly due to lower utilisation of working capital during the period under review.

The Group used net cash of S\$4.1 million for investing activities during 2Q11, mainly for capital expenditure.

Net cash used in financing activities in 2Q11 amounted to S\$3.5 million, due mainly to the payment of dividend to shareholders in respect of FY2010 which was partially offset by net proceeds from short-term borrowings.

As a result of the above, the Group ended 2Q11 with a net increase in cash and cash equivalents of S\$0.4 million. However, when added to its opening cash and cash equivalents of S\$43.0 million and after accounting for the negative effect of foreign currency movements on its opening cash and cash equivalents of S\$0.1 million, the Group had an ending cash balance of S\$43.3 million as at 30 June 2011.

## 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 2Q11 are in line with guidance provided in its First Quarter Financial Statements and Dividend Announcement posted on the SGXNet on 12 May 2011.

**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.**

Demand for the Group's products in the high technology capital equipment and consumer sectors remained steady during 2Q11. However, with increased uncertainties over the direction of the global economy, general cautiousness is likely to prevail over the coming months.

Nonetheless, the Group remains cautiously optimistic of its prospects for the current year and is confident that its business operations will continue improving in the long term. Sales of certain business segments may be subjected to fluctuations on a quarterly basis due to seasonal factors, volatility in customer orders and timing of product launches. Further depreciation of the US dollar and Euro against the Singapore dollar and other Asian currencies would also have an adverse impact on the Group's results.

**Mechatronics Division**

The wider geographical coverage, larger operating scale and global integration of the Mechatronics Division are creating new project opportunities. As a result, the division is benefiting from a steady pipeline of projects from existing and new customers.

The performances of the medical and analytical segments are expected to remain stable based on recent forecasts from customers. The semiconductor segment however, continues to experience volatility.

One of the Division's European companies achieved a significant breakthrough in mid-June 2011 when it took over the responsibility for full customisation of a Philips Healthcare's patient table.

To cater for future growth opportunities, the Group is currently evaluating plans for the expansion of its facilities in the Netherlands.

To broaden the Division's revenue base in the long term, it continues to pursue opportunities globally with customers in the medical, analytical and new growth segments. To support this initiative, it is investing further in human capital development to enhance its engineering resources and manufacturing capabilities.

Barring unforeseen circumstances and given the uncertain macroeconomic climate, the Group is cautiously optimistic of the outlook for the Mechatronics Division in FY2011.

**EMS Division**

The EMS Division currently has on-going initiatives to broaden its customer base in the automotive segment and is optimistic that these efforts will enable it to secure new customers and projects for this business segment. In addition, the Group continues to evaluate options for expansion of its automotive business into growth markets such as China and India.

The EMS Division anticipates revenue from the automotive segment to increase from 2H11 onwards and continue rising into FY2012. For the office automation segment, revenue is expected to remain stable in 2H11 with higher growth projected from 2H12 onwards.

While the Group expects the value added contribution from the office automation and automotive segments to progressively compensate for the loss of contribution from the keypad segment, the prevailing unfavourable exchange rate of the US dollar vis-à-vis the Malaysian ringgit will continue to pose a challenge to its EMS Division.

**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)	
	6 months ended	
	30/06/11 \$'000	30/06/10 \$'000
Not applicable	-	-

**BY ORDER OF THE BOARD**

Gooi Soon Hock  
Executive Director  
11-Aug-11

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 2011 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, 11 August 2011