



**FRENCKEN GROUP LIMITED**

(Registration No. 199905084D)

**Unaudited First Quarter Financial Statements And Dividend Announcement**

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

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

	<b>3 months ended 31/03/12 \$'000</b>	<b>3 months ended 31/03/11 \$'000</b>	<b>% Change</b>
Revenue	89,714	82,819	8.3%
Cost of sales	(81,721)	(73,771)	10.8%
Gross profit	7,993	9,048	-11.7%
Other income	1,139	1,441	-21.0%
Selling and distribution expenses	(2,375)	(1,721)	38.0%
Administrative and general expenses	(4,671)	(4,101)	13.9%
Other operating expenses	(840)	(646)	30.0%
Interest income	22	134	-83.6%
Finance costs	(104)	(149)	-30.2%
Profit before income tax	1,164	4,006	-70.9%
Income tax expense	(880)	(973)	-9.6%
Total profit	284	3,033	-90.6%
Profit attributable to:			
Equity holders of the Company	269	3,033	-91.1%
Non-controlling interests	15	-	N.M.
	284	3,033	-90.6%

N.M. : Not meaningful

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

	Group		
	3 months	3 months	
	ended	ended	
	31/03/12	31/03/11	%
	\$'000	\$'000	Change
<b>Profit for the period is arrived at after charging/(crediting) :-</b>			
Investment income	-	-	-
Other income including interest income	(1,161)	(1,575)	-26%
Interest on borrowings	104	149	-30%
Depreciation of property, plant and equipment	3,126	2,839	10%
Amortisation of deferred development costs	45	-	N.M.
(Write-back)/Allowance for doubtful debts and bad debts written off	-	(113)	N.M.
(Write back)/Allowance for inventory obsolescence	217	437	-50%
Impairment in value of investments	-	-	-
Foreign exchange (gain)/ loss, net	603	103	485%
Adjustments for (over)/ under provision of tax in respect of prior years	-	-	-
(Gain)/Loss on disposal of property, plant and equipment, net	(40)	(27)	48%
Property, plant and equipment written off	-	2	N.M.
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	
	31/03/12 \$'000	31/12/11 \$'000	31/03/12 \$'000	31/12/11 \$'000
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	76,538	74,729	-	-
Investments in subsidiaries	-	-	74,508	74,371
Financial asset, available-for-sale	5,700	5,700	5,700	5,700
Goodwill arising on consolidation	12,833	10,358	-	-
Deferred income tax assets	3,823	3,559	-	-
Deferred development costs	1,952	1,885	-	-
Other receivables, deposits and prepayments	4,527	4,556	-	-
	<u>105,373</u>	<u>100,787</u>	<u>80,208</u>	<u>80,071</u>
<b>CURRENT ASSETS</b>				
Inventories	75,158	70,830	-	-
Trade receivables	75,966	69,963	-	-
Receivables from subsidiaries	-	-	9,202	5,055
Dividends receivable from subsidiaries	-	-	3,620	3,637
Other receivables, deposits and prepayments	5,564	4,981	20	24
Tax recoverable	71	433	-	-
Cash and cash equivalents	27,078	35,495	12,910	17,095
	<u>183,837</u>	<u>181,702</u>	<u>25,752</u>	<u>25,811</u>
Total assets	289,210	282,489	105,960	105,882
<b>CURRENT LIABILITIES</b>				
Trade payables	38,859	32,340	-	-
Other payables, accruals and provisions	25,094	26,028	804	819
Deferred gain	1,063	1,063	-	-
Borrowings	21,121	20,447	-	-
Income tax payable	411	366	7	5
	<u>86,548</u>	<u>80,244</u>	<u>811</u>	<u>824</u>
<b>NON CURRENT LIABILITIES</b>				
Deferred gain	4,784	5,050	-	-
Borrowings	199	35	-	-
Deferred income tax liabilities	801	798	-	-
	5,784	5,883	-	-
Total liabilities	<u>92,332</u>	<u>86,127</u>	<u>811</u>	<u>824</u>
<b>NET ASSETS</b>	<u>196,878</u>	<u>196,362</u>	<u>105,149</u>	<u>105,058</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	(1,998)	(1,998)	(1,998)	(1,998)
Foreign currency translation reserve	(9,095)	(8,962)	-	-
Merger reserve	2,345	2,345	-	-
Capital reserve	(102)	(102)	(102)	(102)
Statutory reserve fund	498	506	-	-
Share option reserve	1,584	1,447	1,584	1,447
Retained profits	112,851	112,574	15,113	15,159
	<u>196,635</u>	<u>196,362</u>	<u>105,149</u>	<u>105,058</u>
Non-controlling interests	243	-	-	-
<b>TOTAL EQUITY</b>	<u>196,878</u>	<u>196,362</u>	<u>105,149</u>	<u>105,058</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 31/03/12</b>	
<b>Secured \$'000</b>	<b>Unsecured \$'000</b>
134	20,987

<b>As at 31/12/11</b>	
<b>Secured \$'000</b>	<b>Unsecured \$'000</b>
35	20,412

**Amount repayable after one year**

<b>As at 31/03/12</b>	
<b>Secured \$'000</b>	<b>Unsecured \$'000</b>
199	-

<b>As at 31/12/11</b>	
<b>Secured \$'000</b>	<b>Unsecured \$'000</b>
35	-

**Details of any collateral**

The secured borrowings of the Group as at 31 March 2012 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.**

	Group	
	3 months ended 31/03/12 \$ '000	3 months ended 31/03/11 \$ '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Total profit</b>	284	3,033
Adjustments for:		
Income tax expense	880	973
Exchange differences	22	(28)
Employee share option expense	137	207
Depreciation of property, plant and equipment	3,126	2,839
Gain on disposal of property, plant and equipment, net	(40)	(27)
Property, plant and equipment written off	-	2
Interest income	(22)	(134)
Interest expense	104	149
Amortisation of deferred gain	(266)	(266)
Amortisation of deferred development costs	45	-
Operating cash flow before working capital changes	4,270	6,748
<b>Changes in operating assets and liabilities :</b>		
Inventories	(3,236)	(6,938)
Receivables	(5,986)	1,575
Payables	3,818	76
<b>Cash flows (used in)/generated from operations</b>	(1,134)	1,461
Tax paid	(704)	(423)
Interest paid	(104)	(149)
<b>NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES</b>	(1,942)	889
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	22	134
Addition of deferred development costs	(88)	-
Purchase of property, plant and equipment ( <b>Note 1</b> )	(2,733)	(5,776)
Proceeds from disposal of property, plant and equipment	40	137
Acquisition of a subsidiary, net of cash acquired ( <b>Note 2</b> )	(3,284)	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	(6,043)	(5,505)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from re-issuance of treasury shares	-	93
Purchase of treasury shares	-	(73)
Repayment of finance lease liabilities	(161)	(111)
Repayment of short term bank borrowings	(25,489)	(13,853)
Repayment of term loans	-	(6,048)
Proceeds from short term bank borrowings	24,588	14,434
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	(1,062)	(5,558)
Net decrease in cash and cash equivalents	(9,047)	(10,174)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>	32,675	52,998
Effect of exchange rate changes on cash and cash equivalents	(72)	212
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	23,556	43,036

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

	Group	
	3 months ended 31/03/12 \$ '000	3 months ended 31/03/11 \$ '000
<b>Cash and cash equivalents at end of the financial period comprise:</b>		
Short term fund placed with a Malaysian financial institution	17	5,329
Deposits with licensed banks	8,356	25,541
Cash and bank balances	18,705	12,344
Bank overdrafts	(3,522)	(178)
	23,556	43,036

**Note 1 :**

During the financial period, the Group acquired property, plant and equipment with an aggregate cost of \$4,083,000 (31.03.2011: \$6,253,000) of which \$119,000 (31.03.2011: \$Nil) was acquired by means of finance lease arrangement and \$1,231,000 (31.03.2011: \$477,000) included in other payables at balance sheet date. Cash payments of \$2,733,000 (31.03.2011: \$5,776,000) were made to purchase these property, plant and equipment.

**Note 2 :**

On 17 January 2012, the Group acquired 80% equity interest in Frencken America Inc. ("FA") (formerly known as US Motion Inc.) for a cash consideration of \$3,484,000.

The fair values of the identifiable assets and liabilities assumed of FA as at the date of acquisition are as follows:

	31/03/12 \$ '000
Property, plant and equipment	661
Inventories	1,153
Trade receivables	724
Cash and cash equivalents	200
Trade and other payables	(526)
Bank borrowings	(992)
Identifiable net assets acquired	1,220
Less: Non-controlling interest at fair value	(244)
Add: Provisional goodwill	2,508
Consideration transferred to the business	3,484

**Purchase consideration**

Cash paid	3,484
Contingent consideration	-
Total purchase consideration	3,484

**The effect of the acquisition on cash flow was as follows:**

Cash paid (as above)	3,484
Less : Cash and cash equivalents in subsidiary acquired	(200)
Net cash outflow on acquisition	3,284

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

	3 months ended 31/03/12 \$'000	3 months ended 31/03/11 \$'000	%
			Change
<b>Statement of Comprehensive Income</b>			
Total profit	284	3,033	-90.6%
Other comprehensive (expense)/income for the period :			
- Currency translation differences	(149)	1,091	N.M.
Total comprehensive income for the year	135	4,124	-96.7%
Attributable to:			
Equity holders of the Company	136	4,124	-96.7%
Non-controlling interests	(1)	-	N.M.
Total comprehensive income for the year	135	4,124	-96.7%

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

**(a) Statement of changes in equity for the quarter ended 31 March 2012 and 31 March 2011**

	Attributable to equity holders of the Company										
	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	Total \$ '000	Non-Controlling Interests \$ '000	Total Equity \$ '000
<b>The Group</b>											
At 1 January 2012	90,552	(1,998)	(8,962)	2,345	(102)	506	1,447	112,574	196,362	-	196,362
Total comprehensive (expense)/ income for the quarter	-	-	(133)	-	-	-	-	269	136	(1)	135
Transfer to statutory reserve fund	-	-	-	-	-	(8)	-	8	-	-	-
Employee share option scheme - Value of employee services	-	-	-	-	-	-	137	-	137	-	137
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	244	244
At 31 March 2012	<u>90,552</u>	<u>(1,998)</u>	<u>(9,095)</u>	<u>2,345</u>	<u>(102)</u>	<u>498</u>	<u>1,584</u>	<u>112,851</u>	<u>196,635</u>	<u>243</u>	<u>196,878</u>
At 1 January 2011	90,552	(2,544)	(5,900)	2,345	-	571	802	110,464	196,290	-	196,290
Total comprehensive income for the quarter	-	-	1,091	-	-	-	-	3,033	4,124	-	4,124
Purchase of treasury shares	-	(73)	-	-	-	-	-	-	(73)	-	(73)
Transfer to statutory reserve fund	-	-	-	-	-	(17)	-	17	-	-	-
Employee share option scheme - Value of employee services	-	-	-	-	-	-	207	-	207	-	207
- Treasury shares re-issued	-	150	-	-	(24)	-	(33)	-	93	-	93
At 31 March 2011	<u>90,552</u>	<u>(2,467)</u>	<u>(4,809)</u>	<u>2,345</u>	<u>(24)</u>	<u>554</u>	<u>976</u>	<u>113,514</u>	<u>200,641</u>	<u>-</u>	<u>200,641</u>

	Attributable to equity holders of the Company										
	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	Total \$ '000		
<b>The Company</b>											
At 1 January 2012	90,552	(1,998)	-	-	(102)	-	1,447	15,159	105,058		
Total comprehensive expense for the quarter	-	-	-	-	-	-	-	(46)	(46)		
Employee share option scheme - Value of employee services	-	-	-	-	-	-	137	-	137		
At 31 March 2012	<u>90,552</u>	<u>(1,998)</u>	<u>-</u>	<u>-</u>	<u>(102)</u>	<u>-</u>	<u>1,584</u>	<u>15,113</u>	<u>105,149</u>		
At 1 January 2011	90,552	(2,544)	-	-	-	-	802	18,128	106,938		
Total comprehensive expense for the quarter	-	-	-	-	-	-	-	(16)	(16)		
Purchase of treasury shares	-	(73)	-	-	-	-	-	-	(73)		
Employee share option scheme - Value of employee services	-	-	-	-	-	-	207	-	207		
- Treasury shares re-issued	-	150	-	-	(24)	-	(33)	-	93		
At 31 March 2011	<u>90,552</u>	<u>(2,467)</u>	<u>-</u>	<u>-</u>	<u>(24)</u>	<u>-</u>	<u>976</u>	<u>18,112</u>	<u>107,149</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

There were no changes in the Company's share capital for the quarter ended 31 March 2012.

	Total number of issued shares as at	
	31/03/12	31/03/11
Number of issued shares	376,184,325	376,184,325
Number of treasury shares	(8,001,000)	(9,881,000)
Total number of issued shares excluding treasury shares	368,183,325	366,303,325

Share options

The movement of share options of the Company during the period from 1 January 2012 to 31 March 2012 is as follows:

Date of grant	Number of ordinary shares under option					Exercise price	Exercise period
	As at 1.1.2012	Granted during the period	Forfeited during the period	Exercised during the period	As at 31.3.2012		
1.12.2008 (2008 Option)	5,900,000	0	0	0	5,900,000	\$0.155	1.12.2010 - 30.11.2018
1.12.2009 (2009 Option)	8,110,000	0	0	0	8,110,000	\$0.168	1.12.2011 - 30.11.2019
1.12.2010 (2010 Option)	8,680,000	0	0	0	8,680,000	\$0.224	1.12.2012 - 30.11.2020
	22,690,000	0	0	0	22,690,000		

	Total number of shares as at	
	31/03/12	31/03/11
Total number of shares that may be issued on exercise of share options outstanding	22,690,000	24,960,000

**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.**

	As at	
	31/03/12	31/12/11
Total number of issued shares excluding treasury shares	368,183,325	368,183,325

**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.**

No treasury shares were sold, transferred, disposed, cancelled or use during the quarter ended 31 March 2012.

**2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the independent auditors.



**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited financial statements have been applied.**

The accounting policies and methods of computation applied by the Group are consistent with those used in its most recent audited financial statements as well as all the applicable new/revised Financial Reporting Standards (FRS) and FRS interpretations which became effective for the financial years beginning on or after 1 January 2012.

**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 31/03/12	3 months ended 31/03/11
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)	0.07	0.83
- Weighted average number of shares (in thousand)	368,183	366,102
(ii) On a fully diluted basis (in cents)	0.07	0.83
- Adjusted weighted average number of shares (in thousand)	372,847	367,405

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

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

	Group		Company	
	31/03/12	31/12/11	31/03/12	31/12/11
Net asset value per ordinary share based on issued share capital at the end of financial period/year (cents)	53.41	53.33	28.56	28.53

Net asset value per ordinary shares is calculated based on the Group's net asset value divided by the number of ordinary shares at 31.03.2012 of 368,183,325 (31.12.2011 : 368,183,325).

**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 high-technology capital and consumer equipment service provider that serves a global customer base. Its business is classified under two main divisions.

- The Mechatronics Division provides 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, industrial automation and other industries. This Division has a network of production facilities strategically located in The Netherlands, Singapore, China, Malaysia and USA.
- The EMS Division offers integrated design and manufacturing services for automotive, office automation and other consumer products from a manufacturing complex in Penang, Malaysia.

### Income Statement

#### Group Revenue

	1Q	2Q	3Q	4Q	Full Year
<b>FY2012 (S\$ m)</b>	89.7	-	-	-	-
<b>FY2011 (S\$ m)</b>	82.8	88.6	77.9	86.2	335.5
<b>y-o-y (%)</b>	8.3	-	-	-	-

For the 3 months ended 31 March 2012 (1Q12), the Group reported revenue of S\$89.7 million, an increase of 8.3% from S\$82.8 million in 1Q11. Higher sales were recorded at both its divisions, despite cautious business sentiment due to ongoing global economic uncertainties. On a quarter-on-quarter (q-o-q) basis, Group revenue in 1Q12 also showed a 4.1% increase from S\$86.2 million in 4Q11.

#### Revenue breakdown by Division

	1Q12		1Q11		y-o-y
	S\$ m	%	S\$ m	%	%
<b>Mechatronics</b>	69.1	77.0	65.7	79.3	5.2
<b>EMS</b>	20.6	23.0	17.1	20.7	20.3
<b>Total</b>	89.7	100.0	82.8	100.0	8.3

Revenue at the Mechatronics Division increased 5.2% to S\$69.1 million in 1Q12 from S\$65.7 million in 1Q11. Revenue growth, principally from the medical and industrial automation segments, offset lower sales of the semiconductor segment.

Revenue at the EMS Division in 1Q12 increased 20.3% to S\$20.6 million, from S\$17.1 million in 1Q11, mainly due to increased sales of the automotive segment.

In 1Q12, the Mechatronics Division accounted for 77.0% of the Group's revenue, compared to 79.3% in 1Q11.

### Mechatronics Division

#### Revenue breakdown by Business Segment

	1Q12	1Q11	y-o-y	4Q11	q-o-q
	S\$ m	S\$ m	%	S\$ m	%
<b>Semiconductor</b>	14.2	19.3	(26.2)	17.0	(16.6)
<b>Medical</b>	17.0	14.2	19.5	17.1	(0.2)
<b>Analytical</b>	17.6	15.8	11.2	13.6	29.0
<b>Industrial Automation</b>	11.9	9.3	27.4	9.6	23.7
<b>Others</b>	8.4	7.1	19.3	10.7	(20.6)
<b>Total</b>	69.1	65.7	5.2	68.0	1.7

Revenue from the semiconductor segment in 1Q12 fell 26.2% to S\$14.2 million from S\$19.3 million in 1Q11. This was also a decline of 16.6% q-o-q from S\$17.0 million in 4Q11, reflecting the generally weaker conditions in the global semiconductor industry during the period under review. As a result, the semiconductor segment's contribution to the Mechatronics Division's revenue declined to 20.5% in 1Q12 from 29.3% in 1Q11.

Revenue from the medical segment increased 19.5% to S\$17.0 million in 1Q12, from S\$14.2 million in 1Q11, attributable to increased sales in Europe and Asia.

The analytical segment recorded revenue growth of 11.2% to S\$17.6 million in 1Q12, from S\$15.8 million in 1Q11. Revenue from this segment in 1Q12 also increased 29.0% q-o-q from S\$13.6 million in 4Q11, driven by improved sales in Europe and Asia.

Revenue from the industrial automation segment in 1Q12 improved 27.4% to S\$11.9 million, from S\$9.3 million in 1Q11. This was also an increase of 23.7% q-o-q from S\$9.6 million in 4Q11. Sales of this segment are typically lumpy in nature.

While revenue from customers in *others* business segment of S\$8.4 million in 1Q12 registered an increase of 19.3% from S\$7.1 million in 1Q11, this was a decline of 20.6% q-o-q from S\$10.7 million in 4Q11.

## **EMS Division**

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

	1Q12	1Q11	y-o-y	4Q11	q-o-q
	S\$ m	S\$ m	%	S\$ m	%
<b>Office Automation</b>	6.6	6.9	(4.7)	6.7	(0.9)
<b>Automotive</b>	9.4	5.5	70.0	6.7	40.5
<b>Others</b>	1.6	2.0	(15.9)	1.5	5.0
<b>Tooling *</b>	3.0	2.7	9.3	3.3	(12.0)
<b>Total</b>	20.6	17.1	20.3	18.2	12.7

\* Revenue derived from tooling sales for the office automation and automotive segments are classified under the Tooling segment

The automotive segment recorded revenue growth of 70.0% to S\$9.4 million in 1Q12, compared to S\$5.5 million in 1Q11. On a q-o-q basis, revenue of this segment increased 40.5% from S\$6.7 million in 4Q11. The higher sales in 1Q12 were due mainly to orders related to projects that commenced commercial production during the second half of 2011. As a result, the automotive segment accounted for a larger 45.6% of the EMS Division's revenue in 1Q12, compared to 32.2% in 1Q11.

Revenue from the office automation segment in 1Q12 decreased 4.7% to S\$6.6 million, from S\$6.9 million in 1Q11. This was mainly due to continued delays by a customer for the commercial production launch of a significant project.

Sales to customers in the *others* segment decreased 15.9% to S\$1.6 million in 1Q12 from S\$2.0 million in 1Q11.

Revenue derived from tooling sales for the automotive and office automation segments increased 9.3% to S\$3.0 million in 1Q12 from S\$2.7 million in 1Q11.

### **Gross Profit Margin**

The Group's gross profit (GP) decreased 11.7% to S\$8.0 million in 1Q12 from S\$9.0 million in 1Q11. Consequently, Group GP margin in 1Q12 contracted to 8.9% from 10.9% in 1Q11. This was mainly due to a change in sales mix and unfavourable exchange rates. In addition to this, the EMS Division incurred increased production overheads and higher costs associated with the expansion of the automotive segment.

### **Other Income**

Other income declined 21.0% to S\$1.1 million in 1Q12, compared to S\$1.4 million in 1Q11, which was attributable mainly to lower foreign exchange gains.

### **Operating expenses**

Selling and distribution expenses increased 38.0% to S\$2.4 million in 1Q12, from S\$1.7 million in 1Q11, mainly due to higher freight costs from increased automotive sales, salaries and the absence of write-back of provision for doubtful debts during the quarter under review.

Administrative and general expenses increased 13.9% to S\$4.7 million in 1Q12, from S\$4.1 million in 1Q11, attributable primarily to higher staff costs and professional fees incurred for the acquisition of Frencken America Inc. (formerly known as US Motion Inc.).

Other operating expenses increased 30.0% to S\$0.8 million in 1Q12, from S\$0.6 million in 1Q11, mainly due to higher foreign exchange losses.

## Finance Costs

Finance costs decreased to S\$0.1 million in 1Q12 attributable mainly to the interest savings from the full settlement of the term loan for the Group's premises in Bangi, Malaysia in 1Q11.

## Group Profit Before Income Tax

As a result of the above factors, the Group reported profit before income tax of S\$1.2 million for 1Q12, a decrease of 70.9% from S\$4.0 million in 1Q11.

## Taxation

Income tax expense in 1Q12 decreased to S\$0.9 million, compared to S\$1.0 million in 1Q11, in line with lower taxable profits during the quarter. The Group had a higher effective tax rate of 75.6% in 1Q12, compared to 24.3% in 1Q11, as the Group's subsidiaries operate in different tax jurisdictions and there is no scope to set off the losses from a non-profitable subsidiary against other profitable subsidiaries.

## Group Net Profit Attributable to Equity Holders of the Company

	1Q	2Q	3Q	4Q	Full Year
FY2012 (S\$ m)	0.3	-	-	-	-
FY2011 (S\$ m)	3.0	4.2	1.0	(0.9)	7.3
y-o-y (%)	-90.6	-	-	-	-

After accounting for taxation, the Group reported a net profit of S\$0.3 million in 1Q12, a reduction of 90.6% from S\$3.0 million in 1Q11.

## Balance Sheet

As at 31 March 2012, the Group remained in a net cash position with its balance sheet showing cash and cash equivalents of S\$27.1 million and bank borrowings of S\$21.3 million. Shareholders' equity stood at S\$196.6 million, which translates to net asset value of 53.4 cents per share.

Total assets stood at S\$289.2 million as at 31 March 2012. Property, plant and equipment increased to S\$76.5 million from S\$74.7 million at the end of December 2011, attributable to capital investments for production equipment for its facilities in the Mechatronics and EMS Divisions.

Inventories increased to S\$75.2 million from S\$70.8 million as at 31 December 2011. In line with increased sales in 1Q12, trade receivables increased to S\$76.0 million compared to S\$70.0 million as at 31 December 2011. Correspondingly, trade payables increased to S\$38.9 million from S\$32.3 million at 31 December 2011.

Total borrowings increased to S\$21.3 million at 31 March 2012, compared to S\$20.5 million as at 31 December 2011, mainly due to higher utilisation of trade financing for working capital purposes.

## Cash Flow Analysis

The Group used net cash of S\$1.9 million for operating activities in 1Q12, compared to net cash generated of S\$0.9 million in 1Q11. This was mainly due to lower net profit and higher income tax paid during the period under review.

Net cash used for investing activities in 1Q12 amounted to S\$6.0 million due primarily to capital expenditure and the acquisition of 80% equity interests in Frencken America Inc. during the quarter.

The Group used net cash of S\$1.1 million for financing activities in 1Q12 mainly due to net repayment of short-term borrowings.

As a result, the Group ended 1Q12 with a net decrease in cash and cash equivalents of S\$9.0 million. When added to its opening cash and cash equivalents of S\$32.7 million and after accounting for the negative effect of foreign currency movements of S\$0.1 million on its opening cash and cash equivalents, the Group had an ending cash balance of S\$23.6 million as at 31 March 2012.

## 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 in 1Q12 are in line with the guidance provided in the Group's Announcement No. 00186 posted on SGXNet on 23 February 2012.

**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.**

Due to prevailing global economic uncertainties, business sentiment is expected to remain cautious. Hence, the Group is likely to continue experiencing a challenging operating environment in the near term.

The Group recorded a single-digit revenue growth due to higher sales of its medical, analytical, industrial automation and automotive segments. However, the Group's gross profit (GP) decreased 11.7% mainly due to a change in sales mix and unfavourable exchange rates. In addition to this, the EMS Division incurred increased production overheads and higher costs associated with the expansion of the automotive segment.

The Group will continue to strengthen the operations of its Mechatronics and EMS divisions globally to put them in a good position to withstand macroeconomic risks and build long term stability.

**Mechatronics Division**

Notwithstanding the difficult operating conditions, the Mechatronics Division continues to build a pipeline of projects. Many of these projects however are still at various stages of development, which is typically a lengthy process that can sometimes take up to 3 years, and hence are unlikely to contribute significantly to Group revenue in FY2012. The Group's entry into the USA through the acquisition of Frencken America Inc has been attracting interest from a number of major customers which potentially leads to the award of additional projects.

Based on order forecasts, the medical and analytical segments should continue to see steady demand in FY2012. While sales of the industrial automation and semiconductor segments appear to be picking up, it may still experience greater quarterly fluctuations compared to other segments.

**EMS Division**

The EMS Division continues to focus on strengthening the operations of its automotive segment to cater for future growth. The automotive segment's contribution to the EMS Division's revenue, which was 45.6% in 1Q12, is expected to expand during FY2012 as the division is targeting to roll out commercial production of more automotive projects. As such, the division has invested in additional manufacturing capacities in Penang to expand the production of automotive products. However revenue of the office automation segment is expected to remain flat.

**11. Dividend**

**(a) Current Financial Period Reported on**

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

None

**(b) Corresponding Period of the Immediately Preceding Financial Year**

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

None

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

Not applicable.

**PART 11- ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**

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

Only applies to full year results

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

Only applies to full year results

**15. A breakdown of sales.**

Only applies to full year results

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

Only applies to full year results

**17. Interested Person Transactions**

Name of Interested Person	Aggregate value of all IPTs during the financial period under review (excluding transactions less than \$100,000) 3 months ended	
	31/3/12	31/3/11
Not applicable	-	-

**BY ORDER OF THE BOARD**

Gooi Soon Hock  
Executive Director  
10-May-12

Confirmation by Directors Pursuant to Clause 705(5) 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 first quarter 2012 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, 10 May 2012