



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		
	30/06/12 \$'000	30/06/11 \$'000	% Change	30/06/12 \$'000	30/06/11 \$'000	% Change
Revenue	92,679	88,595	4.6%	182,393	171,414	6.4%
Cost of sales	(84,335)	(77,527)	8.8%	(166,056)	(151,298)	9.8%
Gross profit	8,344	11,068	-24.6%	16,337	20,116	-18.8%
Other income	950	1,233	-23.0%	2,089	2,674	-21.9%
Selling and distribution expenses	(2,196)	(1,997)	10.0%	(4,571)	(3,718)	22.9%
Administrative and general expenses	(5,075)	(4,561)	11.3%	(9,746)	(8,662)	12.5%
Other operating expenses	(160)	(624)	-74.4%	(1,000)	(1,270)	-21.3%
Interest income	25	181	-86.2%	47	315	-85.1%
Finance costs	(222)	(86)	158.1%	(326)	(235)	38.7%
Profit before income tax and exceptional item	1,666	5,214	-68.0%	2,830	9,220	-69.3%
Exceptional item (Note 1)	(518)	-	N.M.	(518)	-	N.M.
Profit before income tax	1,148	5,214	-78.0%	2,312	9,220	-74.9%
Income tax expense	(918)	(974)	-5.7%	(1,798)	(1,947)	-7.7%
Total profit	230	4,240	-94.6%	514	7,273	-92.9%
Profit attributable to:						
Equity holders of the Company	213	4,240	-95.0%	482	7,273	-93.4%
Non-controlling interests	17	-	N.M.	32	-	N.M.
	230	4,240	-94.6%	514	7,273	-92.9%

Note 1 :

This is in respect of acquisition expenses incurred in relation to the proposed acquisition of Juken Technology Limited.

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		
	30/06/12	30/06/11	%	30/06/12	30/06/11	%
	\$'000	\$'000	Change	\$'000	\$'000	Change
Profit for the period is arrived at after charging/(crediting) :-						
Investment income	-	-	-	-	-	-
Other income including interest income	(975)	(1,414)	-31.0%	(2,136)	(2,989)	-28.5%
Interest on borrowings	222	86	158.1%	326	235	38.7%
Depreciation of property, plant and equipment	3,076	2,970	3.6%	6,202	5,809	6.8%
Amortisation of deferred development costs	58	-	N.M.	103	-	N.M.
(Write-back)/Allowance for doubtful debts and bad debts written off	-	25	N.M.	-	(88)	N.M.
(Write back)/Allowance for inventory obsolescence	(243)	(63)	285.7%	(26)	374	N.M.
Impairment in value of investments	-	-	-	-	-	-
Foreign exchange (gain)/ loss, net	79	205	-61.5%	682	308	121.4%
Adjustments for (over)/ under provision of tax in respect of prior years	-	(2)	N.M.	-	(2)	N.M.
(Gain)/Loss on disposal of property, plant and equipment	(106)	12	N.M.	(146)	(15)	873.3%
Property, plant and equipment written off	1	13	-92.3%	1	15	-93.3%
Exceptional item						
- Acquisition expenses for proposed acquisition	518	-	N.M.	518	-	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	
	30/06/12 \$'000	31/12/11 \$'000	30/06/12 \$'000	31/12/11 \$'000
NON-CURRENT ASSETS				
Property, plant and equipment	74,286	74,729	-	-
Investments in subsidiaries	-	-	74,621	74,371
Financial asset, available-for-sale	5,700	5,700	5,700	5,700
Goodwill arising on consolidation	12,747	10,358	-	-
Deferred income tax assets	4,179	3,559	-	-
Deferred development costs	2,020	1,885	-	-
Other receivables, deposits and prepayments	4,377	4,556	-	-
	<u>103,309</u>	<u>100,787</u>	<u>80,321</u>	<u>80,071</u>
CURRENT ASSETS				
Inventories	77,697	70,830	-	-
Trade receivables	73,147	69,963	-	-
Receivables from subsidiaries	-	-	12,976	5,055
Dividends receivable from subsidiaries	-	-	-	3,637
Other receivables, deposits and prepayments	6,390	4,981	47	24
Tax recoverable	41	433	-	-
Cash and cash equivalents	42,334	35,495	29,384	17,095
	<u>199,609</u>	<u>181,702</u>	<u>42,407</u>	<u>25,811</u>
Total assets	302,918	282,489	122,728	105,882
CURRENT LIABILITIES				
Trade payables	45,505	32,340	-	-
Other payables, accruals and provisions	23,301	26,028	180	819
Deferred gain	1,063	1,063	-	-
Borrowings	35,501	20,447	-	-
Income tax payable	699	366	5	5
	<u>106,069</u>	<u>80,244</u>	<u>185</u>	<u>824</u>
NON CURRENT LIABILITIES				
Deferred gain	4,518	5,050	-	-
Borrowings	173	35	-	-
Deferred income tax liabilities	778	798	-	-
	5,469	5,883	-	-
Total liabilities	<u>111,538</u>	<u>86,127</u>	<u>185</u>	<u>824</u>
NET ASSETS	<u>191,380</u>	<u>196,362</u>	<u>122,543</u>	<u>105,058</u>
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	90,552	90,552	90,552	90,552
Treasury shares	(1,975)	(1,998)	(1,975)	(1,998)
Foreign currency translation reserve	(12,714)	(8,962)	-	-
Merger reserve	2,345	2,345	-	-
Capital reserve	(103)	(102)	(103)	(102)
Statutory reserve fund	554	506	-	-
Share option reserve	1,690	1,447	1,690	1,447
Retained profits	110,769	112,574	32,379	15,159
	<u>191,118</u>	<u>196,362</u>	<u>122,543</u>	<u>105,058</u>
Non-controlling interests	262	-	-	-
TOTAL EQUITY	<u>191,380</u>	<u>196,362</u>	<u>122,543</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

As at 30/06/12	
Secured \$'000	Unsecured \$'000
13,217	22,284

As at 31/12/12	
Secured \$'000	Unsecured \$'000
35	20,412

Amount repayable after one year

As at 30/06/12	
Secured \$'000	Unsecured \$'000
173	-

As at 31/12/12	
Secured \$'000	Unsecured \$'000
35	-

Details of any collateral

Details of the secured borrowings of the Group as at 30 June 2012 are as follows:

- (i) finance lease liabilities are secured by certain equipment and motor vehicles of the Group.
- (ii) bank overdraft of \$13,021,000 is secured by mortgage over a property, pledged on the trade receivables and inventories of all subsidiaries of the Company in The Netherlands.

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	
	30/06/12 \$ '000	30/06/11 \$ '000	30/06/12 \$ '000	30/06/11 \$ '000
CASH FLOWS FROM OPERATING ACTIVITIES				
Total profit	230	4,240	514	7,273
Adjustments for:				
Income tax expense	918	974	1,798	1,947
Exchange differences	237	331	259	303
Employee share option expense	120	202	257	409
Depreciation of property, plant and equipment	3,076	2,970	6,202	5,809
Gain on disposal of property, plant and equipment, net	(106)	12	(146)	(15)
Property, plant and equipment written off	1	13	1	15
Interest income	(25)	(181)	(47)	(315)
Interest expense	222	86	326	235
Amortisation of deferred gain	(266)	(266)	(532)	(532)
Amortisation of deferred development costs	58	-	103	-
Operating cash flow before working capital changes	4,465	8,381	8,735	15,129
Changes in operating assets and liabilities :				
Inventories	(4,031)	(5,625)	(7,267)	(12,563)
Receivables	510	5,441	(5,476)	7,016
Payables	7,100	561	10,918	637
Cash flows generated from operations	8,044	8,758	6,910	10,219
Tax paid	(1,019)	(662)	(1,723)	(1,085)
Interest paid	(222)	(86)	(326)	(235)
NET CASH GENERATED FROM OPERATING ACTIVITIES	6,803	8,010	4,861	8,899
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	25	181	47	315
Addition of deferred development costs	(168)	-	(256)	-
Purchase of property, plant and equipment (Note 1)	(3,389)	(4,283)	(6,122)	(10,059)
Proceeds from disposal of property, plant and equipment	148	14	188	151
Acquisition of a subsidiary, net of cash acquired (Note 2)	-	-	(3,284)	-
NET CASH USED IN INVESTING ACTIVITIES	(3,384)	(4,088)	(9,427)	(9,593)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from re-issuance of treasury shares	15	251	15	344
Purchase of treasury shares	-	-	-	(73)
Repayment of finance lease liabilities	(10)	(73)	(171)	(184)
Repayment of short term borrowings	(29,071)	(15,046)	(54,560)	(28,899)
Repayment of term loans	-	-	-	(6,048)
Proceeds from short term borrowings	33,954	16,648	58,542	31,082
Dividend paid to shareholders	(2,246)	(5,296)	(2,246)	(5,296)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	2,642	(3,516)	1,580	(9,074)
Net increase/(decrease) in cash and cash equivalents	6,061	406	(2,986)	(9,768)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD / YEAR	23,556	43,036	32,675	52,998
Effect of exchange rate changes on cash and cash equivalents	(411)	(98)	(483)	114
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	29,206	43,344	29,206	43,344

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	
	30/06/12	30/06/11	30/06/12	30/06/11
	\$ '000	\$ '000	\$ '000	\$ '000
Cash and cash equivalents at end of the financial period comprise:				
Short term fund placed with a Malaysian financial institution	16	5,255	16	5,255
Deposits with licensed banks	4,112	20,913	4,112	20,913
Cash and bank balances	38,206	19,614	38,206	19,614
Bank overdrafts	(13,128)	(2,438)	(13,128)	(2,438)
	<u>29,206</u>	<u>43,344</u>	<u>29,206</u>	<u>43,344</u>

Note 1 :

During the financial period, the Group acquired property, plant and equipment with an aggregate cost of \$6,490,000 (30.06.2011: \$10,529,000) of which \$175,000 (30.06.2011: \$Nil) was acquired by means of finance lease arrangement and \$193,000 (30.06.2011: \$470,000) included in other payables at balance sheet date. Cash payments of \$6,122,000 (30.06.2011: \$10,059,000) 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:

	\$ '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	<u>1,220</u>
Less: Non-controlling interest at fair value	(244)
Add: Provisional goodwill	<u>2,508</u>
Consideration transferred to the business	<u>3,484</u>

Purchase consideration

Cash paid	3,484
Contingent consideration	-
Total purchase consideration	<u>3,484</u>

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	<u>3,284</u>

1(d) Consolidated statement of comprehensive income

	3 months ended		1H ended	
	30/06/12	30/06/11	30/06/12	30/06/11
	\$ '000	\$ '000	\$ '000	\$ '000
<u>Statement of Comprehensive Income</u>				
Total profit	230	4,240	514	7,273
Other comprehensive (expense)/income for the period :				
- Currency translation differences	(3,617)	(790)	(3,766)	301
Total comprehensive (expense)/income for the period	<u>(3,387)</u>	<u>3,450</u>	<u>(3,252)</u>	<u>7,574</u>
Attributable to:				
Equity holders of the Company	(3,406)	3,450	(3,270)	7,574
Non-controlling interests	19	-	18	-
Total comprehensive (expense)/income for the period	<u>(3,387)</u>	<u>3,450</u>	<u>(3,252)</u>	<u>7,574</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 2012 and 30 June 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
The Group											
At 1 April 2012	90,552	(1,998)	(9,095)	2,345	(102)	498	1,584	112,851	196,635	243	196,878
Total comprehensive (expense)/ income for the quarter	-	-	(3,619)	-	-	-	-	213	(3,406)	19	(3,387)
Transfer to statutory reserve fund	-	-	-	-	-	56	-	(56)	-	-	-
Employee share option scheme - Value of employee services	-	-	-	-	-	-	120	-	120	-	120
- Treasury shares re-issued	-	23	-	-	(1)	-	(7)	-	15	-	15
Transfer arising from forfeited share options	-	-	-	-	-	-	(7)	7	-	-	-
Dividend paid	-	-	-	-	-	-	-	(2,246)	(2,246)	-	(2,246)
At 30 June 2012	<u>90,552</u>	<u>(1,975)</u>	<u>(12,714)</u>	<u>2,345</u>	<u>(103)</u>	<u>554</u>	<u>1,690</u>	<u>110,769</u>	<u>191,118</u>	<u>262</u>	<u>191,380</u>
At 1 April 2011	90,552	(2,467)	(4,809)	2,345	(24)	554	976	113,514	200,641	-	200,641
Total comprehensive (expense)/ income for the quarter	-	-	(790)	-	-	-	-	4,240	3,450	-	3,450
Transfer to statutory reserve fund	-	-	-	-	-	13	-	(13)	-	-	-
Employee share option scheme - Value of employee services	-	-	-	-	-	-	202	-	202	-	202
- Treasury shares re-issued	-	404	-	-	(67)	-	(86)	-	251	-	251
Dividend paid	-	-	-	-	-	-	-	(5,296)	(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>	<u>-</u>	<u>199,248</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		
The Company											
At 1 April 2012	90,552	(1,998)	-	-	(102)	-	1,584	15,113	105,149		
Total comprehensive income for the quarter	-	-	-	-	-	-	-	19,512	19,512		
Employee share option scheme - Value of employee services	-	-	-	-	-	-	120	-	120		
- Treasury shares re-issued	-	23	-	-	(1)	-	(7)	-	15		
Reversal arising from forfeited share options	-	-	-	-	-	-	(7)	-	(7)		
Dividend paid	-	-	-	-	-	-	-	(2,246)	(2,246)		
At 30 June 2012	<u>90,552</u>	<u>(1,975)</u>	<u>-</u>	<u>-</u>	<u>(103)</u>	<u>-</u>	<u>1,690</u>	<u>32,379</u>	<u>122,543</u>		
At 1 April 2011	90,552	(2,467)	-	-	(24)	-	976	18,112	107,149		
Total comprehensive expense for the quarter	-	-	-	-	-	-	-	(8)	(8)		
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>		

(b) Statement of changes in equity for the half year ended 30 June 2012 and 30 June 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
The Group											
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 financial period	-	-	(3,752)	-	-	-	-	482	(3,270)	18	(3,252)
Transfer to statutory reserve fund	-	-	-	-	-	48	-	(48)	-	-	-
Employee share option scheme - Value of employee services	-	-	-	-	-	-	257	-	257	-	257
- Treasury shares re-issued	-	23	-	-	(1)	-	(7)	-	15	-	15
Transfer arising from forfeited share options	-	-	-	-	-	-	(7)	7	-	-	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	244	244
Dividend paid	-	-	-	-	-	-	-	(2,246)	(2,246)	-	(2,246)
At 30 June 2012	<u>90,552</u>	<u>(1,975)</u>	<u>(12,714)</u>	<u>2,345</u>	<u>(103)</u>	<u>554</u>	<u>1,690</u>	<u>110,769</u>	<u>191,118</u>	<u>262</u>	<u>191,380</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 financial period	-	-	301	-	-	-	-	7,273	7,574	-	7,574
Purchase of treasury share	-	(73)	-	-	-	-	-	-	(73)	-	(73)
Transfer to statutory reserve fund	-	-	-	-	-	(4)	-	4	-	-	-
Employee share option scheme - Value of employee services	-	-	-	-	-	-	409	-	409	-	409
- Treasury shares re-issued	-	554	-	-	(91)	-	(119)	-	344	-	344
Dividend paid	-	-	-	-	-	-	-	(5,296)	(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>	<u>-</u>	<u>199,248</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		
The Company											
At 1 January 2012	90,552	(1,998)	-	-	(102)	-	1,447	15,159	105,058		
Total comprehensive income for the financial period	-	-	-	-	-	-	-	19,466	19,466		
Employee share option scheme - Value of employee services	-	-	-	-	-	-	257	-	257		
- Treasury share re-issued	-	23	-	-	(1)	-	(7)	-	15		
Reversal arising from forfeited share options	-	-	-	-	-	-	(7)	-	(7)		
Dividend paid	-	-	-	-	-	-	-	(2,246)	(2,246)		
At 30 June 2012	<u>90,552</u>	<u>(1,975)</u>	<u>-</u>	<u>-</u>	<u>(103)</u>	<u>-</u>	<u>1,690</u>	<u>32,379</u>	<u>122,543</u>		
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>		

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 90,000 treasury shares during the quarter pursuant to the Company's employee share option scheme at the exercise price of \$0.168 each. The cost of the treasury shares re-issued amounted to \$22,464. The number of treasury shares held as at the end of current quarter was 7,911,000 shares.

	Total number of issued shares as at	
	30/06/12	30/06/11
Number of issued shares	376,184,325	376,184,325
Number of treasury shares	(7,911,000)	(8,261,000)
Total number of issued shares excluding treasury shares	368,273,325	367,923,325

Share options

The movement of share options of the Company during the period from 1 April 2012 to 30 June 2012 is as follows:

Date of grant	Number of ordinary shares under option					Exercise Price	Exercise period
	As at 1.4.2012	Granted during the period	Forfeited during the period	Exercised during the period	As at 30.06.2012		
1.12.2008 (2008 Option)	5,900,000	-	-	-	5,900,000	\$0.155	1.12.2010 - 30.11.2018
1.12.2009 (2009 Option)	8,110,000	-	(110,000)	(90,000)	7,910,000	\$0.168	1.12.2011 - 30.11.2019
1.12.2010 (2010 Option)	8,680,000	-	(160,000)	-	8,520,000	\$0.224	1.12.2012 - 30.11.2020
	22,690,000	-	(270,000)	(90,000)	22,330,000		

	Total number of shares as at	
	30/06/12	30/06/11
Total number of shares that may be issued on exercise of share options outstanding	22,330,000	23,340,000

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	
	30/06/12	31/12/11
Total number of issued shares excluding treasury shares	368,273,325	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.

During the quarter, the Company re-issued 90,000 treasury shares pursuant to the Company's employee share option scheme. The cost of the treasury shares re-issued amounted to \$22,464.

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 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		Group 1H ended	
	30/06/12	30/06/11	30/06/12	30/06/11
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)	0.06	1.15	0.13	1.98
- Weighted average number of shares (in thousand)	368,199	367,642	368,191	366,876
(ii) On a fully diluted basis (in cents)	0.06	1.14	0.13	1.97
- Adjusted weighted average number of shares (in thousand)	372,365	371,101	372,578	369,651

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	
	30/06/12	31/12/11	30/06/12	31/12/11
Net asset value per ordinary share based on issued share capital at the end of financial period/year (cents)	51.90	53.33	33.28	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 30.06.2012 of 368,273,325 (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 provides 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
FY2012 (S\$ m)	89.7	92.7	-	-	-
FY2011 (S\$ m)	82.8	88.6	77.9	86.2	335.5
y-o-y (%)	8.3	4.6	-	-	-

For the 3 months ended 30 June 2012 (2Q12), the Group reported revenue of S\$92.7 million. This was an increase of 4.6% from S\$88.6 million in 2Q11 despite weak business sentiment and the impact of unfavourable currency movements. Higher sales of the Mechatronics Division were partially offset by lower sales of the EMS Division. On a quarter-on-quarter (q-o-q) basis, Group revenue in 2Q12 increased 3.3% from S\$89.7 million in 1Q12 driven by higher sales of the Mechatronics Division.

For the 6 months ended 30 June 2012 (1H12), Group revenue increased 6.4% to S\$182.4 million, from S\$171.4 million, due to higher sales of both the Mechatronics and EMS divisions.

Revenue breakdown by Division

	2Q12		2Q11		y-o-y	1H12	1H11	y-o-y
	S\$ m	%	S\$ m	%	%	S\$ m	S\$ m	%
Mechatronics	76.9	82.9	70.9	80.0	8.5	146	136.6	6.9
EMS	15.8	17.1	17.7	20.0	(10.8)	36.4	34.8	4.5
Total	92.7	100.0	88.6	100.0	4.6	182.4	171.4	6.4

Revenue at the Mechatronics Division increased 8.5% to S\$76.9 million in 2Q12 from S\$70.9 million in 2Q11. This is attributable mainly to improved sales of the medical, analytical and industrial automation segments. As approximately 60% of the Mechatronics Division's sales are Euro-based, its revenue would have been higher in 2Q12 if not for the 8.2% depreciation of the Euro against the Singapore Dollar compared to 2Q11.

Revenue at the EMS Division declined 10.8% to S\$15.8 million in 2Q12, from S\$17.7 million in 2Q11. The softer revenue was attributable to lower sales from the tooling and office automation segments but cushioned by higher sales from the automotive segment. As the EMS Division has substantial sales denominated in Euro, the division's revenue in 2Q12 was also adversely affected by the 7.1% depreciation of the Euro against the Malaysian Ringgit compared to 2Q11.

For 1H12, the Mechatronics Division recorded revenue growth of 6.9% to S\$146.0 million and accounted for 80% of Group revenue. Revenue of the EMS Division grew 4.5% to S\$36.4 million and contributed the remaining 20% of Group revenue in 1H12.

Mechatronics Division

Revenue breakdown by Business Segment

	2Q12	2Q11	y-o-y	1Q12	1H12	1H11	y-o-y
	S\$ m	S\$ m	%	S\$ m	S\$ m	S\$ m	%
Semiconductor	18.5	21.1	(12.1)	14.2	32.7	40.4	(18.9)
Medical	16.2	14.3	13.0	17.0	33.2	28.5	16.3
Analytical	19.4	16.0	21.5	17.6	37.0	31.8	16.4
Industrial Automation	14.3	11.4	26.0	11.9	26.2	20.7	26.6
Others	8.5	8.1	3.8	8.4	16.9	15.2	11.0
Total	76.9	70.9	8.5	69.1	146.0	136.6	6.9

Revenue from the semiconductor segment in 2Q12 declined 12.1% to S\$18.5 million from S\$21.1 million in 2Q11. However, this was a gain of 30.6% q-o-q from S\$14.2 million in 1Q12 as sales of semiconductor equipment benefited from an improvement in global chip sales. Sales of this segment are typically cyclical in nature.

Revenue from the medical segment increased 13.0% to S\$16.2 million in 2Q12, from S\$14.3 million in 2Q11, attributable mainly to increased sales in Europe.

The analytical segment recorded revenue growth of 21.5% to S\$19.4 million in 2Q12, from S\$16.0 million in 2Q11 driven by improved sales in Europe and Asia, coupled with the inclusion of sales from Frencken America. On a sequential basis, revenue of this segment was also up 10.7% from S\$17.6 million in 1Q12.

Revenue from the industrial automation segment improved 26.0% to S\$14.3 million, from S\$11.4 million in 2Q11, and increased 19.5% q-o-q from S\$11.9 million in 1Q12. This was due mainly to higher sales to a major customer in Asia. Sales of this segment are typically lumpy in nature.

Revenue from customers in *others* business segment of S\$8.5 million in 2Q12 was slightly higher than S\$8.1 million in 2Q11 and flat compared to 1Q12.

For 1H12, the Mechatronics Division reported a balanced spread of revenue from its various segments. The analytical segment was the largest contributor with a share of 25.3%. The medical and semiconductor segments accounted for 22.7% and 22.4% respectively while the industrial automation segment contributed 17.9%.

EMS Division

Revenue breakdown by Business Segment

	2Q12	2Q11	y-o-y	1Q12	1H12	1H11	y-o-y
	S\$ m	S\$ m	%	S\$ m	S\$ m	S\$ m	%
Automotive	8.8	5.4	63.4	9.4	18.2	10.9	66.8
Office Automation	5.8	7.8	(25.8)	6.6	12.4	14.7	(15.8)
Others	0.8	1.7	(54.4)	1.6	2.4	3.7	(34.2)
Tooling *	0.4	2.8	(84.0)	3.0	3.4	5.5	(38.2)
Total	15.8	17.7	(10.8)	20.6	36.4	34.8	4.5

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

The automotive segment recorded revenue growth of 63.4% to S\$8.8 million in 2Q12, compared to S\$5.4 million in 2Q11, due mainly to sales related to a number of projects that commenced commercial production during the second half of 2011 and first half of 2012. On a q-o-q basis however, revenue of this segment in 2Q12 decreased 6.3% from S\$9.4 million in 1Q12.

Revenue from the office automation segment in 2Q12 decreased 25.8% to S\$5.8 million, from S\$7.8 million in 2Q11. This was due mainly to deferral of orders arising from a supply disruption from a customer's designated supplier, coupled with weak economic conditions in Europe.

Sales to customers in the *others* segment decreased 54.4% to S\$0.8 million in 2Q12 from S\$1.7 million in 2Q11.

Revenue derived from tooling for the automotive and office automation segments decreased 84.0% to S\$0.4 million in 2Q12 from S\$2.8 million in 2Q11 as the tooling phase for significant automotive projects has been completed.

The EMS Division has continued its strategy to focus on expanding the automotive segment which accounted for 49.9% of the division's revenue in 1H12, compared to 31.3% in 1H11. The office automation segment contributed 34.1% in 1H12 with the remaining 16.0% derived from tooling sales and customers in *others* segment.

Gross Profit Margin

The Group's gross profit (GP) decreased 24.6% to S\$8.3 million in 2Q12 from S\$11.1 million in 2Q11. As a result, Group GP margin in 2Q12 contracted to 9.0% from 12.5% in 2Q11. This was due mainly to a shift in sales mix in the Mechatronics Division and higher production overhead, coupled with low operational efficiencies in the automotive segment of the EMS Division. The automotive segment's margin was also affected by the depreciation of the Euro against the Malaysian Ringgit.

Other Income

Other income declined 23.0% to S\$1.0 million in 2Q12, compared to S\$1.2 million in 2Q11, which was attributable mainly to lower foreign exchange gains.

Operating Expenses

Selling and distribution expenses increased 10.0% to S\$2.2 million in 2Q12, from S\$2.0 million in 2Q11, due mainly to higher freight costs from increased automotive sales.

Administrative and general expenses increased 11.3% to S\$5.1 million in 2Q12, from S\$4.6 million in 2Q11, attributable to the increase in salary and the inclusion of Frencken America Inc's cost. Other operating expenses decreased 74.4% to S\$0.2 million in 2Q12, from S\$0.6 million in 2Q11, due mainly to lower foreign exchange losses.

Finance Costs

Finance costs increased to S\$0.2 million in 2Q12, from S\$0.1 million in 2Q11, due mainly to higher borrowings for working capital.

Exceptional Item

In 2Q12, the Group incurred professional fees and other acquisition expenses amounting to S\$0.5 million in respect of the proposed acquisition of Juken Technology Limited.

Group Profit Before Income Tax

As a result of the above factors, the Group reported profit before income tax of S\$1.1 million for 2Q12, a decrease of 78.0% from S\$5.2 million in 2Q11. In 1H12, the Group posted profit before tax of S\$2.3 million, compared to S\$9.2 million in 1H11.

Taxation

Income tax expense in 2Q12 decreased to S\$0.9 million, compared to S\$1.0 million in 2Q11. The Group had a higher effective tax rate of 80.0% in 2Q12, compared to 18.7% in 2Q11, as there is no scope to set off the losses from non-profitable subsidiaries 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	0.2	-	-	-
FY2011 (S\$ m)	3.0	4.2	1.0	(0.9)	7.3
y-o-y (%)	(90.6)	(95.0)	-	-	-

After accounting for taxation, the Group reported a net profit of S\$0.2 million in 2Q12, a reduction of 95.0% from S\$4.2 million in 2Q11. In 1H12, the Group's net profit amounted to S\$0.5 million, compared to S\$7.3 million in 1H11.

Balance Sheet

As at 30 June 2012, the Group remained in a net cash position with its balance sheet showing cash and cash equivalents of S\$42.3 million and bank borrowings of S\$35.7 million. Shareholders' equity stood at S\$191.1 million, which translates to net asset value of 51.9 cents per share.

Total assets stood at S\$302.9 million as at 30 June 2012, compared to S\$282.5 million as at 31 December 2011.

Property, plant and equipment stood at S\$74.3 million, compared to S\$74.7 million at the end of December 2011. Additional capital investments in production equipment for the Mechatronics and EMS Divisions as well as the acquisition of Frencken America Inc. during 1H12 were offset by depreciation charges.

In line with higher sales in 2Q12, inventories increased to S\$77.7 million while trade receivables increased to S\$73.1 million as at 30 June 2012, compared to S\$70.8 million and S\$70.0 million respectively as at 31 December 2011. Trade payables increased to S\$45.5 million from S\$32.3 million at the end of December 2011.

Total borrowings increased to S\$35.7 million at end June 2012, compared to S\$20.5 million as at 31 December 2011, due mainly to drawdown of bank overdraft and higher utilisation of trade financing facility for working capital purposes.

Cash Flow Analysis

The Group generated net cash of S\$4.9 million from operating activities in 1H12 compared to S\$8.9 million in 1Q11. This decrease is the result of lower net profit during the period under review.

Net cash used for investing activities in 1H12 amounted to S\$9.4 million due primarily to capital expenditure and the acquisition of 80% equity interests in Frencken America Inc. during 1Q12.

The Group generated net cash of S\$1.6 million for financing activities in 1H12 due mainly to net proceeds of short-term borrowings and after deducting dividend amounting to S\$2.2 million paid to shareholders in respect of FY2011.

As a result, the Group ended 1H12 with a net decrease in cash and cash equivalents of S\$3.0 million. When added to its opening cash and cash equivalents of S\$32.7 million and the negative effect of foreign currency movements of S\$0.5 million on its opening cash and cash equivalents, the Group had an ending cash balance of S\$29.2 million as at 30 June 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 2Q12 are in line with the guidance provided in the Group's Announcement No. 00069 posted on SGXNet on 10 May 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.

Notwithstanding the difficult operating environment in 1H12, the Group recorded single-digit revenue growth due to higher sales of its medical, analytical, industrial automation and automotive segments. However, the Group's GP margin narrowed to 9.0% from 11.7% in 1H11. This was due mainly to a shift in sales mix in the Mechatronics Division, higher production overheads, unfavourable exchange rate and low operational efficiencies in the automotive segment of the EMS Division.

The Group will continue to strengthen its global operations to withstand macroeconomic risks and build long term business growth.

On 16 May 2012, the Group announced the proposed acquisition of Juken Technology Limited ("Juken") by way of a pre-conditional voluntary conditional offer for all the issued and paid up ordinary shares in the capital of Juken other than those already owned, controlled or agreed to be acquired by the Group (the "Proposed Acquisition"). Details of the Proposed Acquisition and subsequent updates are available at the websites of the SGX-ST (www.sgx.com) and the Group (www.frenckengroup.com).

Mechatronics Division

Despite the difficult operating environment, the Mechatronics Division continues to grow its pipeline of new projects. Many of these projects however are still at various stages of development and industrialisation, which is typically a lengthy process of between 1 to 3 years.

EMS Division

In addition to the adverse Euro/RM exchange rate, the EMS Division continues to face various challenges that impacted its operational efficiencies in the automotive segment. Sales of this segment made up 49.9% while the office automation segment accounted for 34.1% of the EMS Division's revenue in 1H12.

The Proposed Acquisition of Juken is expected to bring strategic and operational fit between the Group's EMS division and Juken as set out in paragraph 5.1 (Rationale) of the Pre-Conditional Offer Announcement on 16 May 2012. The Group believes that the Proposed Acquisition will create a compelling manufacturing partnership for the merged group, enhancing and expanding its service offerings to serve an expanded customer base.

The Proposed Acquisition is expected to expand the EMS Division's manufacturing capacities to serve the merged Group's expanded customer base and accelerate its geographical expansion into strategic growth regions like China and India. By leveraging on the EMS Division's integrated manufacturing capabilities, the existing Juken manufacturing sites can potentially scale the value chain from its current component manufacturing capabilities towards full-fledged integrated manufacturing capabilities. Significant opportunities also exist for cross-marketing between the merged Group's customers, particularly in the automotive industry.

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	
	30/06/12 \$'000	30/06/11 \$'000
Not applicable	-	-

BY ORDER OF THE BOARD

Gooi Soon Hock
Executive Director
8-Aug-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 second 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, 8 August 2012