



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.

	3 months ended 31/03/14 \$'000	3 months ended 31/03/13 \$'000	% Change
Revenue	110,904	107,240	3.4%
Cost of sales	(93,589)	(92,098)	1.6%
Gross profit	<u>17,315</u>	<u>15,142</u>	14.4%
Other income	1,899	1,705	11.4%
Selling and distribution expenses	(3,161)	(2,591)	22.0%
Administrative and general expenses	(9,693)	(8,952)	8.3%
Other operating expenses	(852)	(300)	184.0%
Interest income	83	51	62.7%
Finance costs	(407)	(639)	-36.3%
Profit before income tax	<u>5,184</u>	<u>4,416</u>	17.4%
Income tax expense	(1,336)	(1,176)	13.6%
Total profit	<u><u>3,848</u></u>	<u><u>3,240</u></u>	18.8%
Profit attributable to:			
Equity holders of the Company	3,802	3,153	20.6%
Non-controlling interests	46	87	-47.1%
	<u><u>3,848</u></u>	<u><u>3,240</u></u>	18.8%

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	
	31/03/14	31/03/13	%
	\$'000	\$'000	Change
Profit for the period is arrived at after charging/(crediting) :-			
Investment income	-	-	-
Other income including interest income	(1,982)	(1,756)	13%
Amortisation of deferred gain	(266)	(266)	0%
Interest on borrowings	407	639	-36%
Depreciation of property, plant and equipment	4,777	4,896	-2%
Amortisation of intangible assets	465	427	9%
(Write-back)/Allowance for doubtful debts and bad debts written off	(88)	-	N.M.
(Write back)/Allowance for inventory obsolescence	(250)	(17)	1371%
Impairment in value of investments	-	-	-
Foreign exchange (gain)/ loss, net	17	(418)	N.M.
Adjustments for (over)/ under provision of tax in respect of prior years	-	(1)	N.M.
(Gain)/Loss on disposal of property, plant and equipment, net	(19)	(216)	-91%
Property, plant and equipment written off	3	64	-95%
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	
	31/03/14 \$'000	31/12/13 \$'000	31/03/14 \$'000	31/12/13 \$'000
NON-CURRENT ASSETS				
Property, plant and equipment	109,619	108,796	-	-
Investments in subsidiaries	-	-	124,746	124,652
Financial asset, available-for-sale	4,907	4,907	4,907	4,907
Intangible assets	25,466	19,720	-	-
Deferred income tax assets	1,159	1,165	-	-
Other receivables, deposits and prepayments	3,390	3,431	-	-
	<u>144,541</u>	<u>138,019</u>	<u>129,653</u>	<u>129,559</u>
CURRENT ASSETS				
Inventories	93,197	85,948	-	-
Trade receivables	86,154	83,012	-	-
Receivables from subsidiaries	-	-	11,077	11,116
Dividends receivable from subsidiaries	-	-	-	2,947
Other receivables, deposits and prepayments	7,625	7,183	20	11
Tax recoverable	235	1,299	-	-
Cash and cash equivalents	21,492	19,634	7,178	3,499
	<u>208,703</u>	<u>197,076</u>	<u>18,275</u>	<u>17,573</u>
Total assets	353,244	335,095	147,928	147,132
CURRENT LIABILITIES				
Trade payables	53,146	40,542	-	-
Other payables, accruals and provisions	26,201	27,417	610	330
Deferred gain	1,063	1,063	-	-
Borrowings	52,237	47,556	-	-
Income tax payable	1,326	1,606	7	6
	<u>133,973</u>	<u>118,184</u>	<u>617</u>	<u>336</u>
NON CURRENT LIABILITIES				
Other payables	43	43	-	-
Deferred gain	2,658	2,924	-	-
Borrowings	2,866	3,657	-	-
Deferred income tax liabilities	2,966	3,222	-	-
	8,533	9,846	-	-
Total liabilities	<u>142,506</u>	<u>128,030</u>	<u>617</u>	<u>336</u>
NET ASSETS	<u>210,738</u>	<u>207,065</u>	<u>147,311</u>	<u>146,796</u>
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	99,538	99,538	99,538	99,538
Treasury shares	(828)	(1,411)	(828)	(1,411)
Foreign currency translation reserve	(12,353)	(11,658)	-	-
Merger reserve	2,345	2,345	-	-
Capital reserve	(99)	(150)	(99)	(150)
Statutory reserve fund	832	654	-	-
Share option reserve	1,667	1,773	1,667	1,773
Retained profits	117,815	114,191	47,033	47,046
	<u>208,917</u>	<u>205,282</u>	<u>147,311</u>	<u>146,796</u>
Non-controlling interests	1,821	1,783	-	-
TOTAL EQUITY	<u>210,738</u>	<u>207,065</u>	<u>147,311</u>	<u>146,796</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 31/03/14	
Secured \$'000	Unsecured \$'000
33,481	18,756

As at 31/12/13	
Secured \$'000	Unsecured \$'000
26,270	21,286

Amount repayable after one year

As at 31/03/14	
Secured \$'000	Unsecured \$'000
2,298	568

As at 31/12/13	
Secured \$'000	Unsecured \$'000
3,044	613

Details of any collateral

Details of the borrowings of the Group and its securities as at 31 March 2014 are as follows:

	Note	Secured \$'000	Unsecured \$'000	Total \$'000
Bank overdrafts	(i)	26,007	994	27,001
Other short-term borrowings	(ii)	6,583	16,670	23,253
Finance lease	(iii)	1,249	-	1,249
Term Loans	(iv)	1,940	1,660	3,600
		<u>35,779</u>	<u>19,324</u>	<u>55,103</u>

(i) bank overdrafts of :-

- (a) \$25,625,000 is secured by mortgage over properties, pledged on the trade receivables and inventories of all subsidiaries of the Company in The Netherlands; and
- (b) \$382,000 is secured over first charge on the entire present and future fixed assets of a subsidiary in India.

(ii) other short-term borrowings is secured by properties of a subsidiary in Malaysia and pledged on the trade receivables of a subsidiary in China;

(iii) finance lease liabilities are secured by certain equipment and motor vehicles of the Group.

(iv) term loans of :-

- (a) \$881,000 is secured by properties of a subsidiary in Malaysia;
- (b) \$865,000 is secured by first charge on the entire present and future fixed assets of a subsidiary in India; and
- (c) \$194,000 is secured by machineries of a subsidiary in China.

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 31/03/14 \$ '000	3 months ended 31/03/13 \$ '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Total profit	3,848	3,240
Adjustments for:		
Income tax expense	1,336	1,176
Exchange differences	19	250
Employee share option expense	94	-
Depreciation of property, plant and equipment	4,777	4,896
Loss/(Gain) on disposal of property, plant and equipment, net	(19)	(216)
Property, plant and equipment written off	3	64
Interest income	(83)	(51)
Interest expense	407	639
Amortisation of deferred gain	(266)	(266)
Amortisation of intangible assets	465	427
Operating cash flow before working capital changes	10,581	10,159
Changes in operating assets and liabilities :		
Inventories	(6,522)	473
Receivables	(2,312)	(19,875)
Payables	6,621	2,106
Cash flows generated from/(used in) operations	8,368	(7,137)
Tax paid	(857)	(1,094)
Interest paid	(407)	(639)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	7,104	(8,870)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	83	51
Additions of intangible assets	(1,301)	(266)
Purchase of property, plant and equipment (Note 1)	(2,859)	(2,787)
Proceeds from disposal of property, plant and equipment	22	345
Acquisition of a subsidiary, net of cash acquired (Note 2)	(4,770)	-
NET CASH USED IN INVESTING ACTIVITIES	(8,825)	(2,657)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from re-issuance of treasury shares	434	-
Repayment of finance lease liabilities	(2,687)	(444)
Repayment of short term bank borrowings	(21,019)	(21,493)
Repayment of term loans	(534)	(1,847)
Proceeds from short term bank borrowings	19,633	23,271
Proceeds from term loans	1,002	1,936
Placement of deposits pledged as securities	(5)	(119)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(3,176)	1,304
Net decrease in cash and cash equivalents	(4,897)	(10,223)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	(761)	5,498
Effect of exchange rate changes on cash and cash equivalents	33	(397)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	(5,625)	(5,122)

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 31/03/14 \$ '000	3 months ended 31/03/13 \$ '000
	Cash and cash equivalents at end of the financial period comprise:	
Short term fund placed with a Malaysian financial institution	2,242	17
Deposits with licensed banks	5,431	29,588
Cash and bank balances	13,819	16,001
Bank overdrafts	(27,001)	(32,358)
	(5,509)	13,248
Less: Deposits pledged as securities	(116)	(18,370)
	(5,625)	(5,122)

Note 1 :

During the financial period, the Group acquired property, plant and equipment with an aggregate cost of \$3,742,000 (31.03.2013: \$3,585,000) of which \$29,000 (31.03.2013: \$444,000) was acquired by means of finance lease arrangement and \$854,000 (31.03.2013: \$354,000) was included in other payables at balance sheet date. Cash payments of \$2,859,000 (31.03.2013: \$2,787,000) were made to purchase these property, plant and equipment.

Note 2 :

On 28 January 2014, the Group acquired 100% equity interest in NTZ International Holding B.V. ("NTZ"), a company incorporated in The Netherlands for a cash consideration of \$4,877,000.

The fair values of the identifiable assets acquired and liabilities assumed of NTZ as at the date of acquisition is as follows:

	\$ '000
Property, plant and equipment	2,229
Intangible assets	14
Inventories	1,009
Trade and other receivables	1,472
Cash and cash equivalents	107
Trade and other payables	(4,072)
Bank borrowings	(805)
Identifiable net liabilities assumed	(46)
Add: Provisional goodwill	4,923
Consideration transferred for the business	4,877

Purchase consideration

Cash paid	4,877
Contingent consideration	-
Total purchase consideration	4,877

The effect of the acquisition on cash flow is as follows:

Cash paid (as above)	4,877
Less : Cash and cash equivalents in subsidiary acquired	(107)
Net cash outflow on acquisition	4,770

1(d) Consolidated statement of comprehensive income

	3 months ended 31/03/14 \$'000	3 months ended 31/03/13 \$'000	% Change
<u>Statement of Comprehensive Income</u>			
Total profit	3,848	3,240	18.8%
<i>Item that may be reclassified subsequently to income statement :</i>			
- Currency translation differences arising from consolidation	(703)	1,746	N.M.
Total comprehensive income for the period	3,145	4,986	-36.9%
Attributable to:			
Equity holders of the Company	3,107	4,872	-36.2%
Non-controlling interests	38	114	-66.7%
Total comprehensive income for the period	3,145	4,986	-36.9%

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 2014 and 31 March 2013

	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 2014	99,538	(1,411)	(11,658)	2,345	(150)	654	1,773	114,191	205,282	1,783	207,065
Profit for the quarter	-	-	-	-	-	-	-	3,802	3,802	46	3,848
Other comprehensive income/(loss): Currency translation differences arising from consolidation	-	-	(695)	-	-	-	-	-	(695)	(8)	(703)
Total comprehensive income for the quarter	-	-	(695)	-	-	-	-	3,802	3,107	38	3,145
Transfer to statutory reserve fund	-	-	-	-	-	178	-	(178)	-	-	-
Employee share option scheme - Value of employee services	-	-	-	-	-	-	94	-	94	-	94
- Treasury shares re-issued	-	583	-	-	51	-	(200)	-	434	-	434
At 31 March 2014	<u>99,538</u>	<u>(828)</u>	<u>(12,353)</u>	<u>2,345</u>	<u>(99)</u>	<u>832</u>	<u>1,667</u>	<u>117,815</u>	<u>208,917</u>	<u>1,821</u>	<u>210,738</u>
At 1 January 2013	99,538	(1,903)	(13,914)	2,345	(112)	554	1,835	98,499	186,842	1,164	188,006
Profit for the quarter	-	-	-	-	-	-	-	3,153	3,153	87	3,240
Other comprehensive income: Currency translation differences arising from consolidation	-	-	1,719	-	-	-	-	-	1,719	27	1,746
Total comprehensive income for the quarter	-	-	1,719	-	-	-	-	3,153	4,872	114	4,986
At 31 March 2013	<u>99,538</u>	<u>(1,903)</u>	<u>(12,195)</u>	<u>2,345</u>	<u>(112)</u>	<u>554</u>	<u>1,835</u>	<u>101,652</u>	<u>191,714</u>	<u>1,278</u>	<u>192,992</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 2014	99,538	(1,411)	-	-	(150)	-	1,773	47,046	146,796
Total comprehensive expense for the quarter	-	-	-	-	-	-	-	(13)	(13)
Employee share option scheme - Value of employee services	-	-	-	-	-	-	94	-	94
- Treasury shares re-issued	-	583	-	-	51	-	(200)	-	434
At 31 March 2014	<u>99,538</u>	<u>(828)</u>	<u>-</u>	<u>-</u>	<u>(99)</u>	<u>-</u>	<u>1,667</u>	<u>47,033</u>	<u>147,311</u>
At 1 January 2013	99,538	(1,903)	-	-	(112)	-	1,835	33,897	133,255
Total comprehensive expense for the quarter	-	-	-	-	-	-	-	(223)	(223)
At 31 March 2013	<u>99,538</u>	<u>(1,903)</u>	<u>-</u>	<u>-</u>	<u>(112)</u>	<u>-</u>	<u>1,835</u>	<u>33,674</u>	<u>133,032</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, the Company re-issued 1,000,000, 360,000 and 975,000 treasury shares pursuant to the Company's employee share option scheme at the exercise price of \$0.155, \$0.168 and \$0.224 each respectively. The cost of the treasury shares re-issued amounted to \$582,856. The number of treasury shares held as at the end of current quarter was 3,316,000 shares.

	Total number of issued shares as at	
	31/03/14	31/03/13
Number of issued shares	403,918,409	403,918,409
Number of treasury shares	(3,316,000)	(7,621,000)
Total number of issued shares excluding treasury shares	<u>400,602,409</u>	<u>396,297,409</u>

Share options

The movement of share options of the Company during the period from 1 January 2014 to 31 March 2014 is as follows:

Date of grant	Number of ordinary shares under option					Exercise price	Exercise period
	As at 1.1.2014	Granted during the period	Forfeited during the period	Exercised during the period	As at 31.3.2014		
1.12.2008 (2008 Option)	5,400,000	0	0	(1,000,000)	4,400,000	\$0.155	1.12.2010 - 30.11.2018
1.12.2009 (2009 Option)	5,690,000	0	0	(360,000)	5,330,000	\$0.168	1.12.2011 - 30.11.2019
1.12.2010 (2010 Option)	8,040,000	0	0	(975,000)	7,065,000	\$0.224	1.12.2012 - 30.11.2020
7.10.2013 (2013 Option)	6,000,000	0	0	0	6,000,000	\$0.208	7.10.2015 - 6.10.2023
	<u>25,130,000</u>	<u>0</u>	<u>0</u>	<u>(2,335,000)</u>	<u>22,795,000</u>		

	Total number of shares as at	
	31/03/14	31/03/13
Total number of shares that may be issued on exercise of share options outstanding	<u>22,795,000</u>	<u>21,400,000</u>

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	
	31/03/14	31/12/13
Total number of issued shares excluding treasury shares	<u>400,602,409</u>	<u>398,267,409</u>

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 2,335,000 treasury shares pursuant to the Company's employee share option scheme. The cost of the treasury shares re-issued amounted to \$582,856.

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 2014.

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 31/03/14	3 months ended 31/03/13
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)	0.95	0.80
- Weighted average number of shares (in thousand)	398,892	396,297
(ii) On a fully diluted basis (in cents)	0.94	0.79
- Adjusted weighted average number of shares (in thousand)	405,753	398,791

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	
	31/03/14	31/12/13	31/03/14	31/12/13
Net asset value per ordinary share based on issued share capital at the end of financial period/year (cents)	52.15	51.54	36.77	36.86

Net asset value per ordinary shares is calculated based on the Group's net asset value divided by the number of ordinary shares at 31.03.2014 of 400,602,409 (31.12.2013 : 398,267,409).

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 equipment and consumer product service provider of complete and integrated one-stop outsourcing solutions to 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 Original Equipment Manufacturers from the medical, semiconductor, analytical and industrial automation industries. This division has a network of production facilities located in The Netherlands, Singapore, China, Malaysia and USA.
- The IMS Division offers integrated design and manufacturing services for automotive, office automation, consumer and industrial electronics products. The Division has multiple operating sites located in Southeast Asia (Malaysia, Thailand, Singapore and Indonesia), China, India, The Netherlands and Switzerland.

Income Statement

Group Revenue

	1Q	2Q	3Q	4Q	Full Year
FY2014 (S\$ m)	110.9	-	-	-	-
FY2013 (S\$ m)	107.2	108.5	119.6	109.4	444.7
yoy (%)	3.4	-	-	-	-

For the three months ended 31 March 2014 (1Q14), the Group recorded revenue of S\$110.9 million, an increase of 3.4% year-on-year (yoy). On a quarter-on-quarter (qoq) basis, Group revenue was stable compared to 4Q13.

Revenue breakdown by Division

	1Q14		1Q13		yoy
	S\$ m	%	S\$ m	%	%
Mechatronics	67.9	61.2	67.2	62.7	1.1
IMS	43.0	38.8	40.0	37.3	7.4
Total	110.9	100.0	107.2	100.0	3.4

Revenue at the Mechatronics Division showed a marginal increase in 1Q14. A significant improvement in sales at the semiconductor segment offset slower sales of the industrial automation and *others* segments.

The IMS Division's higher revenue in 1Q14 was driven mainly by sales of the automotive segment which more than offset the decline in sales from the office automation and consumer & industrial electronics segments.

In 1Q14, the Mechatronics and IMS Divisions accounted for 61.2% and 38.8% respectively of the Group's revenue, compared to their respective contributions of 62.7% and 37.3% in 1Q13.

Mechatronics Division

Revenue breakdown by Business Segment

	1Q14	1Q13	yoy	4Q13	qoq
	S\$ m	S\$ m	%	S\$ m	%
Semiconductor	14.6	9.8	48.9	14.4	1.3
Medical	16.8	17.2	(1.9)	14.8	13.6
Analytical	22.0	22.4	(2.0)	19.8	10.8
Industrial Automation	6.7	8.9	(24.9)	10.5	(36.1)
Others	7.8	8.9	(12.3)	7.9	(0.4)
Total	67.9	67.2	1.1	67.4	0.8

The semiconductor segment recorded strong yoy growth of 48.9% in 1Q14 driven by higher sales in Europe and Asia as a result of improved demand from customers in the front-end and back-end of the semiconductor equipment industry. Sales of the semiconductor segment have been recovering since the last quarter of FY2013, but they are typically cyclical in nature.

Revenue from the medical segment eased 1.9% yoy from 1Q13. On a qoq basis however, this segment's revenue increased 13.6% from 4Q13 due to higher sales in Europe.

Revenue of the analytical segment was also softer in 1Q14. Lower sales in Europe were partially offset by higher sales in Asia. On a sequential basis however, revenue of this segment increased 10.8% due to higher sales in Europe.

The industrial automation segment, which serves hard disk drive and pharmaceutical packaging equipment makers, witnessed lower yoy and qoq sales in 1Q14. Sales of the industrial automation segment are typically lumpy in nature.

The Mechatronics Division continued to have a balanced spread of revenue from its various segments in 1Q14. The analytical segment was the largest contributor with 32.4% of the division's revenue while the medical, semiconductor and industrial automation segments accounted for 24.8%, 21.5%, and 9.8% respectively. The *others* segment contributed the remaining 11.5% of the division's revenue.

IMS Division

Revenue breakdown by Business Segment

	1Q14	1Q13	yoy	4Q13	qoq
	S\$ m	S\$ m	%	S\$ m	%
Office Automation	5.8	7.4	(21.8)	7.1	(19.0)
Automotive	28.1	23.2	20.9	25.4	10.7
Consumer & Industrial Electronics	5.2	6.2	(16.0)	6.0	(13.3)
Others	0.5	0.5	(2.2)	0.2	128.5
Tooling	3.4	2.7	26.4	3.3	1.7
Total	43.0	40.0	7.4	42.0	2.2

The automotive segment continued to register yoy and qoq sales growth in 1Q14. This was due to increased order flows from customers and a modest maiden contribution from NTZ International Holding B.V. ("NTZ") which the Group acquired in January 2014.

On the other hand, revenue of the office automation segment recorded yoy and qoq decreases in 1Q14 due to lower sales to a major customer of mailing equipment.

Revenue of the consumer & industrial electronics segment also declined in 1Q14 due mainly to lower sales in Thailand.

The tooling segment registered higher revenue in 1Q14 due mainly to the inclusion of tooling revenue from Supertool Industries Pte. Ltd. which the Group acquired in July 2013. Sales to customers in the *others* segment were flat as the Group focuses on its key segments, particularly the automotive segment.

In 1Q14, the automotive segment accounted for 65.4% of the IMS Division's revenue. The office automation segment contributed 13.4% while the consumer & industrial electronics segment accounted for 12.1% of the division's revenue. The remaining 9.1% of the division's revenue was derived from tooling sales and customers in the *others* segment.

Gross Profit Margin

The Group's gross profit (GP) increased yoy to S\$17.3 million in 1Q14, attributable mainly to higher GP contribution from the Mechatronics Division.

Group GP margin in 1Q14 expanded to 15.6% from 14.1% yoy as well as 14.1% qoq. The Mechatronics Division's GP margin improved as a result of a change in sales mix while GP margin of the IMS Division remained stable from the same period a year ago.

Other Income

Other income increased 11.4% to S\$1.9 million in 1Q14 due to higher realised foreign exchange gain.

Operating expenses

Selling and distribution expenses increased 22.0% to S\$3.2 million due mainly to higher freight and forwarding costs as well as related expenses of NTZ. Administrative and general expenses increased 8.3% to S\$9.7 million attributable mainly to the inclusion of NTZ's related expenses, higher export taxes and duties arising from higher revenue generated in Wuxi, China. Other operating expenses increased to S\$0.8 million from S\$0.3 million in 1Q13 due mainly to higher unrealised foreign exchange losses.

Finance Costs

Finance costs decreased to S\$0.4 million from S\$0.6 million in 1Q13 due mainly to lower interest costs following the repayment of an acquisition loan for Juken.

Group Profit Before Income Tax

As a result of the above factors, the Group posted a 17.4% increase in profit before income tax to S\$5.2 million in 1Q14.

Taxation

Income tax expense for 1Q14 increased to S\$1.3 million from S\$1.2 million previously, in tandem with higher profit before income tax.

Group Net Profit Attributable to Equity Holders of the Company

	1Q	2Q	3Q	4Q	Full Year
FY2014 (S\$ m)	3.8	-	-	-	-
FY2013 (S\$ m)	3.1	4.1	6.7	3.8	17.7
yoy (%)	20.6	-	-	-	-

After accounting for taxation, the Group reported an increase in net profit attributable to equity holders of 20.6% yoy to S\$3.8 million in 1Q14. The growth in net profit, which was at a faster pace than Group revenue, is attributable mainly to higher GP margin.

The Mechatronics and IMS Divisions contributed S\$2.6 million and S\$1.2 million respectively to the Group's net profit attributable to equity holders in 1Q14.

Balance Sheet

As at 31 March 2014, the Group had shareholders' equity of S\$208.9 million, equivalent to net asset value of 52.15 cents per share based on the total number of issued shares (excluding treasury shares) of 400.6 million shares at the end of 1Q14.

The Group's total assets increased to S\$353.2 million from S\$335.1 million as at 31 December 2013.

Property, plant and equipment increased to S\$109.6 million compared to S\$108.8 million at the end of December 2013. This was due mainly to the addition of new equipment and inclusion of fixed assets from NTZ, partially offset by depreciation expenses.

Intangible assets increased to S\$25.5 million from S\$19.7 million at the end of FY2013, attributable mainly to goodwill arising from acquisition of NTZ and development cost incurred for projects in Europe. Inventories increased to S\$93.2 million from S\$85.9 million at the end of FY2013 for fulfillment of customers' orders.

Trade receivables increased to S\$86.2 million, from S\$83.0 million as at 31 December 2013, due to higher sales shipments towards the end of 1Q14. Trade payables also increased to S\$53.1 million from S\$40.5 million as at 31 December 2013, attributed to higher purchases of inventories.

As at 31 March 2014, the Group had net bank borrowings of S\$33.6 million, compared to S\$31.6 million at the end of FY2013. As a result, the Group's net debt-to-equity ratio stood at 16.1% at the end of 1Q14.

Cash Flow Analysis

The Group generated net cash from operating activities of S\$7.1 million in 1Q14. Net cash used in investing activities amounted to S\$8.8 million attributable to the acquisition of NTZ, capital expenditure and deferred development costs. The Group used net cash of S\$3.2 million for financing activities, due mainly to the repayment of short term bank loans and finance lease liabilities, offset partially by net proceeds from short term borrowings.

As a result of the above, the Group recorded a net decrease in cash and cash equivalents of S\$4.9 million in 1Q14. When added to its opening cash and cash equivalents of minus S\$0.7 million at the beginning of FY2014, the Group had an ending cash balance (net of bank overdrafts) of minus S\$5.6 million as at 31 March 2014.

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 1Q14 are in line with the guidance provided in its financial statements posted on the SGX website on 27 February 2014.

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.

Following through on the turnaround in its financial performance in FY2013, the Group delivered a 20.6% increase in net profit attributable to equity holders to S\$3.8 million for 1Q14. Net profit grew at a faster pace than Group revenue in 1Q14, attributable mainly to an improvement in the Group's GP margin.

With the gradual recovery in the US and European economies, the outlook is becoming more positive for many of the markets that the Group operates in. However, unfavourable movements in the exchange rates of the Euro and US Dollar against the Singapore dollar and Malaysia Ringgit could have an adverse impact on the Group's performance.

Barring any unforeseen circumstances, the Group is optimistic of reporting yoy growth in revenue and profits for 2Q14.

Mechatronics Division

Based on current indicators, sales of the Mechatronics Division are expected to witness a gradual improvement in 2Q14, driven by the healthier demand in the semiconductor, medical and analytical segments.

IMS Division

Based on current indicators, sales of the automotive segment are expected to steadily improve in 2Q14, driven by existing projects on hand. However, this could be partially offset by a sales decline in the office automation and consumer & industrial electronics segments.

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	
	31/3/14	31/3/13
Not applicable	-	-

BY ORDER OF THE BOARD

Sim Mong Huat
Executive Director
8-May-14

Confirmation by Directors Pursuant to Clause 705(5) of the Listing Manual of SGX-ST

We, Sim Mong Huat 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 2014 financial results to be false or misleading.

On behalf of the Board of Directors

(Signed)
Sim Mong Huat
Executive Director

(Signed)
Hendrik Gezinus Tappel
Executive Director

Singapore, 8 May 2014