



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			6 months ended		
	30/06/14 \$'000	30/06/13 \$'000	% Change	30/06/14 \$'000	30/06/13 \$'000	% Change
Revenue	125,713	108,469	15.9%	236,617	215,709	9.7%
Cost of sales	(105,640)	(91,556)	15.4%	(199,229)	(183,654)	8.5%
Gross profit	20,073	16,913	18.7%	37,388	32,055	16.6%
Other income (Note 1)	1,193	1,618	-26.3%	3,092	3,323	-7.0%
Selling and distribution expenses	(3,582)	(2,802)	27.8%	(6,743)	(5,393)	25.0%
Administrative and general expenses	(10,525)	(9,357)	12.5%	(20,218)	(18,309)	10.4%
Other operating expenses (Note 1)	(772)	(233)	231.3%	(1,624)	(533)	204.7%
Interest income	59	70	-15.7%	142	121	17.4%
Finance costs	(444)	(614)	-27.7%	(851)	(1,253)	-32.1%
Profit before income tax	6,002	5,595	7.3%	11,186	10,011	11.7%
Income tax expense	(1,472)	(1,445)	1.9%	(2,808)	(2,621)	7.1%
Total profit	4,530	4,150	9.2%	8,378	7,390	13.4%
Profit attributable to:						
Equity holders of the Company	4,557	4,089	11.4%	8,359	7,242	15.4%
Non-controlling interests	(27)	61	N.M.	19	148	-87.2%
	4,530	4,150	9.2%	8,378	7,390	13.4%
Note 1 - Other income/(Other operating expenses)						
Other Income	1,193	1,618	-26.3%	3,092	3,323	-7.0%
Other Operating Expenses	(772)	(233)	231.3%	(1,624)	(533)	204.7%
	421	1,385	-69.6%	1,468	2,790	-47.4%
Included in Other income/(Other operating expenses):						
Gain/(loss) on disposal of property, plant and equipment, net	41	(81)	N.M.	58	135	-57.0%
Government grants	445	273	63.3%	784	574	36.7%
Foreign exchange (loss)/gain, net	(654)	566	N.M.	(671)	984	N.M.
Amortisation of deferred gain	266	266	0.0%	532	532	0.0%
Scrap sales	225	214	5.5%	405	398	1.7%
Other income	102	172	-40.6%	366	267	37.1%
Other expenses	(5)	(24)	-80.7%	(6)	(100)	-94.0%
	421	1,385	-69.6%	1,468	2,790	-47.4%

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			6 months ended		
	30/06/14	30/06/13	%	30/06/14	30/06/13	%
	\$'000	\$'000	Change	\$'000	\$'000	Change
(Loss)/Profit for the period is arrived at after charging/(crediting) :-						
Investment income	-	-	-	-	-	-
Other income including interest income	(1,252)	(1,688)	-26%	(3,234)	(3,444)	-6%
Amortisation of deferred gain	(266)	(266)	0%	(532)	(532)	0%
Interest on borrowings	444	614	-28%	851	1,253	-32%
Depreciation of property, plant and equipment	4,881	5,043	-3%	9,658	9,939	-3%
Amortisation of intangible assets	472	447	6%	937	874	7%
(Write-back)/Allowance for doubtful debts and bad debts written off	88	1	8700%	-	1	N.M.
(Write back)/Allowance for inventory obsolescence	153	2	7550%	(97)	(15)	547%
Impairment in value of investments	-	-	-	-	-	-
Foreign exchange (gain)/ loss, net	654	(566)	N.M.	671	(984)	N.M.
Adjustments for (over)/ under provision of tax in respect of prior years	52	(2)	N.M.	52	(3)	N.M.
(Gain)/Loss on disposal of property, plant and equipment, net	(41)	81	N.M.	(58)	(135)	-57%
Property, plant and equipment written off	-	15	N.M.	1	79	-99%
Exceptional items	-	-	-	-	-	-

N.M. : Not meaningful

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of immediately preceding financial year.

	Group		Company	
	30/06/14 \$'000	31/12/13 \$'000	30/06/14 \$'000	31/12/13 \$'000
NON-CURRENT ASSETS				
Property, plant and equipment	109,211	108,796	-	-
Investments in subsidiaries	-	-	124,813	124,652
Financial asset, available-for-sale	4,907	4,907	4,907	4,907
Intangible assets	26,462	19,720	-	-
Deferred income tax assets	1,067	1,165	-	-
Other receivables, deposits and prepayments	3,317	3,431	-	-
	<u>144,964</u>	<u>138,019</u>	<u>129,720</u>	<u>129,559</u>
CURRENT ASSETS				
Inventories	97,499	85,948	-	-
Trade receivables	99,365	83,012	-	-
Receivables from subsidiaries	-	-	11,042	11,116
Dividends receivable from subsidiaries	-	-	-	2,947
Other receivables, deposits and prepayments	7,693	7,183	14	11
Tax recoverable	434	1,299	-	-
Cash and cash equivalents	13,745	19,634	1,725	3,499
	<u>218,736</u>	<u>197,076</u>	<u>12,781</u>	<u>17,573</u>
Total assets	363,700	335,095	142,501	147,132
CURRENT LIABILITIES				
Trade payables	53,424	40,542	-	-
Other payables, accruals and provisions	27,381	27,417	185	330
Deferred gain	1,063	1,063	-	-
Borrowings	62,435	47,556	-	-
Income tax payable	1,219	1,606	4	6
	<u>145,522</u>	<u>118,184</u>	<u>189</u>	<u>336</u>
NON CURRENT LIABILITIES				
Other payables	42	43	-	-
Deferred gain	2,392	2,924	-	-
Borrowings	3,066	3,657	-	-
Deferred income tax liabilities	3,133	3,222	-	-
	8,633	9,846	-	-
Total liabilities	<u>154,155</u>	<u>128,030</u>	<u>189</u>	<u>336</u>
NET ASSETS	<u>209,545</u>	<u>207,065</u>	<u>142,312</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	(24)	(1,411)	(24)	(1,411)
Foreign currency translation reserve	(13,104)	(11,658)	-	-
Merger reserve	2,345	2,345	-	-
Capital reserve	(59)	(150)	(59)	(150)
Statutory reserve fund	996	654	-	-
Share option reserve	1,473	1,773	1,473	1,773
Retained profits	116,581	114,191	41,384	47,046
	<u>207,746</u>	<u>205,282</u>	<u>142,312</u>	<u>146,796</u>
Non-controlling interests	1,799	1,783	-	-
TOTAL EQUITY	<u>209,545</u>	<u>207,065</u>	<u>142,312</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 30/06/14	
Secured \$'000	Unsecured \$'000
36,814	25,621

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

Amount repayable after one year

As at 30/06/14	
Secured \$'000	Unsecured \$'000
2,544	522

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 30 June 2014 are as follows:

	Note	Secured \$'000	Unsecured \$'000	Total \$'000
Bank overdrafts	(i)	30,389	3,382	33,771
Other short-term borrowings	(ii)	5,307	21,257	26,564
Finance lease	(iii)	1,130	-	1,130
Term Loans	(iv)	2,532	1,504	4,036
		<u>39,358</u>	<u>26,143</u>	<u>65,501</u>

(i) bank overdrafts of :-

- (a) \$30,231,000 is secured by mortgage over a property, pledged on the trade receivables and inventories of all subsidiaries of the Company in The Netherlands; and
- (b) \$158,000 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 certain subsidiaries in China;

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

(iv) term loans of :-

- (a) \$832,000 is secured by properties of a subsidiary in Malaysia;
- (b) \$894,000 is secured by first charge on the entire present and future fixed assets of a subsidiary in India; and
- (c) \$806,000 is secured by machineries of certain subsidiaries 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		Group	
	3 months ended 30/06/14	30/06/13	6 months ended 30/06/14	30/06/13
	\$ '000	\$ '000	\$ '000	\$ '000
CASH FLOWS FROM OPERATING ACTIVITIES				
Total profit	4,530	4,150	8,378	7,390
Adjustments for:				
Income tax expense	1,472	1,445	2,808	2,621
Exchange differences	(232)	52	(213)	302
Employee share option expense	94	-	188	-
Depreciation of property, plant and equipment	4,881	5,043	9,658	9,939
Loss/(Gain) on disposal of property, plant and equipment, net	(41)	81	(58)	(135)
Property, plant and equipment written off	-	15	1	79
Interest income	(59)	(70)	(142)	(121)
Interest expense	444	614	851	1,253
Amortisation of deferred gain	(266)	(266)	(532)	(532)
Amortisation of intangible assets	472	447	937	874
Operating cash flow before working capital changes	11,295	11,511	21,876	21,670
Changes in operating assets and liabilities :				
Inventories	(4,715)	(6,248)	(11,237)	(5,775)
Receivables	(13,501)	3,641	(15,813)	(16,234)
Payables	1,034	3,669	7,655	5,775
Cash flows generated from/(used in) operations	(5,887)	12,573	2,481	5,436
Tax paid	(1,456)	(1,502)	(2,313)	(2,597)
Tax refunded	-	-	-	1
Interest paid	(444)	(614)	(851)	(1,253)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	(7,787)	10,457	(683)	1,587
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	59	70	142	121
Additions of intangible assets	(1,670)	(678)	(2,971)	(944)
Purchase of property, plant and equipment (Note 1)	(4,187)	(3,842)	(7,046)	(6,629)
Proceeds from disposal of property, plant and equipment	99	341	121	686
Acquisition of a subsidiary, net of cash acquired (Note 2)	-	-	(4,770)	-
NET CASH USED IN INVESTING ACTIVITIES	(5,699)	(4,109)	(14,524)	(6,766)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from re-issuance of treasury shares	583	67	1,017	67
Repayment of finance lease liabilities	(113)	(776)	(2,800)	(1,220)
Repayment of short term bank borrowings	(17,170)	(22,588)	(38,189)	(44,081)
Repayment of term loans	(861)	(1,285)	(1,395)	(3,132)
Proceeds from short term bank borrowings	20,748	24,445	40,381	47,716
Proceeds from term loans	1,145	468	2,147	2,404
Dividend paid to shareholders	(5,654)	(1,981)	(5,654)	(1,981)
Withdrawal/(Placement) of deposits pledged as securities	4	18,166	(1)	18,047
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(1,318)	16,516	(4,494)	17,820
Net (decrease)/increase in cash and cash equivalents	(14,804)	22,864	(19,701)	12,641
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD/YEAR	(5,625)	(5,122)	(761)	5,498
Effect of exchange rate changes on cash and cash equivalents	290	472	323	75
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	(20,139)	18,214	(20,139)	18,214

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 30/06/14	30/06/13	6 months ended 30/06/14	30/06/13
	\$ '000	\$ '000	\$ '000	\$ '000
Cash and cash equivalents at end of the financial period comprise:				
Short term fund placed with a Malaysian financial institution	4,247	17	4,247	17
Deposits with licensed banks	127	26,094	127	26,094
Cash and bank balances	9,371	20,373	9,371	20,373
Bank overdrafts	(33,771)	(28,066)	(33,771)	(28,066)
	(20,026)	18,418	(20,026)	18,418
Less: Deposits pledged as securities	(113)	(204)	(113)	(204)
	(20,139)	18,214	(20,139)	18,214

Note 1 :

During the financial period, the Group acquired property, plant and equipment with an aggregate cost of \$8,582,000 (30.06.2013: \$7,593,000) of which \$29,000 (30.06.2013: \$444,000) was acquired by means of finance lease arrangement and \$1,507,000 (30.06.2013: \$520,000) was included in other payables at balance sheet date. Cash payments of \$7,046,000 (30.06.2013: \$6,629,000) 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		6 months ended	
	30/06/14	30/06/13	30/06/14	30/06/13
	\$'000	\$'000	\$ '000	\$ '000
Statement of Comprehensive Income				
Total profit	4,530	4,150	8,378	7,390
<i>Item that may be reclassified subsequently to income statement :</i>				
- Currency translation differences arising from consolidation	(746)	3,410	(1,449)	5,156
Total comprehensive income for the period	3,784	7,560	6,929	12,546
Attributable to:				
Equity holders of the Company	3,806	7,493	6,913	12,365
Non-controlling interests	(22)	67	16	181
Total comprehensive income for the period	3,784	7,560	6,929	12,546

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 2014 and 30 June 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 April 2014	99,538	(828)	(12,353)	2,345	(99)	832	1,667	117,815	208,917	1,821	210,738
Profit for the quarter	-	-	-	-	-	-	-	4,557	4,557	(27)	4,530
Other comprehensive income/(loss): Currency translation differences arising from consolidation	-	-	(751)	-	-	-	-	(751)	(751)	5	(746)
Total comprehensive income/(loss) for the quarter	-	-	(751)	-	-	-	-	4,557	3,806	(22)	3,784
Transfer to statutory reserve fund	-	-	-	-	-	164	-	(164)	-	-	-
Employee share option scheme - Value of employee services	-	-	-	-	-	-	94	-	94	-	94
- Treasury shares re-issued	-	804	-	-	40	-	(261)	-	583	-	583
Transfer arising from forfeited share options	-	-	-	-	-	-	(27)	27	-	-	-
Dividend Paid	-	-	-	-	-	-	-	(5,654)	(5,654)	-	(5,654)
At 30 June 2014	<u>99,538</u>	<u>(24)</u>	<u>(13,104)</u>	<u>2,345</u>	<u>(59)</u>	<u>996</u>	<u>1,473</u>	<u>116,581</u>	<u>207,746</u>	<u>1,799</u>	<u>209,545</u>
At 1 April 2013	99,538	(1,903)	(12,195)	2,345	(112)	554	1,835	101,652	191,714	1,278	192,992
Profit for the quarter	-	-	-	-	-	-	-	4,089	4,089	61	4,150
Other comprehensive income: Currency translation differences arising from consolidation	-	-	3,404	-	-	-	-	-	3,404	6	3,410
Total comprehensive income for the quarter	-	-	3,404	-	-	-	-	4,089	7,493	67	7,560
Transfer to/(from) statutory reserve fund	-	-	-	-	-	(8)	-	8	-	-	-
Employee share option scheme - Value of employee services	-	-	-	-	-	-	-	-	-	-	-
- Treasury shares re-issued	-	100	-	-	(6)	-	(27)	-	67	-	67
Transfer arising from forfeited share options	-	-	-	-	-	-	(29)	29	-	-	-
Dividend paid	-	-	-	-	-	-	-	(1,981)	(1,981)	-	(1,981)
At 30 June 2013	<u>99,538</u>	<u>(1,803)</u>	<u>(8,791)</u>	<u>2,345</u>	<u>(118)</u>	<u>546</u>	<u>1,779</u>	<u>103,797</u>	<u>197,293</u>	<u>1,345</u>	<u>198,638</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 2014	99,538	(828)	-	-	(99)	-	1,667	47,033	147,311		
Total comprehensive income for the quarter	-	-	-	-	-	-	-	5	5		
Employee share option scheme - Value of employee services	-	-	-	-	-	-	94	-	94		
- Treasury shares re-issued	-	804	-	-	40	-	(261)	-	583		
Reversal arising from forfeited share options	-	-	-	-	-	-	(27)	-	(27)		
Dividend paid	-	-	-	-	-	-	-	(5,654)	(5,654)		
At 30 June 2014	<u>99,538</u>	<u>(24)</u>	<u>-</u>	<u>-</u>	<u>(59)</u>	<u>-</u>	<u>1,473</u>	<u>41,384</u>	<u>142,312</u>		
At 1 April 2013	99,538	(1,903)	-	-	(112)	-	1,835	33,674	133,032		
Total comprehensive expense for the quarter	-	-	-	-	-	-	-	(222)	(222)		
Employee share option scheme - Value of employee services	-	-	-	-	-	-	-	-	-		
- Treasury shares re-issued	-	100	-	-	(6)	-	(27)	-	67		
Reversal arising from forfeited share options	-	-	-	-	-	-	(29)	-	(29)		
Dividend paid	-	-	-	-	-	-	-	(1,981)	(1,981)		
At 30 June 2013	<u>99,538</u>	<u>(1,803)</u>	<u>-</u>	<u>-</u>	<u>(118)</u>	<u>-</u>	<u>1,779</u>	<u>31,471</u>	<u>130,867</u>		

(b) Statement of changes in equity for the half year ended 30 June 2014 and 30 June 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 period	-	-	-	-	-	-	-	8,359	8,359	19	8,378
Other comprehensive income/(loss):											
Currency translation differences arising from consolidation	-	-	(1,446)	-	-	-	-	-	(1,446)	(3)	(1,449)
Total comprehensive income for the period	-	-	(1,446)	-	-	-	-	8,359	6,913	16	6,929
Transfer to statutory reserve fund	-	-	-	-	-	342	-	(342)	-	-	-
Employee share option scheme											
- Value of employee services	-	-	-	-	-	-	188	-	188	-	188
- Treasury shares re-issued	-	1,387	-	-	91	-	(461)	-	1,017	-	1,017
Transfer arising from forfeited share options	-	-	-	-	-	-	(27)	27	-	-	-
Dividend Paid	-	-	-	-	-	-	-	(5,654)	(5,654)	-	(5,654)
At 30 June 2014	<u>99,538</u>	<u>(24)</u>	<u>(13,104)</u>	<u>2,345</u>	<u>(59)</u>	<u>996</u>	<u>1,473</u>	<u>116,581</u>	<u>207,746</u>	<u>1,799</u>	<u>209,545</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 period	-	-	-	-	-	-	-	7,242	7,242	148	7,390
Other comprehensive income:											
Currency translation differences arising from consolidation	-	-	5,123	-	-	-	-	-	5,123	33	5,156
Total comprehensive income for the period	-	-	5,123	-	-	-	-	7,242	12,365	181	12,546
Transfer to/(from) statutory reserve fund	-	-	-	-	-	(8)	-	8	-	-	-
Employee share option scheme											
- Value of employee services	-	-	-	-	-	-	-	-	-	-	-
- Treasury shares re-issued	-	100	-	-	(6)	-	(27)	-	67	-	67
Transfer arising from forfeited share options	-	-	-	-	-	-	(29)	29	-	-	-
Dividend Paid	-	-	-	-	-	-	-	(1,981)	(1,981)	-	(1,981)
At 30 June 2013	<u>99,538</u>	<u>(1,803)</u>	<u>(8,791)</u>	<u>2,345</u>	<u>(118)</u>	<u>546</u>	<u>1,779</u>	<u>103,797</u>	<u>197,293</u>	<u>1,345</u>	<u>198,638</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	-	-	-	-	-	-	-	(8)	(8)	
Employee share option scheme										
- Value of employee services	-	-	-	-	-	-	188	-	188	
- Treasury shares re-issued	-	1,387	-	-	91	-	(461)	-	1,017	
Reversal arising from forfeited share options	-	-	-	-	-	-	(27)	-	(27)	
Dividend paid	-	-	-	-	-	-	-	(5,654)	(5,654)	
At 30 June 2014	<u>99,538</u>	<u>(24)</u>	<u>-</u>	<u>-</u>	<u>(59)</u>	<u>-</u>	<u>1,473</u>	<u>41,384</u>	<u>142,312</u>	
At 1 January 2013	99,538	(1,903)	-	-	(112)	-	1,835	33,897	133,255	
Total comprehensive expense for the quarter	-	-	-	-	-	-	-	(445)	(445)	
Employee share option scheme										
- Value of employee services	-	-	-	-	-	-	-	-	-	
- Treasury shares re-issued	-	100	-	-	(6)	-	(27)	-	67	
Reversal arising from forfeited share options	-	-	-	-	-	-	(29)	-	(29)	
Dividend paid	-	-	-	-	-	-	-	(1,981)	(1,981)	
At 30 June 2013	<u>99,538</u>	<u>(1,803)</u>	<u>-</u>	<u>-</u>	<u>(118)</u>	<u>-</u>	<u>1,779</u>	<u>31,471</u>	<u>130,867</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 1,360,000, 780,000 and 1,080,000 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 \$803,896. The number of treasury shares held as at the end of current quarter was 96,000 shares.

	Total number of issued shares as at	
	30/06/14	30/06/13
Number of issued shares	403,918,409	403,918,409
Number of treasury shares	(96,000)	(7,221,000)
Total number of issued shares excluding treasury shares	<u>403,822,409</u>	<u>396,697,409</u>

Share options

The movement of share options of the Company during the period from 1 April 2014 to 30 June 2014 is as follows:

Date of grant	Number of ordinary shares under option					Exercise price	Exercise period
	As at 1.4.2014	Granted during the period	Forfeited during the period	Exercised during the period	As at 30.6.2014		
1.12.2008 (2008 Option)	4,400,000	0	0	(1,360,000)	3,040,000	\$0.155	1.12.2010 - 30.11.2018
1.12.2009 (2009 Option)	5,330,000	0	(120,000)	(780,000)	4,430,000	\$0.168	1.12.2011 - 30.11.2019
1.12.2010 (2010 Option)	7,065,000	0	(150,000)	(1,080,000)	5,835,000	\$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>22,795,000</u>	<u>0</u>	<u>(270,000)</u>	<u>(3,220,000)</u>	<u>19,305,000</u>		

	Total number of shares as at	
	30/06/14	30/06/13
Total number of shares that may be issued on exercise of share options outstanding	<u>19,305,000</u>	<u>20,700,000</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	
	30/06/14	31/12/13
Total number of issued shares excluding treasury shares	<u>403,822,409</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 3,220,000 treasury shares pursuant to the Company's employee share option scheme. The cost of the treasury shares re-issued amounted to \$803,896.

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		Group 6 months ended	
	30/06/14	30/06/13	30/06/14	30/06/13
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)	1.13	1.03	2.08	1.83
- Weighted average number of shares (in thousand)	403,360	396,473	401,139	396,386
(ii) On a fully diluted basis (in cents)	1.11	1.03	2.05	1.82
- Adjusted weighted average number of shares (in thousand)	411,042	398,701	407,914	398,701

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	
	30/06/14	31/12/13	30/06/14	31/12/13
Net asset value per ordinary share based on issued share capital at the end of financial period/year (cents)	51.44	51.54	35.24	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 30.06.2014 of 403,822,409 (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	1H	3Q	4Q	Full Year
FY2014 (S\$ m)	110.9	125.7	236.6	-	-	-
FY2013 (S\$ m)	107.2	108.5	215.7	119.6	109.4	444.7
yoy (%)	3.4	15.9	9.7	-	-	-

For the three months ended 30 June 2014 (2Q14), the Group registered revenue of S\$125.7 million. This was an increase of 15.9% year-on-year (yoy) from 2Q13 and an increase of 13.4% quarter-on-quarter (qoq) from 1Q14. The improvement is attributable to higher sales at both the Mechatronics and IMS Divisions.

For the six months ended 30 June 2014 (1H14), the Group recorded revenue of S\$236.6 million, an increase of 9.7% from 1H13.

Revenue breakdown by Division

	2Q14		2Q13		yoy	1H14	1H13	yoy
	S\$ m	%	S\$ m	%	%	S\$ m	S\$ m	%
Mechatronics	77.5	61.7	65.9	60.7	17.7	145.4	133.1	9.3
IMS	48.2	38.3	42.6	39.3	13.1	91.2	82.6	10.3
Total	125.7	100.0	108.5	100.0	15.9	236.6	215.7	9.7

Revenue at the Mechatronics Division increased 17.7% yoy in 2Q14. Sales of the Asian operations improved significantly while the European operations showed a modest improvement.

Sequentially, the division's revenue in 2Q14 increased 14.1% from 1Q14 due mainly to higher sales of the semiconductor and industrial automation segments.

The IMS Division registered revenue growth of 13.1% yoy in 2Q14, due mainly to sales of the automotive segment which more than offset lower sales of the office automation and consumer & industrial electronics segments. The increased sales of the automotive segment also lifted the division's revenue in 2Q14 by 12.1% qoq from 1Q14.

For 1H14, the Mechatronics and IMS Divisions registered revenue growth yoy of 9.3% and 10.3% respectively. The divisions accounted for 61.5% and 38.5% respectively of the Group's revenue.

Mechatronics Division

Revenue breakdown by Business Segment

	2Q14	2Q13	yoy	1Q14	1H14	1H13	yoy
	S\$ m	S\$ m	%	S\$ m	S\$ m	S\$ m	%
Semiconductor	21.6	12.9	67.0	14.6	36.2	22.7	59.2
Medical	14.2	12.7	11.1	16.8	31.0	29.9	3.6
Analytical	22.5	21.1	6.9	22.0	44.5	43.5	2.3
Industrial Automation	11.7	11.1	6.0	6.7	18.4	20.0	(7.7)
Others	7.5	8.1	(7.0)	7.8	15.3	17.0	(9.8)
Total	77.5	65.9	17.7	67.9	145.4	133.1	9.3

The semiconductor segment, which serves customers in both the front-end and back-end of the semiconductor equipment industry, recorded strong yoy growth of 67.0% in 2Q14 driven by higher sales to customers in Europe and Asia.

Revenue from the medical segment increased 11.1% yoy from 2Q13, attributable to higher sales in Europe. On a qoq basis however, this segment's revenue eased 16.1% from 1Q14 due to lower sales in Europe and Asia.

The analytical segment's revenue showed yoy and qoq increases for 2Q14, due mainly to higher sales in Asia.

The industrial automation segment witnessed increased yoy and qoq sales in 2Q14. Sales of the industrial automation segment are typically lumpy in nature.

The Mechatronics Division continues to have a balanced spread of revenue from its various segments. In 1H14, the analytical segment provided the largest contribution of 30.6% to the division's revenue while the semiconductor, medical and industrial automation segments accounted for 24.9%, 21.3%, and 12.7% respectively. The *others* segment contributed the remaining 10.5% of the division's revenue.

IMS Division

Revenue breakdown by Business Segment

	2Q14	2Q13	yoy	1Q14	1H14	1H13	yoy
	S\$ m	S\$ m	%	S\$ m	S\$ m	S\$ m	%
Office Automation	6.9	7.4	(6.6)	5.8	12.7	14.8	(14.1)
Automotive	31.1	23.9	30.1	28.1	59.2	47.1	25.6
Consumer & Industrial Electronics	6.3	7.8	(18.4)	5.2	11.5	14.0	(17.4)
Others	0.7	0.6	8.6	0.5	1.2	1.1	3.3
Tooling	3.2	2.9	9.3	3.4	6.6	5.6	17.5
Total	48.2	42.6	13.1	43.0	91.2	82.6	10.3

The automotive segment continued to register yoy and qoq sales growth in 2Q14. 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.

Revenue of the office automation segment recorded yoy decline in 2Q14 due to lower sales to a major customer of mailing equipment. Sequentially, sales of this segment increased 19.0% from 1Q14.

The consumer & industrial electronics segment showed a yoy revenue decline in 2Q14 attributable mainly to lower sales of camera components in Thailand.

The increased revenue of the tooling segment was 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 is focusing on its key segments, particularly the automotive segment.

In line with the IMS Division's strategy to focus on the automotive business, this segment accounted for 64.9% of the division's revenue in 1H14. The office automation segment contributed 14.0% while the consumer & industrial electronics segment accounted for 12.6% of the division's revenue. The remaining 8.5% of the division's revenue was derived from tooling sales and customers in *others* segment.

Gross Profit Margin

The Group's gross profit (GP) increased 18.7% yoy to S\$20.1 million in 2Q14, in line with the increase in revenue of 15.9%.

Group GP margin improved marginally to 16.0% from 15.6% in 2Q13 in tandem with the increase in gross profit. Both the Mechatronics and IMS Divisions contributed to the higher GP margin.

For 1H14, Group GP margin increased to 15.8% from 14.9% in 1H13.

Other Income

Other income decreased 26.3% yoy to S\$1.2 million in 2Q14 due to lower foreign exchange gain.

Operating expenses

Selling and distribution expenses increased 27.8% yoy to S\$3.6 million due mainly to higher freight and forwarding costs because of higher automotive sales as well as inclusion of NTZ's expenses.

Administrative and general expenses increased 12.5% yoy to S\$10.5 million attributable mainly to higher staff cost, traveling and training expenses as well as the inclusion of NTZ's related expenses. Other operating expenses increased to S\$0.8 million from S\$0.2 million in 2Q13 due mainly to higher unrealised foreign exchange losses.

Finance Costs

Finance costs decreased to S\$0.4 million from S\$0.6 million in 2Q13 due mainly to lower interest costs following the full repayment of acquisition loan in October 2013.

Group Profit Before Income Tax

As a result of the above factors, the Group posted a 7.3% yoy increase in profit before income tax to S\$6.0 million in 2Q14. For 1H14, profit before income tax increased 11.7% to S\$11.2 million from S\$10.0 million in 1H13.

Taxation

Income tax expense for 2Q14 increased to S\$1.5 million from S\$1.4 million yoy, in tandem with higher profit before income tax.

Group Net Profit Attributable to Equity Holders of the Company

	1Q	2Q	1H	3Q	4Q	Full Year
FY2014 (S\$ m)	3.8	4.6	8.4	-	-	-
FY2013 (S\$ m)	3.1	4.1	7.2	6.7	3.8	17.7
yoy (%)	20.6	11.4	15.4	-	-	-

After accounting for taxation, the Group reported net profit attributable to equity holders of S\$4.6 million in 2Q14, an increase of 11.4% yoy.

For 1H14, net profit attributable to equity holders increased 15.4% to S\$8.4 million. The Mechatronics Division posted a 38% increase in net profit to S\$5.5 million, contributed principally by the improved performance of the operations in Asia. The IMS Division saw net profit decrease 24% to S\$2.8 million due mainly to higher foreign exchange loss and increased freight costs to expedite customer shipments.

Balance Sheet

As at 30 June 2014, the Group had shareholders' equity of S\$207.7 million, equivalent to net asset value of 51.44 cents per share based on the total number of issued shares (excluding treasury shares) of 403.8 million shares at the end of 1H14.

Total assets increased to S\$363.7 million from S\$335.1 million as at 31 December 2013.

Property, plant and equipment increased to S\$109.2 million compared to S\$108.8 million at the end of December 2013. This was due mainly to expansion of production facilities, addition of new equipment and inclusion of fixed assets from NTZ, partially offset by depreciation expenses.

Intangible assets increased to S\$26.5 million from S\$19.7 million at the end of FY2013. This was attributable mainly to goodwill arising from the acquisition of NTZ and development costs incurred for on-going projects at the Europe operations. Inventories increased to S\$97.5 million from S\$85.9 million at the end of FY2013 for fulfillment of customers' orders.

Trade receivables increased to S\$99.4 million, from S\$83.0 million as at 31 December 2013, due to higher sales shipments towards the end of 2Q14. Trade payables also increased to S\$53.4 million from S\$40.5 million as at 31 December 2013, attributed to higher purchases of materials.

As at 30 June 2014, the Group had net bank borrowings of S\$51.8 million, compared to S\$31.6 million at the end of FY2013. As a result, the Group's net debt-to-equity ratio increased to 24.9% as at 30 June 2014 from 15.4% as at 31 December 2013.

Cash Flow Analysis

The Group used net cash of S\$0.7 million for operating activities in 1H14, attributable mainly to higher working capital requirement during the period in review.

Net cash used in investing activities in 1H14 amounted to S\$14.5 million attributable to the acquisition of NTZ, capital expenditure and deferred development costs. The Group used net cash of S\$4.5 million for financing activities in 1H14, due mainly to the repayment of short term bank loans and finance lease liabilities and payment of dividends in respect of FY2013, 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\$19.7 million in 1H14. When added to its opening cash and cash equivalents of minus S\$0.7 million at the beginning of FY2014 and after accounting for the positive effect of foreign currency movements of S\$0.3 million on its opening cash and cash equivalents, the Group had an ending cash balance of minus S\$20.1 million as at 30 June 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 for 2Q14 are in line with the guidance provided in its financial statements posted on the SGX website on 8 May 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.

The Group reported a 15.4% increase in net profit attributable to equity holders to S\$8.4 million for 1H14, attributable principally to the improved contribution from the Mechatronics Division's operations in Asia.

While the USA and European economies have shown signs of improvement during the first six months of 2014, the recovery has been gradual and uneven. Given this macroeconomic backdrop and the potential impact of recent geopolitical developments, end-user sentiment in the markets that the Group operates in has generally been cautious.

While the Group is optimistic of its long term prospects, it is mindful of near term risks that could adversely affect its financial performance. These include increases in interest rates which would raise borrowing costs and dampen expenditure on capital equipment, pressure on the selling price of the Group's products, and unfavourable movements in the exchange rates of the Euro and US Dollar against the Singapore dollar and Malaysia Ringgit.

Barring any unforeseen circumstances, the Group expects a profitable performance in 3Q14.

Mechatronics Division

Based on current indicators, the analytical and medical segments are expected to show improved sales in 3Q14. Sales of the semiconductor segment, which have been trending higher since 4Q12, are likely to soften.

IMS Division

Based on current indicators, sales of the automotive segment are expected to continue growing in 3Q14 due to contributions from existing projects and new product launches. However, this could be partially offset by lower sales of the office automation as the division scales down its mail facilitating products. Sales in the consumer & industrial electronics segments are expected to be marginally lower due to slower demand.

11. Dividend

(a) Current Financial Period Reported on

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

None

(b) Corresponding Period of the Immediately Preceding Financial Year

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

None

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

Not applicable.

PART 11- ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

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

Only applies to full year results

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

Only applies to full year results

15. A breakdown of sales.

Only applies to full year results

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

Only applies to full year results

17. Interested Person Transactions

Name of Interested Person	Aggregate value of all IPTs during the financial period under review (excluding transactions less than \$100,000) 3 months ended	
	30/6/14	30/6/13
Not applicable	-	-

BY ORDER OF THE BOARD

Sim Mong Huat
Executive Director
14-Aug-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 second 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, 14 August 2014