



**FRENCKEN GROUP LIMITED**

(Registration No. 199905084D)

**Unaudited Full Year 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			12 months ended			
	31/12/19 \$'000	31/12/18 \$'000	% Change	31/12/19 \$'000	31/12/18 \$'000	% Change	
Revenue	165,550	175,702	-5.8%	659,151	625,791	5.3%	
Cost of sales	(134,246)	(146,409)	-8.3%	(547,702)	(524,058)	4.5%	
Gross profit	31,304	29,293	6.9%	111,449	101,733	9.6%	
Other income (Note 1)	2,795	1,042	168.2%	6,078	4,643	30.9%	
Selling and distribution expenses	(2,627)	(2,850)	-7.8%	(11,805)	(11,923)	-1.0%	
Administrative and general expenses	(10,994)	(12,287)	-10.5%	(43,586)	(47,408)	-8.1%	
Other operating expenses (Note 1)	(1,594)	(595)	167.9%	(2,783)	(1,977)	40.8%	
Interest income	405	263	54.0%	1,612	1,544	4.4%	
Finance costs	(650)	(641)	1.4%	(2,905)	(2,541)	14.3%	
Exceptional items (Note 2)	(4,160)	140	N.M.	(4,160)	(3,907)	6.5%	
Profit before income tax	14,479	14,365	0.8%	53,900	40,164	34.2%	
Income tax expense	(3,246)	(3,241)	0.2%	(11,302)	(9,815)	15.2%	
Profit for the year	11,233	11,124	1.0%	42,598	30,349	40.4%	
Profit attributable to:							
Equity holders of the Company	11,236	11,016	2.0%	42,372	30,030	41.1%	
Non-controlling interests	(3)	108	N.M.	226	319	-29.2%	
	11,233	11,124	1.0%	42,598	30,349	40.4%	
<b>Note 1 - Other income/(Other operating expenses)</b>							
Other income	2,795	1,042	168.2%	6,078	4,643	30.9%	
Other operating expenses	(1,594)	(595)	167.9%	(2,783)	(1,977)	40.8%	
	1,201	447	168.7%	3,295	2,666	23.6%	
<b>Included in Other income/(Other operating expenses):</b>							
Gain/(Loss) on disposal of property, plant and equipment, net	952	(48)	N.M.	990	(234)	N.M.	
Property, plant and equipment written off	(143)	(28)	410.7%	(144)	(30)	380.0%	
Government grants	322	800	-59.8%	1,691	2,359	-28.3%	
Foreign exchange loss, net	(905)	(458)	97.6%	(1,536)	(485)	216.7%	
Scrap sales	147	180	-18.3%	614	705	-12.9%	
Project income	652	-	N.M.	1,018	-	N.M.	
Other income	209	64	226.6%	724	431	68.0%	
Other expenses	(33)	(63)	-47.6%	(62)	(80)	-22.5%	
	1,201	447	168.7%	3,295	2,666	23.6%	
<b>Note 2 - Exceptional items comprise:-</b>							
Net gain on disposal of subsidiaries	(i)	-	140	N.M.	-	140	N.M.
Impairment loss of goodwill in a subsidiary	(ii)	-	-	N.M.	-	(2,109)	N.M.
Impairment loss of deferred development costs	(iii)	(1,531)	-	N.M.	(1,531)	(1,425)	7.4%
Impairment loss of property, plant and equipment	(iv)	(2,629)	-	N.M.	(2,629)	(513)	412.5%
		(4,160)	140	N.M.	(4,160)	(3,907)	6.5%

Note 2 - Exceptional items comprise:-

	Note						
Net gain on disposal of subsidiaries	(i)	-	140	N.M.	-	140	N.M.
Impairment loss of goodwill in a subsidiary	(ii)	-	-	N.M.	-	(2,109)	N.M.
Impairment loss of deferred development costs	(iii)	(1,531)	-	N.M.	(1,531)	(1,425)	7.4%
Impairment loss of property, plant and equipment	(iv)	(2,629)	-	N.M.	(2,629)	(513)	412.5%
		(4,160)	140	N.M.	(4,160)	(3,907)	6.5%

Note

- (i) This was in respect of gain on disposal of Supertool Industries Pte Ltd in 2018. (Refer to Note 2 of the Cash Flow Statement for details)
- (ii) This was in respect of impairment loss of goodwill in NTZ Nederland B.V., an operating unit within IMS division.
- (iii) This is in respect of impairment loss of deferred development costs in Frencken Europe B.V., an operating unit within Mechatronics division. In 2018, this was in respect of impairment loss of deferred development costs in NTZ Nederland B.V..
- (iv) This is in respect of impairment loss of property, plant and equipment in Juken (Zhuhai) Co., Ltd, an operating unit within IMS division. In 2018, this was in respect of impairment loss of property, plant and equipment in NTZ Nederland B.V..

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			12 months ended		
	31/12/19	31/12/18	%	31/12/19	31/12/18	%
	\$'000	\$'000	Change	\$'000	\$'000	Change
<b>Profit for the period/year is arrived at after charging/(crediting) :-</b>						
Investment income	-	-	N.M.	-	-	N.M.
Other income including interest income	(3,200)	(1,305)	145%	(7,690)	(6,187)	24%
Interest on borrowings	650	641	1%	2,905	2,541	14%
Depreciation of property, plant and equipment	3,957	3,724	6%	15,573	15,150	3%
Depreciation of right-of-use assets	1,221	-	N.M.	4,982	-	N.M.
Depreciation of investment properties	16	17	-6%	65	70	-7%
Amortisation of intangible assets	125	196	-36%	504	1,158	-56%
Allowance for doubtful debts and bad debts written off	31	63	-51%	78	367	-79%
(Write back)/Allowance for inventory obsolescence	(663)	1,279	N.M.	40	2,908	-99%
Foreign exchange loss, net	905	458	98%	1,536	485	217%
Adjustments for over provision of tax in respect of prior years	(431)	(145)	197%	(572)	(375)	53%
(Gain)/Loss on disposal of property, plant and equipment, net	(952)	48	N.M.	(990)	234	N.M.
Property, plant and equipment written off	143	28	411%	144	30	380%
Exceptional items:-						
Net gain on disposal of subsidiaries	-	(140)	N.M.	-	(140)	N.M.
Impairment loss of goodwill in a subsidiary	-	-	N.M.	-	2,109	N.M.
Impairment loss of deferred development costs	1,531	-	N.M.	1,531	1,425	7%
Impairment loss of property, plant and equipment	2,629	-	N.M.	2,629	513	412%

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	
	31/12/19 \$'000	31/12/18 \$'000	31/12/19 \$'000	31/12/18 \$'000
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	92,052	97,353	-	-
Right-of-use assets <sup>(1)</sup>	15,126	-	-	-
Investment properties	1,636	1,704	-	-
Subsidiaries	-	-	128,025	127,666
Financial asset at fair value through other comprehensive income	3,235	3,235	3,235	3,235
Intangible assets	17,505	19,684	-	-
Deferred income tax assets	1,456	1,445	-	-
Other receivables, deposits and prepayments	360	840	-	-
Total non-current assets	<u>131,370</u>	<u>124,261</u>	<u>131,260</u>	<u>130,901</u>
<b>CURRENT ASSETS</b>				
Inventories	140,679	144,619	-	-
Trade receivables	97,647	115,870	-	-
Receivable from subsidiaries	-	-	5,812	6,766
Dividends receivable from subsidiaries	-	-	3,569	11,282
Other receivables, deposits and prepayments	13,791	10,897	51	39
Tax recoverable	327	1,009	-	-
Cash and cash equivalents	122,382	67,084	12,321	4,667
Total current assets	<u>374,826</u>	<u>339,479</u>	<u>21,753</u>	<u>22,754</u>
Total assets	<u>506,196</u>	<u>463,740</u>	<u>153,013</u>	<u>153,655</u>
<b>CURRENT LIABILITIES</b>				
Trade payables	87,809	79,198	-	-
Payable to a subsidiary	-	-	561	572
Other payables, accruals and provisions	38,780	38,267	931	706
Borrowings	53,053	67,496	3,110	4,758
Lease liabilities <sup>(1)</sup>	4,486	-	-	-
Income tax payable	6,242	4,577	27	9
Total current liabilities	<u>190,370</u>	<u>189,538</u>	<u>4,629</u>	<u>6,045</u>
<b>NON-CURRENT LIABILITIES</b>				
Borrowings	169	1,210	-	-
Lease liabilities <sup>(1)</sup>	11,045	-	-	-
Retirement benefit obligations	2,347	1,624	-	-
Deferred income tax liabilities	4,114	3,849	-	-
Total non-current liabilities	17,675	6,683	-	-
Total liabilities	<u>208,045</u>	<u>196,221</u>	<u>4,629</u>	<u>6,045</u>
<b>NET ASSETS</b>	<u>298,151</u>	<u>267,519</u>	<u>148,384</u>	<u>147,610</u>
<b>EQUITY</b>				
Capital and reserves attributable to the Company's equity holders				
Share capital	103,486	102,892	103,486	102,892
Foreign currency translation reserve	(1,934)	1,184	-	-
Merger reserve	2,345	2,345	-	-
Capital reserve	1,990	1,682	1,990	1,682
Statutory reserve fund	3,834	3,483	-	-
Share option reserve	882	831	882	831
Fair value reserve	(3,165)	(3,165)	(3,165)	(3,165)
Other reserve	(1,630)	(967)	-	-
Retained profits	189,565	156,607	45,191	45,370
	<u>295,373</u>	<u>264,892</u>	<u>148,384</u>	<u>147,610</u>
Non-controlling interests	2,778	2,627	-	-
<b>TOTAL EQUITY</b>	<u>298,151</u>	<u>267,519</u>	<u>148,384</u>	<u>147,610</u>

<sup>(1)</sup> The Group has adopted SFRS(I) 16 Leases with effect from 1 January 2019. Please refer to paragraph 4.

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

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

As at 31/12/19	
Secured \$'000	Unsecured \$'000
18,183	34,870

As at 31/12/18	
Secured \$'000	Unsecured \$'000
28,907	38,589

### Amount repayable after one year

As at 31/12/19	
Secured \$'000	Unsecured \$'000
169	-

As at 31/12/18	
Secured \$'000	Unsecured \$'000
716	494

### Details of any collateral

Details of the borrowings of the Group and the Company and their securities as at 31 December 2019 are as follows:

	<u>Note</u>	Secured \$'000	Unsecured \$'000	Total \$'000
Bank overdrafts	(i)	12,540	92	12,632
Other short-term borrowings	(ii)	5,066	34,307	39,373
Term Loans	(iii)	746	471	1,217
		<u>18,352</u>	<u>34,870</u>	<u>53,222</u>

(i) bank overdrafts of :-

(a) \$11,320,000 is secured by mortgage over properties, pledged on the machineries, inventories and certain trade receivables of the subsidiaries of the Company in The Netherlands; and

(b) \$1,220,000 is secured by exclusive charged on the entire present and future current and fixed assets of a subsidiary in India.

(ii) other short-term borrowings is pledged on the trade receivables of certain subsidiaries in China.

(iii) term loans are secured by exclusive charged on the entire present and future current and fixed assets of a subsidiary in India and machinery 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		Group	
	3 months ended	3 months ended	12 months ended	12 months ended
	31/12/19	31/12/18	31/12/19	31/12/18
	\$'000	\$'000	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Profit after tax</b>	11,233	11,124	42,598	30,349
Adjustments for:				
Income tax expense	3,246	3,241	11,302	9,815
Exchange differences	(18)	(554)	351	(419)
Employee share option expense	65	98	359	432
Depreciation of property, plant and equipment	3,957	3,724	15,573	15,150
Depreciation of right-of-use assets	1,221	-	4,982	-
Depreciation of investment properties	16	17	65	70
Loss on disposal of club membership	-	2	-	36
(Gain)/Loss on disposal of property, plant and equipment, net	(952)	48	(990)	234
Property, plant and equipment written off	143	28	144	30
Interest income	(405)	(263)	(1,612)	(1,544)
Interest expense	650	641	2,905	2,541
Amortisation of intangible assets	125	196	504	1,158
Impairment loss of club membership	34	-	34	-
Impairment loss of goodwill in a subsidiary	-	-	-	2,109
Impairment loss of deferred development costs	1,531	-	1,531	1,425
Impairment loss of property, plant and equipment	2,629	-	2,629	513
Net gain on disposal of subsidiaries ( <b>Note 2</b> )	-	(140)	-	(140)
Operating cash flow before working capital changes	23,475	18,162	80,375	61,759
<b>Changes in operating assets and liabilities :</b>				
Inventories	10,487	(99)	1,352	(34,121)
Receivables	14,119	(7,277)	13,881	(16,595)
Payables	9,027	10,185	10,815	23,951
<b>Cash flows generated from operations</b>	57,108	20,971	106,423	34,994
Tax paid	(3,030)	(2,903)	(8,645)	(7,391)
Interest paid	(650)	(641)	(2,905)	(2,541)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	53,428	17,427	94,873	25,062
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	405	263	1,612	1,544
Additions of intangible assets	(268)	(31)	(285)	(31)
Purchase of property, plant and equipment ( <b>Note 1</b> )	(3,636)	(7,715)	(15,224)	(24,299)
Proceeds from intangible assets	-	6	-	584
Proceeds from disposal of property, plant and equipment	1,538	38	1,833	552
Proceeds from disposal of investment properties	-	17	-	17
Disposal of subsidiaries, net of cash disposed ( <b>Note 2</b> )	-	(365)	-	(365)
Loan to a third party	-	(1,200)	-	(1,200)
Repayment of loan from a third party	90	30	330	30
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	(1,871)	(8,957)	(11,734)	(23,168)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issuance of share capital	168	119	594	949
Repayment of lease liabilities	(1,108)	-	(4,571)	-
Repayment of short term bank borrowings	(29,764)	(32,530)	(119,476)	(140,038)
Repayment of term loans	(427)	3	(1,554)	(615)
Proceeds from short term bank borrowings	33,309	24,756	114,969	146,590
Proceeds from term loans	-	(13)	-	1,394
Dividend paid to shareholders	-	-	(9,063)	(10,055)
Placement/(Withdrawal) of fixed deposits pledged as securities	1	(1)	(31)	(1)
<b>NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES</b>	2,179	(7,666)	(19,132)	(1,776)
Net increase in cash and cash equivalents	53,736	804	64,007	118
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD/YEAR</b>	55,780	44,604	45,060	44,604
Effect of exchange rate changes on cash and cash equivalents	83	(348)	532	338
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	109,599	45,060	109,599	45,060

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 12 months ended	
	31/12/19 \$'000	31/12/18 \$'000	31/12/19 \$'000	31/12/18 \$'000
<b>Cash and cash equivalents at end of the financial year comprise:</b>				
Short term funds placed with Malaysian financial institutions	45,643	44,519	45,643	44,519
Deposits with licensed banks	11,551	3,620	11,551	3,620
Cash and bank balances	65,188	18,945	65,188	18,945
Bank overdrafts	(12,632)	(21,904)	(12,632)	(21,904)
	109,750	45,180	109,750	45,180
Less: Deposits pledged as securities	(151)	(120)	(151)	(120)
	109,599	45,060	109,599	45,060

**Note 1 :**

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of \$15,258,000 (31.12.2018: \$21,441,000) of which \$1,629,000 (31.12.2018: \$1,595,000) was included in other payables at balance sheet date. Cash payments of \$15,224,000 (31.12.2018: \$24,299,000) includes an amount of \$1,595,000 (31.12.2018: \$4,453,000) for payment from other payables to purchase property, plant and equipment incurred in previous financial year.

**Note 2 : Disposal of subsidiaries**

The Group's wholly-owned subsidiary Juken Technology Limited ("Juken") had on 1 October 2018 entered into a Sale and Purchase Agreement with Mr Lee Boon Cheng for the disposal of 51% equity interest in Supertool Industries Pte Ltd ("Supertool") for a cash consideration of SGD75,000.

**Details of the disposal were as follows:**

	<u>Supertool</u> \$'000
<b>Carrying amounts of net assets over which control was lost</b>	
<u>Non-current asset</u>	
Property, plant and equipment	462
Goodwill	6
	<u>468</u>
<u>Current assets</u>	
Inventories	8
Trade and other receivables	1,957
Cash and cash equivalents	440
	<u>2,405</u>
<u>Current liabilities</u>	
Trade and other payables	(1,714)
Payable to its former immediate holding company	(1,291)
	<u>(3,005)</u>
Net liabilities derecognised	<u>(132)</u>
<b>Consideration received:</b>	
Cash	75
Less: Transaction costs related to disposal of subsidiaries	-
Total consideration received	<u>75</u>
<b>Gain on disposal</b>	
Consideration received	75
Net liabilities derecognised	132
Non-controlling interest derecognised	(67)
Gain on disposal	<u>140</u>
<b>Net cash outflow arising on disposal</b>	
Cash consideration received	75
Cash and cash equivalents disposed of	(440)
	<u>(365)</u>

1(d) Consolidated statement of comprehensive income

	3 months ended		12 months ended	
	31/12/19 \$'000	31/12/18 \$'000	31/12/19 \$'000	31/12/18 \$'000
<b>Statement of Comprehensive Income</b>				
Profit for the period/year	11,233	11,124	42,598	30,349
<i>Item that will not be reclassified subsequently to income statement :</i>				
- Remeasurement of defined benefit obligation	(592)	34	(592)	34
- Net fair value loss on financial asset designated at fair value through other comprehensive income	-	(570)	-	(570)
<i>Item that may be reclassified subsequently to income statement :</i>				
- Currency translation differences arising from consolidation	(2,611)	(2,515)	(3,264)	(3,229)
Total comprehensive income for the period/year	<u>8,030</u>	<u>8,073</u>	<u>38,742</u>	<u>26,584</u>
Attributable to:				
Equity holders of the Company	8,176	7,974	38,591	26,367
Non-controlling interests	(146)	99	151	217
Total comprehensive income for the period/year	<u>8,030</u>	<u>8,073</u>	<u>38,742</u>	<u>26,584</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 31 December 2019 and 31 December 2018

	Attributable to equity holders of the Company											
	Share Capital \$'000	Foreign Currency Translation Reserve \$'000	Merger Reserve \$'000	Capital Reserve \$'000	Statutory Reserve Fund \$'000	Share Option Reserve \$'000	Fair Value Reserve \$'000	Other Reserve \$'000	Retained Profits \$'000	Total \$'000	Non- Controlling Interests \$'000	Total Equity \$'000
<b>The Group</b>												
At 1 October 2019	103,318	471	2,345	1,893	3,711	914	(3,165)	(975)	178,452	286,964	2,924	289,888
Profit for the quarter	-	-	-	-	-	-	-	-	11,236	11,236	(3)	11,233
Other comprehensive income/(loss):												
Remeasurement of define benefit obligation	-	-	-	-	-	-	-	(592)	-	(592)	-	(592)
Currency translation differences arising from consolidation	-	(2,405)	-	-	-	-	-	(63)	-	(2,468)	(143)	(2,611)
Total comprehensive income/(loss) for the quarter	-	(2,405)	-	-	-	-	-	(655)	11,236	8,176	(146)	8,030
<i>Transactions with owners recognised directly in equity</i>												
Transfer to statutory reserve fund	-	-	-	-	123	-	-	-	(123)	-	-	-
Employee share option scheme - Value of employee services	-	-	-	-	-	65	-	-	-	65	-	65
- Issue of share capital	168	-	-	97	-	(97)	-	-	-	168	-	168
	168	-	-	97	123	(32)	-	-	(123)	233	-	233
At 31 December 2019	103,486	(1,934)	2,345	1,990	3,834	882	(3,165)	(1,630)	189,565	295,373	2,778	298,151
At 1 October 2018	102,773	3,678	2,345	1,623	3,170	792	(2,595)	(989)	145,904	256,701	2,461	259,162
Profit for the quarter	-	-	-	-	-	-	-	-	11,016	11,016	108	11,124
Other comprehensive income/(loss):												
Remeasurement of define benefit obligation	-	-	-	-	-	-	-	34	-	34	-	34
Net fair value loss on financial asset designated at fair value through other comprehensive income	-	-	-	-	-	-	(570)	-	-	(570)	-	(570)
Currency translation differences arising from consolidation	-	(2,494)	-	-	-	-	-	(12)	-	(2,506)	(9)	(2,515)
Total comprehensive income/(loss) for the quarter	-	(2,494)	-	-	-	-	(570)	22	11,016	7,974	99	8,073
<i>Transactions with owners recognised directly in equity</i>												
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	67	67
Transfer to statutory reserve fund	-	-	-	-	313	-	-	-	(313)	-	-	-
Employee share option scheme - Value of employee services	-	-	-	-	-	98	-	-	-	98	-	98
- Issue of share capital	119	-	-	59	-	(59)	-	-	-	119	-	119
	119	-	-	59	313	39	-	-	(313)	217	67	284
At 31 December 2018	102,892	1,184	2,345	1,682	3,483	831	(3,165)	(967)	156,607	264,892	2,627	267,519



Attributable to equity holders of the Company

	Share Capital \$'000	Foreign Currency Translation Reserve \$'000	Merger Reserve \$'000	Capital Reserve \$'000	Statutory Reserve Fund \$'000	Share Option Reserve \$'000	Fair Value Reserve \$'000	Retained Profits \$'000	Total \$'000
<b>The Company</b>									
At 1 October 2019	103,318	-	-	1,893	-	914	(3,165)	35,873	138,833
Profit for the quarter	-	-	-	-	-	-	-	9,318	9,318
Other comprehensive income/(loss):									
Net fair value loss on financial asset designated at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) for the quarter	-	-	-	-	-	-	-	9,318	9,318
<i>Transactions with owners recognised directly in equity</i>									
Employee share option scheme - Value of employee services	-	-	-	-	-	65	-	-	65
- Issue of share capital	168	-	-	97	-	(97)	-	-	168
	168	-	-	97	-	(32)	-	-	233
At 31 December 2019	103,486	-	-	1,990	-	882	(3,165)	45,191	148,384
At 1 October 2018	102,773	-	-	1,623	-	792	(2,595)	34,312	136,905
Profit for the quarter	-	-	-	-	-	-	-	11,058	11,058
Other comprehensive income/(loss):									
Net fair value loss on financial asset designated at fair value through other comprehensive income	-	-	-	-	-	-	(570)	-	(570)
Total comprehensive income/(loss) for the quarter	-	-	-	-	-	-	(570)	11,058	10,488
<i>Transactions with owners recognised directly in equity</i>									
Employee share option scheme - Value of employee services	-	-	-	-	-	98	-	-	98
- Issue of share capital	119	-	-	59	-	(59)	-	-	119
	119	-	-	59	-	39	-	-	217
At 31 December 2018	102,892	-	-	1,682	-	831	(3,165)	45,370	147,610

**(b) Statement of changes in equity for the twelve months ended 31 December 2019 and 31 December 2018**

	Attributable to equity holders of the Company											
	Share Capital \$'000	Foreign Currency Translation Reserve \$'000	Merger Reserve \$'000	Capital Reserve \$'000	Statutory Reserve Fund \$'000	Share Option Reserve \$'000	Fair Value Reserve \$'000	Other Reserve \$'000	Retained Profits \$'000	Total \$'000	Non- Controlling Interests \$'000	Total Equity \$'000
<b>The Group</b>												
At 1 January 2019	102,892	1,184	2,345	1,682	3,483	831	(3,165)	(967)	156,607	264,892	2,627	267,519
Profit for the year	-	-	-	-	-	-	-	-	42,372	42,372	226	42,598
Other comprehensive income/(loss):												
Remeasurement of define benefit obligation	-	-	-	-	-	-	-	(592)	-	(592)	-	(592)
Currency translation differences arising from consolidation	-	(3,118)	-	-	-	-	-	(71)	-	(3,189)	(75)	(3,264)
Total comprehensive income/(loss) for the year	-	(3,118)	-	-	-	-	-	(663)	42,372	38,591	151	38,742
<i>Transactions with owners recognised directly in equity</i>												
Transfer to statutory reserve fund	-	-	-	-	351	-	-	-	(351)	-	-	-
Employee share option scheme - Value of employee services	-	-	-	-	-	359	-	-	-	359	-	359
- Issue of share capital	594	-	-	308	-	(308)	-	-	-	594	-	594
Dividend Paid	-	-	-	-	-	-	-	-	(9,063)	(9,063)	-	(9,063)
	594	-	-	308	351	51	-	-	(9,414)	(8,110)	-	(8,110)
At 31 December 2019	103,486	(1,934)	2,345	1,990	3,834	882	(3,165)	(1,630)	189,565	295,373	2,778	298,151
At 1 January 2018	101,943	4,293	2,345	1,193	3,032	888	(2,595)	(983)	137,083	247,199	2,343	249,542
Profit for the year	-	-	-	-	-	-	-	-	30,030	30,030	319	30,349
Other comprehensive income/(loss):												
Remeasurement of define benefit obligation	-	-	-	-	-	-	-	34	-	34	-	34
Net fair value loss on financial asset designated at fair value through other comprehensive income	-	-	-	-	-	-	(570)	-	-	(570)	-	(570)
Currency translation differences arising from consolidation	-	(3,109)	-	-	-	-	-	(18)	-	(3,127)	(102)	(3,229)
Total comprehensive income/(loss) for the year	-	(3,109)	-	-	-	-	(570)	16	30,030	26,367	217	26,584
<i>Transactions with owners recognised directly in equity</i>												
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	67	67
Transfer to/(from) statutory reserve fund	-	-	-	-	451	-	-	-	(451)	-	-	-
Employee share option scheme - Value of employee services	-	-	-	-	-	432	-	-	-	432	-	432
- Issue of share capital	949	-	-	489	-	(489)	-	-	-	949	-	949
Dividend Paid	-	-	-	-	-	-	-	-	(10,055)	(10,055)	-	(10,055)
	949	-	-	489	451	(57)	-	-	(10,506)	(8,674)	67	(8,607)
At 31 December 2018	102,892	1,184	2,345	1,682	3,483	831	(3,165)	(967)	156,607	264,892	2,627	267,519

**Attributable to equity holders of the Company**

	Share Capital \$'000	Foreign Currency Translation Reserve \$'000	Merger Reserve \$'000	Capital Reserve \$'000	Statutory Reserve Fund \$'000	Share Option Reserve \$'000	Fair Value Reserve \$'000	Retained Profits \$'000	Total \$'000
<b>The Company</b>									
At 1 January 2019	102,892	-	-	1,682	-	831	(3,165)	45,370	147,610
Profit for the year	-	-	-	-	-	-	-	8,884	8,884
Net fair value loss on financial asset designated at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	-	8,884	8,884
<i>Transactions with owners recognised directly in equity</i>									
Employee share option scheme - Value of employee services	-	-	-	-	-	359	-	-	359
- Issue of share capital	594	-	-	308	-	(308)	-	-	594
Dividend paid	-	-	-	-	-	-	-	(9,063)	(9,063)
	594	-	-	308	-	51	-	(9,063)	(8,110)
At 31 December 2019	103,486	-	-	1,990	-	882	(3,165)	45,191	148,384
At 1 January 2018	101,943	-	-	1,193	-	888	(2,595)	45,041	146,470
Profit for the year	-	-	-	-	-	-	-	10,384	10,384
Net fair value loss on financial asset designated at fair value through other comprehensive income	-	-	-	-	-	-	(570)	-	(570)
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	(570)	10,384	9,814
<i>Transactions with owners recognised directly in equity</i>									
Employee share option scheme - Value of employee services	-	-	-	-	-	432	-	-	432
- Issue of share capital	949	-	-	489	-	(489)	-	-	949
Dividend paid	-	-	-	-	-	-	-	(10,055)	(10,055)
	949	-	-	489	-	(57)	-	(10,055)	(8,674)
At 31 December 2018	102,892	-	-	1,682	-	831	(3,165)	45,370	147,610

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 issued 460,000 and 150,000 new ordinary shares pursuant to the Company's employee share option scheme at the exercise price of \$0.224 and \$0.432 each respectively. There are no treasury shares held as at the end of the current quarter.

	Total number of issued shares as at	
	31/12/19	31/12/18
Number of issued shares	424,272,409	421,502,409
Number of treasury shares	-	-
Total number of issued shares excluding treasury shares	424,272,409	421,502,409

Share options

The movement of share options of the Company during the period from 1 October 2019 to 31 December 2019 is as follows:

Date of grant	Number of ordinary shares under option					Exercise price	Exercise period
	As at 1.10.2019	Granted during the period	Forfeited during the period	Exercised during the period	As at 31.12.2019		
1.12.2010 (2010 Option)	1,135,000	0	0	(460,000)	675,000	\$0.224	1.12.2012 - 30.11.2020
1.4.2016 (2016 Option)	500,000	0	0	0	500,000	\$0.184	1.4.2018 - 31.3.2026
6.12.2017 (2017 Option)	3,000,000	0	0	(150,000)	2,850,000	\$0.432	6.12.2019 - 5.12.2027
	4,635,000	0	0	(610,000)	4,025,000		

	Total number of shares as at	
	31/12/19	31/12/18
Total number of shares that may be issued on exercise of share options outstanding	4,025,000	6,795,000

1(e)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at	
	31/12/19	31/12/18
Total number of issued shares excluding treasury shares	424,272,409	421,502,409

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.

Not applicable.

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.**

Other than as mentioned in Paragraph 5 regarding the adoption of SFRS(I) 16 *Leases* effective from 1 January 2019, there were no significant changes in the accounting policies and methods of computation adopted in the financial statements of the current reporting period as compared to the most recently audited annual financial statements as at 31 December 2018.

**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 Group has adopted SFRS(I) 16 *Leases* which are effective for the financial period beginning on or after 1 January 2019. The Group has opted for cumulative catch-up approach where the comparative figures for the year prior to the first adoption were not restated. Right-of-use assets will be measured at the amount of the lease liabilities (adjusted for any prepaid or accrued lease expenses).

On adoption of SFRS(I) 16 *Leases* on 1 January 2019, the Group has recognised right-of-use assets of S\$17,940,000 and lease liabilities of S\$17,940,000 unless they qualify for low value assets or short-term leases upon the application of SFRS(I) 16.

Except for the adoption of SFRS(I) 16, the adoption of the other new/revised standards that are effective on 1 January 2019 has no material impact on the financial statements.

**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 12 months ended	
	31/12/19	31/12/18	31/12/19	31/12/18
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)	2.65	2.62	10.01	7.15
- Weighted average number of shares (in thousand)	423,994	421,072	423,166	419,920
(ii) On a fully diluted basis (in cents)	2.64	2.60	9.97	7.11
- Adjusted weighted average number of shares (in thousand)	426,214	422,961	424,919	422,170

Basic earnings per share for the period/year 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	
	31/12/19	31/12/18	31/12/19	31/12/18
Net asset value per ordinary share based on issued share capital at the end of financial period/year (cents)	69.62	62.84	34.97	35.02

Net asset value per ordinary shares is calculated based on the Group's net asset value divided by the number of ordinary shares at 31.12.2019 of 424,272,409 (31.12.2018 : 421,502,409).

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 Global Integrated Technology Solutions Company that provides comprehensive Original Design, Original Equipment and Diversified Integrated Manufacturing solutions for world-class multinational companies in the automotive, healthcare, industrial, life sciences and semiconductor industries.

The Group has capabilities to offer end-to-end solutions across the entire customer value chain - from product conceptualisation, integrated design, prototyping and new product introductions, to supply chain design and management, state-of-the-art value and volume manufacturing and logistics services.

With 3,500 employees located in 17 operating sites across Asia, Europe and the USA, the Group offers its growing base of customers a global reach backed by local expertise. Working in partnership with its global customers, the Group unites the strengths of its strategically located businesses to create value for its customers.

## Income Statement

### Group Revenue

	1Q	2Q	3Q	4Q	Full Year
<b>FY2019 (S\$'000)</b>	159,079	164,346	170,176	165,550	659,151
<b>FY2018 (S\$'000)</b>	138,750	147,426	163,913	175,702	625,791
<b>yoy (%)</b>	14.7	11.5	3.8	(5.8)	5.3

For the three months ended 31 December 2019 ("4Q19"), the Group's revenue decreased 5.8% year-on-year (yoy) to S\$165.6 million due to softer sales contributions from the Mechatronics and IMS Divisions.

For the 12 months ended 31 December 2019 ("FY2019"), the Group's revenue increased 5.3% to S\$659.2 million. Higher sales of the Mechatronics Division more than offset lower sales of the IMS Division.

### Revenue breakdown by Business Segment

Sales	4Q19	4Q18	yoy	3Q19	qoq	FY2019	FY2018	yoy
	S\$'000	S\$'000	%	S\$'000	%	S\$'000	S\$'000	%
<b>MECHATRONICS DIVISION</b>								
Semiconductor	31,766	27,686	14.7	33,578	(5.4)	115,986	125,474	(7.6)
Medical	23,414	22,055	6.2	21,256	10.2	86,884	83,991	3.4
Analytical	30,341	36,519	(16.9)	31,109	(2.5)	133,014	136,693	(2.7)
Industrial Automation	47,681	53,499	(10.9)	50,621	(5.8)	186,374	128,982	44.5
Others	4,296	4,806	(10.6)	4,495	(4.4)	17,307	21,653	(20.1)
<b>Mechatronics Total</b>	<b>137,498</b>	<b>144,565</b>	<b>(4.9)</b>	<b>141,059</b>	<b>(2.5)</b>	<b>539,565</b>	<b>496,793</b>	<b>8.6</b>
<b>IMS DIVISION</b>								
Automotive	22,208	24,029	(7.6)	22,212	(0.0)	93,708	96,299	(2.7)
Consumer & Industrial								
Electronics	4,047	4,657	(13.1)	4,822	(16.1)	18,252	21,137	(13.6)
Others	1,084	559	93.9	1,333	(18.7)	4,746	2,215	114.3
Tooling	1,067	1,828	(41.6)	1,057	0.9	4,297	9,066	(52.6)
<b>IMS Total</b>	<b>28,406</b>	<b>31,073</b>	<b>(8.6)</b>	<b>29,424</b>	<b>(3.5)</b>	<b>121,003</b>	<b>128,717</b>	<b>(6.0)</b>

Note : The above does not include revenue derived from investment holding & management services segment as well as other segment.

Revenue at the Mechatronics Division decreased 4.9% yoy to S\$137.5 million in 4Q19, due mainly to lower sales of the analytical and industrial automation segments. For FY2019, the Mechatronics Division's revenue increased 8.6% to S\$539.6 million, driven mainly by strong sales growth of the industrial automation segment.

Sales of the industrial automation segment grew 44.5% to S\$186.4 million in FY2019 attributable to higher sales of storage drive production equipment to a key multinational customer. Sales of this segment, which is typically lumpy in nature, declined 10.9% yoy to S\$47.7 million in 4Q19 in line with the changing capital expenditure requirements of its key customer.

Sales of the semiconductor segment increased 14.7% yoy to S\$31.8 million in 4Q19 due to higher orders for both front-end and back-end semiconductor equipment from customers in Europe and Asia. For FY2019, the semiconductor segment's sales decreased 7.6% to S\$116.0 million. This was due mainly to slower orders for back-end semiconductor equipment during the first half of FY2019 as a result of the global semiconductor industry's cyclical downturn.

Sales of the medical segment posted growth of 6.2% yoy in 4Q19 and 3.4% for FY2019. This was attributable mainly to higher demand in Europe.

The analytical segment's sales declined 16.9% yoy in 4Q19 due primarily to lower demand from Europe. For FY2019, this segment's sales softened by 2.7% to S\$133.0 million.

The IMS Division's revenue decreased 8.6% yoy to S\$28.4 million in 4Q19. Its revenue also decreased 6.0% to S\$121.0 million in FY2019. The lower revenue in 4Q19 and FY2019 was due to reduced sales of the automotive, consumer & industrial electronics and tooling segments. The automotive segment's sales decreased 7.6% yoy in 4Q19 and 2.7% in FY2019.

### **Gross Profit Margin**

The Group's gross profit increased 6.9% yoy to S\$31.3 million in 4Q19. Gross profit margin expanded to 18.9% in 4Q19 from 16.7% in 4Q18.

For FY2019, gross profit increased 9.6% to S\$111.4 million. Gross profit margin improved to 16.9% from 16.3% in FY2018. The higher gross profit margin for both 4Q19 and FY2019 is due mainly to the improvement in gross profit margin of the filter business within the IMS Division.

### **Other Income/Other operating expenses (refer to Note 1, Part 1 of Income Statement)**

Other income, net of other operating expenses, increased 168.7% yoy to S\$1.2 million in 4Q19.

For FY2019, other income, net of other operating expenses, increased 23.6% to S\$3.3 million. The increase in other income, net of other operating expenses, for both 4Q19 and FY2019 is attributable mainly to gain on disposal of property, plant and equipment and project income but partially offset by higher net foreign exchange loss.

### **Selling and Administrative Expenses**

Selling and distribution expenses decreased 7.8% yoy to S\$2.6 million in 4Q19 due primarily to lower transport costs, freight charges and travelling expenses. For FY2019, selling and distribution expenses were marginally lower at S\$11.8 million compared to S\$11.9 million in FY2018.

Administrative and general expenses decreased 10.5% yoy to S\$11.0 million in 4Q19 and declined 8.1% to S\$43.6 million in FY2019. The decreases were attributable mainly to a reduction in staff-related costs.

### **Finance Costs**

Finance costs in 4Q19 was stable at S\$0.6 million vis-à-vis 4Q18. For FY2019, finance costs increased 14.3% to S\$2.9 million due mainly to the recognition of interest expense arising from the adoption of SFRS (I) 16 Leases and partially offset by reduced interest from lower borrowings.

### **Exceptional Items (refer to Note 2, Part 1 of Income Statement)**

The Group recorded an exceptional loss amounting to S\$4.1 million in 4Q19. This was in respect of an impairment loss of deferred development costs of S\$1.5 million incurred by Frencken Europe B.V. which is an operating unit within the Mechatronics Division, and an impairment loss of property, plant and equipment of S\$2.6 million incurred by Juken (Zhuhai) Co., Ltd which is an operating unit of the IMS Division. In 4Q18, the Group made an exceptional gain of S\$0.1 million from the disposal of a subsidiary.

As a result, the Group recorded an exceptional loss of S\$4.1 million in FY2019 due to the aforementioned impairment losses incurred in 4Q19. In FY2018, the Group recorded an exceptional loss amounting to S\$3.9 million which was mainly in respect of impairment losses of goodwill attributable to NTZ Nederland B.V., certain deferred development costs and property, plant and equipment incurred by NTZ Nederland B.V. which is an operating unit of the IMS Division.

## Group Profit before Income Tax

After accounting for the above items, the Group reported stable profit before income tax of S\$14.5 million in 4Q19, as compared to S\$14.4 million in 4Q18. Excluding the exceptional items, the Group's profit before income tax would have increased 31.0% to S\$18.6 million in 4Q19.

For FY2019, the Group's profit before income tax increased 34.2% to S\$53.9 million from S\$40.2 million in FY2018. Excluding the exceptional items, the Group's profit before income tax would have risen 31.7% to S\$58.0 million in FY2019 from S\$44.1 million in FY2018.

## Group Net Profit Attributable to Equity Holders of the Company ("PATMI")

### Reported PATMI including exceptional items

	1Q	2Q	3Q	4Q	Full Year
<b>FY2019 (S\$'000)</b>	8,598	11,109	11,429	11,236 *	42,372
<b>FY2018 (S\$'000)</b>	6,757	7,000	5,257 ^	11,016 #	30,030
<b>yoy (%)</b>	27.2	58.7	117.4	2.0	41.1

\* including impairment loss of deferred development costs of S\$1.5 million and impairment loss of property, plant and equipment of S\$2.6 million

^ including impairment loss of goodwill of S\$2.1 million, impairment loss of deferred development costs of S\$1.4 million and impairment loss of property, plant and equipment of S\$0.5 million

# including gain on disposal of a subsidiary of S\$0.1 million

After accounting for income tax of S\$3.2 million, the Group reported stable net profit attributable to equity holders ("PATMI") of S\$11.2 million in 4Q19 compared to S\$11.0 million in 4Q18. For FY2019, the Group recorded PATMI of S\$42.4 million, a gain of 41.1% from S\$30.0 million in FY2018.

### PATMI excluding exceptional items

	1Q	2Q	3Q	4Q	Full Year
<b>FY2019 (S\$'000)</b>	8,598	11,109	11,429	15,396	46,532
<b>FY2018 (S\$'000)</b>	6,757	7,000	9,304	10,876	33,937
<b>yoy (%)</b>	27.2	58.7	22.8	41.6	37.1

Excluding the exceptional items, the Group's PATMI would have increased 41.6% yoy to S\$15.3 million in 4Q19. Excluding the exceptional items, the Group's PATMI would have increased 37.1% to S\$46.5 million in FY2019 from S\$33.9 million in FY2018.

## Balance Sheet

As at 31 December 2019, the Group had shareholders' equity of S\$295.4 million, equivalent to net asset value of 69.62 cents per share based on the total number of issued shares of 424.3 million shares.

Total assets increased to S\$506.2 million as at 31 December 2019 from S\$463.7 million as at 31 December 2018. Property, plant and equipment decreased to S\$92.1 million from S\$97.4 million as at 31 December 2018. Following the adoption of the SFRS (I) 16 *Leases*, the Group's operating leases are recognised on the balance sheet as right-of-use assets and lease liabilities. As at 31 December 2019, the Group's right-of-use assets stood at S\$15.1 million.

Cash and cash equivalents increased to S\$122.4 million as at 31 December 2019 from S\$67.1 million as at 31 December 2018. Inventories decreased to S\$140.7 million as at 31 December 2019 from S\$144.6 million as at 31 December 2018. Trade receivables decreased to S\$97.6 million as at 31 December 2019 from S\$115.9 million as at 31 December 2018 in tandem with lower sales in 4Q19.

Trade payables increased to S\$87.8 million as at 31 December 2019 from S\$79.2 million as at 31 December 2018. The Group's lease liabilities stood at S\$15.5 million as at 31 December 2019.

Total borrowings decreased to S\$53.2 million as at 31 December 2019 from S\$68.7 million as at end December 2018.

The Group had net cash of S\$69.2 million as at 31 December 2019 as compared to net borrowings of S\$1.6 million as at 31 December 2018.



## **Cash Flow Analysis**

The Group generated net cash of S\$94.8 million from operating activities in FY2019. Net cash used for investing activities amounted to S\$11.7 million in FY2019, due mainly to capital expenditure of S\$15.2 million which was partially offset by interest received and proceeds from disposal of property, plant and equipment.

Net cash used in financing activities amounted to S\$19.1 million in FY2019 due primarily to payment of dividends to shareholders, net repayment of short term bank borrowings and repayment of the lease liabilities.

As a result of the above, the Group recorded a net increase in cash and cash equivalents of S\$64.0 million during FY2019. When added to its opening cash and cash equivalents of S\$45.1 million at the beginning of FY2019 and after accounting for the positive 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\$109.6 million as at 31 December 2019.

### **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 4Q19 are in line with the guidance provided in its financial statements posted on the SGX website on 6 November 2019.

**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.**

#### **INDUSTRY CONDITIONS AND GROUP'S STRATEGIES**

The Group expects the operating landscape in FY2020 to remain challenging as prevailing business and geopolitical uncertainties could have an adverse impact on the world's economy. In particular, the global COVID-19 outbreak is leading to increased risk to economic growth. As stipulated in directives from local Chinese authorities, the Group's factories in China remained closed after the Chinese New Year holidays. These factories have since resumed operations.

Given the uncertainty regarding the severity and timeframe of the COVID-19 outbreak, it is difficult at present to determine the extent of impact on global supply chains, global markets and the Group.

Frencken serves broad and diverse business segments and geographical regions which will help to provide resilience and stability to the Group.

In the long term, the Group believes the global technology sector will continue to benefit from the demand and positive market trends in life sciences, artificial intelligence including machine learning - robotic process automation – edge computing, virtual and augmented reality, 5G and connectivity.

Looking ahead into FY2020, the Mechatronics and IMS Divisions will continue to execute business strategies that raise operational excellence, improve capabilities and pursue best-in-class quality. Both divisions will also focus on expanding their respective market shares with existing as well as new customers. These strategies are expected to further enhance Frencken's value proposition to customers and strengthen its position as a premier Global Integrated Technology Solutions Company.

#### **BUSINESS SEGMENT OUTLOOK**

Barring any severe supply chain disruptions arising from the COVID-19 outbreak, revenue of the semiconductor segment is expected to increase yoy in 1Q20 due to higher sales to customers in Europe and Asia.

Revenue of the medical segment is also expected to post yoy growth in 1Q20 due to increased sales of our Europe operations. However, revenue of the analytical segment is anticipated to soften in 1Q20 as compared to 1Q19.

Revenue of the industrial automation segment, which is typically lumpy in nature, is expected to decrease yoy in 1Q20. However, this segment is driven largely by the capital expenditure requirements of a key customer which is expected to benefit from ongoing demand for mass capacity storage.

The automotive segment in 1Q20 is expected to post lower revenue as compared to 1Q19.

## 11. Dividend

### (a) Current Financial Period Reported on

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

Yes

The Directors are pleased to recommend a first and final exempt (one-tier) dividend in respect of the financial year ended 31 December 2019 of 3.00 cents per ordinary share for approval by shareholders at the forthcoming Annual General Meeting to be convened on 23 April 2020.

Name of Dividend	Ordinary Tax Exempt
Dividend Type	Cash
Dividend amount per share (in cents)	3.00 cents per ordinary share
Par value of shares	Not applicable
Tax Rate	Not applicable

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

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

Yes

The Directors recommended a first and final exempt (one-tier) dividend of 2.14 cents per ordinary share in respect of the financial year ended 31 December 2018 which was approved by shareholders at the Annual General Meeting convened on 25 April 2019.

Name of Dividend	Ordinary Tax Exempt
Dividend Type	Cash
Dividend amount per share (in cents)	2.14 cents per ordinary share
Par value of shares	Not applicable
Tax Rate	Not applicable

### (c) Date Payable

The proposed dividend, if approved at the Annual General Meeting, will be paid on 14 May 2020.

### (d) Books closure date

Notice is also hereby given that the Share Transfer Books and the Register of Members of the Company will be closed on Tuesday, 5 May 2020 for the purpose of determining the entitlement of Shareholders to the Final Dividend.

Duly completed transfers received by the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.), 80 Robinson Road, #11-02, Singapore 068898, up to the close of business at 5.00 p.m. on Monday, 4 May 2020 will be registered to determine Shareholder's entitlements to the Final Dividend.

## 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.**

**13 (a) Business segments**

**FY2019**

	Mechatronics \$'000	Integrated Manufacturing Services \$'000	Investment Holding & Management Services \$'000	Others \$'000	Eliminations \$'000	Total \$'000
<b>Turnover</b>						
External revenue	539,565	119,301	-	285	-	659,151
Inter-segment sales	-	1,702	8,444	-	(10,146)	-
	<u>539,565</u>	<u>121,003</u>	<u>8,444</u>	<u>285</u>	<u>(10,146)</u>	<u>659,151</u>
<b>Segment results</b>	50,869	6,095	2,223	145	21	59,353
Interest income	142	452	1,630	1	(613)	1,612
Finance costs	(1,497)	(1,871)	(129)	-	592	(2,905)
Impairment loss of deferred development costs	(1,531)	-	-	-	-	(1,531)
Impairment loss of property, plant and equipment	-	(2,629)	-	-	-	(2,629)
Profit before income tax						53,900
Income tax expense	(10,005)	(1,137)	(99)	(61)	-	(11,302)
Total profit						<u>42,598</u>
Segment assets	<u>318,320</u>	<u>122,159</u>	<u>64,051</u>	<u>1,666</u>	-	<u>506,196</u>
Segment liabilities	<u>151,423</u>	<u>51,542</u>	<u>5,003</u>	<u>77</u>	-	<u>208,045</u>
Other segment information:						
Capital expenditure	7,489	7,601	168	-	-	15,258
Addition of intangible assets	-	285	-	-	-	285
Depreciation and amortisation	11,513	9,413	133	65	-	21,124
Other non-cash expenses other than depreciation and amortisation	1,730	2,799	168	-	-	4,697

**FY2018**

	Mechatronics \$'000	Integrated Manufacturing Services \$'000	Investment Holding & Management Services \$'000	Others \$'000	Eliminations \$'000	Total \$'000
<b>Turnover</b>						
External revenue	496,793	128,717	-	281	-	625,791
Inter-segment sales	-	-	961	-	(961)	-
	<u>496,793</u>	<u>128,717</u>	<u>961</u>	<u>281</u>	<u>(961)</u>	<u>625,791</u>
<b>Segment results</b>	46,928	801	(3,044)	139	244	45,068
Interest income	77	652	1,563	1	(749)	1,544
Finance costs	(1,025)	(1,889)	(132)	-	505	(2,541)
Net gain on disposal of subsidiaries	-	140	-	-	-	140
Impairment loss of goodwill in a subsidiary	-	(2,109)	-	-	-	(2,109)
Impairment loss of deferred development costs	-	(1,425)	-	-	-	(1,425)
Impairment loss of property, plant and equipment	-	(513)	-	-	-	(513)
Profit before income tax						40,164
Income tax expense	(10,210)	470	(5)	(70)	-	(9,815)
Total profit						<u>30,349</u>
Segment assets	<u>283,778</u>	<u>125,211</u>	<u>53,012</u>	<u>1,739</u>	-	<u>463,740</u>
Segment liabilities	<u>134,581</u>	<u>55,163</u>	<u>6,398</u>	<u>79</u>	-	<u>196,221</u>
Other segment information:						
Capital expenditure	15,656	5,773	12	-	-	21,441
Addition of intangible assets	-	31	-	-	-	31
Depreciation and amortisation	7,534	8,689	85	70	-	16,378
Other non-cash expenses other than depreciation and amortisation	211	4,413	222	1	-	4,847

**13 (b) Geographical segments**

	Revenue from external customers		Non-current assets	
	FY2019	FY2018	FY2019	FY2018
	\$'000	\$'000	\$'000	\$'000
<b>Based on location of customer</b>				
The Netherlands	153,259	146,303	39,614	45,043
People's Republic of China	92,293	81,219	32,445	23,905
Malaysia	52,714	64,442	33,705	34,041
Czech Republic	41,116	44,706	-	-
Singapore	45,684	53,510	12,155	8,626
Hungary	10,337	12,570	-	-
America	33,818	30,603	4,425	3,180
Germany	48,879	47,598	-	-
Switzerland	10,540	11,820	1,598	1,906
Thailand	150,562	110,532	2,444	2,300
India	6,065	7,526	3,528	3,815
Indonesia	-	1,455	-	-
United Kingdom	261	2,460	-	-
Others	13,623	11,047	-	-
	<u>659,151</u>	<u>625,791</u>	<u>129,914</u>	<u>122,816</u>

**13 (c) Information about major customers**

Included in revenue arising from Mechatronics division of \$539,565,000 (2018 : \$496,793,000) are revenue of approximately \$182,698,000 (2018 : \$127,274,000) which arose from sales to the Group's largest customer.

**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.**

Please refer to paragraph 8.

**15. A breakdown of sales.**

	31/12/2019	31/12/2018	% increase/ (decrease)
	\$'000	\$'000	
Sales reported for first half year	323,425	286,176	13.0%
Operating profit after tax before deducting minority interests reported for first half year	19,843	13,826	43.5%
Sales reported for second half year	335,726	339,615	-1.1%
Operating profit after tax before deducting minority interests reported for second half year	22,755	16,523	37.7%

**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:-**

	Latest Full Year	Previous Full Year
	2019	2018
	\$'000	\$'000
Ordinary Dividend	12,728	9,020
Special Dividend	-	-
Preference Dividend	-	-
Total	<u>12,728</u>	<u>9,020</u>

**17. Interested Person Transactions**

Name of Interested Person	Aggregate value of all IPTs during the financial year under review (excluding transactions less than \$100,000)	
	31/12/19	31/12/18
	Not applicable.	-

**18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704 (13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.**

Pursuant to Rule 704(13), Frencken Group Limited confirms that there is no person occupying managerial positions in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company.

**19. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1) of the Listing Manual.**

Frencken Group Limited confirms that undertakings under Rule 720(1) have been obtained from all its directors and executive officers in the format set out in Appendix 7.7.

**BY ORDER OF THE BOARD**

Mohamad Anwar Au  
Executive Director  
27-Feb-20