



**FRENCKEN GROUP LIMITED**

(Registration No. 199905084D)

**Unaudited Half Year Ended 30 June 2020 Financial Statements And Dividend Announcement**

**PART 1- INFORMATION REQUIRED FOR ANNOUNCEMENT OF 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.**

	Group		%
	30/06/20	30/06/19	
	\$'000	\$'000	Change
Revenue	292,508	323,425	-9.6%
Cost of sales	(247,070)	(270,295)	-8.6%
Gross profit	45,438	53,130	-14.5%
Other income (Note 1)	6,477	1,817	256.5%
Selling and distribution expenses	(4,636)	(6,576)	-29.5%
Administrative and general expenses	(21,192)	(21,457)	-1.2%
Other operating expenses (Note 1)	(2,002)	(819)	144.4%
Interest income	998	805	24.0%
Finance costs	(1,272)	(1,568)	-18.9%
Profit before income tax	23,811	25,332	-6.0%
Income tax expense	(5,170)	(5,489)	-5.8%
Profit for the period	18,641	19,843	-6.1%
Profit attributable to:			
Equity holders of the Company	18,736	19,707	-4.9%
Non-controlling interests	(95)	136	N.M.
	18,641	19,843	-6.1%
<b>Note 1 - Other income/(Other operating expenses)</b>			
Other Income	6,477	1,817	256.5%
Other Operating Expenses	(2,002)	(819)	144.4%
	4,475	998	348.4%
Included in Other income/(Other operating expenses):			
(Loss)/Gain on disposal of property, plant and equipment, net	115	48	139.6%
Property, plant and equipment written off	(67)	-	N.M.
Government grants	2,756	765	260.3%
Foreign exchange (loss)/gain, net	1,015	(628)	N.M.
Scrap sales	278	304	-8.6%
Project income	-	138	N.M.
Other income	389	373	4.3%
Other expenses	(11)	(2)	450.0%
	4,475	998	348.4%

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		
	6 months ended		
	30/06/20	30/06/19	%
	\$'000	\$'000	Change
<b>Profit for the period is arrived at after charging/(crediting) :-</b>			
Investment income	-	-	-
Other income including interest income	(7,475)	(2,622)	185%
Interest on borrowings	1,272	1,568	-19%
Depreciation of property, plant and equipment	7,713	7,822	-1%
Depreciation of right-of-use assets	2,689	2,498	8%
Depreciation of investment properties	32	32	N.M.
Amortisation of intangible assets	234	285	-18%
Allowance/(write-back) for doubtful debts and bad debts written off	192	18	967%
Allowance/(write back) for inventory obsolescence	593	521	14%
Impairment in value of investments	-	-	-
Foreign exchange (gain)/loss, net	(1,015)	628	N.M.
Adjustments for (over)/under provision of tax in respect of prior years	56	(82)	N.M.
(Gain)/Loss on disposal of property, plant and equipment, net	(115)	(48)	140%
Property, plant and equipment written off	67	-	N.M.

N.M. : Not meaningful

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

	Group		Company	
	30/06/20 \$'000	31/12/19 \$'000	30/06/20 \$'000	31/12/19 \$'000
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	94,949	90,357	-	-
Right-of-use assets	18,538	16,821	-	-
Investment properties	1,589	1,636	-	-
Subsidiaries	-	-	128,025	128,025
Financial asset at fair value through other comprehensive income	3,235	3,235	3,235	3,235
Intangible assets	17,663	17,505	-	-
Deferred income tax assets	1,325	1,456	-	-
Other receivables, deposits and prepayments	240	360	-	-
<b>Total non-current assets</b>	<b>137,539</b>	<b>131,370</b>	<b>131,260</b>	<b>131,260</b>
<b>CURRENT ASSETS</b>				
Inventories	154,608	140,679	-	-
Trade receivables	93,128	97,647	-	-
Receivables from subsidiaries	-	-	4,151	5,812
Dividends receivable from subsidiaries	-	-	-	3,569
Other receivables, deposits and prepayments	11,691	13,791	20	51
Tax recoverable	-	327	-	-
Cash and cash equivalents	153,671	122,382	15,885	12,321
<b>Total current assets</b>	<b>413,098</b>	<b>374,826</b>	<b>20,056</b>	<b>21,753</b>
<b>Total assets</b>	<b>550,637</b>	<b>506,196</b>	<b>151,316</b>	<b>153,013</b>
<b>CURRENT LIABILITIES</b>				
Trade payables	76,475	87,809	-	-
Payable to a subsidiary	-	-	16	561
Other payables, accruals and provisions	42,500	38,780	1,013	931
Borrowings	81,666	53,053	1,600	3,110
Lease liabilities	4,819	4,486	-	-
Income tax payable	7,710	6,242	36	27
<b>Total current liabilities</b>	<b>213,170</b>	<b>190,370</b>	<b>2,665</b>	<b>4,629</b>
<b>NON CURRENT LIABILITIES</b>				
Borrowings	47	169	-	-
Lease liabilities	11,526	11,045	-	-
Retirement benefit obligations	2,417	2,347	-	-
Deferred income tax liabilities	4,768	4,114	-	-
<b>Total non-current liabilities</b>	<b>18,758</b>	<b>17,675</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>231,928</b>	<b>208,045</b>	<b>2,665</b>	<b>4,629</b>
<b>NET ASSETS</b>	<b>318,709</b>	<b>298,151</b>	<b>148,651</b>	<b>148,384</b>
<b>EQUITY</b>				
Capital and reserves attributable to the Company's equity holders				
Share capital	103,766	103,486	103,766	103,486
Foreign currency translation reserve	1,248	(1,934)	-	-
Merger reserve	2,345	2,345	-	-
Capital reserve	1,579	1,990	2,160	1,990
Statutory reserve fund	4,097	3,834	-	-
Share option reserve	712	882	712	882
Fair value reserve	(3,165)	(3,165)	(3,165)	(3,165)
Other reserve	(1,702)	(1,630)	-	-
Retained profits	208,038	189,565	45,178	45,191
	316,918	295,373	148,651	148,384
Non-controlling interests	1,791	2,778	-	-
<b>TOTAL EQUITY</b>	<b>318,709</b>	<b>298,151</b>	<b>148,651</b>	<b>148,384</b>

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

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

As at 30/06/20	
Secured \$'000	Unsecured \$'000
42,459	39,207

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

### Amount repayable after one year

As at 30/06/20	
Secured \$'000	Unsecured \$'000
47	-

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

### Details of any collaterals

Details of the borrowings of the Group and its securities as at 30 June 2020 are as follows:

	Note	Secured \$'000	Unsecured \$'000	Total \$'000
Bank overdrafts	(i)	39,221	77	39,298
Other short-term borrowings	(ii)	2,805	38,684	41,489
Term Loans	(iii)	480	446	926
		<u>42,506</u>	<u>39,207</u>	<u>81,713</u>

(i) bank overdrafts of :-

- (a) \$38,036,000 is secured by mortgage over properties, pledged on the trade receivables and inventories of all subsidiaries of the Company in The Netherlands; and
- (b) \$1,185,000 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.**

	<b>Group</b>	
	<b>6 months ended</b>	
	<b>30/06/20</b>	<b>30/06/19</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit after tax</b>	18,641	19,843
Adjustments for:		
Income tax expense	5,170	5,489
Exchange differences	(491)	249
Employee share option expense	-	197
Depreciation of property, plant and equipment	7,713	7,822
Depreciation of right-of-use assets	2,689	2,498
Depreciation of investment properties	32	32
Loss on disposal of club membership	2	-
(Gain)/Loss on disposal of property, plant and equipment, net	(115)	(48)
Property, plant and equipment written off	67	-
Interest income	(998)	(805)
Interest expense	1,272	1,568
Amortisation of intangible assets	234	285
Operating cash flow before working capital changes	<u>34,216</u>	<u>37,130</u>
<b>Changes in operating assets and liabilities :</b>		
Inventories	(11,373)	(10,208)
Receivables	8,266	1,303
Payables	(8,953)	(8,928)
<b>Cash flows generated from operations</b>	<u>22,156</u>	<u>19,297</u>
Tax paid	(2,671)	(4,205)
Interest paid	(1,272)	(1,568)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<u>18,213</u>	<u>13,524</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	998	805
Additions of intangible assets	-	(17)
Purchase of property, plant and equipment ( <b>Note 1</b> )	(12,441)	(6,573)
Proceeds from intangible assets	7	-
Proceeds from disposal of property, plant and equipment	208	123
Repayment of loan from a third party	120	150
Acquisition of non-controlling interests without a change in control ( <b>Note 2</b> )	(1,478)	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(12,586)</u>	<u>(5,512)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of share capital	280	390
Repayment of lease liabilities	(2,482)	(2,270)
Repayment of short term bank borrowings	(59,489)	(56,262)
Repayment of term loans	(331)	(269)
Proceeds from short term bank borrowings	61,570	52,757
Dividend paid to shareholders	-	(9,063)
Placement of deposits pledged as securities	-	(29)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<u>(452)</u>	<u>(14,746)</u>
Net increase/(decrease) in cash and cash equivalents	5,175	(6,734)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>	109,599	45,060
Effect of exchange rate changes on cash and cash equivalents	(550)	207
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	<u>114,224</u>	<u>38,533</u>

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	
	6 months ended	
	30/06/20	30/06/19
	\$'000	\$'000
<b>Cash and cash equivalents at end of the financial period comprise:</b>		
Short term funds placed with Malaysian financial institutions	44,821	43,818
Deposits with licensed banks	1,749	5,249
Cash and bank balances	107,101	14,038
Bank overdrafts	(39,298)	(24,424)
	<u>114,373</u>	<u>38,681</u>
Less: Deposits pledged as securities	(149)	(148)
	<u>114,224</u>	<u>38,533</u>

**Note 1 :**

During the financial period, the Group acquired property, plant and equipment with an aggregate cost of \$12,301,000 (30.06.2019: \$5,042,000) of which \$77,000 (30.06.2019: \$64,000) was included in other payables at balance sheet date. Cash payments of \$12,441,000 (30.06.2019: \$6,573,000) includes an amount of \$217,000 (30.06.2019: \$1,595,000) for payment from other payables to purchase property, plant and equipment incurred in previous financial year.

**Note 2 :**

On 31 March 2020, the Group acquired the remaining 20% interest in its indirect subsidiary, Frencken America Inc. ("FAM"). Accordingly, FAM is now a wholly-owned subsidiary of the Group. The carrying amount of FAM's net assets in the Group's consolidated financial statements at the date of the acquisition was \$4,485,000.

	<b>FAM</b>
	\$'000
Carrying amount of non-controlling interests ("NCI") acquired (\$4,485,000 x 20%)	897
Consideration paid to NCI	1,478
Decrease in equity attributable to owners of the Company	<u>(581)</u>

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

	Group	
	6 months ended	
	30/06/20	30/06/19
	\$'000	\$'000
<b><u>Statement of Comprehensive Income</u></b>		
Profit for the period	18,641	19,843
<i>Item that may be reclassified subsequently to income statement :</i>		
- Currency translation differences arising from consolidation	3,115	(286)
Total comprehensive income for the period	<u>21,756</u>	<u>19,557</u>
Attributable to:		
Equity holders of the Company	21,846	19,318
Non-controlling interests	(90)	239
Total comprehensive income for the period	<u>21,756</u>	<u>19,557</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 six months ended 30 June 2020 and 30 June 2019

	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 2020	103,486	(1,934)	2,345	1,990	3,834	882	(3,165)	(1,630)	189,565	295,373	2,778	298,151
Profit for the period	-	-	-	-	-	-	-	-	18,736	18,736	(95)	18,641
Other comprehensive income:												
Currency translation differences arising from consolidation	-	3,182	-	-	-	-	-	(72)	-	3,110	5	3,115
Total comprehensive income/(loss) for the period	-	3,182	-	-	-	-	-	(72)	18,736	21,846	(90)	21,756
<i>Transactions with owners recognised directly in equity</i>												
Transfer to statutory reserve fund	-	-	-	-	263	-	-	-	(263)	-	-	-
Employee share option scheme - Issue of share capital	280	-	-	170	-	(170)	-	-	-	280	-	280
Acquisition of non-controlling interests without a change in control	-	-	-	(581)	-	-	-	-	-	(581)	(897)	(1,478)
	280	-	-	(411)	263	(170)	-	-	(263)	(301)	(897)	(1,198)
At 30 June 2020	<u>103,766</u>	<u>1,248</u>	<u>2,345</u>	<u>1,579</u>	<u>4,097</u>	<u>712</u>	<u>(3,165)</u>	<u>(1,702)</u>	<u>208,038</u>	<u>316,918</u>	<u>1,791</u>	<u>318,709</u>
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 period	-	-	-	-	-	-	-	-	19,707	19,707	136	19,843
Other comprehensive income/(loss):												
Currency translation differences arising from consolidation	-	(393)	-	-	-	-	-	4	-	(389)	103	(286)
Total comprehensive income/(loss) for the period	-	(393)	-	-	-	-	-	4	19,707	19,318	239	19,557
<i>Transactions with owners recognised directly in equity</i>												
Transfer to/(from) statutory reserve fund	-	-	-	-	152	-	-	-	(152)	-	-	-
Employee share option scheme - Value of employee services	-	-	-	-	-	197	-	-	-	197	-	197
- Issue of share capital	390	-	-	191	-	(191)	-	-	-	390	-	390
Dividend paid	-	-	-	-	-	-	-	-	(9,063)	(9,063)	-	(9,063)
	390	-	-	191	152	6	-	-	(9,215)	(8,476)	-	(8,476)
At 30 June 2019	<u>103,282</u>	<u>791</u>	<u>2,345</u>	<u>1,873</u>	<u>3,635</u>	<u>837</u>	<u>(3,165)</u>	<u>(963)</u>	<u>167,099</u>	<u>275,734</u>	<u>2,866</u>	<u>278,600</u>

**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 2020	103,486	-	-	1,990	-	882	(3,165)	45,191	148,384
Total comprehensive loss for the period	-	-	-	-	-	-	-	(13)	(13)
<i>Transactions with owners recognised directly in equity</i>									
Employee share option scheme - Issue of share capital	280	-	-	170	-	(170)	-	-	280
	280	-	-	170	-	(170)	-	-	280
At 30 June 2020	<u>103,766</u>	<u>-</u>	<u>-</u>	<u>2,160</u>	<u>-</u>	<u>712</u>	<u>(3,165)</u>	<u>45,178</u>	<u>148,651</u>
At 1 January 2019	102,892	-	-	1,682	-	831	(3,165)	45,370	147,610
Total comprehensive loss for the period	-	-	-	-	-	-	-	(370)	(370)
<i>Transactions with owners recognised directly in equity</i>									
Employee share option scheme - Value of employee services	-	-	-	-	-	197	-	-	197
- Issue of share capital	390	-	-	191	-	(191)	-	-	390
Dividend paid	-	-	-	-	-	-	-	(9,063)	(9,063)
	390	-	-	191	-	6	-	(9,063)	(8,476)
At 30 June 2019	<u>103,282</u>	<u>-</u>	<u>-</u>	<u>1,873</u>	<u>-</u>	<u>837</u>	<u>(3,165)</u>	<u>35,937</u>	<u>138,764</u>



1(e)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, 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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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 period, the Company issued 650,000 new ordinary shares pursuant to the Company's employee share option scheme at the exercise price of \$0.432 each. There are no treasury shares held as at the end of the current period.

	<b>Total number of issued shares as at</b>	
	<b>30/06/20</b>	<b>30/06/19</b>
Number of issued shares	424,922,409	423,502,409
Number of treasury shares	-	-
Total number of issued shares excluding treasury shares	<u>424,922,409</u>	<u>423,502,409</u>

Share options

The movement of share options of the Company during the period from 1 January 2020 to 30 June 2020 is as follows:

Date of grant	Number of ordinary shares under option					Exercise price	Exercise period
	As at 1.1.2020	Granted during the period	Forfeited during the period	Exercised during the period	As at 30.6.2020		
1.12.2010 (2010 Option)	675,000	0	0	0	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)	2,850,000	0	0	(650,000)	2,200,000	\$0.432	6.12.2019 - 5.12.2027
	<u>4,025,000</u>	<u>0</u>	<u>0</u>	<u>(650,000)</u>	<u>3,375,000</u>		

	<b>Total number of shares as at</b>	
	<b>30/06/20</b>	<b>30/06/19</b>
Total number of shares that may be issued on exercise of share options outstanding	<u>3,375,000</u>	<u>4,795,000</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.

	<b>As at</b>	
	<b>30/06/20</b>	<b>31/12/19</b>
Total number of issued shares excluding treasury shares	<u>424,922,409</u>	<u>424,272,409</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.

Not applicable.

1(e)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.



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 offers 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 3,400 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

	1H	2H	Full Year
<b>FY2020 (S\$'000)</b>	292,508	-	-
<b>FY2019 (S\$'000)</b>	323,425	335,726	659,151
<b>yoy (%)</b>	(9.6)	N.M.	N.M.

For the six months ended 30 June 2020 ("1H20"), the Group's revenue decreased 9.6% year-on-year (yoy) to S\$292.5 million. Both the Mechatronics and IMS Divisions had lower revenue contributions as sales of some business segments were affected by business disruptions and slower economic conditions amid the COVID-19 pandemic.

#### Revenue breakdown by Business Segment

Sales	1H20	1H19	yoy
	S\$'000	S\$'000	%
<b>MECHATRONICS DIVISION</b>			
Semiconductor	87,931	50,642	73.6
Medical	43,973	42,214	4.2
Analytical	54,482	71,564	(23.9)
Industrial Automation	58,066	88,072	(34.1)
Others	6,451	8,516	(24.2)
<b>Mechatronics Total</b>	<b>250,903</b>	<b>261,008</b>	<b>(3.9)</b>
<b>IMS DIVISION</b>			
Automotive	30,899	49,288	(37.3)
Consumer & Industrial			
Electronics	8,082	9,383	(13.9)
Others	1,763	2,329	(24.3)
Tooling	1,554	2,173	(28.5)
<b>IMS Total</b>	<b>42,298</b>	<b>63,173</b>	<b>(33.0)</b>

Note: The above does not include revenue derived from investment holding & management services segment, other segment and before eliminations of inter-segment sales.

Revenue at the Mechatronics Division softened 3.9% yoy to S\$250.9 million in 1H20. The higher sales of the semiconductor segment were offset by the decline in sales of the analytical and industrial automation segments.

The semiconductor segment's sales grew 73.6% yoy to S\$87.9 million in 1H20. The Group recorded higher orders for both front-end and back-end semiconductor equipment from customers in Europe and Asia, reflecting the strong recovery of the global semiconductor industry.

Sales of the medical segment improved 4.2% yoy to S\$44.0 million in 1H20, attributable to improved demand from a key customer in Europe.

The analytical segment's sales declined 23.9% yoy to S\$54.5 million in 1H20 due primarily to lower demand from customers in Europe.

Sales of the industrial automation segment fell 34.1% yoy to S\$58.1 million in 1H20 due to lower shipments of storage drive production equipment to a key multinational customer. Sales of this segment are typically lumpy and dependent on capital expenditure requirements of key customers.

Revenue at the IMS Division decreased 33.0% yoy to S\$42.3 million in 1H20. The division's revenue contraction was due mainly to a significant reduction in sales of the automotive segment. The automotive segment's sales decreased 37.3% yoy to S\$30.9 million in 1H20 as orders from customers in the Group's main automotive markets were affected by measures implemented by the respective governments to contain the spread of Covid-19 and an overall slowdown in end-user demand.

#### **Gross Profit Margin**

As a result of lower revenue, the Group's gross profit decreased 14.5% yoy to S\$45.4 million in 1H20. Gross profit margin decreased to 15.5% in 1H20 from 16.4% in 1H19 due mainly to softer gross profit margin of the automotive segment.

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

Other income, net of other operating expenses, increased to S\$4.5 million in 1H20 from S\$1.0 million in 1H19. This was due mainly to grants from the job support scheme of the Singapore government during this period of economic uncertainty, as well as grants from various governments to alleviate the impact of COVID-19 outbreak and an investment incentive for our plant in Chuzhou, China. Higher net foreign exchange gain was also recorded in 1H20 when compared against 1H19.

#### **Selling and Administrative Expenses**

Selling and distribution expenses decreased 29.5% yoy to S\$4.6 million in 1H20 due primarily to a reduction in freight charges at the IMS Division.

Administrative and general expenses was relatively stable at S\$21.2 million in 1H20 compared to S\$21.5 million in 1H19.

#### **Finance Costs**

Finance costs in 1H20 decreased 18.9% yoy to S\$1.3 million in 1H20 due to lower interest expenses.

#### **Group Profit before Income Tax**

After accounting for the above items, the Group reported profit before income tax of S\$23.8 million in 1H20, a decrease of 6.0% from S\$25.3 million in 1H19.

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

	1H	2H	Full Year
<b>FY2020 (S\$'000)</b>	18,736	-	-
<b>FY2019 (S\$'000)</b>	19,707	22,665 *	42,372
<b>yoy (%)</b>	(4.9)	N.M.	N.M.

*\* 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*

After deducting income tax expense of S\$5.2 million, the Group reported a net profit attributable to equity holders ("PATMI") of S\$18.7 million in 1H20, a decrease of 4.9% from S\$19.7 million in 1H19.

## Balance Sheet

As at 30 June 2020, the Group had shareholders' equity of S\$316.9 million, equivalent to net asset value of 74.58 cents per share based on the total number of issued shares of 424.9 million shares.

Total assets increased to S\$550.6 million as at 30 June 2020 from S\$506.2 million as at 31 December 2019.

Property, plant and equipment increased to S\$94.9 million from S\$90.4 million as at 31 December 2019. In line with 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 30 June 2020, the Group's right-of-use assets stood at S\$18.5 million.

As at 30 June 2020, the Group's cash and cash equivalents increased to S\$153.7 million from S\$122.4 million as at 31 December 2019. Inventories increased to S\$154.6 million compared to S\$140.7 million as at 31 December 2019, to meet the fulfilment of orders to customers. Trade receivables decreased to S\$93.1 million from S\$97.6 million as at 31 December 2019 in tandem with lower Group sales.

Trade payables decreased to S\$76.5 million as at 30 June 2020 from S\$87.8 million as at 31 December 2019. The Group's lease liabilities stood at S\$16.3 million as at 30 June 2020.

Total borrowings increased to S\$81.7 million from as at 30 June 2020 from S\$53.2 million as at 31 December 2019.

As at 30 June 2020, the Group recorded an increase in net cash to S\$72.0 million as compared to S\$69.2 million as at 31 December 2019. Total debt-to-equity ratio stood at 25.8%, compared to 18.0% as at 31 December 2019.

## Cash Flow Analysis

The Group generated net cash of S\$18.2 million from operating activities in 1H20. Net cash used for investing activities amounted to S\$12.6 million in 1H20 due mainly to capital expenditure and acquisition of the remaining 20% interest in an indirect subsidiary in the USA.

Net cash used in financing activities amounted to S\$0.4 million in 1H20 due primarily to net repayment of short term bank borrowings and repayment of lease liabilities.

As a result of the above, the Group recorded a net increase in cash and cash equivalents of S\$5.2 million during 1H20. When added to its opening cash and cash equivalents of S\$109.6 million at the beginning of FY2020 and after accounting for the negative effect of foreign currency movements of S\$0.6 million on its opening cash and cash equivalents, the Group had a cash balance of S\$114.2 million as at 30 June 2020.

## 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 performance in 1H20 is generally in line with the guidance provided in its business update for 1Q20 which was posted on the SGX website on 14 May 2020.

**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 continues to ensure that it complies strictly with all COVID-19 measures imposed by the various authorities in the worldwide jurisdictions where it has operations. At present, all the Group's manufacturing sites in Asia, Europe and the USA have resumed normal operations. In addition, the initial supply chain disruptions caused by the COVID-19 lockdown measures are largely resolved.

The Group is ensuring that the necessary measures remain in place at all its global operating sites to establish a safe and healthy working environment for its employees amid the COVID-19 pandemic. As part of the Group's Corporate Social Responsibility efforts, Frencken has also actively engaged in programs to support and assist the communities at its various locations worldwide.

The Group expects the operating landscape in the second half of FY2020 to remain challenging in view of the impact of COVID-19 pandemic on the global economy and end-user demand. Given the uncertainties and fluid nature of the current situation, it remains difficult to reliably predict the impact on the Group's business and financial performance.

Frencken serves broad and diverse business segments and geographical regions, which, together with its sound balance sheet, will help to provide resilience and stability to the Group.

The Group will continue to execute business strategies at the Mechatronics and IMS Divisions to raise operational excellence, enhance core competencies, strengthen global capabilities and pursue best-in-class quality. The Group will also continue to focus on moving up the value chain and expanding market share with both existing and new customers.

#### **BUSINESS SEGMENT OUTLOOK**

Based on current indicators, and barring any unforeseen circumstances and further deterioration in the business environment arising from the COVID-19 pandemic, the anticipated revenue performances of the Group's key business segments in 2H20 as compared to 1H20 (hoh) are outlined below:

The semiconductor segment is expected to remain resilient in 2H20 with higher revenue as compared to 1H20.

Revenue of the medical and industrial automation segments are anticipated to remain stable in 2H20 compared to 1H20. The analytical segment is expected to record a modest increase in revenue in 2H20 as compared to 1H20.

The automotive segment in 2H20 is expected to record higher revenue as compared to 1H20.

The Group will continue to monitor the changing COVID-19 pandemic situation and shall keep shareholders informed of any material developments as and when they arise.

**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 and reason(s) for the decision.**

No interim dividend has been declared or recommended for the half year ended 30 June 2020 as the Group's practice is to recommend dividend payment annually together with its full-year results.

**13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

Name of Interested Person	Aggregate value of all IPTs during the financial period under review (excluding transactions less than \$100,000) 6 months ended	
	30/6/20	30/6/19
	Not applicable	-

**14. Confirmation by Directors Pursuant to Rule 705(5) of the Listing Manual of SGX-ST.**

We, Mohamad Anwar Au and Dato' Gooi Soon Chai, 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 half year ended 30 June 2020 financial results to be false or misleading.

On behalf of the Board of Directors

*(signed)*

Mohamad Anwar Au  
Executive Director

*(signed)*

Dato' Gooi Soon Chai  
Non-Executive Director

**15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1) of the Listing Manual of SGX-ST.**

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.

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

**16. 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

**17. 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

**18. A breakdown of sales.**

Only applies to full year results

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

Only applies to full year results

**20. 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). If there are no such persons, the issuer must make an appropriate negative statement.**

Only applies to full year results

**BY ORDER OF THE BOARD**

Mohamad Anwar Au  
Executive Director  
13-Aug-20