



**FRENCKEN GROUP LIMITED
and its Subsidiaries
Registration No. 199905084D**

**Condensed Interim Financial Statements
For the six months ended 30 June 2023**



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FRENCKEN GROUP LIMITED

(Registration No. 199905084D)

A. Condensed Interim Consolidated Income Statement

	Group 6 months ended		%
	30-06-23 \$'000	30-06-22 \$'000	
Revenue	351,032	388,935	-9.7%
Cost of sales	(307,730)	(328,127)	-6.2%
Gross profit	43,302	60,808	-28.8%
Other income (Note 1)	5,432	4,573	18.8%
Selling and distribution expenses	(4,982)	(5,729)	-13.0%
Administrative and general expenses	(24,048)	(25,231)	-4.7%
Other operating expenses (Note 1)	(1,631)	(1,043)	56.4%
Interest income	615	208	195.7%
Finance costs	(2,910)	(1,458)	99.6%
Share of results of an associate, net of tax	5	-	N.M.
Profit before income tax	15,783	32,128	-50.9%
Income tax expense	(3,911)	(5,954)	-34.3%
Profit for the period	11,872	26,174	-54.6%
Profit attributable to:			
Equity holders of the Company	12,073	26,146	-53.8%
Non-controlling interests	(201)	28	N.M.
	11,872	26,174	-54.6%
Note 1 - Other income/(Other operating expenses)			
Other Income	5,432	4,573	18.8%
Other Operating Expenses	(1,631)	(1,043)	56.4%
	3,801	3,530	7.7%
Included in Other income/(Other operating expenses):			
(Loss)/Gain on disposal of property, plant and equipment, net	173	243	-28.8%
Property, plant and equipment written off	(1)	(6)	-83.3%
Government grants	699	903	-22.6%
Foreign exchange (loss)/gain, net	444	775	-42.7%
Amortisation of deferred gain	11	-	N.M.
Scrap sales	784	700	12.0%
Project income	660	324	103.7%
Fair value gain on financial assets designated at fair value through profit or loss, net	717	334	114.7%
Other income	333	287	16.0%
Other expenses	(19)	(30)	-36.7%
	3,801	3,530	7.7%

N.M. : Not meaningful



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B. Condensed Interim Consolidated Statement of Comprehensive Income

	Group	
	30-06-23	30-06-22
	\$'000	\$'000
<u>Statement of Comprehensive Income</u>		
Profit for the period	11,872	26,174
<i>Item that may be reclassified subsequently to income statement:</i>		
- Currency translation differences arising from consolidation	(3,086)	(9,824)
Total comprehensive income for the period	<u>8,786</u>	<u>16,350</u>
Attributable to:		
Equity holders of the Company	8,943	16,571
Non-controlling interests	(157)	(221)
Total comprehensive income for the period	<u>8,786</u>	<u>16,350</u>



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C. Condensed Interim Balance Sheet

	Group		Company	
	30-06-23 \$'000	31-12-22 \$'000	30-06-23 \$'000	31-12-22 \$'000
NON-CURRENT ASSETS				
Property, plant and equipment	125,628	127,541	-	-
Right-of-use assets	35,482	38,965	-	-
Investment properties	1,301	1,358	-	-
Subsidiaries	-	-	133,320	133,261
Investment in an associate	20	16	-	-
Financial asset at fair value through other comprehensive income	1,995	1,995	1,995	1,995
Intangible assets	21,447	21,503	-	-
Deferred income tax assets	1,462	1,427	-	-
Other receivables, deposits and prepayments	1,916	-	-	-
Total non-current assets	<u>189,251</u>	<u>192,805</u>	<u>135,315</u>	<u>135,256</u>
CURRENT ASSETS				
Inventories	237,928	228,821	-	-
Trade receivables	112,922	123,207	-	-
Receivables from subsidiaries	-	-	417	239
Dividends receivable from subsidiaries	-	-	-	14,617
Other receivables, deposits and prepayments	13,307	13,364	85	38
Tax recoverable	386	22	-	-
Cash and cash equivalents	135,130	166,989	16,843	18,596
Total current assets	<u>499,673</u>	<u>532,403</u>	<u>17,345</u>	<u>33,490</u>
Total assets	688,924	725,208	152,660	168,746
CURRENT LIABILITIES				
Trade payables	95,342	108,312	-	-
Payable to a subsidiary	-	-	135	106
Other payables, accruals and provisions	44,127	58,319	1,727	2,154
Deferred income	22	23	-	-
Borrowings	113,557	107,721	-	-
Lease liabilities	7,042	9,214	-	-
Income tax payable	3,587	6,371	-	-
Total current liabilities	<u>263,677</u>	<u>289,960</u>	<u>1,862</u>	<u>2,260</u>
NON CURRENT LIABILITIES				
Other payables, accruals and provisions	138	199	-	-
Deferred income	62	75	-	-
Borrowings	693	1,090	-	-
Lease liabilities	29,764	32,422	-	-
Retirement benefit obligations	314	447	-	-
Deferred income tax liabilities	4,519	4,596	-	-
Total non-current liabilities	35,490	38,829	-	-
Total liabilities	<u>299,167</u>	<u>328,789</u>	<u>1,862</u>	<u>2,260</u>
NET ASSETS	<u>389,757</u>	<u>396,419</u>	<u>150,798</u>	<u>166,486</u>
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	104,444	104,444	104,444	104,444
Foreign currency translation reserve	(20,096)	(16,913)	-	-
Merger reserve	2,345	2,345	-	-
Capital reserve	1,981	1,981	2,562	2,562
Statutory reserve fund	6,712	6,268	-	-
Share option reserve	563	467	563	467
Fair value reserve	(4,405)	(4,405)	(4,405)	(4,405)
Other reserve	657	604	-	-
Retained profits	293,182	297,097	47,634	63,418
	<u>385,383</u>	<u>391,888</u>	<u>150,798</u>	<u>166,486</u>
Non-controlling interests	4,374	4,531	-	-
TOTAL EQUITY	<u>389,757</u>	<u>396,419</u>	<u>150,798</u>	<u>166,486</u>



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D. Condensed Interim Consolidated Cash Flow Statement

	Group	
	30-06-23	30-06-22
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit after tax	11,872	26,174
Adjustments for:		
Income tax expense	3,911	5,954
Share of results of an associate, net of tax	(5)	-
Exchange differences	(254)	604
Employee share option expense	96	80
Depreciation of property, plant and equipment	10,927	9,640
Depreciation of right-of-use assets	3,921	3,515
Depreciation of investment properties	10	28
(Gain)/Loss on disposal of property, plant and equipment, net	(173)	(243)
Property, plant and equipment written off	1	6
Interest income	(615)	(208)
Interest expense	2,910	1,458
Amortisation of deferred income	(11)	-
Amortisation of intangible assets	160	146
Operating cash flow before working capital changes	32,750	47,154
Changes in operating assets and liabilities :		
Inventories	(8,192)	(42,524)
Receivables	10,578	(27,025)
Payables	(27,806)	5,051
Cash flows from/(used in) operations	7,330	(17,344)
Tax paid	(7,142)	(4,044)
Interest paid	(2,910)	(1,458)
NET CASH USED IN OPERATING ACTIVITIES	(2,722)	(22,846)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	615	208
Additions of intangible assets	(17)	-
Purchase of property, plant and equipment	(9,676)	(24,592)
Proceeds from disposal of property, plant and equipment	77	584
Loan to a third party	(2,500)	-
Repayment of loan from a third party	118	-
NET CASH USED IN INVESTING ACTIVITIES	(11,383)	(23,800)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	(5,355)	(4,223)
Repayment of short term bank borrowings	(94,691)	(140,913)
Repayment of term loans	(450)	(534)
Proceeds from short term bank borrowings	89,006	145,353
Dividend paid to shareholders	(15,544)	(17,636)
NET CASH USED IN FINANCING ACTIVITIES	(27,034)	(17,953)
Net decrease in cash and cash equivalents	(41,139)	(64,599)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	110,268	152,610
Effect of exchange rate changes on cash and cash equivalents	(2,711)	(2,650)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	66,418	85,361



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D. Condensed Interim Consolidated Cash Flow Statement

	Group	
	6 months ended	
	30-06-23	30-06-22
	\$'000	\$'000
Cash and cash equivalents at end of the financial period comprise:		
Short term funds placed with Malaysian financial institutions	43,088	44,496
Deposits with licensed banks	16,560	20,606
Cash and bank balances	75,482	81,032
Bank overdrafts	(68,510)	(60,567)
	<u>66,620</u>	<u>85,567</u>
Less: Deposits pledged as securities	(202)	(206)
	<u>66,418</u>	<u>85,361</u>



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E. Condensed Interim Statement of Changes in Equity

(a) Statement of changes in equity for the six months ended 30 June 2023 and 30 June 2022

	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
The Group												
At 1 January 2023	104,444	(16,913)	2,345	1,981	6,268	467	(4,405)	604	297,097	391,888	4,531	396,419
Profit for the period	-	-	-	-	-	-	-	-	12,073	12,073	(201)	11,872
Other comprehensive income/(loss):												
Currency translation differences arising from consolidation	-	(3,183)	-	-	-	-	-	53	-	(3,130)	44	(3,086)
Total comprehensive income/(loss) for the period	-	(3,183)	-	-	-	-	-	53	12,073	8,943	(157)	8,786
<i>Transactions with owners recognised directly in equity</i>												
Transfer to statutory reserve fund	-	-	-	-	444	-	-	-	(444)	-	-	-
Employee share option scheme - Value of employee services	-	-	-	-	-	96	-	-	-	96	-	96
Dividend Paid	-	-	-	-	-	-	-	-	(15,544)	(15,544)	-	(15,544)
	-	-	-	-	444	96	-	-	(15,988)	(15,448)	-	(15,448)
At 30 June 2023	<u>104,444</u>	<u>(20,096)</u>	<u>2,345</u>	<u>1,981</u>	<u>6,712</u>	<u>563</u>	<u>(4,405)</u>	<u>657</u>	<u>293,182</u>	<u>385,383</u>	<u>4,374</u>	<u>389,757</u>
At 1 January 2022	104,444	2,650	2,345	1,981	5,417	290	(4,405)	(270)	263,710	376,162	2,867	379,029
Profit for the period	-	-	-	-	-	-	-	-	26,146	26,146	28	26,174
Other comprehensive income/(loss):												
Currency translation differences arising from consolidation	-	(9,576)	-	-	-	-	-	1	-	(9,575)	(249)	(9,824)
Total comprehensive income/(loss) for the period	-	(9,576)	-	-	-	-	-	1	26,146	16,571	(221)	16,350
<i>Transactions with owners recognised directly in equity</i>												
Transfer to/(from) statutory reserve fund	-	-	-	-	487	-	-	-	(487)	-	-	-
Employee share option scheme - Value of employee services	-	-	-	-	-	80	-	-	-	80	-	80
Dividend paid	-	-	-	-	-	-	-	-	(17,636)	(17,636)	-	(17,636)
	-	-	-	-	487	80	-	-	(18,123)	(17,556)	-	(17,556)
At 30 June 2022	<u>104,444</u>	<u>(6,926)</u>	<u>2,345</u>	<u>1,981</u>	<u>5,904</u>	<u>370</u>	<u>(4,405)</u>	<u>(269)</u>	<u>271,733</u>	<u>375,177</u>	<u>2,646</u>	<u>377,823</u>

Attributable to equity holders of the Company

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
At 1 January 2023	104,444	-	-	2,562	-	467	(4,405)	63,418	166,486
Total comprehensive loss for the period	-	-	-	-	-	-	-	(240)	(240)
<i>Transactions with owners recognised directly in equity</i>									
Employee share option scheme - Value of employee services	-	-	-	-	-	96	-	-	96
Dividend paid	-	-	-	-	-	-	-	(15,544)	(15,544)
	-	-	-	-	-	96	-	(15,544)	(15,448)
At 30 June 2023	<u>104,444</u>	<u>-</u>	<u>-</u>	<u>2,562</u>	<u>-</u>	<u>563</u>	<u>(4,405)</u>	<u>47,634</u>	<u>150,798</u>
At 1 January 2022	104,444	-	-	2,562	-	290	(4,405)	67,615	170,506
Total comprehensive loss for the period	-	-	-	-	-	-	-	(690)	(690)
<i>Transactions with owners recognised directly in equity</i>									
Employee share option scheme - Value of employee services	-	-	-	-	-	80	-	-	80
Dividend paid	-	-	-	-	-	-	-	(17,636)	(17,636)
	-	-	-	-	-	80	-	(17,636)	(17,556)
At 30 June 2022	<u>104,444</u>	<u>-</u>	<u>-</u>	<u>2,562</u>	<u>-</u>	<u>370</u>	<u>(4,405)</u>	<u>49,289</u>	<u>152,260</u>



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F. Notes to the condensed interim financial statements

1. Corporate information

Frencken Group Limited (the "Company") is incorporated in Singapore and listed on the Mainboard of Singapore Exchange Securities Trading Limited. These condensed interim financial statements as at and for the six months ended 30 June 2023 comprise the Company and its subsidiaries (collectively, the "Group"). The principal activity of the Company is that of an investment holding company.

The main principal activities of the Group are:

- (a) Provision of value engineering, prototyping, program management, supply chain management, precision machining components and sheet metal parts manufacturing, modular and equipment system assembly, integration, testing and commissioning.
- (b) Design, engineering, manufacturing and sales of filters.
- (c) Manufacture of mould and die, plastic products and component sub-assembly.
- (d) Vacuum coating, thermal treatment and other related services for plastic component.
- (e) Design and trading of micromechanical product components for automotive industry.

2. Basis of Preparation

The condensed interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2022.

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 2023.

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.

The condensed interim financial statements are presented in Singapore dollar which is the Company's functional currency.

2.1 Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2022.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period are included in the following notes:

- Note 11 – impairment test of intangible assets: key assumptions underlying recoverable amounts

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment and revenue information

Information reported to the key management personnel of the Group for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided, and in respect of the operations, the information is further analysed based on the different classes of customers. Management has chosen to organise the Group around differences in products and services.

The Group has two principal business segments under SFRS(I) 8, as described below, which are the Group's strategic business units. The two strategic business units are organised and managed separately because they require differing technological skill sets and marketing strategies. They are as follows:

- Mechatronics - specialising in the design and manufacture of complex electro-mechanical assemblies and automation systems for original equipment manufacturers.
- Integrated Manufacturing Services ("IMS") - specialising in a one-stop integrated solution to manufacture plastic components (including design and fabrication of mould) for assembly into modules and finished products. It also designs and manufactures high quality oil filters.

The Investment Holding & Management Services segment is not a business segment but essentially are investment holding companies and providing management services to companies within the Group.

The Others segment comprises:

- an investment in property holding company; and
- companies in the business of producing, testing and trading of high performance adhesive products and thermal management products.

Inter-segment transactions are determined on terms agreed between the parties. Segment assets consist of non-current and current assets while segment liabilities comprise non-current and current liabilities. Capital expenditure comprises additions to property, plant and equipment.

4.1 Business segments

For the six months ended 30 June 2023

	Mechatronics	IMS	Investment Holding & Management Services	Others	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Turnover						
External revenue	303,249	46,298	-	1,485	-	351,032
Inter-segment sales	-	-	4,812	-	(4,812)	-
	<u>303,249</u>	<u>46,298</u>	<u>4,812</u>	<u>1,485</u>	<u>(4,812)</u>	<u>351,032</u>
Segment results	14,245	805	2,872	151	-	18,073
Interest income	133	10	464	12	(4)	615
Finance costs	(2,558)	(346)	(1)	(9)	4	(2,910)
Share of results of an associate, net of tax	-	-	-	5	-	5
Profit before income tax						<u>15,783</u>
Income tax expense	(3,602)	(232)	(35)	(42)	-	<u>(3,911)</u>
Total profit						<u><u>11,872</u></u>
Other segment information:						
Capital expenditure	8,822	733	3	11	-	9,569
Addition of intangible assets	-	17	-	-	-	17
Depreciation and amortisation	11,035	3,811	60	112	-	15,018
Amortisation of deferred income	-	-	-	11	-	11
Other non-cash expenses other than depreciation and amortisation	27	21	49	-	-	97
	<u>27</u>	<u>21</u>	<u>49</u>	<u>-</u>	<u>-</u>	<u>97</u>
As at 30 June 2023						
Segment assets	<u>508,264</u>	<u>102,051</u>	<u>68,928</u>	<u>9,681</u>	<u>-</u>	<u>688,924</u>
Segment liabilities	<u>269,351</u>	<u>25,599</u>	<u>3,160</u>	<u>1,057</u>	<u>-</u>	<u>299,167</u>

For the six months ended 30 June 2022

	Mechatronics	IMS	Investment Holding & Management Services	Others	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Turnover						
External revenue	340,326	48,471	-	138	-	388,935
Inter-segment sales	-	-	6,037	-	(6,037)	-
	<u>340,326</u>	<u>48,471</u>	<u>6,037</u>	<u>138</u>	<u>(6,037)</u>	<u>388,935</u>
Segment results	27,138	2,314	3,851	75	-	33,378
Interest income	69	9	130	-	-	208
Finance costs	(1,087)	(369)	(2)	-	-	(1,458)
Profit before income tax						<u>32,128</u>
Income tax expense	(5,454)	(440)	(31)	(29)	-	<u>(5,954)</u>
Total profit						<u><u>26,174</u></u>
Other segment information:						
Capital expenditure	21,748	1,756	251	-	-	23,755
Depreciation and amortisation	8,975	4,257	69	28	-	13,329
Other non-cash expenses other than depreciation and amortisation	24	21	45	-	-	90

As at 31 December 2022

Segment assets	531,380	110,760	73,024	10,044	-	725,208
Segment liabilities	290,038	33,414	4,109	1,228	-	328,789

4.2 Geographical segments

	Revenue from external customers		Non-current assets	
	6 months ended		30-06-23	31-12-22
	30-06-23	30-06-22	30-06-23	31-12-22
	\$'000	\$'000	\$'000	\$'000
Based on location of customer				
The Netherlands	137,535	97,727	70,632	67,831
People's Republic of China	33,082	46,394	33,990	36,612
Malaysia	23,873	33,469	37,781	40,330
Czech Republic	28,086	23,037	-	-
Singapore	28,861	50,607	31,770	32,327
Hungary	6,592	6,185	-	-
America	20,224	35,832	6,707	7,018
Germany	21,619	18,971	-	-
Switzerland	36	52	914	1,001
Thailand	26,508	46,424	1,131	1,256
India	3,923	4,151	2,849	2,992
Indonesia	4,565	5,344	-	-
United Kingdom	2,291	3,280	-	-
Mexico	2,421	5,445	-	-
Italy	3,771	4,645	-	-
Slovakia	1,440	1,405	-	-
Others	6,205	5,967	-	-
	<u>351,032</u>	<u>388,935</u>	<u>185,774</u>	<u>189,367</u>

4.3 Information about major customers

Included in revenue arising from Mechatronics division of \$303,249,000 (30.06.2022 : \$340,326,000) are revenue of approximately \$164,048,000 (30.06.2022 : \$98,275,000) which arose from sales to the Group's 3 (30.06.2022 : 2) largest customer.

4.4 Disaggregation of Revenue

A disaggregation of the Group's revenue for the period is as follows:

For the six months ended 30 June 2023

	Mechatronics \$'000	IMS \$'000	Others \$'000	Total \$'000
At a point in time:				
Sale of goods	300,786	44,454	1,355	346,595
Installation services	2,463	-	-	2,463
Rental income	-	-	130	130
	<u>303,249</u>	<u>44,454</u>	<u>1,485</u>	<u>349,188</u>
Over time:				
Sale of moulds	-	1,844	-	1,844
	<u>303,249</u>	<u>46,298</u>	<u>1,485</u>	<u>351,032</u>

For the six months ended 30 June 2022

	Mechatronics \$'000	IMS \$'000	Others \$'000	Total \$'000
At a point in time:				
Sale of goods	335,439	46,168	-	381,607
Installation services	4,887	-	-	4,887
Rental income	-	-	138	138
	<u>340,326</u>	<u>46,168</u>	<u>138</u>	<u>386,632</u>
Over time:				
Sale of moulds	-	2,303	-	2,303
	<u>340,326</u>	<u>48,471</u>	<u>138</u>	<u>388,935</u>

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group and Company as at 30 June 2023 and 31 December 2022.

	Group		Company	
	30-06-23 \$'000	31-12-22 \$'000	30-06-23 \$'000	31-12-22 \$'000
Financial asset at fair value through other comprehensive income	<u>1,995</u>	<u>1,995</u>	<u>1,995</u>	<u>1,995</u>
Loans and receivables:				
Trade receivables	112,922	123,207	-	-
Receivables from subsidiaries	-	-	417	239
Dividend receivable from subsidiaries	-	-	-	14,617
Other receivables, deposits and prepayments	13,307	13,364	85	38
Cash and cash equivalents	135,130	166,989	16,843	18,596
Less: Prepayments	(4,506)	(5,166)	(3)	(13)
Total	<u>256,853</u>	<u>298,394</u>	<u>17,342</u>	<u>33,477</u>
Trade payables	95,342	108,312	-	-
Payable to a subsidiary	-	-	135	106
Other payables, accruals and provisions	44,265	58,518	1,727	2,154
Borrowings	114,250	108,811	-	-
Financial liabilities at amortised cost	<u>253,857</u>	<u>275,641</u>	<u>1,862</u>	<u>2,260</u>

6. Profit before income tax

	Group	
	6 months ended	
	30-06-23	30-06-22
	\$'000	\$'000
Profit before income tax has been arrived after charging/(crediting):		
Investment income		
Other income including interest income	(6,047)	(4,781)
Amortisation of deferred income	(11)	-
Interest on borrowings	2,910	1,458
Depreciation of property, plant and equipment	10,927	9,640
Depreciation of right-of-use assets	3,921	3,515
Depreciation of investment properties	10	28
Amortisation of intangible assets	160	146
Allowance/(write-back) for doubtful debts and bad debts written off	49	36
Allowance/(write back) for inventory obsolescence	1,895	883
Foreign exchange (gain)/loss, net	(444)	(775)
Adjustments for (over)/under provision of tax in respect of prior years	59	(200)
(Gain)/Loss on disposal of property, plant and equipment, net	(173)	(243)
Property, plant and equipment written off	1	6

7. Taxation

	Group	
	6 months ended	
	30-06-23	30-06-22
	\$'000	\$'000
Income tax expense attributable to profit is made up of:		
- Current income tax	(3,971)	(5,970)
- Deferred income tax	207	(107)
	(3,764)	(6,077)
Over/ (under) recognition in respect of previous financial years:		
- Current income tax	147	248
- Deferred income tax	(206)	(48)
	(59)	200
Withholding tax	(88)	(77)
	(3,911)	(5,954)

8. Dividends

	Group	
	6 months ended	
	30-06-23	30-06-22
	\$'000	\$'000
Ordinary dividends paid		
First and final tax exempt (one-tier) dividend paid of 3.64 cents per share (6 months ended 30 June 2022: 4.13 cents)	(15,544)	(17,636)

9. Net asset value

	Group		Company	
	30-06-23	31-12-22	30-06-23	31-12-22
	\$'000	\$'000	\$'000	\$'000
Net asset value per ordinary share based on issued share capital at the end of financial period/year (cents)	90.25	91.77	35.32	38.99

Net asset value per ordinary shares is calculated based on the Group's net asset value divided by the number of ordinary shares at 30.06.2023 of 427,025,409 (31.12.2022 : 427,025,409).

10. Financial assets at fair value through other comprehensive income ("Financial Asset at FVTOCI")

	Group and Company	
	30-06-23	31-12-22
	\$'000	\$'000
Unquoted equity security designated at FVTOCI	1,995	1,995

The investment in unquoted equity represent investment in a company that is engaged in the investment of healthcare companies. The recoverability of this investment is uncertain and dependent on the outcome of these activities, which cannot presently be determined. This investment in equity instruments are held for medium to long-term strategic purposes. Accordingly, management has elected to designate this investment in equity instruments as FVTOCI as they believe that recognising short-term fluctuations in this investment's fair value in income statement would not be consistent with the Group's strategy of holding this investment for long-term purposes and realising its performance potential in the long run.

11. Intangible assets

Group	Goodwill on consolidation \$'000	Deferred development costs \$'000	Patents \$'000	Intellectual properties \$'000	Total \$'000
For the six months ended 30 June 2023					
<u>Cost:</u>					
At beginning of the financial year	22,459	16,756	2,392	5,961	47,568
Currency translation differences	98	236	39	-	373
Additions	-	17	-	-	17
At end of the financial period	22,557	17,009	2,431	5,961	47,958
<u>Accumulated amortisation:</u>					
At beginning of the financial year	-	5,177	2,282	5,961	13,420
Currency translation differences	-	95	39	-	134
Amortisation charge	-	135	25	-	160
At end of the financial period	-	5,407	2,346	5,961	13,714
<u>Accumulated impairment:</u>					
At beginning of the financial year	2,059	10,586	-	-	12,645
Currency translation differences	30	122	-	-	152
At end of the financial period	2,089	10,708	-	-	12,797
Carrying value: At 30 June 2023	20,468	894	85	-	21,447

(a) Goodwill on consolidation

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to countries of operation and business segment.

The summary of the goodwill allocation is presented below:

	Group	
	30-06-23 \$'000	31-12-22 \$'000
<u>Mechatronics:</u>		
America	2,155	2,124
The Netherlands	7,224	7,187
Singapore	8,392	8,392
	<hr/>	<hr/>
	17,771	17,703
<u>Others:</u>		
Malaysia *	2,697	2,697
	<hr/>	<hr/>
	20,468	20,400

* The management has assessed the fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition. Accordingly, provisional goodwill recognised last year has now been adjusted to reflect their fair values.

The recoverable amount of a CGU is determined based on value-in-use calculations. Cash flow projections used in these calculations were based on financial forecasts approved by management based on the estimated growth rates below. The growth rates do not exceed the long-term average growth rate for the components business in which the CGU operates.

Key assumptions used for value-in-use calculations:

	Group			
	Mechatronics		Others	
	30-06-23 %	31-12-22 %	30-06-23 %	31-12-22 %
<u>Mechatronics:</u>				
Gross margin ⁽¹⁾	10.1 to 19.9	10.1 to 21.4	40.0	41.2
Growth rate ⁽²⁾	0.0 to 2.0	0.0 to 2.0	0.0	0.0
Discount rate ⁽³⁾	13.2 to 14.1	12.0 to 13.2	16.3	16.4

⁽¹⁾ Forecasted gross margin.

⁽²⁾ Weighted average growth rate used to extrapolate cash flows beyond the forecast period.

⁽³⁾ Discount rate applied to the pre-tax cash flow projections.

These assumptions were used for the analysis of each CGU within the business segment.

Management determined forecasted gross margin based on past performance and its expectations for market development. The weighted average growth rates used were consistent with forecast used and industry knowledge. The discount rates used reflect specific risks relating to the relevant segments.

Management believes that any reasonably possible change in the key assumptions on which the CGU's recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

(b) Deferred development costs

Deferred development costs relate to the cost capitalised by its subsidiaries for developing certain products. Amortisation of the deferred development costs begins when the development is completed and are amortised on the expected units of production basis or over the estimated useful life of 5 to 10 years (2022 : 5 to 10 years).

For capitalised deferred development cost for the development of the products that is not yet available for use, they are assessed for impairment based on cash flow forecasts using a discount rate of 8.9% to 10.6% (2022 : 9.0% to 11.1%) to calculate its present value.

During the financial period, management performed a review of the recoverable amount for the deferred development costs and no impairment loss (6 months ended 30 June 2022 : no impairment loss) has been recognised in the income statement because the recoverable amount is higher than the carrying value of which the recoverable amount is determined based on the value-in-use calculations.

(c) Patents

Patents relate to certain design and specification of stepper motors, filter devices for micro filtration of oil and automation of material handling to laser welding machine for gearbox filters in cars.

Patents are amortised over their estimated useful life of 5 years.

(d) Intellectual properties

Intellectual properties mainly pertain to the intellectual property related to the current miniature stepper motor product offerings and the intellectual property related miniature stepper motor products under in-process research and development. These intellectual properties have finite useful lives, and are amortised on a straight-line basis over their estimated useful lives of 5 years and on the expected units sold respectively. Intellectual properties has been fully amortised.

The amortisation expense has been included in the line item "cost of sales" in consolidated income statement.

12. Property, plant and equipment

During the financial period, the Group acquired property, plant and equipment with an aggregate cost of \$9,569,000 (30.06.2022: \$23,755,000) of which \$16,000 (30.06.2022: \$45,000) was included in other payables at balance sheet date. Cash payments of \$9,676,000 (30.06.2022: \$24,592,000) includes an amount of \$123,000 (30.06.2022: \$882,000) for payment from other payables to purchase property, plant and equipment incurred in previous financial year.

13. Investment properties

	Group	
	30-06-23 \$'000	31-12-22 \$'000
Cost:		
At beginning of the financial year	1,675	1,777
Currency translation differences	(58)	(102)
At end of the financial period/year	1,617	1,675
Accumulated depreciation:		
At beginning of the financial year	317	292
Charge for the financial year	10	43
Currency translation differences	(11)	(18)
At end of the financial period/year	316	317
Carrying amount at end of the financial period/year	1,301	1,358

The Group has adopted the cost model under SFRS(I) 1-40 *Investment Property* for its investment properties.

Details of the Group's investment properties and information about the fair value hierarchy as of 30 June 2023 and 31 December 2022 are as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 30 June 2023				
Leasehold buildings	-	-	2,653	2,653
At 31 December 2022				
Leasehold buildings	-	-	2,566	2,566

There were no transfers between the respective levels during the financial period.

The fair value of the Group's investment properties has been arrived at based on an indicative market value by reference to market evidence of transaction prices for similar properties.

	Group 6 months ended	
	30-06-23 \$'000	30-06-22 \$'000
The following amounts are recognised in income statement:		
Rental income	(130)	(138)
Direct operating expenses arising from:		
- Investment properties that generate rental income	14	15

14. Borrowings

	Group	
	30-06-23 \$'000	31-12-22 \$'000
Amount repayable within one year or on demand		
Secured	72,159	65,727
Unsecured	41,398	41,994
	113,557	107,721
Amount repayable after one year		
Secured	180	583
Unsecured	513	507
	693	1,090
Total	114,250	108,811

Details of any collaterals

Details of the borrowings of the Group and its securities as at 30 June 2023 are as follows:

	Note	Secured \$'000	Unsecured \$'000	Total \$'000
Bank overdrafts	(i)	68,022	488	68,510
Other short-term borrowings	(ii)	3,803	40,531	44,334
Term Loans	(iii)	514	892	1,406
		<u>72,339</u>	<u>41,911</u>	<u>114,250</u>

- (i) bank overdrafts of \$68,022,000 is secured by mortgage over properties, pledged on machineries, other fixed assets and inventories and certain trade receivables of certain subsidiaries of the Group in The Netherlands.
- (ii) other short-term borrowings of \$3,803,000 is pledged on the trade receivables of certain subsidiaries in China.
- (iii) term loans of :-
- (a) \$263,000 is secured by machinery of a subsidiary in China; and
- (b) \$251,000 is secured by mortgage over property and personal guarantee by existing and former directors of a subsidiary in Malaysia (personal guarantee is in process of being discharged).

15. Share capital

	Group and Company			
	30-06-23		31-12-22	
	Number of ordinary shares	Amount \$'000	Number of ordinary shares	Amount \$'000
Beginning of the financial year	427,025,409	104,444	427,025,409	104,444
Exercise of share options	-	-	-	-
End of the financial period/year	<u>427,025,409</u>	<u>104,444</u>	<u>427,025,409</u>	<u>104,444</u>

Issued and paid up capital

There were no changes in the Company's share capital for the period ended 30 June 2023. There are no treasury shares held as at the end of the current period.

	Total number of issued shares as at	
	30-06-23	30-06-22
Number of issued shares	427,025,409	427,025,409
Number of treasury shares	-	-
Total number of issued shares excluding treasury shares	<u>427,025,409</u>	<u>427,025,409</u>

Share options

The movement of share options of the Company during the period from 1 January 2023 to 30 June 2023 is as follows:

Date of grant	Number of ordinary shares under option					Exercise price	Exercise period
	As at 01.01.23	Granted during the period	Forfeited during the period	Exercised during the period	As at 30.06.23		
6.12.2017 (2017 Option)	1,112,000	-	-	-	1,112,000	\$0.432	6.12.2019 - 5.12.2027
26.1.2022 (2022 Option)	470,000	-	-	-	470,000	\$1.370	26.1.2024 - 25.1.2032
	<u>1,582,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,582,000</u>		

	Total number of shares as at	
	30-06-23	30-06-22
Total number of shares that may be issued on exercise of share options outstanding	<u>1,582,000</u>	<u>1,582,000</u>

15.1 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	
	30-06-23	31-12-22
Total number of issued shares excluding treasury shares	<u>427,025,409</u>	<u>427,025,409</u>

15.2 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.

15.3 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.

16. Subsequent events

There are no known subsequent events which led to adjustments to this set of interim financial statements.



FRENCKEN GROUP LIMITED

(Registration No. 199905084D)

G. Other Information Required by Listing Rule Appendix 7.2

1. 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.

2. Where the figures have been audited or reviewed, the auditors' report (including any modifications or emphasis of a matter).

Not applicable.

2A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:-

(a) Updates on the efforts taken to resolve each outstanding audit issue.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable.

3. 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	
	6 months ended	
	30-06-23	30-06-22

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)	2.83	6.12
- Weighted average number of shares (in thousand)	427,025	427,025
(ii) On a fully diluted basis (in cents)	2.82	6.11
- Adjusted weighted average number of shares (in thousand)	427,645	427,807

Basic earnings per share for the period is calculated based on the weighted average number of ordinary shares in issue.

4. 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 analytical & life sciences, automotive, healthcare, industrial, and semiconductor segments.

The Group offers end-to-end solutions across the entire customer value chain - from product conceptualization, 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 over 3,600 employees located in 19 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
FY2023 (S\$'000)	351,032	-	-
FY2022 (S\$'000)	388,935	397,172	786,107
yoy (%)	(9.7)	N.M.	N.M.

For the six months ended 30 June 2023 ("1H23"), the Group's revenue decreased 9.7% year-on-year (YoY) to S\$351.0 million amid a challenging business environment for companies operating in the technology sector.

The Mechatronics Division's revenue declined YoY in 1H23 as higher sales generated by its Europe operations were offset by lower sales of its Asia operations. The IMS Division also posted moderately lower YoY revenue in 1H23.

Revenue breakdown by Business Segment

	1H23	1H22	yoy
	S\$'000	S\$'000	%
MECHATRONICS DIVISION			
Semiconductor	122,714	152,750	(19.7)
Medical	58,961	45,694	29.0
Analytical & Life Sciences	80,371	75,144	7.0
Industrial Automation	35,108	57,350	(38.8)
Others	6,095	9,388	(35.1)
Mechatronics Total	303,249	340,326	(10.9)
IMS DIVISION			
Automotive	35,076	36,126	(2.9)
Consumer & Industrial			
Electronics	8,485	9,279	(8.6)
Others	893	763	17.0
Tooling	1,844	2,303	(19.9)
IMS Total	46,298	48,471	(4.5)

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 decreased 10.9% YoY to S\$303.2 million in 1H23 from S\$340.3 million in 1H22.

The semiconductor segment's revenue declined 19.7% YoY to S\$122.7 million in 1H23 from S\$152.8 million in 1H22. This segment registered higher sales in Europe in 1H23 compared to 1H22 due mainly to increased orders from a key customer. However, softness in semiconductor segment still resulted in lower YoY revenue.

The medical segment's revenue increased 29.0% to S\$59.0 million in 1H23 from S\$45.7 million in 1H22, due mainly to higher sales to a significant customer in Europe.

The analytical & life sciences segment's revenue increased 7.0% YoY to S\$80.4 million in 1H23 from S\$75.1 million in 1H22 buoyed by higher sales in both Europe and Asia.

The industrial automation segment's revenue decreased 38.8% YoY to S\$35.1 million in 1H23 from S\$57.4 million in 1H22. Sales of this segment are typically lumpy and dependent on the capital expenditure of a key customer.

Revenue at the IMS Division eased 4.5% YoY to S\$46.3 million in 1H23 compared to S\$48.5 million in 1H22. This was due mainly to lower sales of the automotive segment which decreased 2.9% to S\$35.1 million in 1H23 from S\$36.1 million in 1H22.

Gross Profit Margin

The Group's gross profit decreased 28.8% YoY to S\$43.3 million in 1H23 from S\$60.8 million in 1H22. Consequent to the revenue decline, coupled with inflationary cost pressures and higher depreciation expenses that arose from capital investments to upgrade and expand the Group's global manufacturing facilities, gross profit margin contracted to 12.3% in 1H23 compared to 15.6% in 1H22.

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

Other income, net of other operating expenses, increased to S\$3.8 million in 1H23 from S\$3.5 million in 1H22 due mainly to higher project income.

Selling and Administrative Expenses

Selling and distribution expenses decreased 13.0% YoY to S\$5.0 million in 1H23 from S\$5.7 million in 1H22 due mainly to lower transport and freight expenses.

Administrative and general expenses eased 4.7% to S\$24.0 million in 1H23 from S\$25.2 million in 1H22 attributed mainly to a decrease in staff-related expenses.

Finance Costs

Finance costs doubled to S\$2.9 million in 1H23 from S\$1.5 million principally due to higher interest rates.

Group Profit before Income Tax

After accounting for the above items, the Group reported a 50.9% decrease in profit before income tax to S\$15.8 million in 1H23 from S\$32.1 million in 1H22.

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

	1H	2H	Full Year
FY2023 (S\$'000)	12,073	-	-
FY2022 (S\$'000)	26,146	25,728	51,874
yoy (%)	(53.8)	N.M.	N.M.

After deducting income tax expense of S\$3.9 million, the Group reported a net profit attributable to equity holders ("PATMI") of S\$12.1 million in 1H23, a decrease of 53.8% from S\$26.1 million in 1H22.

Balance Sheet

As at 30 June 2023, the Group had shareholders' equity of S\$385.4 million, equivalent to net asset value of 90.25 cents per share based on total number of issued shares of 427.0 million shares.

Total assets stood at S\$688.9 million as at 30 June 2023 compared to S\$725.2 million as at 31 December 2022.

Property, plant and equipment decreased to S\$125.6 million as at 30 June 2023 from S\$127.5 million as at 31 December 2022. During 1H23, the Group incurred capital expenditure of S\$9.6 million. Depreciation of property, plant and equipment amounted to S\$10.9 million in 1H23.

As at 30 June 2023, the Group's right-of-use assets decreased to S\$35.5 million from S\$38.9 million as at 31 December 2022. Correspondingly, lease liabilities also decreased to S\$36.8 million as at 30 June 2023 from S\$41.6 million as at 31 December 2022.

Inventories increased to S\$237.9 million as at 30 June 2023 from S\$228.8 million as at 31 December 2022 due to material purchases for customer orders as well as slower conditions in the semiconductor industry.

Trade receivables as at 30 June 2023 decreased to S\$112.9 million from S\$123.2 million as at 31 December 2022.

As at 30 June 2023, the Group's cash and cash equivalents decreased to S\$135.1 million from S\$167.0 million as at 31 December 2022. Total borrowings increased to S\$114.3 million as at 30 June 2023 from S\$108.8 million as at 31 December 2022. The Group had net cash of S\$20.9 million as at 30 June 2023 which translated to a total debt-to-equity ratio of 29.6%.

Cash Flow Analysis

The Group used net cash of S\$2.7 million in operating activities in 1H23. Net cash used in investing activities amounted to S\$11.4 million in 1H23 due mainly to capital expenditure.

Net cash used in financing activities amounted to S\$27.0 million in 1H23 due primarily to the payment of dividends to shareholders, net repayment of short term bank borrowings and repayment of lease liabilities.

As a result of the above, the Group recorded a net decrease in cash and cash equivalents of S\$41.1 million during 1H23. When added to its opening cash and cash equivalents of S\$110.2 million at the beginning of 1H23 and after accounting for the negative effect of foreign currency movements of S\$2.7 million on its opening cash and cash equivalents, the Group had a cash balance of S\$66.4 million as at 30 June 2023.

5. 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 1H23 is generally in line with the guidance provided in its business update for 1Q23 which was posted on the SGX website on 19 May 2023.

6. 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

Companies operating in the technology sector faced a challenging business environment during 1H23 amid the steep cyclical downturn in the semiconductor industry, inflationary cost pressures, rising interest rates and ongoing global geopolitical and economic uncertainties.

Besides these macroeconomic factors, the Group's performance in 1H23 was also affected by continuing weak market conditions in the global automotive industry and the near-term impact of its strategic initiatives to expand and upgrade its global manufacturing facilities.

Given the prevailing uncertain macroeconomic backdrop, the Group expects challenging business conditions to continue into the second half of FY2023. However, Frencken is confident of weathering the current headwinds due to the strength of its balance sheet and its diverse exposure to multiple market segments in the high technology industry.

The Group will continue to focus on investments in programs for existing and new customers to ensure it is well positioned to capitalise on a recovery in the global economy and technology sector.

BUSINESS SEGMENT OUTLOOK

The Group maintains a cautious view for FY2023. Based on current indicators and barring unforeseen circumstances, the Group expects to post stable revenue in 2H23 as compared to 1H23.

Anticipated performances of the Group's key business segments in 2H23 as compared to 1H23:

- **Semiconductor** segment is expected to post higher revenue;
- **Medical** segment is anticipated to register stable revenue;
- **Analytical & life sciences** segment revenue is expected to increase;
- **Industrial Automation** segment's revenue is anticipated to decrease; and
- **Automotive** segment is expected to register stable revenue.

7. 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

8. 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 2023 as the Group's practice is to recommend dividend payment annually together with its full-year results.

9. 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	
	30/06/23	30/06/22
Not applicable	-	-

The Company does not have any general mandate from shareholders pursuant to Rule 920.

10. 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 2023 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

11. 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.

BY ORDER OF THE BOARD

Mohamad Anwar Au
Executive Director
14-Aug-23