



FRENCKEN GROUP LIMITED
(Company Registration No. 199905084D)

Announcement

ACQUISITION OF US MOTION INC.

1. INTRODUCTION

Frencken Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) today announced that its wholly-owned subsidiary, Frencken Europe B.V. (“**FEBV**”) has on 17 January 2012 entered into a Stock Purchase Agreement (“**SPA**”) to acquire 80% equity interests in US Motion Inc. (“**USM**”) (the “**Acquisition**”) for US\$2,636,000.

The Group sees the Acquisition as a strategic move to strengthen the position of its Mechatronics Division as a global player in the high technology sector. USM is a profitable company with a high level of engineering capabilities. In this respect, the Group believes the Acquisition shall provide its Mechatronics Division with a valuable platform to enlarge its business opportunities in the USA and gain a portfolio of proprietary products (*Refer to “Rationale for the Acquisition”*).

2. INFORMATION ON USM

Established in Washington, the USA, in 1998, USM is a high-technology solutions provider that designs, engineers and manufactures electro-mechanical products and systems. Besides offering project-based mechatronics services, USM develops its own range of proprietary products which include precision measurement systems, brushless servo motors, optical rotary encoders and integrated systems. It serves a global customer base comprising many of the world’s leading technology companies.

Operating from a fully-equipped factory in Spokane, Washington, USM employs a team of 30 people, including engineers, machinists and technicians who have significant engineering expertise in software, hardware and mechanical design.

Based on its preliminary unaudited accounts for the financial year ended 31 December 2011, USM generated revenue of approximately US\$4.4 million and profit before income tax of US\$275,000. USM’s book value and net tangible assets stood at US\$524,000 as at 31 December 2011. The shares of USM are owned by Lee Norman, and Darren and Cassie Helm (collectively referred to herein as the “**Vendors**”).

3. RATIONALE FOR THE ACQUISITION

The Acquisition is in line with the Group’s strategy to further strengthen the industry position of its Mechatronics Division as a global player in the high-technology capital equipment sector.

The Group’s Mechatronics Division already has a strong presence in Europe and Asia through its network of strategically-located production facilities in the Netherlands, Singapore, Malaysia and China. The Acquisition will enable the Mechatronics Division to leverage on USM’s established facility in Washington to accelerate its presence into the USA’s lucrative capital equipment market. USM will serve as a strategic platform for the Group’s Mechatronics Division to increase its support to existing customers and also develop new customers in the USA, and thereby generate higher business volume especially for the high-end products.

At the same time, the Acquisition will also benefit the Group's operations in the Netherlands and enable the Mechatronics Division to gain an opportunity to develop and expand USM's current portfolio of proprietary products and market such products to its customers in Europe and Asia.

4. THE CONSIDERATION

The consideration in relation to the Acquisition is US\$2,636,000 (the "**Consideration**"), payable in cash. The Consideration was arrived at on a willing seller-willing buyer basis after taking into account, inter alia, the business operations, financial status and prospects of USM, as well as an independent valuation of USM conducted by Griffiths, Dreher & Evans, P.S.. The Consideration represents a discount of 34% from the independent valuation of US\$3,992,800 for the 80% interest in USM.

The Group has completed a due diligence review and investigation of USM, its business, operations, assets and financial conditions, and has found the results to be satisfactory.

On 17 January 2012, FEBV paid US\$2,486,000 to the Vendors, and delivered the balance of US\$150,000 to an escrow agent. The Consideration was fully funded from the Group's internal resources.

Upon expiry of six months following the completion of the Acquisition on 17 January 2012, the balance amount held with the escrow agent shall be disbursed to the Vendors.

5. RELATIVE FIGURES IN RULE 1006 OF THE LISTING MANUAL

Rule 1006(a) and Rule 1006(d) are not applicable to the Acquisition as the transaction is not a disposal of assets and the Consideration is to be satisfied entirely by cash. All the relative figures computed on the bases set out in Rule 1006(b) and Rule 1006(c) amount to less than 5%, hence the Acquisition is classified as a Non-discloseable Transaction.

6. INTEREST OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company has any interest in the Acquisition save for their interests arising by way of their shareholdings and/or directorships, as the case may be, in the Company.

On behalf of the Board,

Gooi Soon Hock
Executive Director

18 January 2012

About Frencken Group

Frencken Group Limited is a global high-tech capital and consumer equipment service provider offering complete and integrated 'one-stop' outsourcing solutions in partnership with its customers in the capital equipment and consumer industries.

The Group serves customers in Europe, Asia and USA through a global network of operating subsidiaries. Leveraging on the capabilities of its strategically located facilities in The Netherlands, Singapore, Malaysia and China, the Group offers a comprehensive range of product solutions that span the entire value chain – from initial product design, development and prototyping, to engineering, final test and series manufacturing.

The Group serves a global customer base that comprises renowned companies from a variety of industries, including medical, semiconductor, analytical, pharmaceutical, industrial/factory automation, automotive, office automation, and consumer electronics.

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