



FRENCKEN GROUP LIMITED

(Company Registration No. 199905084D)

Announcement

Proposed Sale of Assets related to the Keypad Product Segment

Frencken Group Limited (the "Company" and together with its subsidiaries, the "Group") wishes to announce that its wholly-owned subsidiary, Precico Sdn. Bhd., ("PSB") has on 18 January 2010 entered into a Sale and Purchase Agreement ("Agreement") with Koike Precision Sdn. Bhd. for the sale of certain assets related to the keypad product segment ("keypad segment") of PSB (the "Proposed Sale of Assets") for a consideration of RM7.7 million (approximately S\$3.1 million) (the "Purchase Consideration").

This transaction follows a review by the Group to cease production and discontinue the keypad segment (Please refer to the section 'Rationale for the Proposed Sale of Assets').

Information on the Proposed Sale of Assets

The Proposed Sale of Assets covers machineries, equipment and related inventories for the production of keypads.

Consideration for the Proposed Sale of Assets

The Proposed Sale of Assets was arrived at after negotiations between the Company and Koike Precision Sdn. Bhd. on a willing buyer-willing seller basis and after taking into account, inter alia, the book value of the aforesaid assets. The gross proceeds from the Proposed Sale of Assets represent a discount of approximately 38% from the book value of the assets.

Rationale for the Proposed Sale of Assets

Due to changing market dynamics in the global mobile handset market over the past few years, the Group has witnessed an increasingly challenging operating environment in the keypad market. As a result, revenue from the keypad segment, which is part of the Group's EMS Division, has declined substantially over the last two financial years.

In the financial year ended 31 December 2006 ("FY2006"), sales of the keypad segment amounted to S\$52.7 million and accounted for 65.4% of the EMS Division's revenue. This revenue declined to S\$37.0 million and S\$24.5 million in FY2007 and FY2008 respectively. For the nine months ended 30 September 2009 ("9M09"), the keypad segment generated sales of S\$10.5 million and contributed 29.3% to the EMS Division's revenue.

The Group had anticipated that business conditions in the keypad market would become increasingly challenging and responded by implementing a long term strategy to broaden the EMS Division's revenue base and reduce its reliance on the keypad segment. This entailed progressively shifting the EMS Division's product mix towards products in the office automation and automotive segments, which have higher value and longer life cycles, while gradually curtailing production capacity of its keypad segment.

In view of the above factors, the Group had earlier disclosed in the announcement of its financial results for 9M09 (Announcement No. 00185 dated 12 November 2009) that it was conducting a review to cease production of the keypad segment.

The Group believes the Proposed Sale of Assets will enable the EMS Division to fully focus its operations and resources on strengthening the office automation and automotive product segments.

Financial Impact of the Proposed Sale of Assets

Consequent to the Proposed Sale of Assets, the assets to be sold shall be re-classified as "Assets Held for Sale". As such, the Group shall write down the value of these assets to net market value. This will result in an asset write-down of S\$1.9 million in the fourth quarter ended 31 December 2009 ("4Q09").

While the EMS Division continues to make encouraging progress in its efforts to grow the automotive segment, it is not expected that the office automation and automotive segments will be able to fully compensate for the contribution of the keypad segment over the short to mid term. To improve overall efficiency and realign its operating cost, the EMS Division intends to consolidate its 3 operating units into a single EMS company. In view of this, the EMS Division will recognize an impairment of goodwill for certain subsidiaries. The Group expects the EMS Division to record goodwill impairment of approximately S\$3.4 million in 4Q09.

As a result, the asset write-down and impairment of goodwill totaling S\$5.3 million are expected to have a negative impact on the Group's financial performance in 4Q09 and hence on its earnings for FY2009.

Other Information

All the relative figures (computed on all the bases set out in SGX Rule 1006) are either not applicable or below the 5% threshold. Accordingly, the Proposed Sale of Assets is considered a "Non-discloseable Transaction".

None of the Directors or Controlling Shareholders of the Company has any Interests, direct or indirect, in the above transaction (other than their shareholding in the Company).

On behalf of the Board,

Gooi Soon Hock
Executive Director

20 January 2010

About Frencken Group

Frencken Group Limited is a global contract manufacturer with capabilities to provide complete and integrated 'one-stop' outsourcing solutions in partnership with its customers in the capital equipment and consumer industries.

Leveraging on the advanced design, engineering and high-precision manufacturing capabilities of its global network of operating subsidiaries in The Netherlands, Singapore, Malaysia and China, the Group offers a comprehensive range of contract manufacturing services that span the entire value chain.

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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