FRENCKEN GROUP LIMITED
(Company Registration No: 199905084D)

PROPOSED SALE AND LEASEBACK OF 1 & 2 CHANGI NORTH STREET 2 SINGAPORE

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1. INTRODUCTION

The Board of Directors (the "**Board**") of Frencken Group Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that its wholly-owned subsidiary, ETLA Limited (the "**Vendor**"), has on 12 August 2010 entered into a put and call option agreement (the "**PCOA**") with RBC Dexia Trust Services Singapore Limited (in its capacity as trustee of Cambridge Industrial Trust) (the "**Purchaser**") in connection with a proposed sale and leaseback arrangement between the Vendor and the Purchaser in respect of the properties at 1 and 2 Changi North Street 2 Singapore (the "**Properties**").

Pursuant to the terms of the PCOA, the Vendor will grant to the Purchaser a conditional call option (the "**Call Option**") to require the Vendor to enter into a sale and purchase agreement (the "**SPA**") for the sale by the Vendor and the purchase by the Purchaser of the Properties (the "**Proposed Disposal**"), and the Purchaser will grant to the Vendor a conditional put option (the "**Put Option**") to require the Purchaser to enter into the SPA for the Proposed Disposal.

2. INFORMATION ON THE PROPERTIES

The Properties comprise two five-storey light industrial buildings with ancillary office space.

The leasehold estate held by the Vendor in respect of 1 Changi North Street 2, Singapore 498808 is for the term of 30 years commencing on 1 March 2001 with an option to renew for a further term of 30 years, pursuant to the instrument of lease I/112233S granted by the Jurong Town Corporation (the "**JTC**") to the Vendor.

The leasehold estate held by the Vendor in respect of 2 Changi North Street 2, Singapore 498775 is for the term of 30 years commencing on 23 November 2005 with an option to renew for a further term of 30 years, pursuant to the instrument of lease IB/353084C granted by JTC to the Vendor (instruments of lease I/112233S and IB/353084C collectively known as the "**Head Leases**").

3. PROPOSED SALE AND LEASEBACK

3.1 Sale Consideration

The total consideration of S$22,110,000 (exclusive of GST) for the Properties (the "**Sale Consideration**") was arrived at based on a willing buyer and willing seller basis after taking into account various commercial factors including the prevailing market conditions, the location of the Properties and offer prices from other interested buyers.

Based on the valuation of the Properties carried out by an independent property valuer, HBA Group Property Consultants Pte Ltd (the "**HBA**") on 20 May 2009, the open market value of the Properties, based on the direct comparison method is S$14,300,000.

The Sale Consideration is payable as follows:

(a) the option fee of S$30,000 (the "**Option Fee**") was paid as consideration by the Purchaser to the Vendor for the grant of the Call Option to the Purchaser under the PCOA;

(b) the balance sum of S$22,080,000 (the "**Balance Sale Consideration**"), equivalent to the Sale Consideration less the Option Fee, will be paid by the Purchaser to the Vendor on the completion of the sale of the Properties (the "**Completion**").

3.2 Principal Terms of the PCOA

The exercise of the Put Option by the Vendor and the Call Option by the Purchaser is conditional upon the fulfilment of, *inter alia*, the following:

(a) the Vendor and the Purchaser having received the approval of JTC to, *inter alia*, the Proposed Disposal and the lease of the Properties by the Purchaser to the Vendor;

(b) there being no material damage to the Properties;

(c) there being no unsatisfactory legal requisition replies received by the Purchaser in respect of the Properties;

(d) there being no compulsory acquisition or notice of compulsory acquisition or intended acquisition affecting the Properties in whole or in part;

(e) the Vendor not being in breach of any provisions of the Head Leases or failing to perform and comply in all respects with any of the covenants and agreements contained therein;

(f) the approval of the board of directors and the shareholder of the Vendor; and

(g) the approval of any lender to the Purchaser (whether from an existing financier or in respect of any refinancing exercise), where applicable.

3.3 Principal Terms of the SPA

Pursuant to and upon the exercise of the Call Option by the Purchaser or (as the case may be) the Put Option by the Vendor, the Purchaser and the Vendor will enter into the SPA and Completion will take place on the same day as the execution of the SPA.

On Completion, the Purchaser shall pay the Balance Sale Consideration to the Vendor and the Vendor shall deliver the Properties free from encumbrances to the Purchaser. All GST payable in respect of the Sale Consideration shall be borne by the Purchaser.

3.4 Principal Terms of the Lease

On the date of entering into the SPA, the Purchaser and the Vendor will also enter into a lease agreement (the "**Lease Agreement**") for the lease of the Properties by the Purchaser, as lessor (the "**Lessor**"), to the Vendor, as lessee (the "**Lessee**"), for the lease term of seven (7) years commencing from the date of the Lease Agreement, with an option to renew the lease for a further term of seven (7) years, subject to the rental for the further term being revised to the prevailing market rental and on such other terms and conditions as may be mutually agreed between the Lessor and the Lessee.

Pursuant to the terms of the Lease Agreement, the rent (the "**Rent**") payable by the Lessee to the Lessor per annum for each year of the term of the Lease Agreement is as follows:

Year	Rent (S$ per annum) (excluding GST)
First Year	1,770,000
Second Year	1,796,550
Third Year	1,823,498
Fourth Year	1,850,851
Fifth Year	1,878,613
Sixth Year	1,906,793
Seventh Year	1,935,395

In addition to the payment of the Rent, the Lessee will also be responsible for (i) the cost of utilities; (ii) the land rent payable to JTC under the Head Leases; (iii) the property tax levied and imposed upon or in respect of the Properties; (iv) the premiums in respect of insurance policies which the Lessee is required to take out under the Lease Agreement; (v) the costs and expenses of complying with the property management and maintenance service standards and scope in the Lease Agreement; and (vi) all capital expenditure not exceeding S$20,000 for any single item per occurrence (excluding asset enhancement initiative works) in respect of the Properties.

4. RATIONALE FOR THE PROPOSED SALE AND LEASEBACK

(a) The Sale Consideration for the Properties is significantly higher than its aggregate net book value and its valuation. The Proposed Disposal will allow the Group to realise the Properties at good value, whilst enabling the Group, through the leaseback arrangement, to continue using the Properties to provide production and office space to the Group as part of its high-tech capital and consumer equipment services and outsourcing services business.

(b) The excess of the net sale proceeds over the net book value of the Properties as at 31 March 2010 is S$8,755,000. The net sale proceeds from the Proposed Disposal is derived after deducting from the sale proceeds, the incidental cost of the Proposed Disposal of approximately S$500,000, comprising mainly the commission payable to the property consultants, legal fees and architect and engineering fees.

(c) It is intended that the net sale proceeds from the Proposed Disposal will be deployed towards repaying bank borrowings, as general working capital for the Group and to facilitate other corporate funding requirements of the Group.

5. PROFORMA FINANCIAL EFFECTS OF THE PROPOSED SALE OF THE PROPERTIES

5.1 Profits

The Group is expected to recognise a gain of approximately S$1,445,000 from the Proposed Disposal for the financial year ending 31 December 2010.

5.2 Net Tangible Assets

Assuming that the Proposed Disposal had been completed on 31 December 2009, and based on the audited consolidated accounts of the Group for the financial year ended 31 December 2009, the proforma financial effects on the consolidated net tangible assets (the "**NTA**") of the Group are as follows:

	Before the Proposed Disposal	**After the Proposed Disposal**
NTA (S$'000)	184,930	186,375
NTA per share (S$ cents)	49.16	49.54

Notes:

NTA per share is calculated based on 376,184,325 issued shares as at 31 December 2009 (excluding treasury shares).

Based on the figures in the above table, the NTA of the Group is expected to increase by 0.77% from 49.16 Singapore cents to 49.54 Singapore cents from the Proposed Disposal.

5.3 Earnings

Assuming that the Proposed Disposal had been completed on 1 January 2009, and based on the audited consolidated accounts of the Group for the financial year ended 31 December 2009, the proforma financial effects on the consolidated earnings of the Group are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Profit after tax and minority interests (S$'000)	9,230	10,675
Earnings per share (S$ cents)	2.64	3.06

Notes:

Based on the weighted average number of issued shares of 349,162,387 as at 31 December 2009.

Based on the figures in the above table, the earnings per share of the Group is expected to increase by 15.91% from 2.64 Singapore cents to 3.06 Singapore cents from the Proposed Disposal.

5.4 Gearing

Assuming that the Proposed Disposal had been completed on 31 December 2009, and based on the audited consolidated accounts of the Group for the financial year ended 31 December 2009, the proforma financial effects on the gearing of the Group are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Borrowings (S$'000)	32,295	10,185
Cash and cash equivalents (S$'000)	61,208	61,208
Net Cash (S$'000)	28,913	51,023
Equity (S$'000)	195,288	196,733
Gearing (%)	NA	NA

Based on the figures in the above table, the net cash of the Group is expected to improve by 76.47% from S$28,913,000 to S$51,023,000 from the Proposed Disposal.

6. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006

The relative figures as computed on the bases set out in Rule 1006 of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual, based on the latest announced unaudited consolidated accounts of the Group for the financial year ended 30 April 2010 are as follows:

(a) Relative figure under Rule 1006(a) – Net asset value of the assets to be disposed of, compared with the net asset value of the Group

The aggregate net book value of the Properties as at 31 March 2010 is S$12,855,000, which amounts to approximately 6.60% of the unaudited net asset value of the Group of S$194,782,000 as at 31 March 2010.

(b) Relative figure under Rule 1006(b) – Net profits attributable to the assets to be disposed of, compared with net profits of the Group

Not meaningful. The Properties are not a measurable business unit of the Group; they are not income-producing on their own but represent assets which are embedded within the operations of the Vendor. Pursuant to the leaseback of the Properties by the Vendor from the Purchaser, the Vendor will be able to continue with (and to derive revenue from) its operations at the Properties.

(c) Relative figure under Rule 1006(c) – Aggregate value of the consideration received, compared with the market capitalisation of the Company based on the total number of issued shares (excluding treasury shares)

The market capitalisation of the Company as at 11 August 2010 is approximately S$112,897,835. The Sale Consideration for the Properties amounts to approximately 19.58% of the aforesaid market capitalisation.

(d) Relative figure under Rule 1006(d) – Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue

Not applicable as the Proposed Disposal is not an acquisition.

Based on the above, the Proposed Disposal is a "discloseable transaction" under Chapter 10 of the SGX-ST Listing Manual.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

As at the date of this Announcement, none of the Directors or the controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal.

8. DIRECTOR'S SERVICE CONTRACTS

No person will be appointed to the Board in connection with the Proposed Disposal and no service contracts in relation thereto will be entered into by the Company.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the PCOA and the valuation report are available for inspection during normal business hours at the registered office of the Company at 8 Cross Street #11-00 PWC Building, for a period of 3 months commencing from the date of this announcement.

By Order of the Board

Mr. Gooi Soon Hock
Executive Director
13 August 2010