



FRENCKEN GROUP LIMITED
(Company Registration No. 199905084D)

Announcement

**FRENCKEN GROUP TO MAKE AN EXCEPTIONAL PROVISION IN 4Q11; BUT
EXPECTS TO REMAIN PROFITABLE IN FY2011**

Frencken Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) considers it appropriate to provide an update to shareholders and investors of the Group’s financial results for the three months ended 31 December 2011 (“4Q11”).

Based on a preliminary assessment, the Group expected its operations to generate a profit in 4Q11. However, the Group intends to make a provision of approximately S\$3.3 million (“Provision”) in 4Q11 for the settlement of a product liability claim to a customer. This exceptional item shall result in the Group reporting a loss in 4Q11.

Notwithstanding the Provision, the Group expects to remain profitable for the 12 months ended 31 December 2011 (“FY2011”).

Circumstances leading to the Provision

A product model delivered to a customer of the Mechatronics Division was found to have a substandard component that was supplied by a sub-contractor of the Group. It was brought to the Group’s knowledge after delivery of the product to customer that the sub-contractor had violated the terms of its supplier agreement with the Group, and supplied a component that was not manufactured according to the approved production process.

As a reliable partner to its customers, the Group accepted responsibility for the potentially faulty component supplied by its sub-contractor and has reached an amicable settlement with the customer. The Group shall pay to the customer, a compensation sum for replacement of the component in the installed base of the customer, as well as supply adequate replacement components. These will amount to a total value of up to approximately €1.9 million (approximately S\$3.3 million).

While it has been agreed that the compensation shall be paid in 12 equal monthly installments commencing from January 2012, the Group has decided to adopt a prudent approach and will make Provision for the full sum in 4Q11.

As the customer has indicated its satisfaction with the terms of settlement, the Group believes this incident should not affect its relationship with the customer.

As a precautionary measure, the Group has reassessed all the other components supplied by the same sub-contractor and found them to be non-critical. The Group will also impose additional measures such as stricter selection criteria and appropriate audit process for sub-contractors that supply critical components for the Group’s products. Where possible, the Group will henceforth consider producing such critical components in-house.

The Group is seeking recourse for the Provision and it is currently in discussion with both its insurance company as well as the sub-contractor to claim compensation. The Group will make an appropriate announcement as and when there are any material developments on this matter.

On behalf of the Board,

Gooi Soon Hock
Executive Director

10 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.

Media and Investor Relations Contact :

Octant Consulting • tel (65) 6296 3583
Herman Phua • mobile 9664 7582 • email herman@octant.com.sg
Lisa Heng • mobile 9090 9887 • email lisa@octant.com.sg