FRENCKEN GROUP LIMITED

(Company Registration No. 199905084D)

Announcement

Proposed Sale And Leaseback of Properties in Penang, Malaysia

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, Precico Electronics Sdn Bhd (the "Vendor"), has on 22 April 2013 entered into a Sale and Purchase agreement (the "SPA") with CIMB Islamic Trustee Berhad (as Trustee for AmanahRaya Real Estate Investment Trust) (the "Purchaser"). The SPA is in connection with a proposed sale and leaseback arrangement with respect to the Vendor's properties located in Penang, Malaysia (the "Properties").

2. INFORMATION ON THE PROPERTIES

The Properties consist of four (4) pieces of leasehold land at Lots PT 1559, PT 1573, PT 1574 and PT 1576, Mukim 01, Daerah Seberang Perai Tengah, Pulau Pinang, Malaysia. The Properties have an aggregate land area of approximately 46,842 square metres and comprises three industrial buildings with ancilliary office space. The leasehold estates held by the Vendor in respect of the Properties are for terms of 60 years expiring on 24 June 2046, 14 July 2046, 11 August 2046 and 11 August 2046 respectively.

3. PROPOSED SALE AND LEASEBACK

3.1 Sale Consideration

Under the SPA, the total consideration payable by the Purchaser for the Proposed Sale of the Properties ("Proposed Sale") is RM41,636,090 (approximately S$16,633,000) (the "Sale Consideration").

The Sale Consideration was arrived at on a willing-buyer willing-seller basis after arm's length negotiations between the Vendor and the Purchaser and after taking into account various commercial factors including the prevailing market conditions and the location of the Properties.

Based on the valuation of the Properties carried out by an independent property valuer, C H Williams Talhar & Wong Sdn Bhd on 19 April 2013, the open market value on a "as is where is basis" of the Properties is RM33,540,000 (approximately S$13,399,000).

The Sale Consideration will be satisfied in cash and payable in the following manner:

(a) an earnest deposit of RM416,361 (approximately S$166,000) was paid by the Purchaser to the Vendor's solicitors as stakeholders upon acceptance of the Letter of Offer and shall form part of the deposit;

(b) a balance deposit of RM3,747,248 (approximately S$1,497,000) to be paid by the Purchaser to the Vendor's solicitors as stakeholders upon execution of the SPA;

(c) the balance sum of RM37,472,481 (approximately S$14,970,000) less a Retention Sum of RM100,000 (approximately S$40,000) will be paid by the Purchaser to the Vendor upon the completion of the Proposed Sale (the "Completion"); and

(d) the Purchaser is entitled to retain the Retention Sum until the issuance of fire certificate by the Jabatan Bomba dan Penyelamat Malaysia (“Fire Certificate”), to be obtained by the Vendor. The Purchaser shall release the Retention Sum to the Vendor within 14 business days upon receiving the original copy of the Fire Certificate together with the as built drawing on electrical system and installation and fire fighting system and protection from the Vendor.

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 an irrevocable lease term of eight (8) years commencing from the date of the completion of SPA, with an option to renew the lease for a further term of six (6) 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.

3.2 Principal Terms of the SPA

Completion of the Proposed Sale shall be conditional upon, inter alia, the following material conditions:

(a) the Vendor obtaining approval from its shareholders at its duly convened general meeting for the Proposed Sale to the Purchaser and the lease of the Properties from the Purchaser to the Vendor pursuant to the Lease Agreement;

(b) the Vendor obtaining the written consent of Tenaga Nasional Berhad (“TNB”) in respect of the subsisting leases for portions of the Properties presently leased to TNB, for the sale and transfer of the Properties to the Purchaser and lease of the Properties to the Vendor pursuant to the Lease Agreement;

(c) where necessary, the Company obtaining approval from the Singapore Exchange Securities Trading Limited (“SGX-ST”) for the Proposed Sale, and confirmation from the SGX-ST that the Company is not required to seek the approval of its shareholders pursuant to the provisions of Chapter 10 of the Listing Manual, failing which, the Proposed Sale is subject to the approval of the Company’s shareholders at a general meeting if the transaction is classified as a major disposal pursuant to SGX-ST listing rules;

(d) the Vendor obtaining approval of the State Authority for the Proposed Sale;

(e) the Purchaser obtaining approvals from the State Authority for the lease of the Properties to the Vendor, and charge of the Properties in favour of the Purchaser’s Financier;

(f) execution of the Lease Agreement;

(g) the completion of the legal due diligence exercise and building audit by the Purchaser in respect of the acquisition of the Properties and the Purchaser being satisfied as to the results with notice of such satisfaction being notified in writing to the Vendor within seven (7) business days from the date of the SPA. In the case where the results of the due diligence exercise or building audit is not to the Purchaser’s satisfaction, the Purchaser shall be entitled to rescind the SPA within seven (7) business days from the date of execution of the SPA, whereupon both parties shall not be bound to proceed with the Proposed Sale and the Purchaser shall be entitled to immediately terminate the SPA by giving notice in writing to the Vendor; and

(h) the Vendor obtaining the approval, if required, from its existing financial institutions for the Proposed Sale.

3.3 Principal Terms of the Lease Agreement

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 per annum
First Year	RM3,122,707 (approximately S$1,247,000)
Second Year	RM3,122,707 (approximately S$1,247,000)
Third Year	RM3,122,707 (approximately S$1,247,000)
Fourth Year	RM3,330,887 (approximately S$1,331,000)
Fifth Year	RM3,330,887 (approximately S$1,331,000)
Sixth Year	RM3,330,887 (approximately S$1,331,000)
Seventh Year	RM3,539,068 (approximately S$1,414,000)
Eighth Year	RM3,539,068 (approximately S$1,414,000)

In addition to the payment of the Rent, the Lessee will also be responsible for (inter alia) (i) the cost of utilities; (ii) all the quit rents, rates, assessment, charges, duties, fees, impositions and other outgoings imposed on and payable in respect of the Properties (including any increase thereof, penalties or fines and/or interest imposed on the Lessor by the relevant authorities); (iii) the premiums in respect of insurance policies which the Lessee is required to take out under the Lease Agreement; and (iv) the costs and expenses of complying with the property management and maintenance service standards and scope in the Lease Agreement.

4. RATIONALE FOR THE PROPOSED SALE AND LEASEBACK

The Board is of the view that the Proposed Sale and Leaseback is in the best interests of the Group.

(a) The Properties are currently utilised by the Group for the production activities of its EMS Division and office premises. The Sale Consideration for the Properties is significantly higher than its aggregate net book value. The Proposed Sale 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 facilities and office space to carry on its business.

(b) The excess of the net sale proceeds of S$16,226,000 over the net book value of the Properties of S$9,302,000 as at 31 December 2012 is S$6,924,000. The net sale proceeds from the Proposed Sale is derived after deducting from the sale proceeds, the incidental cost of the Proposed Sale of approximately S$407,000, comprising mainly the commission payable to the property consultants and legal fees.

(c) It is intended that the net sale proceeds from the Proposed Sale will be deployed towards the repayment of 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

For illustrative purposes, the financial effects of the Proposed Sale on the net tangible assets and earnings per share of the Group, based on the audited consolidated financial statements for the financial year ended 31 December 2012, are as follows:

5.1 Profits

The Group is expected to recognise a gain of approximately S$4,097,000 from the Proposed Sale for the financial year ending 31 December 2013.

5.2 Net Tangible Assets ("NTA")

Assuming that the Proposed Disposal had been completed on 31 December 2012, the proforma financial effects on the NTA of the Group are as follows:

	Before the Proposed Disposal	**After the Proposed Disposal**
NTA (S$'000)	168,995	173,092
NTA per share (S$ cents)	42.64	43.68

Notes:
NTA per share is calculated based on 396,297,409 issued shares as at 31 December 2012 (excluding treasury shares).

Based on the figures in the above table, the NTA per share of the Group is expected to increase by 2.4% from 42.64 Singapore cents to 43.68 Singapore cents from the Proposed Sale.

5.3 Earnings

Assuming that the Proposed Sale had been completed on 1 January 2012, and based on the audited consolidated accounts of the Group for the financial year ended 31 December 2012, the proforma financial effects on the consolidated earnings of the Group are as follows:

	Before the Proposed Disposal	**After the Proposed Disposal**
Loss after tax and minority interests (S$'000)	11,810	7,713
Loss per share (S$ cents)	3.16	2.06

Notes:
Based on the weighted average number of issued shares of 373,516,816 for the financial year ended 31 December 2012

Based on the figures in the above table, the loss per share of the Group is expected to reduce by 34.8% from 3.16 Singapore cents to 2.06 Singapore cents from the Proposed Sale.

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 audited consolidated accounts of the Group for the financial year ended 31 December 2012 are as follows:

Rule	Bases of Computation	Size of Relative Figure
1006(a)	Net asset value of assets being disposed of, compared with the Group's net asset value	4.9%
1006(b)	Net profits attributable to the assets to be disposed of, compared with net profits of the Group	Not meaningful[1]
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)	21.7%
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 this is a sale

[1] The Group is expected to recognise a gain of approximately S$4,097,000 from the disposal of the Properties. However as the Group reported a net loss of S$5,825,000 for the last financial year ended 31 December 2012, the relative figure does not give rise to a meaningful value. In addition, 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.

As the computed figure under Rule 1006(c) in the above table exceeds 20%, the Proposed Sale is classified as a major transaction for the purposes of Chapter 10 of the Listing Manual. Shareholders' approval is required for the Proposed Sale pursuant to Rule 1014(2) of the 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 Sale.

8. DIRECTOR'S SERVICE CONTRACTS

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

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the SPA, the Lease Agreement and the report on the valuation of the Properties are available for inspection during normal business hours at the registered office of the Company at 80 Robinson Road, #02-00 Singapore 068898, for a period of 3 months commencing from the date of this announcement.

On behalf of the Board

Mr. Gooi Soon Hock
Executive Director

22 April 2013

About Frencken Group Limited

Frencken Group is a high-technology capital and consumer equipment service provider of complete and integrated one-stop outsourcing solutions to a diversified customer base comprising of renowned global companies in the medical, semiconductor, analytical, industrial automation, automotive, office automation and consumer industries.

The Group's businesses are classified under two main divisions:

- *The Mechatronics Division provides solutions for the design, development and production of complex, high precision industrial machinery and capital equipment for the medical, semiconductor, analytical and industrial automation industries. The division has a network of production facilities strategically located in The Netherlands, Singapore, China, Malaysia and USA.*
- *The EMS Division offers integrated design and manufacturing services for automotive, office automation, consumer and industrial products. The division has multiple manufacturing facilities located in the strategic growth markets of Southeast Asia (Malaysia, Thailand, Singapore and Indonesia), China and India, as well as a design and development facility in Switzerland.*

Leveraging on its advanced capabilities and facilities, the Group provides 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.

MEDIA AND INVESTOR RELATIONS CONTACT
Octant Consulting | phone (65) 6296 3583
Herman Phua | mobile 9664 7582 | email herman@octant.com.sg
Lisa Heng | mobile 9090 9887 | email lisa@octant.com.sg