

FRENCKEN GROUP LIMITED
(Company Registration No: 199905084D)

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**") refers to the announcements ("**Previous Announcements**") dated 22 April 2013 and 22 May 2013 disclosing, *inter alia*, 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**") in connection with a proposed sale and leaseback arrangement with respect to the Vendor's properties located in Penang, Malaysia ("**Properties**").

On the date of entering into the SPA, the Purchaser and the Vendor has also entered into a lease agreement (the "**Lease Agreement**") for the lease of the Properties by the Purchaser, as lessor, to the Vendor, as 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.

Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Previous Announcement.

2. Conditions to SGX-ST waiver

As disclosed in the Previous Announcements, as the computed figure under Rule 1006(c) exceeds 20%, the proposed sale of the Properties ("**Proposed Sale**") is classified as a major transaction for the purposes of Chapter 10 of the Listing Manual and accordingly, the approval of shareholders is required for the Proposed Sale pursuant to Rule 1014(2) of the Listing Manual.

Pursuant to the terms of the SPA, completion of the Proposed Sale is conditional upon, *inter alia*, 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.

The Company has applied to SGX-ST for a waiver of the requirement to seek shareholder approval ("**Waiver Application**") and has obtained a no objection letter dated 19 July 2013 from SGX-ST in respect of its application, of which a copy is attached in Appendix A ("**SGX-ST Letter**"). Conditions for waiver under the SGX-ST Letter are listed as follow:

- (a) the Company announcing the waiver granted, the reasons for seeking the waiver and the conditions as required under Listing Rule 107;

- (b) submission of a written confirmation from the Company that the waiver does not contravene any laws and regulations governing the Company and the articles of association of the Company;
- (c) submission of a written undertaking from shareholders holding more than 50% of the Company's issued shares to vote in favour of the Proposed Sale in the event that an extraordinary general meeting is convened to seek shareholders' approval for the Proposed Sale; and
- (d) disclosure of the Board's confirmation that the Proposed Sale will not result in a material change to the nature of business and the risk profile of the Company.

3. Directors' opinion

The Board of Directors is of the opinion that there will be no material change in the risk profile of the Company arising from the Proposed Sale for the reasons set out in paragraph 4.1 below.

4. Reasons for seeking the Waiver

The Company has submitted the Waiver Application in respect of the Proposed Sale on the basis of the following reasons:

4.1 *The Proposed Sale will not result in a change to the core business or risk profile of the Group*

Under paragraph 3.3.3 of Practice Note 10.1 of the Listing Manual, where an issuer proposes to dispose of a non-core business or a non-core asset without affecting the nature of its main business, it is reasonable in normal circumstances to expect shareholders not to be overly concerned about the disposal and the SGX-ST may grant a waiver under such circumstances.

Further, pursuant to paragraph 3.4 of Practice Note 10.1 of the Listing Manual, in the SGX-ST's review of whether shareholders' approval is required for a transaction, the SGX-ST will also take into consideration, *inter alia*, an opinion from the board of directors that there has been no material change in the risk profile of the issuer arising from the transaction, including the basis for their opinion.

The core business of the Group is that of providing high-tech capital and consumer equipment services and outsourcing services. The Properties are not a measurable business unit of the Group, and is not income producing on its own and the disposal and/or leasing of production and office space is only an incidental aspect of its core business. Therefore, the ownership of the Properties are neither critical nor essential to the Group's ability to operate or continue operating its core business.

Pursuant to the Lease Agreement, the Vendor will lease the Properties for an initial term of eight (8) years, with an option to renew the lease for a further six (6) years. The foregoing leaseback arrangement will enable the Group to continue using the Properties for the production activities of its Electronics Manufacturing Services Division and office premises. Accordingly, the Proposed Sale would not change the Group's principal activities or risk profile.

Having considered the factors disclosed above, the Board of Directors of the Company is of the view that the Proposed Sale will not result in a change to the core business or risk profile of the Group.

4.2 *The Proposed Sale will have a positive financial impact on the Group*

The Company is of the view that the Proposed Sale at the sale consideration of RM39,186,786 (approximately S\$15,655,000) ("**Sale Consideration**") will have the following positive financial impact on the Group:

(i) 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.

(ii) Net Tangible Assets ("**NTA**")

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

	Before the Proposed Sale	After the Proposed Sale
NTA (S\$'000)	168,995	173,092
NTA per Share (S\$ cents)	42.64	43.68

Note:

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.

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

Note:

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.

4.3 *The Sale Consideration is significantly higher than its aggregate net book value and valuation*

The Sale Consideration of RM39,186,786 (approximately S\$15,655,000) is significantly higher than the Properties' aggregate net book value of RM23,284,000 (approximately S\$9,302,000) as at 31 December 2012 and the valuation of RM33,540,000 (approximately S\$13,399,000) conducted by C H Williams Talhar & Wong Sdn Bhd, an independent valuer, on 19 April 2013. In view of the foregoing, the Proposed Sale will allow the Company to realise the Properties at a good value.

4.4 *Dispensation of shareholders' meeting does not prejudice shareholders*

The Proposed Sale has the support of the Company's shareholders comprising Mr Gooi Soon Hock, Tan Sri Larry Low Hock Peng and Juken Kogyo Co. Ltd., who have direct and deemed interests of 25.41%, 10.43% and 3.24%, respectively, of the total issued shares of the Company (excluding treasury shares).

In addition, the Company has also secured the support of those in the management of the Company, retired employees and relatives of Mr Gooi Soon Hock and Tan Sri Larry Low Hock Peng who have direct and deemed interest of an aggregate 12.46% of the total issued shares of the Company (excluding treasury shares). Together with the direct and deemed interests of Mr Gooi Soon Hock, Tan Sri Larry Low Hock Peng and Juken Kogyo Co. Ltd, the Company has secured the support of shareholders holding in aggregate 51.54% of the total issued shares of the Company (excluding treasury shares).

As the Company would be able to obtain the requisite majority needed for approving the Proposed Sale, we therefore submit that with the requisite support, the costs and time incurred would appear to be unnecessary and potentially detrimental to the interests of the shareholders of the Company.

On behalf of the Board

Mr. Gooi Soon Hock
Executive Director

19 July 2013

APPENDIX A

SGX-ST LETTER



Ref: RMR/IR/SWM/NES/2013070051-R1

19 July 2013

RHTLaw Taylor Wessing LLP
Six Battery Road #10-01
Singapore 049909

PRIVATE AND CONFIDENTIAL

Attn: Ms Ch'ng Li-Ling / Mr Billy Lau

Dear Sirs

FRENCKEN GROUP LIMITED (THE "COMPANY")

APPLICATION FOR WAIVER FROM COMPLYING WITH RULE 1014(2) OF THE LISTING MANUAL IN RESPECT OF CONVENING AN EXTRAORDINARY MEETING TO SEEK SHAREHOLDERS' APPROVAL FOR THE PROPOSED SALE AND LEASE BACK OF PROPERTIES IN PENANG

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1. We refer to your letter dated 18 June 2013 and the subsequent correspondence relating to the above.
 2. Based on the Company's submissions and representations to the Exchange, we wish to advise that the Exchange has no objection to the Company's application for waiver from compliance with Listing Rule 1014(2) subject to the following:-
 - (a) the Company announcing the waiver granted, the reasons for seeking the waiver and the conditions as required under Listing Rule 107;
 - (b) submission of a written confirmation from the Company that the waiver does not contravene any laws and regulations governing the Company and the articles of association of the Company;
 - (c) submission of a written undertaking from shareholders holding more than 50% of the Company's issued shares to vote in favour of the Proposed Sale in the event that an extraordinary general meeting is convened to seek shareholders' approval for the Proposed Sale; and
 - (d) disclosure of the Board's confirmation that the Proposed Sale will not result in a material change to the nature of business and the risk profile of the Company.

Singapore Exchange Limited
Company Reg No. 199904940D

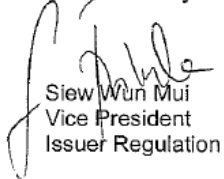
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RHTLaw Taylor Wessing LLP
19 July 2013

3. Please inform Ms Ng Ee San at eesan.ng@sgx.com and the undersigned at wunmui.siew@sgx.com immediately upon the Company's announcement of the waiver granted.
4. Please note that the Exchange reserves the right to amend and/or vary the above decision and such decision is subject to changes in the Exchange's policies.

Yours faithfully


Siew Wun Mui
Vice President
Issuer Regulation