FRENCKEN GROUP LIMITED
(Incorporated in Singapore)
(Company Registration No. 199905084D)

PROPOSED DISPOSAL OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF PRECICO ELECTRONICS SDN BHD TO VALEO BAYEN

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1. INTRODUCTION

The board of directors ("**Board**") of Frencken Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that Precico Group Sdn Bhd ("**PGSB**"), a wholly-owned subsidiary of the Company, has on 13 January 2017 entered into a share sale agreement (the "**SPA**") with Valeo Bayen (the "**Purchaser**"), pursuant to which PGSB has agreed to sell to the Purchaser 168,200,000 ordinary shares ("**Sale Shares**"), representing the entire issued and paid-up share capital of Precico Electronics Sdn Bhd ("**PESB**') on the terms and subject to the conditions of the SPA (the "**Proposed Disposal**").

The Proposed Disposal constitutes a "Major Transaction" under Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") (the "**Listing Manual**").

Upon completion of the Proposed Disposal ("**Completion**"), PESB will cease to be a subsidiary of the Company.

2. THE PROPOSED DISPOSAL

2.1 Information on PESB

PESB was incorporated in Malaysia on 22 May 1989 and has an issued and paid-up capital of RM168,200,000 consisting of 168,200,000 issued and fully paid-up ordinary shares of RM1.00 each. It is principally engaged in the business of manufacturing of plastic injection moulded parts/components, printed circuit board assemblies, final test and assembly of modules and products.

PESB is an indirect wholly owned subsidiary of the Company. PESB's entire issued and paid up capital is held by PGSB, a direct wholly owned subsidiary of the Company.

Based on the Group's audited financial statements for the financial year ended 31 December 2015 ("**FY2015**") and the unaudited financial statements for the nine months financial period ended 30 September 2016 ("**9M2016**"):

(i) the net tangible asset value of PESB as at 31 December 2015 and 30 September 2016 was S$32,315,000 and S$32,336,000, respectively; and

(ii) the net loss attributable to PESB for FY2015 and 9M2016 was S$4,112,000 and S$632,000, respectively.

2.2 Purchaser

The Purchaser is a joint stock company (société par actions simplifiée) incorporated under the laws of France and registered with the Commercial Registry of Paris under the number 380 072 520 RCS Paris. It is a subsidiary of Valeo ("**Valeo**"), a publicly listed company on Euronext Paris. Valeo supplies original equipment spares to automakers and replacement parts to the independent aftermarket. It offers a wide range of products and services for all aftermarket activities worldwide.

Valeo is a principal customer of PESB.

2.3 Consideration

2.3.1 Computation

The aggregate consideration for the Sale Shares shall be an amount equivalent to RM128,000,000 (or S$42,980,000, based on an exchange rate of RM2.9781:S$1) less the Definitive Net Debt Amount (as defined below) (if positive figure) or add the Definite Net Debt Amount (if negative figure), as the case may be ("**Consideration**").

The Consideration and method for computation thereof was arrived at after arm's length negotiation and on a willing-buyer willing-seller basis and having taken into consideration the net asset value of PESB, its fair value as appraised internally and its business prospects.

Based on the management accounts of PESB for 9M2016, the estimated Consideration is approximately RM132,113,000 (or S$44,361,000, based on an exchange rate of RM2.9781:S$1).

2.3.2 Payment of Consideration

(a) *Initial Payment*

On the Completion Date (as defined in Section 2.4.2), the Purchaser shall pay to PGSB a sum equivalent to RM128,000,000 (i) less a sum being the aggregate of the estimated indebtedness of PESB as at the Completion Date less estimated cash of PESB as at the Completion Date ("**Estimated Net Debt Amount**") (if positive figure); or (ii) add the Estimated Net Debt Amount (if a negative figure), as the case may be ("**Initial Payment**").

For the purposes of determining the Estimated Net Debt Amount (whether positive figure or negative figure, as the case may be), PGSB shall provide the Purchaser no later than five (5) business days prior to the Completion Date, with a pre-Completion Statement, prepared by PESB setting out the Estimated Net Debt Amount (whether positive figure or negative figure, as the case may be) as at Completion Date, based on a financial period which ends on the month before the Completion Date, in accordance with the applicable financial reporting standards adopted by the Malaysian Accounting Standards Board from time to time ("**MFRS**") and procedures.

(b) *Preparation of Post-Completion Statement*

Each party to the SPA shall use all reasonable endeavours to procure that, promptly after Completion (and in any event not later than thirty (30) days after the Completion Date), PESB shall prepare in accordance with the applicable MFRS and procedures and deliver to the parties, being the Company, PGSB and the Purchaser, a statement (showing such reasonable level of details as is necessary to understand the basis on which the statement is prepared) of each of the following items ("**Post-Completion Statement**") :

(i) the aggregate of all indebtedness of PESB as at the Completion Date ("**Definitive Debt Amount**");

(ii) the aggregate of all cash of PESB as at the Completion Date ("**Definitive Cash Amount**"); and

(iii) the aggregate net debt as at the Completion Date ("**Definitive Net Debt Amount**"), which shall be the Definitive Debt Amount less the Definitive Cash Amount.

Each party shall use its best efforts to agree in good faith on the resolution of all matters relating to the Post-Completion Statement, and each party shall notify the other party within thirty (30) days of receipt of the Post-Completion Statement (as the case may be) whether or not it accepts such Post-Completion Statement for the purposes of establishing the Definitive Net Debt Amount.

If any party does not accept such Post-Completion Statement, and the parties are unable to reach an agreement within the timeline stipulated in the SPA, the dispute shall be referred to any of Ernst & Young LLP, KPMG LLP, PricewaterhouseCoopers or any of their successor firms, or failing agreement, to be selected by the President for the time being of the Malaysian Institute of Accountants ("**Independent Accountant**"). The Independent Accountant shall act as an expert (and not as an arbitrator) in making any determination, which, in the absence of fraud or manifest error, shall be final and binding on the parties.

(c) *Final Payment*

If PGSB and the Purchaser reach an agreement on the Definitive Net Debt Amount or the Post-Completion Statement is (or is deemed to be) finally determined in accordance with the SPA, PGSB and the Purchaser shall pay to the following within seven (7) business days after the Definitive Net Debt Amount is determined:

(i) if the Definitive Net Debt Amount exceeds the Estimated Net Debt Amount, PGSB shall pay to the Purchaser the difference between the Definitive Net Debt Amount and the Estimated Net Debt Amount and

(ii) if the Definitive Net Debt Amount is less than the Estimated Net Debt Amount, the Purchaser shall pay PGSB, the difference between the Definitive Net Debt Amount and the Estimated Net Debt Amount.

2.3.3 Settlement of Consideration

The settlement of Consideration shall be made in Ringgit in cash, bank cheque/banker's draft or telegraphic transmission to the account of the relevant party; except if the payment is from PGSB to the Purchaser, the payment shall be converted from Ringgit into United States Dollars or such other currency requested by the Purchaser no later than 3 business days before the remittance, at the relevant exchange rate as quoted by the relevant bank at the time and on the actual date of transfer less all bank charges for such remittance.

2.4 Other Salient Terms of the Proposed Disposal

2.4.1 Conditions

Completion of the Proposed Disposal shall be subject to and conditional upon, inter alia, the fulfilment and satisfaction of the following conditions (unless otherwise waived, where applicable):

(a) the completion of registration of transfer of assets, comprising:

(i) the piece of freehold land measuring 7,945 square meters in area held under GM306, Lot 670, Mukim 02 in the District of Seberang Perai Selatan in the State of Penang, the building erected on the land and all those fixtures attached to the land and building;

(ii) the various properties used by PESB as hostels and dormitories for its workers and more particularly described in the agreed form of the Tenancy

Agreement to be entered between PESB and Precico Sdn Berhad (43058-H); and

(iii) the three (3) motor vehicles legally registered in the PESB's name and beneficially owned by PESB, bearing the registration numbers PHV 6336, PKK 7377 and PLN 7811,

into the name of PGSB or any person or entity that directly or indirectly controls, is controlled by, or is under common control with PGSB ("Affiliates") (in this respect control shall mean direct or indirect ownership or control of more than 50% of the voting interests of the subject entity and when used with respect to any person, means the possession, directly or indirectly of the power to cause the direction of the management and/or policies of such person, whether through the ownership of voting shares, by contract or otherwise);

(b) no such event, change, circumstance, effect or other matter that has the effect of reducing PESB's net book value by an amount exceeding RM13 million has occurred ("MAC Condition"), as determined by comparing PESB's net book value set out in its latest available management accounts (after all the Conditions (as defined below), save for the MAC Condition, has been fulfilled), with the PESB's net book value as set out in its audited balance sheet as at 31 December 2015; and

(c) the Company obtaining all necessary regulatory and corporate approvals required under the applicable laws for the Company and PGSB to perform their respective obligations under the SPA and for PGSB to sell the Sale Shares to the Purchaser,

(collectively, the "Conditions" and each a "Condition").

2.4.2 Completion

Completion is conditional upon the fulfilment of the Conditions on or before the date falling six months from the date of the SPA or such other date as the parties to the SPA, being the Company, PGSB and the Purchaser, may agree in writing ("**Long-Stop Date**"). In the event that any of the Conditions has not been fulfilled (or waived) prior to the Long-Stop Date, the SPA (other than the surviving provisions) shall automatically terminate and neither party to the SPA shall have any claim thereunder against the other party (save in respect of claims arising out of any antecedent breach of the SPA).

The date of Completion ("**Completion Date**") shall be (i) the last business day of the calendar month following the satisfaction of the last outstanding Condition; provided that if such day falls on a date which is less than ten (10) business days after the day on which the last of the Condition is satisfied, fulfilled and/or waived; it shall be the last business day of the following calendar month, or (ii) such other date as PGSB and the Purchaser may agree in writing.

2.4.3 Other Material Terms

Other material terms of the SPA include, *inter alia*, the following:

(i) **Non-Solicitation**: PGSB undertakes with and covenants to the Purchaser that neither PGSB nor its Affiliates shall, without the prior written consent of the Purchaser for the period of one year from the date of SPA:

(a) solicit or persuade, any person or corporation which is a supplier or customer or client of PESB, or who was in the 24-month period before the date of the SPA a supplier or customer or client of or in respect of PESB's business, to cease doing business with PESB or reduce the amount of business which the supplier or customer or client would normally do in respect of the business, save pursuant to the Restructuring Exercise; and

(b) other than Ng Yan Guan, at any time induce any person who is at the date of the SPA an employee of PESB ("**Existing Employee**") to terminate his or her employment with PESB or solicit, endeavour to entice away, any Existing Employee (whether as employee, consultant or otherwise).

(ii) **Use of Name and Logo**: The Purchaser undertakes to PGSB to procure that PESB shall within a period of six (6) months after Completion:

(a) change PESB's name such that it no longer contains the word "Precico"; and

(b) cease to use the word "Precico" or "Frencken" in any corporate name, trade name, logo, domain name or e-mail address save as may be required by law.

3. THE PROPOSED DISPOSAL AS A "MAJOR TRANSACTION"

Based on the unaudited financial statements of the Company for 9M2016, the relative figures in relation to the Proposed Disposal computed on the bases set out under Rule 1006 of the Listing Manual are as follows:

1.	**Rule 1006(a)**	
	Net asset value of PESB	S$32,336,000
	Net asset value of the Group	S$212,077,000
	Relative figure	15.2%

2.	**Rule 1006(b)**	
	Net loss attributable to PESB for 9M2016	(S$617,000)
	Net profit of the Group for 9M2016	S$15,491,000
	Relative figure	n.m.[1]
3.	**Rule 1006(c)**	
	Aggregate value of consideration	S$44,361,000[3]
	Market capitalisation of the Company as at 12 January 2017, being the Market Day preceding the date of the SPA	S$101,661,000[2]
	Relative figure	43.6%
4.	**Rule 1006(d)**	
	Number of shares to be issued by the Company as consideration for an acquisition	Not applicable to the Proposed Disposal
	Number of shares in issue of the Company	
	Relative figure	
5.	**Rule 1006(e)**	
	Aggregate volume or amount of proved and probable reserves to be disposed of	Not applicable to the Proposed Disposal
	Aggregate of the group's proved and probable reserves	
	Relative figure	

Notes:

(1) As the relative figure under Rule 1006(b) is negative **3.98**%, a comparison is not meaningful.

(2) The market capitalisation of the Company is based on the total number of shares excluding treasury shares of 406,642,409 multiplied by the weighted average price of S$0.25 on 12 January 2017 being the Market Day preceding the date of the SPA.

(3) The figure of S$44,361,000 is an estimated Consideration based on the management accounts of PESB for 9M2016.

As the applicable relative figures computed on the bases of Rule 1006(c) is more than 20%. Accordingly, the Proposed Disposal will be classified as a "Major Transaction" under Chapter 10 of the Listing Manual. In accordance with Rule 1014 of the Listing Manual, a major transaction must be made conditional upon approval by Shareholders in a general meeting.

The Company will be seeking approval of Shareholders at an extraordinary general meeting to be convened. A circular containing, *inter alia*, details of the Proposed Disposal, together with the notice of extraordinary general meeting, will be despatched to Shareholders in due course.

4. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The financial effects of the Proposed Disposal on the Group are prepared based on the Group's audited consolidated financial statements for FY2015 and the estimated Consideration of approximately S$44,361,000. For the purpose of computing the earnings per share ("**EPS**") of the Group after the Proposed Disposal, it is assumed that the Proposed Disposal was completed on 1 January 2015. For the purpose of computing the net tangible assets ("**NTA**") per share and gearing of the Group, it is assumed that the Proposed Disposal was completed on 31 December 2015.

It should be noted that the financial effects set out below are for illustrative purposes only and do not purport to be indicative or a projection of the results and financial position of the Group after the completion of the Proposed Disposal.

4.1 Share capital

As at the date of this announcement, the issued and paid-up capital of the Company is S$100,031,000 comprising 406,642,409 Shares. No treasury share is held by the Company. As the Proposed Disposal does not involve the issue and allotment of any new Shares, the Proposed Disposal will have no effect on the share capital of the Company.

4.2 NTA per Share

The effect of the Proposed Disposal on the consolidated NTA per Share of the Group is as follows:

	Before the Proposed Disposal	**After the Proposed Disposal**
NTA (S$'000)	179,821	191,867
Number of Shares as at 31 December 2015 ('000)	404,662	404,662
NTA per Share (Singapore cents)	44.44	47.41

4.3 EPS

The effect of the Proposed Disposal on the consolidated EPS of the Group is as follows:

	Before the Proposed Disposal	**After the Proposed Disposal**
Net profit attributable to Shareholders (S$'000)	9,221	21,267

Weighted average number of Shares (excluding treasury shares) ('000)	404,623	404,623
Earnings per Share (Singapore cents)	2.28	5.26

4.4 Gearing

	Before the Proposed Disposal	**After the Proposed Disposal**
Net debt (S$'000)	51,900	51,900
Total equity (S$'000)	205,604	217,650
Gearing ratio	25.24%	23.85%

5. NET ASSET VALUE

The audited and unaudited net asset value of PESB as at 31 December 2015 and 30 September 2016 is approximately S$32,315,000 and S$32,336,000. The estimated Consideration represents an excess of S$12,046,000 and S$12,025,000 to the audited and unaudited net asset value of PESB as at 31 December 2015 and 30 September 2016, respectively.

6. RATIONALE FOR AND BENEFITS OF THE PROPOSED DISPOSAL

The Proposed Disposal represents an opportunity for the Group to unlock and realise the value of PESB at a profit, as well as to enhance the capabilities of its IMS Division.

In the past two financial years, PESB has registered losses due to certain operational issues. Although the Group has been making steady progress in its improvement programs to resolve the quality, cost and efficiency issues at PESB, the Group believes considerable time will be required for PESB to attain a sustainable turnaround. In view of this, the Board believes that the Proposed Disposal is in the interests of Shareholders as it will have an immediate positive effect on the Group's financial performance.

Meanwhile, as part of the Group's overall business strategy, the IMS Division will continue to focus on expanding the automotive business through its wholly-owned subsidiary Juken Technology Limited.

With the proceeds from the Proposed Disposal, the Group will have greater financial flexibility to enhance its competitive edge in the automotive business by (i) establishing a new integrated manufacturing facility with capability to offer high volume state-of-the-art technology solutions to customers, and (ii) exploring the development of new niche products.

The Group sees scope to leverage on the respective strengths of its Mechatronics and IMS Divisions to develop and manufacture niche products that involve the integration of metal and plastic components for industries such as the automotive sector.

7. USE OF PROCEEDS

The estimated net cash proceeds from the Proposed Disposal ("Net Proceeds"), based on the Consideration and after deducting estimated costs and expenses to be incurred in connection with the Proposed Disposal, is approximately RM130,791,000 (S$43,918,000). The Company intends for the Net Proceeds raised to be used for the general working capital requirements of the Group and to fund future business expansions, investments and acquisitions when suitable opportunities arise.

Pending the deployment of the unutilised proceeds for the purposes mentioned above, such proceeds may be deposited with banks and/or financial institutions, invested in short term money markets and/or marketable securities, or used for any other purpose on a short term basis, as the Directors may deem appropriate in the interests of the Group.

8. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save for their shareholding interest in the Company (if any), none of the Directors or controlling shareholders of the Company has any interest, whether direct or indirect, in the Proposed Disposal.

9. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a Director in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any person.

10. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Disposal, the Company and PESB, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

11. DOCUMENTS FOR INSPECTION

A copy of the SPA is 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 three (3) months from the date of this announcement.

12. CAUTIONARY STATEMENT

Shareholders should note that the Proposed Disposal is subject to the fulfilment of the conditions precedent set out above and accordingly, should exercise caution when trading in the Shares of the Company. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

The Company will make the necessary announcements when there are further developments on the Proposed Disposal.

BY ORDER OF THE BOARD

Mohamad Anwar Au
Executive Director
Singapore, 13 January 2017