

Issuer: Frencken Group Limited
Security: Frencken Group Limited

Meeting details:

Date: 25 April 2018

Time: 2.30 p.m.

Venue: Orchard Parade Hotel, Level 2 Antica I, 1 Tanglin Road, Singapore 247905

Company Description

Frencken Group Limited, an investment holding company, operates as a capital and consumer equipment service provider worldwide. It operates through two segments, Mechatronics and Integrated Manufacturing Services (IMS). The Mechatronics segment designs, develops, and produces precision-engineered systems and machines, complex electromechanical assemblies, and high precision parts and components for original equipment manufacturers. It offers integrated one-stop outsourcing solutions, such as product design, development, and prototyping; project management and engineering support; strategic purchasing and sourcing; manufacturing high precision parts and components; final test and assembly of modules and complete systems/machines; and product life cycle management. This segment serves medical, semiconductor, analytical, pharmaceutical, and industrial/factory automation industries. The IMS segment offers integrated contract design and manufacturing services for automotive, office automation, tooling, and consumer and industrial electronics products. It provides a range of outsourcing services, including mechanical and electronic design and engineering support; tooling design and manufacture; plastic injection molded parts and components; printed circuit board assemblies; and final test and assembly of modules and box build products. The company also provides supply chain management services; modular and equipment system assembly, integration, testing, and commissioning services; and vacuum coating, thermal treatment, and other related services for plastic components. In addition, it manufactures sheet metal parts; designs, engineers, manufactures, and sells filters; manufactures and distributes plastic products and components; and designs and trades in micro-mechanical product components for automotive industry, as well as holds properties. Frencken Group Limited was founded in 1995 and is based in Perai, Malaysia.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=E28)

Q1. As noted in the Chairman’s Statement, the group achieved record revenue of \$515.1 million and a net profit (before exceptional items) of \$23.0 million. The strong performance was due to better sales performance from the semiconductor, medical, analytical and automotive segments.

The sale of Precico Electronics Sdn. Bhd. (“PESB”) was completed on 31 March 2017 for a final consideration of RM134,754,000. Following the Post-completion adjustment, the net gain on the disposal of PESB was \$11.34 million. In addition, as part of the group’s overall business strategy, the IMS Division will leverage on Juken Technology Limited, a wholly-owned subsidiary, to drive the automotive business.

- a) **Can management provide shareholders with more information on the proposed new integrated manufacturing facility at Chuzhou, Anhui Province that can offer high volume state-of-the-art technology solutions to customers? What is the expected level of capital investment? When is the new plant expected to be operational?**
- b) **Following the sale of PESB, what is the utilisation of the group’s manufacturing plants?**
- c) **How is the group driving the development of new niche products? What are some examples of such products that involve the integration of metal and plastic components?**
- d) As at 31 December 2017, the group had \$44.6 million of short term funds placed with a Malaysian financial institution. **Can management clarify if the funds are held in SGD or RM?**

Q2. As stated in the Directors’ Statement, the Frencken Employee Share Option Scheme (ESOS) 2008 for executive directors and employees of the Group was approved by members of the Company at an Extraordinary General Meeting on 18 April 2008 and it is managed by the Remuneration Committee (RC) and administered by the Employee Share Option Scheme Committee comprising of the following members:

- (a) Mohamad Anwar Au (also known as Dennis Au) (President & Executive Director)
- (b) David Chin Yean Choon (Chief Financial Officer)

Since 2008, the company has granted 38,890,000 share options to its employees. The total shares issued as at 13 March 2018 was 417,207,409.

- a) **With the ESOS in effect since April 2008, would the RC be evaluating the effectiveness of the scheme and analyse the success of the plan in attracting talent as well as promoting long-term staff retention?**
- b) **Can the RC also help shareholders what is meant by the RC managing the ESOS and the ESOS Committee administering it?**
- c) Specifically, for the 2017 Options, Mohamad Anwar Au was granted 700,000 options. As the ESOS Committee comprises just Mohamad Anwar Au (President and Executive Director) and David Chin Yean Choon (Chief Financial Officer), **what was David Chin’s role in “administering” the ESOS to Mohamad Anwar Au?**

Q3. As seen from the Profile of Board of Directors (page 25), Mr. Ling Yong Wah is the company’s Lead Independent Non-Executive Director.

Mr. Ling was appointed on 12 May 2005. Accordingly, Mr. Ling has served on the board for nearly 13 years. In addition, Mr. Ling is also the chairman of the audit committee and a member of the nominating committee.

Mr. Ling holds the position of the Chief Executive Officer of Vallianz Holdings Limited.

The attendance of Mr. Ling at board meetings in the past 2 years was disclosed, as follows:

FY2017

The number of Board and Board Committee meetings held during the financial year ended 31 December 2017 and the attendance of each Director, where relevant, are as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Number of meetings	4	5	1	2
Dato' Gooi Soon Chai	4	5	N/A	2
Mohamad Anwar Au	4	5	N/A	N/A
Chia Chor Leong	4	5	1	2
Ling Yong Wah	3	4	1	N/A
Yeo Jeu Nam	4	5	N/A	2
Melvin Chan Wai Leong ¹	3	1	N/A	N/A

¹ Melvin Chan Wai Leong was appointed as Independent Director on 27 April 2017 and a member of Audit Committee on 1 November 2017.

(Source: Company annual report)

FY2016

The number of Board and Board Committee meetings held during the financial year ended 31 December 2016 and the attendance of each Director, where relevant, are as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Number of meetings	4	5	1	3
Dato' Gooi Soon Chai ¹	4	5	N/A	2
Mohamad Anwar Au ²	3	3	N/A	N/A
Chia Chor Leong	4	5	1	3
Ling Yong Wah	3	4	1	N/A
Yeo Jeu Nam	4	5	N/A	3

(Source: Company annual report)

- a) **Would Mr. Ling help shareholders understand the extenuating circumstances that might have led him to miss one board meeting and one audit committee meeting in both FY2016 and in FY2017?**
- b) **Given that Mr. Ling is the Lead Independent Director, would it be better if Mr. Ling attends all the board meetings?**
- c) **In addition, as chairman of the audit committee (AC), how effective was the AC in discharging its duties when the AC chairman was absent at the AC meeting?**
- d) **As Mr. Ling is currently the Chief Executive Officer of Vallianz Holdings Limited, can shareholders understand how much time, energy and commitment he can bring to the company in view of the competing time requirements from his various roles?**