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Issuer: Frencken Group Limited

Security: Frencken Group Limited

Meeting details:

Date: 25 April 2019

Time: 2.30 p.m.

Venue: Orchard Rendezvous Hotel (formerly known as Orchard Parade Hotel), Level 2 Antica I, 1 Tanglin Road, Singapore 247905

Company Description

Frencken Group Limited is a Singapore-based investment holding company. The Company is a capital equipment, automotive and consumer product solution provider. It offers integrated outsourcing solutions to a diversified customer base comprising global companies. The Company operates through two segments: Mechatronics and Integrated Manufacturing Services (IMS). The Mechatronics segment is engaged in the design and manufacture of complex electro-mechanical assemblies and automation systems for original equipment manufacturers. The Company's IMS segment is engaged in providing integrated solution to manufacture plastic components (including design and fabrication of mold) and printed circuit board assemblies (PCBAs) for assembly into modules and finished products. The IMS segment also designs and manufactures oil filters. The IMS segment has various operating sites in Southeast Asia (Malaysia, Thailand, Singapore and Indonesia), China, India, Switzerland and the Netherlands.

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

1. The group reported record revenue in FY2018, up 21.5% to \$625.8 million, with the Mechatronics division driving the increase with a 33.1% jump. Net profit from the division increased by 53.7% to S\$35.6 million in FY2018. This was driven by broad-based sales growth in all major segments, namely semiconductor, analytical and medical industrial automation.

The Integrated Manufacturing Services (IMS) division which accounted for 21% of the group's revenue reported a break-even year.

- (i) With the Chuzhou site starting operations soon, how will the group be streamlining its processes? Will there be rationalisation of the group's production sites as a result?**
- (ii) Has the US-China trade war affected the group in a significant matter?**
- (iii) As the group tries to evolve itself to "Build to Spec"/"Original Design Manufacturer", does it have the human talent and the right mindset to support this push? How ingrained is the Frencken Operations eXcellence ("FOX") culture? And what is the tone at the top to drive down the message of the FOX culture?**
- (iv) Can management help shareholders understand the market potential of its proprietary eco-PVD (Physical Vapour Deposition) technology? Is it a game-changer for the group in the automotive segment?**

2. Management has also disclosed that the IMS division is exploring and evaluating opportunities to achieve greater diversity in its portfolio. This would allow the division to leverage its strength in precision plastic products to enter new industries or applications with growth potential.

- (i) Can the board/management clarify if the group is looking at possible mergers and acquisitions to improve the IMS division's capability and/or to acquire new customers?**
- (ii) What are the strategic capabilities that would be complementary to the group?**
- (iii) The last major acquisition by the group was the acquisition of Juken Technology Limited that was completed at the end of 2012. Juken currently forms the backbone of the group's IMS division. What were some of the lessons gleaned by management from that acquisition?**
- (iv) What guidance has the board given to management in terms of ticket size, synergies, culture, valuation when it is evaluating potential targets?**

3. Mr Chia Chor Leong and Mr Ling Yong Wah have served as independent director of the company for more than nine years since their initial appointments on 22 September 2004 and 12 May 2005 respectively.

Mr Ling Yong Wah is also the company's lead independent director.

At the company's annual general meeting to be held on 25 April 2019, Mr Ling is retiring pursuant to Article 89 of the company's constitution.

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("2018 CG Code"). As a consequence of the revised 2018 CG Code, the Singapore Exchange has made amendments to its Listing Rules which came into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022. Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

- (i) Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**
- (ii) What is the search and nomination process for directors, especially independent directors? How are candidates for directors identified?**
- (iii) Has the nominating committee reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?**
- (iv) Other than the appointment of Mr Melvin Chan Wai Leong in 2017, what are the company's other near term plans to refresh the membership of the board to comply with the new 2018 Code in good time?**

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Frencken%20Group%20Ltd&cid=6382,4597>

The company's response could be found here: -----