



**FRENCKEN GROUP LIMITED**  
(Company Registration No. 199905084D)

## **Announcement**

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### **ANNUAL GENERAL MEETING TO BE HELD ON 29 APRIL 2021 – RESPONSES TO QUESTIONS FROM SHAREHOLDERS**

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The Board of Directors of Frencken Group Limited (“Frencken” or the “Company”, and together with its subsidiaries, the “Group”) wishes to thank shareholders for submitting their questions in advance of the Annual General Meeting (“AGM”) to be held by way of electronic means on Thursday, 29 April 2021 at 2.30 p.m. (Singapore time).

The Company’s responses to the substantial and relevant questions that were raised by shareholders are set out below.

**1. How is the chip shortage affecting our business for both the semiconductor and the automotive businesses?**

The present chip shortage is driving demand for both front-end and back-end semiconductor equipment. This trend bodes well for our customers in the semiconductor industry and in turn should benefit Frencken’s semiconductor business segment.

Our team at the IMS Division has been closely monitoring our automotive customers’ forecast and delivery schedules. We have started to see some level of delays in orders from selected customers as a result of the chip shortage.

**2. With the faster acceleration of Electric Vehicle adoption, how is the company preparing for it, especially the oil filter business? What would be the financial impact if this business is wind down?**

Frencken’s automotive segment manufactures plastic components and decorative parts which are still required in electric vehicles. Hence, this part of our automotive business is unlikely to be affected.

While the adoption of Battery Electric Vehicles (BEV) is on the rise, there is also an increasing trend towards hybrid vehicles (Mild Hybrid Electric Vehicle or MHEV, and Plug-in Hybrid Electric Vehicle or PHEV) which will require oil filters and new transmissions are in development. Moreover, the BEV has transmission with an oil circuit that contains a filter.

The Group does not have any intention to wind down the filter business.

**3. Will there be a need to change our business strategy and in what way if the tech war intensifies between US and China?**

As the Group’s factories are set up to provide local-to-local support to our customers in various geographical markets, we do not envisage any change in this business strategy.

**4. What's the business and operational impact to the company arising from recent supply chain disruption and soaring freight costs?**

The Group has experienced rising freight costs due to:

- a. Increases by logistic companies arising from higher demand, and
- b. Increased air shipments to expedite shipments due to supply chain delays.

We have witnessed across-the-board price increases of raw materials for both our Mechatronics and IMS Divisions. However, certain contracts with customers provide the leeway for us to pass on these costs to customers if material prices increase above a certain threshold.

We are in close communications with our customers on their forecasts and plans to ensure the supply chain is in sync and to enable early mitigation of potential challenges.

**5. Any need to incur additional capex to meet anticipated strong semiconductor equipment demand? If so, is it substantial?**

The Group is continually making capital investments to ensure we are ready to meet demand from customers. For the current financial year ending 31 December 2021 (FY2021), we have embarked on capital investment plans to increase production capacity and enhance technological capabilities of our operations in both Europe and Asia in order to cater to the needs of our customers in our semiconductor as well as other business segments.

Our management team continuously assesses the market and our customers' requirements when planning the Group's capital expenditure to ensure we stay ahead of the competitive and demand curve. For FY2021, the Group is presently budgeting for capital expenditure of approximately S\$12 million.

**6. How long do you think the strong demand for semiconductor production equipment/parts can be sustained for?**

Based on the current indications and outlook of our key customers in the semiconductor industry, the current demand for semiconductor equipment is likely to be sustained in 2021. However, the semiconductor industry has always been cyclical historically and growth moderations would not be unexpected. Nevertheless, we believe the long-term outlook for the semiconductor industry continues to be positive, driven by demand from new technology applications such as artificial intelligence, edge computing, virtual and augmented reality, 5G - mobility and connectivity in automotive advanced driver-assistance systems (ADAS) vehicles to everything (V2X) connectivity.

**7. Three of the Independent Directors have served on the Board for 10-15 years. What measures are the Board taking to plan for succession? When can shareholders see concrete action in refreshing the Board?**

Our Board has always strived to ensure it has directors with the right capabilities, experience and diversity to ensure Frencken's continued success. We are constantly on the look-out for new board members who can contribute, as well as add diversity and value to the Group. However, we are also mindful of the need for careful cultivation and integration of new board members with our existing directors to ensure continuity. The selection, cultivation and composition of our Board remains a priority and is an ongoing process at Frencken.

**On behalf of the Board,**

Dennis Au  
Executive Director

27 April 2021

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## **About Frencken Group Limited**

Frencken Group is a Global Integrated Technology Solutions Company that serves world-class multinational companies in the automotive, healthcare, industrial, life sciences and semiconductor industries.

Frencken Group operates on a worldwide scale through its established local presence of 17 operating sites and 3,400 employees across Asia, Europe and the USA. Working in partnership with its growing base of global customers, the Group unites the strengths of its strategically located businesses to create value for a wide variety of end-user markets.

Leveraging on its advanced technological and manufacturing capabilities, Frencken Group provides comprehensive Original Design, Original Equipment and Diversified Integrated Manufacturing solutions. The Group's extensive solutions span from product conceptualization, integrated design, prototyping, new product introductions, supply chain design and management, state-of-the-art value and volume manufacturing services to logistics solutions.

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