



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

**Announcement**

---

**RESPONSE TO QUERY FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE COMPANY'S FY2019 ANNUAL REPORT**

---

The Board of Directors of Frencken Group Limited (the "Company") and together with its subsidiaries (the "Group") refers to questions raised by the Singapore Exchange Securities Trading Limited ("SGX-ST") in respect of the Company's annual report for the financial year ended 31 December 2019 ("FY2019"). The Company's response is set out as follows:

**SGX's Questions:**

- a) Listing Rule 713 (1) states that "An issuer must disclose in its annual report the date of appointment and the name of the audit partner in charge of auditing the issuer and its group of companies. The audit partner must not be in charge of more than 5 consecutive audits for a full financial year, the first audit being for the financial year beginning on or after 1 January 1997, regardless of the date of listing. The audit partner may return after two years".

The Company disclosed on Page 29 of the Annual Report that the year of appointment for the audit partner-in-charge, Rankin Brandt Yeo, was since the financial year ended 31 December 2014.

Please explain how the Company has complied with the said guideline and if not, please do so accordingly.

**Company's Reply:**

The Company has complied with Listing Rule 713 (1) which stipulates that the audit partner must not be in charge of more than 5 consecutive audits for a full financial year. Mr Rankin Brandt Yeo was appointed as the audit partner of the Company and its group of companies for the financial year ended 31 December 2019 replacing Mr Chua How Kiat who was appointed from financial year ended 31 December 2014 to 31 December 2018, after having served for 5 consecutive audits for full financial year.

The Company's disclosure on Page 29 of the Annual Report should have indicated the year of Mr Rankin Brandt Yeo's appointment as financial year ended 31 December 2019 instead of financial year ended 31 December 2014.

- b) Please refer to page 120 of Annual Report 2019 wherein the Company disclosed expenses paid on behalf by a subsidiary amounts to \$220,000.

Please provide the nature and background of the aforementioned expenses.

**Company's Reply:**

The nature of such expenses comprises mainly travelling expenses, accommodation, printing of annual report and insurance premium relating to Directors & Officers Liability which was paid on behalf of the Company by a wholly owned subsidiary whose principal activity is management services.

- c) Listing Rule 1207(10C) requires the Audit Committee's comments on whether the internal audit function is independent, effective and adequately resourced.

Please comply with the said Listing Rule.

**Company's Reply:**

The Audit Committee's confirms that the internal audit function is independent as it reports directly to the Chairman of the Audit Committee who is an independent director as well as other members of the Audit Committee who are also independent directors. This is stated under Principle 10 of the Corporate Governance Statement which states that *"The Company's internal functions are carried out in-house by qualified and experienced internal audit staff. The internal auditor's primary line of reporting is to the Chairman of the Audit Committee which also decides on the appointment, termination and remuneration of the head of the internal audit function."*

The Audit Committee concurs that the internal audit function is effective as stated under Principle 9 of the Corporate Governance Statement which states that *"Based on reports submitted by the external and internal auditors, and the system of internal controls, including financial, operational, compliance and information technology controls, and risk management systems maintained by the management that was in place throughout the financial year and up to date of the Annual Report for the financial year ended 31 December 2019, the Board, with the concurrence of the Audit Committee and the assurance of the management (including the President and Chief Financial Officer as well as the internal auditors) are of the opinion that the Group's system of internal controls, including financial, operational, compliance and information technology controls, and risk management systems are adequate and effective."*

The Audit Committee reaffirms that the internal audit function is adequately resourced as indicated under Principle 10 of the Corporate Governance Statement which states that *"It has full discretion to invite any Director or Executive Officer to attend its meetings, and has been given reasonable resources to enable it to discharge its functions."*

- d) Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 2.4 of the Code you have not disclosed your board diversity policy and progress made towards implementing the board diversity policy, including objectives, and there were no explanations provided for in your FY2019 annual report on how it is consistent with the intent of Principle 2 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company.

## **Company's Reply:**

The Company wishes to highlight the following disclosures made in the Corporate Governance ("CG") Statement of the Annual Report 2019:

### (i) Diversity of Board Composition

*"The Board comprises six (6) Directors of whom one (1) is Executive Director, one (1) is Non-Executive Non-Independent Director and four (4) are Independent Directors. The Directors of the Company as at the date of this statement are:*

*Dato' Gooi Soon Chai (Non-Executive Non-Independent Chairman)*

*Dennis Au (Executive Director)*

*Ling Yong Wah (Lead Independent Director)*

*Chia Chor Leong (Independent Director)*

*Yeo Jeu Nam (Independent Director)*

*Melvin Chan Wai Leong (Independent Director)"* (Principle 2, first paragraph of page 48);

As indicated in the above CG Statement, the Board have diversity in category of directorship namely one Executive Director, one Non-Executive Non-Independent Director and four Independent Directors.

### (ii) Size of Board

*"Taking into account the scope and nature of the Group's businesses and operations, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees, the Board considers the current size of the Board is appropriate for the facilitation of decision-making. The Board believes that its current board size and composition effectively serves the Group and is not so large as to be unwieldy. It provides sufficient diversity without interfering with efficient discussion and decision-making. However, the Board will continue to review the size of the Board on an ongoing basis."* (Principle 2, first paragraph of page 50);

The Company has a majority of independent directors on its Board which allows diversity of viewpoints that are independent of the management's to prevail.

### (iii) Diversity of skills, knowledge and experience

*"The Directors are of diversified background and collectively bring with them a wide range of experience such as accounting and finance, legal, industry knowledge, customer-based knowledge, strategic planning, business and management experience. In particular, the Executive Director possesses good industry knowledge while the Non-Executive Directors, who are professionals and experts in their own fields, are able to take a broader view of the Group's activities, contribute their valuable experiences and provide independent judgement during Board deliberations. The Non Executive Directors are involved in reviewing the corporate strategies, business operations and practices of the Group, and are also involved in reviewing and monitoring the performance of management in achieving agreed goals and objectives. The Board considers that the Directors provide an appropriate balance and diversity of skills, experiences and knowledge of the Company that will provide effective governance and stewardship for the Group."* (Principle 2, second paragraph of page 50);

### (iv) Age and academic diversity

The current Board comprises directors from different age groups spanning a range of approximately 16 years and from different academic background comprising chartered accountancy, engineering, legal profession, computer science and social science.

Although the Company has not adopted a formalised diversity policy, it has adhered to the intent of Provision 2.4 of the Code as the Nomination Committee (“NC”) reviews the Board’s composition annually to ensure that the Board has sufficient diversity in terms of composition, age, gender, balance of knowledge, skills, experience, and independence. As such, the Board concurs with the NC’s view that the Board has the appropriate diversity of expertise to lead and govern the Group effectively, avoid groupthink and foster constructive debate.

- e) Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the “Code”), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provisions 8.1 of the Code with regards to the disclosure of remuneration. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company’s remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

**Company’s Reply:**

The Company has decided to disclose the remuneration of each of the Directors (including CEO) and key management personnel in bands of S\$250,000 which is a deviation from Provision 8.1 of the Code. In arriving at its decision, the Board is of the view that full disclosure of the remuneration of each individual director and key management personnel in dollar terms is not in the best interests of the Company. This is due to the sensitive and confidential nature of the matter as well as potential competitive pressures resulting from such disclosure.

The Company is of the view that the disclosure of the indicative range of the Directors’ and key management personnel remunerations as well as the composition of the nature of the remunerations essentially into its fixed (salary, fee and fringe benefits) and variable (bonus) components provides a reasonable amount of information on the Company’s remuneration framework to enable the shareholders to understand the link between the Company’s performance and the remuneration of the Directors and key management personnel. The fees to the Chairman and Independent Directors do not have variable components and are put forward annually to shareholders for approval at the Company’s Annual General Meeting.

On behalf of the Board,

Dennis Au  
Executive Director

12 May 2020

---

**About Frencken Group Limited**

Frencken Group is a Global Integrated Technology Solutions Company that serves world-class multinational companies in the automotive, healthcare, industrial, analytical & 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.

---

**MEDIA AND INVESTOR RELATIONS CONTACT****OCTANT CONSULTING**

phone (65) 62963583

**Herman Phua** | mobile 9664 7582 | email [herman@octant.com.sg](mailto:herman@octant.com.sg)

**Lisa Heng** | mobile 9090 9887 | email [lisa@octant.com.sg](mailto:lisa@octant.com.sg)

---