



FRENCKEN GROUP LIMITED
(Company Registration No. 199905084D)

Announcement

RESPONSE TO QUERY FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE COMPANY'S FY2020 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 2020 ("FY2020"). The Company's responses are set out as follows:

SGX's Questions:

- a) 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. Practice Guidance 2 requires an issuer to state the Company's board diversity policy and progress made towards implementing the board diversity policy, including objectives. Please state if the Company has a formal board diversity policy and please confirm if the Company's practices are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

Company's Reply:

Although the Company has not adopted a formal board diversity policy, it has adhered to the intent of Principle 2 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, 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 herd thinking and foster constructive debate.

The Company wishes to highlight that the Company's practices are consistent with the intent of Principle 2 of the Code, so as to enable it to make decisions in the best interests of the Company as highlighted in the following disclosures made in the Corporate Governance ("CG") Statement of the Annual Report 2020, namely:-

(i) Diversity of Board Composition

"The Board have diversity in category of directorship which 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 50)

(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. 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. However, the Board will continue to review the size of the Board on an ongoing basis.” (Principle 2, first paragraph of page 52);

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, experience, age and academic

“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 with age groups spanning a range of approximately 16 years. 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 52)

In addition, the current Board comprises directors from different academic background and professional experience comprising chartered accountancy, engineering, legal, computer science and social science.

- b) 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. Practice Guidance 8 of the Code states that appropriate remuneration disclosures for individual directors, CEO and KMP should be made to provide sufficient transparency and information to shareholders regarding remuneration matters. The remuneration disclosures for individual directors and the CEO should specify the names, amounts and breakdown of remuneration. We note that the Company declined to disclose each individual director and CEO’s exact remuneration. Instead, the Company disclosed the remunerations in bands of S\$250,000. Please clarify if this disclosure provides sufficient transparency and information to shareholders and it is consistent with the intent of Principle 8 of the Code.

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 Principle 8 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 disclosure 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

23 April 2021

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.

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