



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

**Announcement**

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**ANNUAL GENERAL MEETING TO BE HELD ON 22 APRIL 2022  
– 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 Friday, 22 April 2022 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. Regarding the semiconductor supply challenges that constrained demand from your automotive customers, how much has the current situation improved compared to the second half of 2021?**

The semiconductor chip supply shortage remains a challenge for the automotive industry. There has not been a significant change since the beginning of 2022 compared to second half of 2021. Apart from the semiconductor supply chain disruption, the Russia–Ukraine conflict has also led to challenges in the supply of automotive electrical harness, which exacerbates the impact on automakers’ production.

**2. What is the current/expected impact on your business from the Russia-Ukraine war?**

The Group has not experienced any major direct impact from the Russian-Ukraine war to-date, although the automotive industry has seen supply chain challenges as mentioned above in the response to Question 1.

However, from a macro perspective, businesses around the world could face cost pressures due to higher energy prices, supply chain disruptions, and upward pressure on prices of raw materials such as aluminium.

**3. The Annual Report mentions that selling and distribution expenses rose in FY2021 primarily due to higher freight charges. Do you see that improving in FY2022?**

We envisage the elevated freight costs may continue for some time especially in the light of present shipping constraints, port capacity and higher energy prices.

**4. Over the last few years, the Group’s net margins have consistently been in single digits. Should the Group look into restructuring and getting rid of low margin business or cost cutting measures on low margin businesses to improve margins?**

The Group’s net profit margin has improved moderately over the last 3 years, following our efforts since 2015 to improve the organisation structure, increase our customer value-add, and enhance operational efficiency across our manufacturing sites. The Group remains focused on our strategy to maintain a balanced business model of serving diverse industry segments, even as we pursue ethical, sustainable and profitable growth.

The long-term growth catalysts will come from our continual focus on expanding our current businesses through market share increases with both existing and new customers, as well as our initiatives to build new business pillars in the technology space. We are continually enhancing our core competencies to increase our opportunities to move up the value chain with our key customers.

**5. With EV conversion gaining at a fast pace, what is the future plan for the IMS Filter division? Will the whole automotive division be a drag going forward with this transformation towards EV?**

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 still require oil filters and new transmissions are in development. Moreover, the BEV has transmission with an oil circuit that contains a filter.

Frencken's automotive segment also manufactures plastic components and decorative parts which are still required in electric vehicles. Hence, this part of our automotive business remains relevant for electric vehicles. In addition, the Group is transforming our IMS Division to become an innovative and sustainable automotive solutions provider.

To this end, the division has successfully leveraged our proprietary eco-PVD (Physical Deposition) technology to secure our maiden contract for automotive radar antenna program which is based on plastic metallization process. We have set up dedicated space for high precision injection moulding, eco-PVD coating and fully automated assembly and end-of-line (EOL) testing lines for the automotive radar antenna program at our factory in Chuzhou (China). On a longer term perspective, we are positioning our automotive segment to capitalise on V2X (vehicle-to-everything) trends as we elevate our capacities and capabilities to win more programs.

**6. What percentage of the Group's revenue is spent on R&D?**

The Group does not have R&D for our Mechatronics and IMS Divisions. Instead, we have an engineering team that works with customers on the design, prototyping and engineering processes for their products.

**7. How is the Group mitigating the impact of inflation?**

The Group has scope to negotiate and pass on higher costs of raw materials to customers although there could be timing differences. We are also working on raising operational efficiency and productivity to help mitigate inflationary pressures.

**On behalf of the Board,**

Dennis Au  
Executive Director

15 April 2022

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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 analytical & life sciences, automotive, healthcare, industrial, and semiconductor segments.

Frencken Group operates on a worldwide scale through its established local presence of 18 operating sites and over 3,600 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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**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)