



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

**Announcement**

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**RESPONSES TO SGX QUERIES ON THE COMPANY'S FY2022 ANNUAL REPORT**

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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 2022 ("FY2022") ("Annual Report 2022"). The Company's responses are set out as follows:

**SGX's Query 1:**

*With regard to the Company's Internal Code on Dealing in Securities, please confirm whether the Company itself (rather than just the directors/employees of the Group and its subsidiaries) is subject to prohibition of dealing in the stapled securities during the period commencing two weeks before the announcement of the Company's quarterly business update and one month before the announcement of the Company's half year and full year financial statements, ending on the date of the announcement of such business update and financial results (i.e. buybacks).*

**Company's Response to SGX Query 1:**

The Company confirms that its Internal Code on Dealing in Securities applies to the Company itself, directors and employees of the Group and its subsidiaries. The Company itself is subject to prohibition of dealing in the Company's shares during the period commencing two weeks before the announcement of quarterly business updates, and one month before announcements of half-year and full-year financial statements.

**SGX's Query 2:**

*Please explain why interest income amounted to only S\$579,000 during the financial period ended 31 December 2022 when the Company has significant cash and cash equivalents of S\$110,268,000.*

**Company's Response to SGX Query 2:**

A majority of the cash and cash equivalents is maintained in current accounts with banks/financial institutions to support the working capital requirements of the Group's operations. These current accounts typically have lower interest rates and hence yield lower interest income. As disclosed on Note 23, Page 138 of the Annual Report 2022, a portion of the Group's cash and cash equivalents is also placed with Malaysian financial institutions in short term funds ("short-term funds"). Returns derived from investments in these short-term funds are mainly reflected in the funds' net asset value instead of interest income in the Group's financial statements.

**SGX's Query 3:**

*Please explain why the Company is holding on to such a substantial amount of cash, and the Company's plans for the utilization of cash.*

**Company's Response to SGX Query 3:**

As at 31 December 2022, the Group had net cash of S\$58.2 million as it employs a combination of equity and debt for its business needs to achieve an efficient capital structure. The Group maintains sufficient cash resources to support its working capital needs and capital investment plans, as well as to ensure a sound financial position.

**SGX's Query 4:**

*Please also explain the reasons why the Company has taken S\$56.5m of Bank overdrafts when there were cash and bank balances of S\$167.0m as at 31 December 2022.*

**Company's Response to SGX Query 4:**

The cash and bank balances are held primarily at key subsidiaries across the Group's global operations in Europe and Asia. The Group's approach is to employ a mix of internally generated funds and external financing for its business needs to achieve optimal capital structure.

The bank overdrafts of S\$56.5 million arose mainly from the Group's Mechatronics operations in Europe which utilised local banking facility to meet higher working capital requirements and investment needs to support new customer programs.

**SGX's Query 5:**

*In respect of the Group's inventories of S\$228.8m, please provide a breakdown and information on the Group's inventory turnover days.*

**Company's Response to SGX Query 5:**

Breakdown of Inventory as at 31 December 2022:

	S\$'000
Raw materials	101,934
Work-in-progress	64,692
Finished goods	62,195
<b>Total</b>	<b>228,821</b>

Inventory turnover for FY2022 was around 125 days.

**SGX's Query 6:**

Please provide a breakdown of the S\$62.2m 'finished goods' by age.

**Company's Response to SGX Query 6:**

Aging profile of Finished Goods as at 31 December 2022:

	S\$'000
≤ 3 months	21,795
4 – 6 months	2,203
> 6 months	38,197
<b>Total</b>	<b>62,195</b>

**SGX's Query 7:**

Please provide the reason(s) for the significant trade payables of S\$108,312,000 when the Group recorded a cash and cash equivalent of S\$110,268,000 as at 31 December 2022.

**Company's Response to SGX Query 7:**

Trade payables arose from the Group's ordinary course of business and comprise payables to vendors for purchases of goods and services to fulfil customers' orders and new business programs awarded by customers. The majority of the trade payables as at 31 December 2022 were current and not past due based on the credit period offered by the vendors. Please refer to the aging profile of trade payables under the Company's Response to SGX Query 9.

**SGX's Query 8:**

Please confirm that these trade payables are not due to related parties.

**Company's Response to SGX Query 8:**

The Company confirms that the trade payables are not due to related parties.

**SGX's Query 9:**

Please provide a breakdown by age for these trade payables and indicate whether there are any material trade payables that are past due. Should there be any material trade payables that are past due, please explain the reasons why the Company has not fulfilled payment.

**Company's Response to SGX Query 9:**

Aging profile of Trade Payables as at 31 December 2022:

	S\$'000
Current	74,655
Past due:	
Within 30 days	30,031
31 to 60 days	2,170
61 to 90 days	1,456
<b>Total</b>	<b>108,312</b>

The Group has settled the payment of the entire outstanding trade payables of S\$108,312,000.

**On behalf of the Board,**

Dennis Au  
Executive Director

29 May 2023

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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, analytical & life sciences and semiconductor industries.

Frencken Group operates on a worldwide scale through its established local presence of 19 operating sites and over 3,700 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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