

No.	Questions	Answers
1.	<p>The first phase of the Group's new plant (Plant 2) at the Southern Taiwan Science Park, Kaohsiung was completed sometime towards the end of 2022 (pages 14 – 15 of Annual Report 2022).</p> <p>(a) What is the current utilisation rate and headcount for Plant 2?</p> <p>(b) Does the Group still expect Plant 2 to run at full capacity sometime this year?</p> <p>(c) As mentioned last year, the Group expects phase 2 of Plant 2 to be in operation sometime in Q3 of 2023. Is this still on track?</p> <p>(d) It was reported that the world's largest contract chipmaker is cutting capex due to weakening demand. Is Frontken also seeing a decline in demand?</p> <p>(e) What is the outlook for your semicon business?</p>	<p>(a) We don't usually measure the utilisation rate. We generally will be able to manage the production capacity through many means, so utilisation rate is not something we calculate per se. The headcount for Plant 2 right now is around 50 engineers.</p> <p>(b) We believe that activity at Plant 2 will pick up towards the later part of this year.</p> <p>(c) It was already in operation, but we are selective as to what we use Plant 2 for at the moment.</p> <p>(d) Traditionally first half is slower than the second half of the year. There is a slight weakening of demand which is normal for the first half of each year.</p> <p>(e) At present a lot of uncertainties in the market but we believe the long-term outlook is still good. The demand for the semiconductor sector will continue to grow in the years to come.</p>
2.	<p>The Group believes its engineering business will pick up further throughout 2023, barring any unforeseen disruptions in the O&G sector. During the year, the Group expanded its O&G business footprint in Malaysia with the opening of new facility in Pengerang, Johor to support the Petronas Refinery and Petrochemical Integrated Development (RAPID) and Pengerang Integrated Complex (pages 15-16 of AR2022).</p> <p>(a) What is the expected revenue growth for the engineering segment in FY2023?</p> <p>(b) How much did the Group spend on the new facility in Pengerang, Johor? How many employees are there now? And how many more do you plan to hire?</p> <p>(c) What is the budgeted capex for this segment for FY2023?</p>	<p>(a) We don't give guidance, but we believe O&G should grow by double digit this year.</p> <p>(b) We believe we have spent approximately RM3 million and the number of employees varies as we have some manpower supply contracts as well. However, the latter are not permanent employees. At any one time, at the moment, we should have over 100 employees.</p> <p>(c) At the moment, we have set the budget at RM3 million for O&G. Usually we tend to budget a bit more but do not spend all of it.</p>
3.	<p>Practice 1.3 of the Malaysian Code of Corporate Governance stipulates that the positions of Chairman and</p>	<p>The Board would continue to deliberate on this issue but has not set a timeframe. The plan is to have a majority of the Board to consist of</p>

	CEO should be held by different individuals. For FY2022, the Company did not apply Practice 1.3. Both the positions of the Board Chairman and the CEO are held by Mr Ng Wai Pin. Does the Company intend to apply Practice 1.3, and if yes, by when?	independent directors so that there will be a good check and balance.
4.	Practice 1.4 of the Malaysian Code of Corporate Governance stipulates that the Chairman of the board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee. For FY2022, the Company did not apply Practice 1.4. The Chairman of the Board, Mr Ng Wai Pin, is a member of the Remuneration Committee. Does the Company intend to apply Practice 1.4, and if yes, by when?	The Company intends to apply Practice 1.4. The plan is to look at that. The Board felt that for the moment, it was necessary for the Chairman also to be in the Remuneration Committee to be able to provide the insights in terms of the remuneration for the management.
5.	Does the factory 2 in Taiwan start generating revenue and what is the profit?	There is some revenue. We do not measure Plant 2 separately because it is one and the same company. It does not really make sense for us to measure the performance of Plant 2 on a stand-alone basis. If we move some work from Plant 1 to Plant 2, Plant 2's revenue would go up and Plant 1's revenue would come down. It would not matter from our perspective.
6.	Could you tell us a little on how the management is planning to handle the rising costs like electricity costs hike in Taiwan, salary packages for hiring of staffs in the new plant?	<p>This is an ongoing issue for the Company – electricity costs, water and all utility costs have been increasing every year and we have been handling them as we have been in the past. It is part and parcel of our business and we have been continuing to find ways to make our production more efficient. To reduce the consumption of electricity, we do have solar power as you could see in our earlier slides, most of our facilities now have renewable energy in the form of solar power.</p> <p>We are recycling our water so that we can reuse the water and therefore, it would equate to us saving some costs as well.</p> <p>On salary packages, most of our employees are rewarded based on them meeting their KPIs. Incentives are in place for them. The good thing is that in most of our companies, the attrition rate is not very high therefore we don't have issues of hiring a lot of new staff per se.</p>

7.	How much exposure does Frontken have with the relocation of TSMC from Taiwan to USA? If so, what's the impact to top and bottom lines?	I don't believe TSMC is relocating from Taiwan to the USA. The bulk of their CAPEX spent is still in Taiwan and USA is just another one of its facilities and therefore we don't believe there is any impact to us at the moment.
8.	From management's perspective, what's the prospects of the industry where Frontken is in? Please provide details.	We are in two (2) main industries – semiconductor and O&G. Right now, semiconductor is still at the growth stage. We believe that there will be a multi-year growth in this industry. Likewise, we see O&G has also picked up quite significantly this year and this trend will probably continue in the near future.
9.	Any guided assumption to the growth of Frontken's volume of sales in the coming 1-2 years?	As mentioned earlier, we do not provide any guidance, whether top line or the bottom line.
10.	What are (sic) the moat that Frontken possesses in term (sic) of the technological advancement over its competitors? If so, what measures does management take?	I assume what the shareholder is asking is what do we do to protect the technology that we have from our competitors. This is part of our trade secret. So, it is probably not in our interest to actually share this to avoid our competitors knowing what we are doing about it. Suffice to say that obviously we have measures in place to guard our intellectual property.
11.	When is the targeted timeline to fully construct each phase of Plant 2 at Kaohsiung Science Park and usually take (sic) how long to fully operate? What will be the expected additional capacity/revenue generated from this expansion?	We don't have a fixed timeline per se. We expand as and when we see the need arises. Usually, planning will take place at least a year before we do anything. For Plant 2, it took us roughly about 12 months to renovate the facility for our need. I would say 12 months to 18 months. I guess we will know when we do it. Right now, it is too early to say how much capacity. It depends on the products that we will be processing at Plant 2. It is driven by product mix. And also, as I mentioned earlier, we do not really measure the revenue and profit for each of the facility, it is the same company.
12.	The parts that (sic) being serviced by company's technology can be used up till which class of clean room (or ISO equivalent)?	Don't really understand the question but we do have a class 10 clean room in both of our facilities. The existing facility or the new facility should be able to handle cleaning of tools to be used in the production of chips up to 1.4 nm.
13.	Is the source of specialty chemical used for treatment/cleaning easy/difficult to get? Any strategy to ensure its suppliability?	I am not sure what you mean by easy/difficult to get. We have been getting it for the last 20 years. We have good long term supply chain partners so luckily for us to date we have never have any issue in terms of ability to get constant supply.
14.	Does any chemical/equipment/machine/service provided/used by company being	Fortunately, no. The answer is just no.

	affected/restricted by USA Chips and Science Act 2022?	
15.	In future, there will be more and more renewable energy and hence less exploration in fossil energy, will this shift of industry affects company business?	I guess if eventually if no one is drilling for oil and there is no more chemical plant, then our O&G business will not be able to provide its services but there will be alternatives in the form of energy, and we can easily pivot to that if required when the time comes.
16.	Does company provide related service in carbon capture storage (CCS) field/sector?	Right now, no.
17.	Does company provide related service in wind energy field/sector?	At the moment, no.
18.	How much of overall administrative expenses is attributable to Directors' compensation and how much is the increment on director's compensation from the prior year?	You can actually find the answer to the question as it is disclosed in Note 8 of AR 2022.
19.	With many companies now adopting AI into their businesses, how can the company benefit from this megatrend? Does the company see increased opportunities in this area? Is the company making progress in diversifying its customer base and reducing concentration risk? Kindly provide more details.	<p>We are basically involved in the semiconductor business. So if semiconductor industry or business grow, we will obviously benefit directly and indirectly because with companies adopting AI into their business they will probably need more powerful chips. As our customers are in the business of making chips, we will definitely benefit from that.</p> <p>Yes we definitely see opportunities there.</p> <p>We are in the business of providing services to semiconductor industry. We are constantly looking at the range of services we can provide to our customers. I guess in some way with the engineering business that we have we do have some kind of ability to so called diversify. Right now, the business is split roughly around 75:25 but we believe there is a lot of growth opportunities in semiconductor and therefore there is no real urgency for us to look at different business per se.</p>
20.	Good morning Mr Ng, according the latest annual report it mentions company has involved wide band gap business. Isn't considering SiC or GaN semicon services? If yes, will it consider it company new business direction? Thank you.	Yes, we are. Our customers are in the process of rolling out wide band gap chips. We have already made the necessary modifications to our facility in Kulim. It is not really a new business direction, but it is a new business for us. It does fall under our semiconductor business so yes, we are involved but it is not a new business direction per se.
21.	Hi Nicholas, how do you view the geopolitical risk now after setting up a physical presence in Taiwan? Would you reassess the decision (setting up	I am not sure specifically by what is meant by the geopolitical risk. I think if you are referring to the so-called tension between Taiwan and China, this has been ongoing for a long time. I have gone in and out of Taiwan and talked to

	<p>a physical presence in Taiwan) if given the chance?</p>	<p>our colleagues in Taiwan and the feeling is very different from what I guess you read in the newspapers etc. We don't really see it as a very significant risk per se. I mean, you have risk in having business anywhere in the world.</p> <p>The answer (to the second question) is no. We have made a lot of money from our investment in Taiwan. If we are to reassess, it will mean that we have to give back all the money we have made from Taiwan.</p>
<p>22.</p>	<p>Hi, have company start see any increasing demand of services due to AI chips trend recently? What do you think about the semi-conductor sector in Malaysia any further expansion planning in local Malaysia instead of Taiwan? Because of US-China trade war is getting intense and considering the status of Taiwan, any diversify plan for Taiwan semi-conductor sector? Thanks</p>	<p>AI chips have been there for a while. We don't track whether the equipment or the tools that are used are used to make AI chips or any chips. They are used to make chips. So, whether it is AI chips or any chips, it doesn't really matter to us. What we know is if it is for AI chips, the more powerful AI chips require a more advanced more powerful chips which is great as our focus is on leading edge technologies. With the increased demand for AI chips moving forward it would definitely benefit us.</p> <p>Semiconductor sector in Malaysia is good. It is a steady business. We are seeing some growth even though not a lot.</p> <p>We in fact have just made some expansion, some modifications recently to cater for new tools that are going to be used by one of our key customers in the production or usage of silicon carbide and gallium nitrate.</p> <p>I don't know how intense this US-China trade war is. We are not seeing any significant shift or change in business conditions in Taiwan. We believe there is still a lot of opportunities for us in Taiwan.</p> <p>But we will go where our customers go. We are not limited by our existing presence. So, it there are opportunities whether in the US or Europe or anywhere else in the world we will definitely be there. We are in constant discussion with our key customers, and we are looking to have some footprint in the US. It is an ongoing discussion that we have but we do not want to so-called diversify just for the sake of it or just having a pin all over the different continents of the world. At the end of the day, we need to be able make money in whatever locations that we are at. So, if there is enough</p>

		<p>volume and is viable for us to have our presence whether in the US, Europe or anywhere, we will definitely be there.</p>
23.	<p>How far away between Plant 1 and Plant 2 in Taiwan in terms of transport by road? Do (sic) headcount easily reallocated between plants whenever there is a shortage of manpower in any plant?</p>	<p>Depending on traffic it is usually between 30 to 40 minutes. That (redeployment of manpower between the plants) is the reason why we want our facilities to be close by. In fact, we were looking for additional land near either Plant 1 or Plant 2 so that we can have additional capacity for the future. We believe we will need additional facility down the road.</p>
24.	<p>Hi, will the incremental in electricity cost in Malaysia affect the company? Around how many percent will be affected? Thanks.</p>	<p>Yes, for sure. Any cost increase will affect our margin. Some of these costs can be passed on to customers but some we have to absorb. Some, due to improved efficiency, we will be able to absorb this increase in cost.</p> <p>Utility cost is not a very large percentage of our costs, but it is definitely in the low teens.</p>
25.	<p>How much cost are the company expected to save from opening of the new plant in Taiwan? Will there be more distribution cost saved with the opening of Kaohsiung plant?</p>	<p>The reason for our new facility in Kaohsiung is not really to save cost but is for us to be prepared for the business that we believe we will get to meet our customer's demand. So, obviously our new facility was built after discussion with our customer so that we can meet their future requirement and production.</p> <p>So, it is not to save cost. It would improve our efficiency slightly at Plant 1 as it doesn't have enough capacity. Therefore, by having Plant 2 will make Plant 1 slightly more efficient. If you look at that as being able to save cost, then yes. There would be some cost savings, but that was not the main reason for us to have Plant 2.</p> <p>I am not sure what you mean by distribution cost saved but I guess if that has to do with the transportation costs, there will be. If Plant 2 was to serve some of our customers' facilities in Kaohsiung, then yes there would be some saving in logistics cost but once again, logistics cost does not make a big part of our costs per se.</p>