

**FRONTKEN CORPORATION BERHAD**

(Co. No. 651020-T)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2023**

(The figures have not been audited)

|  | Individual Quarter                                |  |                       |     | Cumulative Quarter                                |   |                       |      |
|--|---|--|-----------------------|-----|---|---|-----------------------|------|
|  | Current Year<br>Quarter<br>30 Jun 2023<br>RM '000 | Preceding Year<br>Corresponding<br>Quarter<br>30 Jun 2022<br>RM '000 | Changes<br>RM'000 (%) |     | Current Year<br>To-date<br>30 Jun 2023<br>RM '000 | Preceding Year<br>Corresponding<br>Period<br>30 Jun 2022<br>RM '000 | Changes<br>RM'000 (%) |      |
| Revenue  | 121,152   | 128,198  | (7,046)               | (5) | 235,139   | 247,344   | (12,205)              | (5)  |
| Operating expenses   | (75,627)  | (81,755)   | 6,128                 | (7) | (151,771)   | (157,767)   | 5,996                 | (4)  |
| Profit before depreciation and finance costs                       | 45,525  | 46,443   | (918)                 | (2) | 83,368  | 89,577  | (6,209)               | (7)  |
| Depreciation   | (5,050)   | (4,349)  |                       |     | (9,885)   | (8,438)   |                       |      |
| Finance costs  | (246)   | (230)  |                       |     | (619)   | (416)   |                       |      |
| Other operating income   | 4,080   | 2,717  |                       |     | 6,573   | 4,718   |                       |      |
| Profit before tax  | 44,309  | 44,581   | (272)                 | (1) | 79,437  | 85,441  | (6,004)               | (7)  |
| Taxation   | (9,327)   | (9,525)  | 198                   | (2) | (18,323)  | (21,598)  | 3,275                 | (15) |
| Profit after tax   | 34,982  | 35,056   | (74)                  | (0) | 61,114  | 63,843  | (2,729)               | (4)  |
| Profit after tax attributable to :                                 |   |  |                       |     |   |   |                       |      |
| Owners of the Company  | 31,914  | 32,201   | (287)                 | (1) | 55,498  | 58,716  | (3,218)               | (5)  |
| Non-controlling interests  | 3,068   | 2,855  |                       |     | 5,616   | 5,127   |                       |      |
| Profit for the period  | 34,982  | 35,056   |                       |     | 61,114  | 63,843  |                       |      |
| Profit for the period  | 34,982  | 35,056   |                       |     | 61,114  | 63,843  |                       |      |
| Other comprehensive income:  |   |  |                       |     |   |   |                       |      |
| Foreign currency translation                                       | 18,667  | 3,504  |                       |     | 22,391  | (5,307)   |                       |      |
| Total comprehensive income for the period                          | 53,649  | 38,560   |                       |     | 83,505  | 58,536  |                       |      |
| Total comprehensive income attributable to:                        |   |  |                       |     |   |   |                       |      |
| Owners of the Company  | 49,385  | 35,489   |                       |     | 76,494  | 53,855  |                       |      |
| Non-controlling interests  | 4,264   | 3,071  |                       |     | 7,011   | 4,681   |                       |      |
| Total comprehensive income for the period                          | 53,649  | 38,560   |                       |     | 83,505  | 58,536  |                       |      |
| Earnings per share attributable to equity holders of the company : |   |  |                       |     |   |   |                       |      |
| Basic (sen)  | 2.03  | 2.05   |                       |     | 3.53  | 3.74  |                       |      |

The condensed consolidated income statement is to be read in conjunction with the accompanying notes to the interim financial report.

The comparative figures are based on unaudited financial statements of the Company for the financial period ended 30 June 2022.

**FRONTKEN CORPORATION BERHAD**

(Co. No. 651020-T)  
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023**  
(The figures have not been audited)

|  | <b>Unaudited<br/>30 Jun 2023<br/>RM'000</b> | <b>Audited<br/>31 Dec 2022<br/>RM'000</b> |
|--|---|---|
| <b>ASSETS</b>  |   |   |
| <b>Non-current assets</b>  |   |   |
| Property, plant and equipment  | 238,259                                     | 229,265                                   |
| Right-of-use assets  | 36,708                                      | 35,561                                    |
| Other receivables and prepaid expenses                                 | 145   | 161                                       |
| Goodwill on consolidation  | 33,761                                      | 33,761                                    |
| Deferred tax assets  | 1,506                                       | 1,447                                     |
| <b>Total non-current assets</b>  | <u>310,379</u>                              | <u>300,195</u>                            |
| <b>Current assets</b>  |   |   |
| Inventories  | 28,302                                      | 21,282                                    |
| Trade receivables  | 129,592                                     | 124,086                                   |
| Other receivables, deposits and prepaid expenses                       | 10,965                                      | 17,752                                    |
| Current tax assets   | -   | -   |
| Short-term investments   | 18,698                                      | 11,985                                    |
| Fixed deposits with licensed banks                                     | 25,279                                      | 13,161                                    |
| Cash and bank balances   | 336,740                                     | 317,359                                   |
| <b>Total current assets</b>  | <u>549,576</u>                              | <u>505,625</u>                            |
| <b>Total assets</b>  | <u>859,955</u>                              | <u>805,820</u>                            |
| <b>EQUITY AND LIABILITIES</b>  |   |   |
| <b>Capital and reserve</b>   |   |   |
| Share capital  | 118,441                                     | 118,441                                   |
| Treasury shares  | (4,748)                                     | (4,748)                                   |
| Reserves   | 470,294                                     | 434,775                                   |
| Equity attributable to owners of the Company                           | <u>583,987</u>                              | <u>548,468</u>                            |
| Non-controlling interests  | 46,316                                      | 39,454                                    |
| <b>Total equity</b>  | <u>630,303</u>                              | <u>587,922</u>                            |
| <b>Non-current liabilities</b>   |   |   |
| Borrowings   | 106   | -   |
| Lease liabilities  | 30,896                                      | 30,030                                    |
| Other payables   | 337   | 826                                       |
| Deferred tax liabilities   | 1,118                                       | 1,142                                     |
| <b>Total non-current liabilities</b>                                   | <u>32,457</u>                               | <u>31,998</u>                             |
| <b>Current liabilities</b>   |   |   |
| Trade payables   | 26,391                                      | 27,661                                    |
| Other payables and accrued expenses                                    | 148,059                                     | 111,668                                   |
| Borrowings   | 63  | 19,720                                    |
| Lease liabilities  | 3,371                                       | 2,886                                     |
| Current tax liabilities  | 19,311                                      | 23,965                                    |
| <b>Total current liabilities</b>                                       | <u>197,195</u>                              | <u>185,900</u>                            |
| <b>Total liabilities</b>   | <u>229,652</u>                              | <u>217,898</u>                            |
| <b>Total equity and liabilities</b>                                    | <u>859,955</u>                              | <u>805,820</u>                            |
| <b>Net assets per share attributable to owners of the parents (RM)</b> | 0.37  | 0.35                                      |

The condensed consolidated balance sheet is to be read in conjunction with the accompanying notes to the interim financial report.

The comparative figures are based on audited financial statements of the Company for the financial year ended 31 December 2022.

**FRONTKEN CORPORATION BERHAD**

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2023**

(The figures have not been audited)

|  | <----- Non-distributable -----> |                 |                                      |                   |                          | Distributable     |                                       |                           |                |
|--|---------------------------------|-----------------|--------------------------------------|-------------------|--------------------------|-------------------|---------------------------------------|---------------------------|----------------|
|  | Share capital                   | Treasury shares | Foreign currency translation reserve | Statutory reserve | Share grant plan reserve | Retained earnings | Attributable to owners of the Company | Non-controlling interests | Total          |
|  | RM'000                          | RM'000          | RM'000                               | RM'000            | RM'000                   | RM'000            | RM'000                                | RM'000                    | RM'000         |
| Balance at 1 January 2023  | 118,441                         | (4,748)         | 39,624                               | 33,862            | 4,184                    | 357,105           | 548,468                               | 39,454                    | 587,922        |
| Other comprehensive income recognised for the period:                                |                                 |                 |                                      |                   |                          |                   |                                       |                           |                |
| Foreign currency translation   | -                               | -               | 20,996                               | -                 | -                        | -                 | 20,996                                | 1,395                     | 22,391         |
| Profit for the period  | -                               | -               | -                                    | -                 | -                        | 55,498            | 55,498                                | 5,616                     | 61,114         |
| Total comprehensive income for the period  | -                               | -               | 20,996                               | -                 | -                        | 55,498            | 76,494                                | 7,011                     | 83,505         |
| Dividend - by the Company  | -                               | -               | -                                    | -                 | -                        | (40,845)          | (40,845)                              | -                         | (40,845)       |
| Transfer to statutory reserve  | -                               | -               | -                                    | 11,609            | -                        | (11,609)          | -                                     | -                         | -              |
| Changes in ownership interests in a subsidiary that do not result in loss of control | -                               | -               | -                                    | -                 | -                        | (130)             | (130)                                 | (149)                     | (279)          |
| <b>Balance at 30 June 2023</b>   | <b>118,441</b>                  | <b>(4,748)</b>  | <b>60,620</b>                        | <b>45,471</b>     | <b>4,184</b>             | <b>360,019</b>    | <b>583,987</b>                        | <b>46,316</b>             | <b>630,303</b> |

**CORRESPONDING PERIOD CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2022**

|  | <----- Non-distributable -----> |                 |                                      |                   |                          | Distributable     |                                       |                           |                |
|--|---------------------------------|-----------------|--------------------------------------|-------------------|--------------------------|-------------------|---------------------------------------|---------------------------|----------------|
|  | Share capital                   | Treasury shares | Foreign currency translation reserve | Statutory reserve | Share grant plan reserve | Retained earnings | Attributable to owners of the Company | Non-controlling interests | Total          |
|  | RM'000                          | RM'000          | RM'000                               | RM'000            | RM'000                   | RM'000            | RM'000                                | RM'000                    | RM'000         |
| Balance at 1 January 2022  | 118,441                         | (4,748)         | 54,277                               | 24,517            | -                        | 308,368           | 500,855                               | 34,225                    | 535,080        |
| Other comprehensive income recognised for the period:                                |                                 |                 |                                      |                   |                          |                   |                                       |                           |                |
| Foreign currency translation   | -                               | -               | (4,861)                              | -                 | -                        | -                 | (4,861)                               | (446)                     | (5,307)        |
| Profit for the period  | -                               | -               | -                                    | -                 | -                        | 58,716            | 58,716                                | 5,127                     | 63,843         |
| Total comprehensive income for the period  | -                               | -               | (4,861)                              | -                 | -                        | 58,716            | 53,855                                | 4,681                     | 58,536         |
| Dividend - by the Company  | -                               | -               | -                                    | -                 | -                        | (39,274)          | (39,274)                              | -                         | (39,274)       |
| Transfer to statutory reserve  | -                               | -               | -                                    | 9,421             | -                        | (9,421)           | -                                     | -                         | -              |
| Changes in ownership interests in a subsidiary that do not result in loss of control | -                               | -               | -                                    | -                 | -                        | (2,244)           | (2,244)                               | (2,495)                   | (4,739)        |
| <b>Balance at 30 June 2022</b>   | <b>118,441</b>                  | <b>(4,748)</b>  | <b>49,416</b>                        | <b>33,938</b>     | <b>-</b>                 | <b>316,145</b>    | <b>513,192</b>                        | <b>36,411</b>             | <b>549,603</b> |

The condensed consolidated statement of changes in equity is to be read in conjunction with the accompanying notes to the interim financial report.

**FRONTKEN CORPORATION BERHAD**

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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2023**

(The figures have not been audited)

|  | <b>CUMULATIVE QUARTER</b>         |   |
|--|-----------------------------------|---|
|  | <b>Current Period<br/>To Date</b> | <b>Preceding<br/>Corresponding<br/>Period</b> |
|  | <b>30 Jun 2023</b>                | <b>30 Jun 2022</b>                            |
|  | <b>RM'000</b>                     | <b>RM'000</b>                                 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                      |                                   |   |
| Profit before tax  | 79,437                            | 85,441  |
| Adjustments for:   |                                   |   |
| Depreciation of property, plant and equipment                    | 8,069                             | 6,761   |
| Depreciation of right-of-use assets                              | 1,816                             | 1,677   |
| Interest expense   | 619                               | 416   |
| Unrealised gain on foreign exchange                              | (1,467)                           | (2,305)                                       |
| Interest income  | (2,196)                           | (327)   |
| Gain on disposal of short-term investment                        | (175)                             | -   |
| Gain on disposal of property, plant and equipment                | (898)                             | (32)  |
| Reversal of allowance for impairment losses on receivables       | (26)                              | -   |
| Fair value gain on short-term investments                        | (555)                             | -   |
| Inventories written down   | 27                                | -   |
| Operating profit before working capital changes                  | 84,651                            | 91,631  |
| Inventories  | (6,244)                           | (1,100)                                       |
| Trade receivables  | (820)                             | (19,787)                                      |
| Other receivables, deposits and prepaid expenses                 | 7,584                             | (1,201)                                       |
| Trade payables   | (2,098)                           | 2,369   |
| Other payables and accrued expenses                              | (9,115)                           | 8,258   |
| Cash generated from operations                                   | 73,958                            | 80,170  |
| Taxes paid   | (23,791)                          | (20,521)                                      |
| Net cash from operating activities                               | 50,167                            | 59,649  |
| <b>CASH FLOWS FOR INVESTING ACTIVITIES</b>                       |                                   |   |
| Interest received  | 2,196                             | 327   |
| Additional investment in an existing subsidiary                  | (279)                             | (4,739)                                       |
| Purchase of property, plant and equipment                        | (8,174)                           | (32,893)                                      |
| Proceeds from disposal of short-term investments                 | 1,151                             | -   |
| Proceeds from disposal of property, plant and equipment          | 920                               | 32  |
| Net withdrawal/(placement) of fixed deposits with licensed banks | (6,804)                           | (13,296)                                      |
| Net cash for investing activities                                | (10,990)                          | (50,569)                                      |

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|   | <b>CUMULATIVE QUARTER</b>         |   |
|---|-----------------------------------|---|
|   | <b>Current Period<br/>To Date</b> | <b>Preceding<br/>Corresponding<br/>Period</b> |
|   | <b>30 Jun 2023</b>                | <b>30 Jun 2022</b>                            |
|   | <b>RM'000</b>                     | <b>RM'000</b>                                 |
| <b>CASH FLOWS FOR FINANCING ACTIVITIES</b>                        |                                   |   |
| Interest paid   | (619)                             | (416)   |
| Dividend paid by the Company                                      | -                                 | (39,274)                                      |
| Dividend paid by a subsidiary to non-controlling interests        | -                                 | (825)   |
| Drawdown of term loans  | -                                 | 2,532   |
| Repayment of term loans   | (20,645)                          | (2,532)                                       |
| Payment of lease liabilities                                      | (1,497)                           | (1,510)                                       |
| Net cash for financing activities                                 | (22,761)                          | (42,025)                                      |
| <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>       | 16,416                            | (32,945)                                      |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b> | 327,441                           | 302,359                                       |
| <b>EFFECT OF EXCHANGE DIFFERENCES</b>                             | 14,815                            | (1,182)                                       |
| <b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>       | <u>358,672</u>                    | <u>268,232</u>                                |
| <b>THE CASH AND CASH EQUIVALENTS COMPRISE:</b>                    |                                   |   |
| Cash and bank balances  | 336,740                           | 255,666                                       |
| Fixed deposits with licensed banks                                | 25,279                            | 27,128  |
| Short-term investments - money market fund                        | 16,112                            | 11,566  |
|   | <u>378,131</u>                    | <u>294,360</u>                                |
| Less: Fixed deposits pledged with banks                           | (533)                             | (490)   |
| Less: Fixed deposits with maturity more than 3 months             | (18,926)                          | (25,638)                                      |
| Cash and cash equivalents   | <u>358,672</u>                    | <u>268,232</u>                                |

The condensed consolidated cash flow statement is to be read in conjunction with the accompanying notes to the interim financial report.

The comparative figures are based on unaudited financial statements of the Company for the financial period ended 30 June 2022.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2023****A NOTES TO THE INTERIM FINANCIAL REPORT****A1. Basis of preparation**

The interim financial statements are unaudited and have been prepared in accordance with the reporting requirements outlined in the Malaysian Financial Reporting Standards ("MFRS") No.134 : Interim Financial Reporting, and Paragraph 9.22 of Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements and should be read in conjunction with the Company's audited financial statements for the financial year ended 31 December 2022.

The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of Frontken Corporation Berhad ("FCB" or "the Company") and its subsidiaries since the financial year ended 31 December 2022.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2022 except for those standards, amendments and interpretations which are effective from the annual period beginning 1 January 2023. The adoption of the MFRSs and Amendments do not have significant impact on the financial statements of the Group.

**A2. Audit qualification**

The auditors' report in respect of the audited consolidated financial statements of FCB for the financial year ended 31 December 2022 was not subjected to any qualification.

**A3. Seasonality or cyclicity of interim operations**

The Group's business operations were not materially affected by any seasonal or cyclical factors during the quarter under review.

**A4. Unusual items affecting assets, liabilities, equity, net income or cash flows**

There were no items or events that arose, which affected the assets, liabilities, equity, net income or cash flows, of the Group that are unusual by reason of their nature, size or incidence during the current quarter.

**A5. Material changes in estimates**

The Company has not issued any revenue or profit estimate, forecast or target.

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**A6. Issuance, cancellations, repurchases, resale and repayments of debt and equity securities**

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations or resale of treasury shares during the current quarter.

As at 30 June 2023, the Company held 9,201,250 repurchased shares as treasury shares out of its total issued and paid-up share capital of 1,580,152,675 ordinary shares. Such treasury shares are held at a carrying amount of RM4,747,849.

**A7. Dividends**

During the financial period ended 30 June 2023, the Company announced the following dividend:

Second single-tier dividend on 2 June 2023, of 2.6 sen per share on 1,570,951,425 ordinary shares, to be paid on 13 July 2023, in respect of the financial year ended 31 December 2022 amounting to RM40,844,736.



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**A8. Segmental information**

The breakdown of the Group's revenue and results by geographical regions for the quarter ended 30 June 2023 are set out below. Revenue and results by geographical sales were based on the location of the Group's subsidiaries.

**Current Quarter  
30 June 2023**

|                         | <u>Singapore</u> | <u>Malaysia</u> | <u>Philippines</u> | <u>Indonesia</u> | <u>Taiwan</u> | <u>Total</u> |
|-------------------------|------------------|-----------------|--------------------|------------------|---------------|--------------|
|                         | RM'000           | RM'000          | RM'000             | RM'000           | RM'000        | RM'000       |
| <u>Segment Revenue</u>  |                  |                 |                    |                  |               |              |
| External revenue        | 15,284           | 22,808          | 3,619              | (7)              | 79,448        | 121,152      |
| Inter-companies revenue | 17               | 1,876           | -                  | -                | 44            | 1,937        |
| Total revenue           | 15,301           | 24,684          | 3,619              | (7)              | 79,492        | 123,089      |
| <u>Segment Results</u>  |                  |                 |                    |                  |               |              |
| Operating profit        | 2,699            | 4,065           | 471                | 876              | 35,201        | 43,312       |
| Interest income         |                  |                 |                    |                  |               | 1,243        |
| Finance cost            |                  |                 |                    |                  |               | (246)        |
| Profit before taxation  |                  |                 |                    |                  |               | 44,309       |

**Current Year-to-date  
30 June 2023**

|                         |        |        |       |    |         |         |
|-------------------------|--------|--------|-------|----|---------|---------|
| <u>Segment Revenue</u>  |        |        |       |    |         |         |
| External revenue        | 28,912 | 45,372 | 7,332 | 60 | 153,463 | 235,139 |
| Inter-companies revenue | 40     | 3,579  | -     | -  | 62      | 3,681   |
| Total revenue           | 28,952 | 48,951 | 7,332 | 60 | 153,525 | 238,820 |





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**Current Year-to-date  
30 June 2023**

|                                 | <b>Singapore</b> | <b>Malaysia</b> | <b>Philippines</b> | <b>Indonesia</b> | <b>Taiwan</b> | <b>Elimination</b> | <b>Total</b>   |
|---------------------------------|------------------|-----------------|--------------------|------------------|---------------|--------------------|----------------|
|                                 | <b>RM'000</b>    | <b>RM'000</b>   | <b>RM'000</b>      | <b>RM'000</b>    | <b>RM'000</b> | <b>RM'000</b>      | <b>RM'000</b>  |
| <u>Segment Results</u>          |                  |                 |                    |                  |               |                    |                |
| Operating profit                | 4,316            | 7,414           | 1,013              | 1,276            | 63,841        | -                  | 77,860         |
| Interest income                 |                  |                 |                    |                  |               |                    | 2,196          |
| Finance cost                    |                  |                 |                    |                  |               |                    | (619)          |
| Profit before taxation          |                  |                 |                    |                  |               |                    | <u>79,437</u>  |
| <u>Assets</u>                   |                  |                 |                    |                  |               |                    |                |
| Non-current assets              |                  |                 |                    |                  |               |                    |                |
| - Property, plant and equipment | 20,772           | 16,038          | 1,627              | 723              | 199,099       | -                  | 238,259        |
| - Right-of-use assets           | 7,164            | 4,096           | 3,016              | 823              | 21,609        | -                  | 36,708         |
| - Deferred tax assets           | -                | -               | 12                 | -                | 1,494         | -                  | 1,506          |
| - Goodwill                      | -                | 33,761          | -                  | -                | -             | -                  | 33,761         |
| - Other receivables             | -                | -               | -                  | -                | 145           | -                  | 145            |
| Current assets                  | 42,813           | 28,358          | 23,217             | 711              | 426,473       | 28,004             | <u>549,576</u> |
| Consolidated total assets       |                  |                 |                    |                  |               |                    | <u>859,955</u> |
| <u>Liabilities</u>              |                  |                 |                    |                  |               |                    |                |
| Tax liabilities                 | 2,738            | 1,964           | 257                | -                | 15,470        | -                  | 20,429         |
| Segment liabilities             | 17,790           | 61,271          | 6,696              | 9,863            | 128,482       | (14,879)           | <u>209,223</u> |
| Consolidated total liabilities  |                  |                 |                    |                  |               |                    | <u>229,652</u> |

Disclosure of segmental information of the Group by business segment is not presented as the Group is primarily engaged in only one business segment which is the provision of surface treatment technology using thermal spray coating processes and a series of complementary processes, including mechanical and chemical engineering services.

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**A9. Profit before tax**

Profit before tax is arrived at after crediting/(charging) the following:

|   | <b>Current<br/>Quarter<br/>30 Jun 2023<br/>RM'000</b> | <b>Current<br/>Year-to-date<br/>30 Jun 2023<br/>RM'000</b> |
|---|---|--|
| Interest income   | 1,243   | 2,196  |
| Fair value gain on short-term investments                     | 190   | 555  |
| Foreign exchange gain   | 1,566   | 1,189  |
| Gain on disposal of property, plant and equipment             | 898   | 898  |
| Gain on disposal of short-term investments                    | 2   | 175  |
| Reversal of allowance for impairment losses<br>on receivables | 26  | 26   |
| Depreciation of property, plant and equipment                 | (4,137)   | (8,069)  |
| Depreciation of right-of-use assets                           | (913)   | (1,816)  |
| Interest expense  | (246)   | (619)  |
| Inventories written down                                      | (32)  | (27)   |

**A10. Valuation of property, plant and equipment**

There was no revaluation of property, plant and equipment during the quarter under review.

**A11. Material events subsequent to the end of the quarter**

There were no material events subsequent to the end of the current quarter under review up to the date of this report.

**A12. Changes in the composition of the Group**

Save as disclosed below, there were no changes in the composition of the Group for the current quarter under review.

In the month of June 2023, the Company acquired 10,300 ordinary shares of NT\$10 each representing 0.03% of the issued and paid-up share capital of Ares Green Technology Corporation ("AGTC") for a total cash consideration of NT\$1,854,000 (equivalent to RM279,113). Following the acquisition, the Group's interest in AGTC increased to 92.53%.

**A13. Contingent liabilities**

As at 30 June 2023, the Group has no contingent liabilities which, upon crystallisation would have a material impact on the financial position of the Group.

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**A14. Cash and cash equivalents**

|  | <b>As at<br/>30 Jun 2023<br/>RM'000</b> |
|--|---|
| Cash at bank   | 336,673                                 |
| Cash on hand   | 67                                      |
| Fixed deposits with licensed banks                           | 25,279                                  |
| Short-term investments – unit trust                          | 16,112                                  |
|  | <b>378,131</b>                          |
| Less: Fixed deposits pledged with banks                      | (533)                                   |
| Less: Fixed deposits with maturity period more than 3 months | (18,926)                                |
|  | <b>358,672</b>                          |

**A15. Significant related party transactions**

|  | <b>Current<br/>Quarter<br/>30 Jun 2023<br/>RM'000</b> | <b>Current<br/>Year-to-date<br/>30 Jun 2023<br/>RM'000</b> |
|--|---|--|
| Sales to AMT                                 | 4   | 7  |
| Sales to A&I                                 | 9   | 21   |
| Sales to TTM                                 | -   | 14   |
| Purchase from TTM                            | 7   | 16   |
| Rental payable to AMT                        | 36  | 72   |
| Rental payable to a director of a subsidiary | 30  | 60   |

| <b>Name of Related Parties</b> | <b>Relationship</b>  |
|--------------------------------|--|
| AMT                            | Sia Chiok Meng, a Director of FEM, is also a director and substantial shareholder of AMT.  |
| A&I                            | Sia Chiok Meng, a director of FEM, is also a director and substantial shareholder of A&I.  |
| TTM                            | Mohd Shukri Bin Hitam and Fauziah Binti Hamlawi, directors and shareholders of TTES, are also directors and shareholders of TTM. |

Abbreviations:

|      |   |     |                                  |
|------|---|-----|----------------------------------|
| AMT  | AMT Engineering Sdn Bhd                     | FEM | Frontken (East Malaysia) Sdn Bhd |
| A&I  | A&I Engine Rebuilders Sdn Bhd               | TTM | Tenaga-Tech (M) Sdn Bhd          |
| TTES | TTES Frontken Integrated Services Sdn. Bhd. |     |                                  |

**A16. Capital commitments**

Capital expenditure of the Group approved by the Directors but not provided for in the condensed financial statements are as follows:

|                     | <b>As at<br/>30 Jun 2023<br/>RM'000</b> |
|---------------------|---|
| Plant and equipment | 4,551                                   |

**B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS**

**B1. Analysis of performance**

Current quarter's performance against the quarter ended 30 June 2022

The Group's revenue for the current quarter ended 30 June 2023 decreased by approximately RM7.0 million or 5% compared to the preceding year corresponding quarter. Our subsidiaries in Taiwan and Singapore recorded a slightly lower revenue compared to the preceding year corresponding quarter due partly to weaker demand from our semiconductor customers flowing on from the first quarter.

However, the Group's subsidiaries in Malaysia performed better due to the improvement in the oil and gas industry. The improvement in our local business was largely due to new orders for provision of manpower supply and mechanical rotating equipment services from various contracts that the Group has with the Petronas Group of Companies.

Despite having a lower revenue, the profit after tax ("PAT") of RM35.0 million for current quarter was approximately the same as the corresponding quarter. This is mainly contributed by the interest income earned from placements with financial institutions amounting to RM1.2 million as compared to RM0.2 million interest income in the previous corresponding quarter and gain on disposal of plant and equipment of RM0.9 million. However, the foreign exchange gain was slightly lower compared to the corresponding quarter.

Current 6 months period's performance against the 6 months period ended 30 June 2022

The Group's revenue of RM235.1 million for the current period ended 30 June 2023 was RM12.2 million or 5% lower than that achieved in the previous corresponding period. This is mainly due to lower demand from our semiconductor customers.

Against the same period last year, the PAT for the Group decreased by 4% or RM2.7 million as a result of weaker operating environment particularly in the first quarter of this year.

**B2. Comparison with immediate preceding quarter**

|  | <b>2nd Quarter<br/>30 Jun 2023<br/>RM'000</b> | <b>1st Quarter<br/>31 Mar 2023<br/>RM'000</b> |
|--|---|---|
| Revenue                                      | 121,152                                       | 113,987                                       |
| Profit before tax                            | 44,309  | 35,128  |
| Profit after tax                             | 34,982  | 26,132  |
| Profit attributable to owners of the Company | 31,914  | 23,584  |

The Group's revenue was 6% or approximately RM7.2 million higher during the current quarter as compared to the immediate preceding quarter mainly due to improved performance by our subsidiaries in Taiwan, Singapore and Malaysia. Consequently, the PAT also increased significantly by 34% or RM8.9 million. Likewise, the profit attributable to the shareholders also increased by 35%.

**B3. Prospects**

The Semiconductor Industry Association (“SIA”) announced that the global semiconductor industry sales during the month of May 2023 totaled USD40.7 billion, an increase of 1.7% compared to April 2023 but 21.1% less than May 2022. Despite continuing market sluggishness compared to 2022, month-to-month global semiconductor sales inched upward in May for the third consecutive month, sparking optimism for a bigger market demand during the traditionally stronger second half of the year. To that end, we are hopeful to see more activities in our new second facilities in Taiwan.

As for the oil and gas industry, we are cautiously optimistic that our business will be stronger compared to last year due to increased orders from the various contracts for provision of manpower supply and also mechanical rotating equipment services and parts that we have with the Petronas Group of Companies.

The Group remains prudent on the overall business conditions in the second half of the year despite the positive overview from SIA, considering the current geopolitical tension, rising interest rates and inflationary pressure. We will continue to focus our attention on the quality of our services to our customers and efficiencies in our operation so as to maintain our competitiveness and to deliver long term value to our stakeholders.

**B4. Variance in profit forecast**

Not applicable as no profit forecast or profit guarantee has been announced or disclosed in a public document previously.

**B5. Taxation**

|              | <b>Current<br/>Quarter<br/>30 Jun 2023<br/>RM'000</b> | <b>Current<br/>Year-to-date<br/>30 Jun 2023<br/>RM'000</b> |
|--------------|---|--|
| Income tax   | 9,368   | 18,386   |
| Deferred tax | (41)  | (63)   |
|              | <u>9,327</u>  | <u>18,323</u>  |

The Group’s effective tax rate for the period under review is lower than the statutory tax rate principally due to relatively lower statutory tax rate of overseas subsidiaries.

**B6. Status of corporate proposals**

There were no corporate proposals that were announced but not completed.

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**B7. Group borrowings**

The Group's borrowings as at 30 Jun 2023 are as follows:

|                        | <b>As at 30 Jun 2023</b>                 |               | <b>As at 30 Jun 2022</b>                 |               |
|------------------------|--|---------------|--|---------------|
|                        | <b>Foreign<br/>currencies<br/>RM'000</b> | <b>RM'000</b> | <b>Foreign<br/>currencies<br/>RM'000</b> | <b>RM'000</b> |
| <u>Short term</u>      |  |               |  |               |
| Hire Purchase Payables |  |               |  |               |
| - Ringgit Malaysia     | -  | 63            | -  | 43            |
|                        |  | <u>63</u>     |  | <u>43</u>     |
| <u>Long term</u>       |  |               |  |               |
| Hire Purchase Payables |  |               |  |               |
| - Ringgit Malaysia     | -  | 106           | -  | 71            |
|                        |  | <u>169</u>    |  | <u>114</u>    |

The Group's borrowings are denominated in functional currency.

**B8. Material litigations**

The Group is not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant and the Board does not know of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially affect the financial position or business of the Group as at 25 July 2023.

**B9. Earnings per share ("EPS")**

**(a) Basic EPS**

The calculation of the basic EPS is based on the net profit for the financial period under review divided by the weighted average number of ordinary shares in issue after deducting treasury shares.

|   | <b>Current<br/>Quarter</b> | <b>Preceding<br/>Corres-<br/>ponding<br/>Quarter</b> | <b>Current<br/>Year-to-<br/>date</b> | <b>Preceding<br/>Corres-<br/>ponding<br/>Year-to-<br/>date</b> |
|---|----------------------------|--|--------------------------------------|--|
| Profit attributable to owners of the Company (RM'000) | 31,914                     | 32,201   | 55,498                               | 58,716   |
| Weighted average number of shares in issue ('000)     | 1,572,906                  | 1,570,952  | 1,572,906                            | 1,570,952  |
| Basic EPS (sen)                                       | <u>2.03</u>                | <u>2.05</u>  | <u>3.53</u>                          | <u>3.74</u>  |



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**b) Diluted EPS**

The potential conversion of warrants is anti-dilutive as its exercise price is higher than the average market price of the Company's ordinary shares during the current financial period and hence, the diluted earnings per share is equal to the basic earnings per share.

**B10. Dividends**

No dividend was declared for the current quarter ended 30 June 2023.

This report has been approved by the Board of Directors on 1 Aug 2023.