



**FRONTKEN CORPORATION BERHAD**

(Co. No. 651020-T)

(Incorporated in Malaysia)

**Key Matters deliberated at the 16<sup>th</sup> AGM held on 5 August 2020**

The following questions on the following matters were raised by the Members/Proxies present and answered by the Chairman accordingly:-

**Capital Expenditure (“CAPEX”) and its cycle and technology**

A question was raised by a shareholder on the significant drop of the CAPEX, if that drop could hamper the growth of the Company and its CAPEX cycle.

The Chairman replied that substantial CAPEX has already been spent especially on the major back end facilities such as DI water, waste water treatment etc. in 2016 and thereafter, only some small upgrading works ensued and therefore, it is of no concern for the drop in the CAPEX in hampering the growth of the Company. On CAPEX cycle, although internally there is a 5 year plan, he said there was no fixed cycle per se but rather it is on a need basis in order to meet customers’ demands.

He added that the Taiwan subsidiary was in the midst of looking for a suitable location to expand its facility with a state-of-the-art technology to meet customers’ demands for more advanced nodes.

**TFT-LCD business**

The question was whether Frontken has any plan of exiting this TFT-LCD cleaning business entirely. The Chairman replied in the negative, at least for the next 3 years, although he agreed that this business was no longer as profitable as before.

**Oil and gas (“O&G”) sector**

The Chairman acknowledged the very competitive nature of the O&G business but was pleased that Frontken has secured some contracts with Petronas Group of Companies under the Master Service Agreements.

However, due to the Covid-19 pandemic and the low crude oil prices then, hovering around the USD20 – USD30’s levels, Frontken Singapore’s business had slowed down and that was exacerbated by a shortage of manpower due to the travel restrictions imposed by the Movement Control Order for the workers to return from Malaysia.



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**Ares Green Technology Corporation (“AGTC”)**

The questions were on making AGTC a 100% wholly owned subsidiary and the 56% revenue concentration risk from Taiwan.

The Chairman explained that it would be rather difficult to make AGTC a 100% wholly owned subsidiary because AGTC has too many very small shareholders who are not willing to sell their shares but wish to remain as a shareholder to continue to enjoy the dividend payouts from AGTC.

As for the revenue concentration risk, he said that there is a lot of potential in Taiwan’s semiconductor business and that was the reason why Frontken has upped its stake in AGTC.

**Rollout of 5G and location of facilities**

The Chairman said that the rollout of 5G would be good news for Frontken as that would increase the demands for more electronic products and that would have a spillover effect to Frontken and its customers.

One of the main reason on where Frontken chose to have its facilities is to be near to its customers. For Frontken to have its main facility in Taiwan, it was because the largest manufacturer of logic chips, contributing approximately 44% of the world’s demands, is located there.

**Annual General Meeting (“AGM”)**

On a question on the change of venue of the AGM this year, the Chairman explained that it was due to the constraint of space at the corporate office and also for the need to observe the SOP and social distancing due to the Covid-19 pandemic and that physical meeting costs much lesser than a virtual meeting.

**Investment in listed shares**

The Chairman informed the Members that the funds generated by the Group was mainly for its own organic growth and distribution of dividends to its shareholders and Frontken is not into investment of listed shares.

**Use of the vacant land in Terengganu**



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That vacant land was earmarked for future expansion of TTES Frontken but was put on hold due to the plunge in crude oil prices and it would not be used to cultivate any fruit trees in the interim.

**Location of the new facility in Taiwan and support for TSMC in the USA**

The Chairman's reply on the possible location of AGTC's new facility to meet increase in demands from customers is that AGTC would ideally want to find a location close to its current facility in Tainan for better efficiency and control.

On TSMC setting up its wafer fabrication facility in Arizona, USA, the Chairman said that Frontken has been invited to support them there but that would be expected to happen at the earliest in 2024 when TSMC commences its commercial production of the 5nm chips, as announced.

**Cleaning services**

The Chairman explained that the cleaning services was for the equipment of the wafer fabrication customers and not the wafers themselves and that needs a lot of investment into inspection and testing equipment in order to meet customers' very precise yet varied specifications.

**Outlook for 2020 and 2021**

Traditionally, the performance of the Group for the second half of the year has been better than the first half and he was expecting the same to happen for 2020.

As for 2021, it would be difficult to foretell as it would be very much be dependent on the demands from customers.