



# FRONTKEN CORPORATION BERHAD

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

## CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2009

(The figures have not been audited)

|                                                                    | Individual Quarter                                |                                                                      | Cumulative Quarter                                |                                                                     |
|--------------------------------------------------------------------|---------------------------------------------------|----------------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------------------------|
|                                                                    | Current Year<br>Quarter<br>31 Dec 2009<br>RM '000 | Preceding Year<br>Corresponding<br>Quarter<br>31 Dec 2008<br>RM '000 | Current<br>Year-to-date<br>31 Dec 2009<br>RM '000 | Preceding Year<br>Corresponding<br>Period<br>31 Dec 2008<br>RM '000 |
| <b>Revenue</b>                                                     | 34,221                                            | 31,638                                                               | 137,231                                           | 130,553                                                             |
| Operating expenses                                                 | (31,176)                                          | (30,448)                                                             | (113,396)                                         | (106,455)                                                           |
| Profit before amortisation, depreciation and finance costs         | 3,045                                             | 1,190                                                                | 23,835                                            | 24,098                                                              |
| Depreciation and amortisation                                      | (3,419)                                           | (2,841)                                                              | (13,542)                                          | (11,284)                                                            |
| Finance costs                                                      | (1,127)                                           | (1,089)                                                              | (3,879)                                           | (4,242)                                                             |
| Other operating income#                                            | 1,462                                             | 3,764                                                                | 2,946                                             | 10,015                                                              |
| Other expenses*                                                    | -                                                 | (10)                                                                 | -                                                 | (488)                                                               |
| Share of results of associated companies                           | (259)                                             | (270)                                                                | (1,252)                                           | 1,312                                                               |
| Profit/(Loss) before taxation                                      | (298)                                             | 744                                                                  | 8,108                                             | 19,411                                                              |
| Taxation                                                           | 532                                               | 1,676                                                                | (556)                                             | (496)                                                               |
| Profit for the period                                              | <u>234</u>                                        | <u>2,420</u>                                                         | <u>7,552</u>                                      | <u>18,915</u>                                                       |
| Attributable to :                                                  |                                                   |                                                                      |                                                   |                                                                     |
| Equity holders of the company                                      | 395                                               | 2,431                                                                | 8,115                                             | 18,851                                                              |
| Minority interests                                                 | (161)                                             | -                                                                    | (563)                                             | 64                                                                  |
| Profit for the period                                              | <u>234</u>                                        | <u>2,431</u>                                                         | <u>7,552</u>                                      | <u>18,915</u>                                                       |
| Earnings per share attributable to equity holders of the company : |                                                   |                                                                      |                                                   |                                                                     |
| Basic (sen)                                                        | <b>0.1</b>                                        | <b>0.3</b>                                                           | <b>1.1</b>                                        | <b>2.7</b>                                                          |

#Other income for the period ended 30 September 2008 is inclusive of insurance claims received in respect of fire incidents at the Group's plants in Kulim and Singapore.

\*Other expenses for the period ended 31 December 2008 is inclusive of the cost of fire consequential losses.

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 audited financial statements of the Company for the financial period ended 31 December 2008.



# FRONTKEN CORPORATION BERHAD

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

## CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2009

(The figures have not been audited)

|                                                     | <b>Unaudited<br/>31 Dec 2009<br/>RM'000</b> | <b>Audited<br/>31 Dec 2008<br/>RM'000</b> |
|-----------------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>ASSETS</b>                                       |                                             |                                           |
| <b>Non-current assets</b>                           |                                             |                                           |
| Property, plant and equipment                       | 113,459                                     | 108,979                                   |
| Prepaid lease payments on leasehold land            | 3,491                                       | 3,553                                     |
| Investment in associated companies                  | 46,539                                      | 48,192                                    |
| Goodwill on consolidation                           | 4,724                                       | 3,749                                     |
| Intangible assets                                   | -                                           | -                                         |
| <b>Total non-current assets</b>                     | <u>168,213</u>                              | <u>164,473</u>                            |
| <b>Current assets</b>                               |                                             |                                           |
| Inventories                                         | 7,970                                       | 5,910                                     |
| Amount due from contract customers                  | 436                                         | 669                                       |
| Trade receivables                                   | 36,755                                      | 41,324                                    |
| Other receivables and prepaid expenses              | 5,968                                       | 13,304                                    |
| Tax recoverable                                     | -                                           | -                                         |
| Amount owing by associates                          | 2,098                                       | 3,500                                     |
| Fixed deposits with licensed bank                   | 782                                         | 758                                       |
| Cash and bank balances                              | 12,772                                      | 10,441                                    |
| <b>Total current assets</b>                         | <u>66,781</u>                               | <u>75,906</u>                             |
| <b>Total assets</b>                                 | <u><u>234,994</u></u>                       | <u><u>240,379</u></u>                     |
| <b>EQUITY AND LIABILITIES</b>                       |                                             |                                           |
| <b>Capital and reserve</b>                          |                                             |                                           |
| Issued capital                                      | 72,243                                      | 69,977                                    |
| Reserves                                            | 11,684                                      | 8,680                                     |
| Retained earnings                                   | 51,125                                      | 43,010                                    |
| Equity attributable to equity holders of the parent | <u>135,052</u>                              | <u>121,667</u>                            |
| Minority interests                                  | <u>184</u>                                  | <u>652</u>                                |
| <b>Total equity</b>                                 | <u><u>135,236</u></u>                       | <u><u>122,319</u></u>                     |



# FRONTKEN CORPORATION BERHAD

(Co. No: 651020-T)  
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## CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2009 (Cont'd)

(The figures have not been audited)

|                                         | <b>Unaudited<br/>31 Dec 2009<br/>RM'000</b> | <b>Audited<br/>31 Dec 2008<br/>RM'000</b> |
|-----------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Non-current liabilities</b>          |                                             |                                           |
| Bank borrowings                         | 24,953                                      | 33,201                                    |
| Deferred income                         | -                                           | -                                         |
| Hire-purchase payables                  | 15,622                                      | 12,091                                    |
| Deferred tax liabilities                | 3,325                                       | 3,466                                     |
| <b>Total non-current liabilities</b>    | <b>43,900</b>                               | <b>48,758</b>                             |
| <b>Current liabilities</b>              |                                             |                                           |
| Trade payables                          | 11,680                                      | 19,453                                    |
| Other payables                          | 12,408                                      | 18,195                                    |
| Amount owing to associate               | 118                                         | 301                                       |
| Amount owing to a director              | 21                                          | -                                         |
| Bank overdrafts                         | 3,365                                       | 5,618                                     |
| Bank borrowings - current portion       | 19,665                                      | 18,471                                    |
| Deferred income - current portion       | -                                           | 19                                        |
| Hire purchase payable - current portion | 7,198                                       | 5,906                                     |
| Tax liabilities                         | 1,403                                       | 1,339                                     |
| <b>Total current liabilities</b>        | <b>55,858</b>                               | <b>69,302</b>                             |
| <b>Total liabilities</b>                | <b>99,758</b>                               | <b>118,060</b>                            |
| <b>Total equity and liabilities</b>     | <b>234,994</b>                              | <b>240,379</b>                            |
| <b>Net assets per share (RM)</b>        | <b>0.19</b>                                 | <b>0.17</b>                               |

### Notes :

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 2008.



# FRONTKEN CORPORATION BERHAD

(Co. No: 651020-T)  
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## CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2009

(The figures have not been audited)

|                                                                    | CUMULATIVE QUARTER                                 |                                                                 |
|--------------------------------------------------------------------|----------------------------------------------------|-----------------------------------------------------------------|
|                                                                    | Current<br>period-to-date<br>31 Dec 2009<br>RM'000 | Preceding<br>correspond-<br>ing period<br>31 Dec 2008<br>RM'000 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                        |                                                    |                                                                 |
| Profit for the period                                              | 7,552                                              | 18,915                                                          |
| Adjustments for:                                                   |                                                    |                                                                 |
| Income tax expense recognised in income statement                  | 556                                                | 496                                                             |
| Depreciation for property, plant and equipment                     | 13,480                                             | 11,099                                                          |
| Interest expense                                                   | 3,879                                              | 4,242                                                           |
| Unrealised gain on foreign exchange                                | (837)                                              | 1,352                                                           |
| Interest income                                                    | (77)                                               | (520)                                                           |
| Amortisation of prepaid land lease                                 | 62                                                 | 62                                                              |
| Amortisation of intangible assets                                  | -                                                  | 123                                                             |
| Property, plant and equipment written off                          | 70                                                 | 286                                                             |
| Government grant                                                   | (19)                                               | (51)                                                            |
| Loss/(Gain) on disposal of property, plant and equipment           | (101)                                              | (509)                                                           |
| Provision for doubtful debt                                        | 101                                                | -                                                               |
| Bad debt written off                                               | 522                                                | -                                                               |
| Write back of provision for doubtful debt                          | (49)                                               | -                                                               |
| Share of results of associated companies                           | 1,252                                              | (1,312)                                                         |
| Gain on dilution of investment in a former subsidiary to associate | -                                                  | (312)                                                           |
| Operating profit before working capital changes                    | 26,391                                             | 33,871                                                          |
| Inventories                                                        | (1,663)                                            | (552)                                                           |
| Amount due from contract customers                                 | 232                                                | (453)                                                           |
| Trade receivables                                                  | 5,493                                              | (6,923)                                                         |
| Other receivables and prepaid expenses                             | 7,821                                              | (8,379)                                                         |
| Amount owing by associates                                         | (1,153)                                            | -                                                               |
| Trade payables                                                     | (7,958)                                            | 3,502                                                           |
| Other payables and accrued expenses                                | (5,640)                                            | 6,902                                                           |
| Amount owing to associate                                          | (186)                                              | 301                                                             |
| Amount owing to a director                                         | 21                                                 | -                                                               |
| Cash generated from operations                                     | 23,358                                             | 28,269                                                          |
| Tax paid                                                           | (688)                                              | (2,500)                                                         |
| Net cash from operating activities                                 | 22,670                                             | 25,769                                                          |



# FRONTKEN CORPORATION BERHAD

(Co. No: 651020-T)  
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## CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2009 (Cont'd)

(The figures have not been audited)

|                                                                 | <b>CUMULATIVE QUARTER</b>                                    |                                                                            |
|-----------------------------------------------------------------|--------------------------------------------------------------|----------------------------------------------------------------------------|
|                                                                 | <b>Current<br/>period-to-date<br/>31 Dec 2009<br/>RM'000</b> | <b>Preceding<br/>correspond-<br/>ing period<br/>31 Dec 2008<br/>RM'000</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |                                                              |                                                                            |
| Increase in amount owing by associates                          | -                                                            | (2,543)                                                                    |
| Interest received                                               | 77                                                           | 520                                                                        |
| Acquisition of subsidiaries                                     | (107)                                                        | (2,550)                                                                    |
| Acquisition of associates                                       | -                                                            | (427)                                                                      |
| Purchase of property, plant and equipment                       | (3,377)                                                      | (16,728)                                                                   |
| Proceeds from disposal of property, plant and equipment         | 286                                                          | 3,661                                                                      |
| Dividend received from associate                                | 601                                                          | 2,779                                                                      |
| Net cash used in investing activities                           | (2,520)                                                      | (15,288)                                                                   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                     |                                                              |                                                                            |
| Interest paid                                                   | (3,879)                                                      | (4,242)                                                                    |
| Proceeds from minority interest                                 | 52                                                           | 661                                                                        |
| Proceeds from issuance of shares                                | 4,429                                                        | 2,550                                                                      |
| Drawdown of term loans                                          | -                                                            | 5,000                                                                      |
| Repayment of term loans                                         | (13,187)                                                     | (17,282)                                                                   |
| Increase in short-term borrowings                               | 5,555                                                        | 796                                                                        |
| Repayment of hire purchase payables                             | (8,701)                                                      | (6,373)                                                                    |
| Share issue expenses                                            | (100)                                                        | -                                                                          |
| Net cash used in financing activities                           | (15,831)                                                     | (18,890)                                                                   |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                | 4,319                                                        | (8,409)                                                                    |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b> | 5,581                                                        | 13,917                                                                     |
| <b>EFFECT OF EXCHANGE DIFFERENCES</b>                           | 289                                                          | 73                                                                         |
| <b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>       | <b>10,189</b>                                                | <b>5,581</b>                                                               |
| <b>THE CASH AND CASH EQUIVALENTS COMPRISE:</b>                  |                                                              |                                                                            |
| <b>CASH AND BANK BALANCES</b>                                   | 12,772                                                       | 10,441                                                                     |
| <b>SHORT-TERM DEPOSITS WITH LICENSED BANKS</b>                  | 782                                                          | 758                                                                        |
| <b>BANK OVERDRAFT</b>                                           | (3,365)                                                      | (5,618)                                                                    |
|                                                                 | <b>10,189</b>                                                | <b>5,581</b>                                                               |

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 audited financial statements of the Company for the financial year ended 31 December 2008.



# FRONTKEN CORPORATION BERHAD

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## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 4TH QUARTER ENDED 31 DECEMBER 2009

(The figures have not been audited)

|                                                                     | Non-distributable     |                      |                                             | Distributable            | Attributable to equity holders of the Company | Minority interests | Total          |
|---------------------------------------------------------------------|-----------------------|----------------------|---------------------------------------------|--------------------------|-----------------------------------------------|--------------------|----------------|
|                                                                     | <u>Issued capital</u> | <u>Share premium</u> | <u>Foreign currency Translation reserve</u> | <u>Retained earnings</u> |                                               |                    |                |
|                                                                     | RM'000                | RM'000               | RM'000                                      | RM'000                   | RM'000                                        | RM'000             | RM'000         |
| Balance as of 1 January 2009                                        | 69,977                | 5,935                | 2,745                                       | 43,010                   | 121,667                                       | 652                | 122,319        |
| Net income (expense) recognised directly in equity:                 |                       |                      |                                             |                          |                                               |                    |                |
| Exchange differences arising from translation of foreign operations | -                     | -                    | 941                                         | -                        | 941                                           | -                  | 941            |
| Profit for the period                                               | -                     | -                    | -                                           | 8,115                    | 8,115                                         | (563)              | 7,552          |
| Total recognised income and expenses                                | -                     | -                    | 941                                         | 8,115                    | 9,056                                         | (563)              | 8,493          |
| Arising from private placement                                      | 2,266                 | 2,063                | -                                           | -                        | 4,329                                         | 95                 | 4,424          |
| <b>Balance as of 31 December 2009</b>                               | <b>72,243</b>         | <b>7,998</b>         | <b>3,686</b>                                | <b>51,125</b>            | <b>135,052</b>                                | <b>184</b>         | <b>135,236</b> |

### CORRESPONDING PERIOD

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2008

|                                                                     | Non-distributable     |                      |                                             | Distributable            | Attributable to equity holders of the Company | Minority interests | Total          |
|---------------------------------------------------------------------|-----------------------|----------------------|---------------------------------------------|--------------------------|-----------------------------------------------|--------------------|----------------|
|                                                                     | <u>Issued capital</u> | <u>Share premium</u> | <u>Foreign currency Translation reserve</u> | <u>Retained earnings</u> |                                               |                    |                |
|                                                                     | RM'000                | RM'000               | RM'000                                      | RM'000                   | RM'000                                        | RM'000             | RM'000         |
| Balance as of 1 January 2008                                        | 49,474                | 23,888               | 473                                         | 24,159                   | 97,994                                        | 1,670              | 99,664         |
| Net income (expense) recognised directly in equity:                 |                       |                      |                                             |                          |                                               |                    |                |
| Exchange differences arising from translation of foreign operations | -                     | -                    | 2,272                                       | -                        | 2,272                                         | -                  | 2,272          |
| Profit for the period                                               | -                     | -                    | -                                           | 18,851                   | 18,851                                        | 64                 | 18,915         |
| Total recognised income and expenses                                | -                     | -                    | 2,272                                       | 18,851                   | 21,123                                        | 64                 | 21,187         |
| Arising from issue of shares by subsidiary                          | 510                   | 2,040                | -                                           | -                        | 2,550                                         | -                  | 2,550          |
| Arising from subscription of shares                                 | 19,993                | (19,993)             | -                                           | -                        | -                                             | (1,082)            | (1,082)        |
| <b>Balance as of 31 December 2008</b>                               | <b>69,977</b>         | <b>5,935</b>         | <b>2,745</b>                                | <b>43,010</b>            | <b>121,667</b>                                | <b>652</b>         | <b>122,319</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**

(Co. No: 651020-T)  
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**QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2009**

**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 Financial Reporting Standards ("FRS") No.134 : Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"), and Paragraph 9.22 of Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements") and should be read in conjunction with the Company's audited consolidated financial statements for the financial year ended 31 December 2008.

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"), its subsidiaries and associated companies (collectively, "the Group") since the financial year ended 31 December 2008.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2008.

**A2. Audit qualification**

The auditors' report in respect of the audited consolidated financial statements of FCB for the financial year ended 31 December 2008 was not subject 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**

There were no changes in estimates that had a material effect on the current quarter's results.



## FRONTKEN CORPORATION BERHAD

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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, shares held as treasury shares or resale of treasury shares during the current quarter.

### **A7. Dividends**

No dividends were paid and/or declared during the quarter under review.

### **A8. Segmental information**

The breakdown of the Group's revenue and results by geographical regions for the quarter ended 31 December 2009 are set out below. Revenue and results by geographical sales were based on the location of the Group's subsidiaries.

|                                                | <b>Current<br/>Quarter<br/>31 Dec 2009<br/>RM'000</b> | <b>Current<br/>Year-to-date<br/>31 Dec 2009<br/>RM'000</b> |
|------------------------------------------------|-------------------------------------------------------|------------------------------------------------------------|
| <u>Segment Revenue</u>                         |                                                       |                                                            |
| Singapore                                      | 22,232                                                | 80,820                                                     |
| Malaysia                                       | 11,761                                                | 53,210                                                     |
| Philippines                                    | 180                                                   | 3,082                                                      |
| China                                          | 48                                                    | 119                                                        |
|                                                | 34,221                                                | 137,231                                                    |
| <u>Segment Results</u>                         |                                                       |                                                            |
| Singapore                                      | 1,592                                                 | 10,150                                                     |
| Malaysia                                       | 289                                                   | 2,237                                                      |
| Philippines                                    | (1,087)                                               | (1,158)                                                    |
| Taiwan                                         | (484)                                                 | (500)                                                      |
| Hong Kong                                      | -                                                     | (12)                                                       |
| China                                          | (316)                                                 | (1,088)                                                    |
| Indonesia                                      | (33)                                                  | (269)                                                      |
|                                                | (39)                                                  | 9,360                                                      |
| Add: Share of results of associated companies: |                                                       |                                                            |
| Thailand                                       | 16                                                    | (76)                                                       |
| Taiwan                                         | (275)                                                 | (1,116)                                                    |
| Malaysia                                       | -                                                     | (60)                                                       |
| Profit before taxation                         | 298                                                   | 8,108                                                      |





## **FRONTKEN CORPORATION BERHAD**

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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 metamorphosis technology using thermal spray coating processes and a series of complementary processes, including mechanical and chemical engineering works.

### **A9. Valuation of property, plant and equipment**

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

### **A10. Material events subsequent to the end of the quarter**

Save as disclosed below, there were no material events subsequent to the end of the current quarter under review up to the date of this report:

- (a) On 19 January 2010, the Company announced that the purchase price for the acquisition of Chinyee Engineering & Machinery Pte Ltd ("Chinyee") was adjusted from SGD820,000 to SGD1,387,000 (equivalent to approximately RM3,337,000 based on the exchange rate of SGD1.00 : RM2.4056 as at 18 January 2010) in accordance with the terms of the Share Purchase Agreement as the audited net assets value ("NAV") of Chinyee as at 31 December 2008 varied from the unaudited NAV by more than 10%. The acquisition was completed on 20 January 2010.
- (b) On 22 January 2010, the shareholders of the Company approved the renounceable rights issue of up to 288,973,760 new ordinary shares of RM0.10 each in the Company ("FCB Shares") ("Rights Shares") together with up to 288,973,760 free new detachable Warrants ("Warrants") at an issue price of RM0.11 per Rights Share on the basis of two (2) Rights Shares together with two (2) Warrants for every five (5) existing FCB Shares held on the entitlement date ("Rights Issue"). On 27 January 2010, AFFIN Investment Bank Berhad, on behalf of the Board of FCB, announced that the entitlement date had been fixed on 11 February 2010.

### **A11. 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:

On 8 December 2009, the Company announced that its wholly-owned subsidiary, Frontken (Singapore) Pte Ltd, had on 8 December 2009 incorporated a wholly-owned subsidiary, Frontship Pte Ltd ("FPL") in Singapore with an issued and paid-up capital of SGD2 comprising 2 ordinary shares. On 15 January 2010, the issued and paid-up capital of FPL was increased to SGD500,000. The principal activity of FPL is procurement of materials, equipment, consumable parts and engineering services.



## FRONTKEN CORPORATION BERHAD

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### A12. Contingent liabilities

Save as disclosed below, the Directors are of the opinion that the Group has no contingent liabilities which, upon crystallisation, would have a material impact on the financial position of the Group:

|                                                                                                                                              | <b>As at<br/>31 Dec 2009</b> |
|----------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|
|                                                                                                                                              | <b>RM'000</b>                |
| Guarantee by a wholly-owned subsidiary in favour of a third party for the due and complete performance of a project by an associated company | 2,477                        |

### A13. Cash and cash equivalents

|                 | <b>As at<br/>31 Dec 2009</b> |
|-----------------|------------------------------|
|                 | <b>RM'000</b>                |
| Cash at bank    | 12,636                       |
| Cash on hand    | 136                          |
| Fixed deposits  | 782                          |
|                 | 13,554                       |
| Bank overdrafts | (3,365)                      |
|                 | 10,189                       |

### A14. Significant related party transactions

|                                                                                                  | <b>Current<br/>Quarter<br/>31 Dec 2009</b> | <b>Current<br/>Year-to-date<br/>31 Dec 2009</b> |
|--------------------------------------------------------------------------------------------------|--------------------------------------------|-------------------------------------------------|
|                                                                                                  | <b>RM'000</b>                              | <b>RM'000</b>                                   |
| Sales by FM and FEM to AMT                                                                       | 10                                         | 29                                              |
| Sales by FEM to A&I                                                                              | 71                                         | 75                                              |
| Sales by FS, MTI and FEM to Chinyee                                                              | 214                                        | 1,553                                           |
| Sales by FM, FJSB and FEM to FPSB                                                                | 154                                        | 445                                             |
| Purchases from AMT by FEM                                                                        | 31                                         | 32                                              |
| Purchases from Chinyee by FS                                                                     | 1,788                                      | 5,302                                           |
| Purchases from FPSB by FM and FEM                                                                | -                                          | 44                                              |
| Rental payable by FMIC to MIC-W                                                                  | 133                                        | 645                                             |
| Fees payable to MIC-W for administrative support functions and services and sharing of resources | 41                                         | 138                                             |
| Fees payable to a former director for professional services                                      | -                                          | 18                                              |

#### Abbreviations:

|         |                                         |       |                                 |
|---------|-----------------------------------------|-------|---------------------------------|
| AMT     | AMT Engineering Sdn Bhd                 | FMIC  | Frontken-MIC (Wuxi) Co. Ltd     |
| A&I     | A&I Engine Rebuilders Sdn Bhd           | FPSB  | Frontken Petroleum Sdn Bhd      |
| Chinyee | Chinyee Engineering & Machinery Pte Ltd | FS    | Frontken (Singapore) Pte Ltd    |
| FEM     | Frontken (East Malaysia) Sdn Bhd        | MIC-W | MIC-Tech (Wuxi) Co., Ltd        |
| FM      | Frontken Malaysia Sdn Bhd               | MTI   | Metall-Treat Industries Pte Ltd |
| FJSB    | Frontken Johor Sdn Bhd                  |       |                                 |



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| Name of Related Parties | Relationship                                                                                                                                                                                                                                     |
|-------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AMT                     | Sia Chiok Meng, a Director of FEM, is also a director and major shareholder of AMT.                                                                                                                                                              |
| Chinyee                 | Wong Hua Choon, a director and major shareholder of FCB, and Yeo Lay Poh, a substantial shareholder of FCB, are also directors and substantial shareholders of Chinyee. Dr Tay Kiang Meng is a director and shareholder of both FCB and Chinyee. |
| A&I                     | Sia Chiok Meng, a director of FEM, is also a director and major shareholder of A&I.                                                                                                                                                              |
| MIC-W                   | MIC-W is a subsidiary of Marketech International Corporation, which in turn is a deemed major shareholder of FMIC.                                                                                                                               |
| FPSB                    | Zulkifli bin Ali, a deemed major shareholder of FCB within the preceding six (6) months, is also a director and major shareholder of FPSB.                                                                                                       |

The Directors are of the opinion that the above transactions entered into in the ordinary course of the business have been established on terms and conditions that are not materially different from those transactions with unrelated parties.

## A15. Capital commitments

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

|                                        | As at<br>31 Dec 2009<br>RM'000 |
|----------------------------------------|--------------------------------|
| Factory improvement                    | 96                             |
| Acquisition of machinery and equipment | 5,049                          |
| Acquisition of Chinyee                 | *907                           |
|                                        | <u>5,145</u>                   |

\* On 19 January 2010, FCB announced the purchase price for the acquisition of Chinyee was adjusted from SGD820,000 to SGD1,387,000 as the audited NAV of Chinyee as at 31 December 2008 varied from the unaudited NAV by more than 10%. As such, the balance purchase price for the acquisition of Chinyee is SGD936,000 (equivalent to approximately RM2,252,000 based on the exchange rate of SGD1.00:RM2.4056 as at 18 January 2010).



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

**B1. Review of performance**

The Group recorded unaudited revenue and profit before tax ("PBT") of approximately RM137.2 million and RM8.1 million respectively for the year ended 31 December 2009 ("FY 2009"), compared to RM130.6 million and RM19.4 million respectively for the preceding corresponding year ended 31 December 2008 ("FY 2008"). This represents an increase of approximately 5.1% in revenue and decrease in PBT of approximately 58.2% compared to that achieved in FY 2008. Net profit attributable to shareholders was RM8.1 million for FY 2009 as compared to RM18.9 million in FY 2008.

The lower PBT recorded by the Group for FY 2009 compared to that achieved in FY 2008 was mainly due to the following:

- (a) Included in the profit for FY 2008 was a one-off net gain of approximately RM7.6 million in respect of recovery from insurers on the fire incidents. Excluding this one-off gain, the Group's PBT for FY 2009 declined by 31.4% over that achieved in FY 2008;
- (b) Lower margin during the current financial year due mainly to higher subcontracting cost; and
- (c) Share of losses of associates in FY 2009 as compared to share of profits in the previous year.

**B2. Comparison with immediate preceding quarter**

|                          | <b>4th Quarter<br/>31 Dec 2009</b> | <b>3rd Quarter<br/>30 Sept 2009</b> |
|--------------------------|------------------------------------|-------------------------------------|
|                          | <b>RM'000</b>                      | <b>RM'000</b>                       |
| Revenue                  | 34,221                             | 35,656                              |
| (Loss)/Profit before tax | (298)                              | 5,660                               |

The Group recorded a marginal decline in revenue of 4.0% or approximately RM1.4 million during the current quarter compared to the preceding quarter. The decline in revenue during the current quarter was primarily due to marginally lower sales in Singapore.

The Group's unaudited PBT in the current quarter was approximately RM6.0 million lower than the preceding quarter. The decrease in the Group's PBT was the result of higher operating expenses and the writing-off of bad debts during the current quarter.



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### **B3. Prospects for the next financial year**

The outlook has turned more positive compared to 2009, with signs of global economic recovery and encouraging demand for the Group's services in the power generation, semiconductor and oil and gas sectors. Nonetheless, the Group will continue with its cautionary approach to ensure that its operations are ready to tap into new future opportunities. The Group stays committed to focus on its core markets and extend market reach with the aim of strengthening its market position. The Group will also continue to build its balance sheet as a cushion against business volatility and the constantly changing market landscape. Barring unforeseen circumstances, the Directors expect performance for the next financial year to be satisfactory.

### **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/>31 Dec 2009</b> | <b>Current<br/>Year-to-date<br/>31 Dec 2009</b> |
|--------------|--------------------------------------------|-------------------------------------------------|
|              | <b>RM'000</b>                              | <b>RM'000</b>                                   |
| Income tax   | (386)                                      | 825                                             |
| Deferred tax | (146)                                      | (269)                                           |
|              | <u>532</u>                                 | <u>556</u>                                      |

The Group's effective tax rate for the period under review is 6.9% compared to the statutory tax rate of 25% in Malaysia primarily attributed to deferred tax adjustment arising from reduction in corporation tax rate from 18% to 17% enjoyed by its subsidiaries in Singapore, and jobs credit grant received from the Singapore government which is not subject to tax, as well as a relatively lower statutory tax rate of 17% in Singapore.

### **B6. Unquoted investments and properties**

There were no disposals of unquoted investment and properties during the current quarter and financial period under review.



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### B7. Quoted and marketable securities

Save as disclosed below, there were no purchases and disposals of marketable securities during the current quarter:

On 26 June 2009, Ares Green Technology Corporation ("AGTC"), an associated company of FCB, obtained shareholders' approval for the distribution of share dividend on the basis of 1 new share of NT\$10 each for every 20 existing shares held. Consequently, although the percentage shareholding held collectively by FCB and its subsidiary in AGTC remains unchanged, the aggregate number of shares in AGTC held by FCB and its subsidiary increased from 12,633,534 shares to 13,265,210 shares. The share dividend was completed on 16 October 2009.

### B8. Status of corporate proposals

Save for the Rights Issue as set out in Note A10(b) above, as at 17 February 2010, there are no corporate proposals which have been announced but have yet been completed.

### B9. Group borrowings

The Group's borrowings as at 31 December 2009 are as follows:

|                         | Short-term | Long-term | Total  |
|-------------------------|------------|-----------|--------|
|                         | RM'000     | RM'000    | RM'000 |
| <u>Secured</u>          |            |           |        |
| Bank overdrafts         | 3,365      | -         | 3,365  |
| Hire purchase creditors | 7,198      | 15,622    | 22,820 |
| Term loans              | 19,665     | 24,953    | 44,618 |
|                         | 30,228     | 40,575    | 70,803 |

The Group's borrowings that are not denominated in functional currency are as follows:

|                   | Short-term | Long-term | Total  |
|-------------------|------------|-----------|--------|
|                   | RM'000     | RM'000    | RM'000 |
| <u>Currency</u>   |            |           |        |
| Singapore Dollar  | 24,210     | 31,375    | 55,585 |
| New Taiwan Dollar | 1,492      | -         | 1,492  |
|                   | 25,702     | 31,375    | 57,077 |

### B10. Off balance sheet financial instruments

The Group has not entered into any contract involving off-balance sheet financial instruments as at the date of this report.



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**B11. Material litigation**

Save as disclosed below, 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 as at 17 February 2010:

On 3 February 2009, FM was served a Writ of Summons by IFC Engineering Sdn Bhd ("IFC"). The said Writ of Summons and Statement of Claim were filed at the High Court of Malaya at Alor Star. Under the said Writ of Summons, IFC claimed that it had successfully completed installation works for Frontken Malaysia Sdn Bhd ("FM") at its plant at Kulim Hi-Tech Park pursuant to its quotation furnished for the said installation, and that FM had partially satisfied the contract sum, leaving a balance of RM1,122,425. However, FM had denied any liability to IFC. IFC therefore claimed against FM for the above outstanding sum, interest thereon at 8%, costs and other relief that the Court deems fit.

FM disputed the legitimacy of the claim by IFC in view that FM had at all times contracted with the main contractor, and not IFC, for the performance of the installation works at its plant at Kulim Hi-Tech Park. Further, the installation works were either not performed or unsatisfactorily performed.

On 24 November 2009, the Court allowed IFC's application for summary judgment, thereby ordering FM to pay the amount claimed by IFC. On 21 December 2009, FM received a Notice for Payment pursuant to Section 218 of the Companies Act, 1965 from the solicitors of IFC requiring FM to pay, secure or compound to the reasonable satisfaction of IFC the sum of RM1,207,978.73 which was made up of the judgment sum of RM1,122,425.00 together with interest on the judgment sum at 8% per annum from 7 January 2009 to 16 December 2009 amounting to RM85,553.73. If FM shall fail, refuse or omit to make payment of the aforesaid judgment sum together with interest accrued thereon from the date of the notice within 21 days from the receipt of the same, action will be taken for FM to be compulsorily wound up by the Court.

FM had on 17 December 2009 filed a Notice of Appeal against the summary judgment and the appeal is pending. Subsequent thereto, FM had also on 10 January 2010 filed an application for inter alia an injunction against presentation of any winding up petition up pending disposal of FM's appeal and for a stay of any winding-up proceeding pending disposal of FM's appeal. The application is pending hearing. On 14 January 2010, the solicitors of IFC served a Writ of Seizure and Sale on FM to seize some of the assets located on its premises at Kulim Hi-Tech Park. FM had filed an application for inter alia a stay of the Writ of Seizure and Sale pending disposal of FM's appeal. The application is also pending hearing.



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**B12. 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 number of ordinary shares of RM0.10 each in issue.

|                                                              | <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 ordinary shareholders (RM'000)        | 395                        | 2,431                                                | 8,115                                | 18,851                                                         |
| The number/weighted average number of shares in issue ('000) | 722,434                    | 699,770                                              | 713,749                              | 698,196                                                        |
| Basic EPS (sen)                                              | 0.1                        | 0.3                                                  | 1.1                                  | 2.7                                                            |

**(b) Diluted EPS**

No diluted EPS has been presented as the Group does not have any dilutive potential ordinary shares in issue as at the Balance Sheet date.

**B13. Dividends**

No dividend has been declared for the current quarter ended 31 December 2009.

By order of the Board  
Frontken Corporation Berhad

Wong Hua Choon  
Executive Chairman / Managing Director  
Kuala Lumpur  
23 February 2010