



FRONTKEN CORPORATION BERHAD

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

(The figures have not been audited)

	Current Year Quarter 31 Dec 2013 RM '000	Corresponding Quarter 31 Dec 2012 RM '000	Current Year To-date 31 Dec 2013 RM '000	Corresponding Period 31 Dec 2012 RM '000
Revenue	54,401	46,596	190,611	181,035
Operating expenses	<u>(46,837)</u>	<u>(44,124)</u>	<u>(165,871)</u>	<u>(164,995)</u>
Profit before depreciation and finance costs	7,564	2,472	24,740	16,040
Depreciation	(4,728)	(5,048)	(18,550)	(20,168)
Finance costs	(323)	(875)	(1,451)	(2,870)
Other operating income	299	7,646	2,475	10,603
Share of results of associated companies	<u>(293)</u>	<u>(399)</u>	<u>(1,303)</u>	<u>(367)</u>
Profit before tax	2,519	3,796	5,911	3,238
Taxation	<u>(3,720)</u>	<u>1,822</u>	<u>(5,446)</u>	<u>937</u>
(Loss)/Profit after tax	(1,201)	5,618	465	4,175
Other comprehensive expenses:				
Foreign currency translation	536	49	4,990	1,947
Actuarial losses	<u>87</u>	<u>(148)</u>	<u>87</u>	<u>(148)</u>
Total comprehensive income for the period	<u><u>(578)</u></u>	<u><u>5,519</u></u>	<u><u>5,542</u></u>	<u><u>5,974</u></u>
Profit after tax attributable to :				
Owners of the Company	(2,447)	5,074	(2,320)	3,820
Non-controlling interests	<u>1,246</u>	<u>544</u>	<u>2,785</u>	<u>355</u>
(Loss)/Profit for the period	<u><u>(1,201)</u></u>	<u><u>5,618</u></u>	<u><u>465</u></u>	<u><u>4,175</u></u>
Total comprehensive income attributable to:				
Owners of the Company	(1,733)	4,834	1,327	5,604
Non-controlling interests	<u>1,155</u>	<u>685</u>	<u>4,215</u>	<u>370</u>
Total comprehensive income for the period	<u><u>(578)</u></u>	<u><u>5,519</u></u>	<u><u>5,542</u></u>	<u><u>5,974</u></u>
Earnings per share attributable to equity holders of the company :				
Basic (sen)	-	0.50	-	0.38
Diluted (sen)	N/A	N/A	N/A	N/A

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 year ended 31 December 2012.



FRONTKEN CORPORATION BERHAD

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

(The figures have not been audited)

	Unaudited 31 Dec 2013 RM'000	Audited 31 Dec 2012 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	144,054	153,534
Investment in associated companies	1,665	4,236
Goodwill on consolidation	25,394	25,394
Deferred tax assets	665	441
Total non-current assets	<u>171,778</u>	<u>183,605</u>
Current assets		
Inventories	14,274	11,188
Amount due from contract customers	1,514	501
Trade receivables	69,763	68,283
Other receivables, deposits and prepaid expenses	4,653	5,483
Amount owing by associates	1,347	2,118
Tax recoverable	345	462
Fixed deposits with licensed bank	1,648	3,171
Cash and bank balances	35,464	38,286
	<u>129,008</u>	<u>129,492</u>
Asset held for sale	<u>1,372</u>	<u>1,081</u>
Total current assets	<u>130,380</u>	<u>130,573</u>
Total assets	<u><u>302,158</u></u>	<u><u>314,178</u></u>
EQUITY AND LIABILITIES		
Capital and reserve		
Issued capital	101,141	101,141
Reserves	20,375	16,469
Retained earnings	64,787	67,283
Equity attributable to owners of the Company	<u>186,303</u>	<u>184,893</u>
Non-controlling interests	<u>27,924</u>	<u>28,116</u>
Total equity	<u>214,227</u>	<u>213,009</u>
Non-current liabilities		
Bank borrowings	24,130	28,452
Hire-purchase payables	1,701	3,280
Deferred tax liabilities	3,653	363
Total non-current liabilities	<u>29,484</u>	<u>32,095</u>
Current liabilities		
Trade payables	21,321	15,113
Other payables and accrued expenses	25,123	17,523
Bank borrowings - current portion	8,322	32,779
Hire purchase payable - current portion	2,131	2,934
Tax liabilities	1,550	725
Total current liabilities	<u>58,447</u>	<u>69,074</u>
Total liabilities	<u>87,931</u>	<u>101,169</u>
Total equity and liabilities	<u><u>302,158</u></u>	<u><u>314,178</u></u>
Net assets per share (RM)	0.21	0.21

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 2012.



FRONTKEN CORPORATION BERHAD

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

(The figures have not been audited)

	<----- Non-distributable ----->					Distributable				Total RM'000
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Warrant reserve RM'000	Statutory reserve RM'000	Retained earnings RM'000	Attributable to owners of the Company RM'000	Non-controlling interests RM'000	
Balance as of 1 January 2013	101,141	9,337	(195)	6,074	883	370	67,283	184,893	28,116	213,009
Other comprehensive income recognised for the period, net of tax:										
Actuarial gains	-	-	-	-	-	-	50	50	37	87
Foreign currency translation	-	-	-	3,597	-	-	-	3,597	1,393	4,990
Profit for the period	-	-	-	-	-	-	(2,320)	(2,320)	2,785	465
Total comprehensive income for the period	-	-	-	3,597	-	-	(2,270)	1,327	4,215	5,542
Transfer to statutory reserve	-	-	-	-	-	310	(310)	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(409)	(409)
Purchase of treasury shares	-	-	(1)	-	-	-	-	(1)	-	(1)
Loss on winding up of subsidiary	-	-	-	-	-	-	(86)	(86)	(85)	(171)
Changes in ownership interests in a subsidiary	-	-	-	-	-	-	170	170	(3,913)	(3,743)
Balance as of 31 December 2013	101,141	9,337	(196)	9,671	883	680	64,787	186,303	27,924	214,227

CORRESPONDING PERIOD CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

	<----- Non-distributable ----->					Distributable				Total RM'000
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Warrant reserve RM'000	Statutory reserve RM'000	Retained earnings RM'000	Attributable to owners of the Company RM'000	Non-controlling interests RM'000	
Balance as of 1 January 2012	101,141	9,337	(195)	4,214	883	198	63,694	179,272	27,890	207,162
Other comprehensive income recognised for the period, net of tax:										
Actuarial losses	-	-	-	-	-	(76)	-	(76)	(72)	(148)
Foreign currency translation	-	-	-	1,860	-	-	-	1,860	87	1,947
Profit for the period	-	-	-	-	-	-	3,820	3,820	355	4,175
Total comprehensive income for the period	-	-	-	1,860	-	(76)	3,820	5,604	370	5,974
Arising from issue of shares by subsidiary	-	-	-	-	-	-	-	-	786	786
Changes in ownership interests in a subsidiary	-	-	-	-	-	-	17	17	(494)	(477)
Transfer to statutory reserve	-	-	-	-	-	248	(248)	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(436)	(436)
Balance as of 31 December 2012	101,141	9,337	(195)	6,074	883	370	67,283	184,893	28,116	213,009

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 CASH FLOW STATEMENT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

(The figures have not been audited)

	CUMULATIVE QUARTER	
	Current Period To Date 31 Dec 2013 RM'000	Preceding Corresponding Period 31 Dec 2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	5,911	3,238
Adjustments for:		
Depreciation of property, plant and equipment	18,550	20,168
Impairment loss on fair value adjustment	-	164
Interest expense	1,451	2,706
Unrealised loss on foreign exchange	389	1,076
Interest income	(170)	(140)
Loss on disposal of asset held for sale	134	-
Gain on disposal of property, plant and equipment	(56)	(388)
Writeback of allowance for impairment losses on trade receivables	(361)	(1,849)
Property, plant and equipment written off	351	1,212
Allowance for impairment losses on receivables	1,200	1,072
Bad debt written off	1,421	2
Gain on disposal of investment in subsidiary	-	(5,477)
Gain on dilution of investment in subsidiary	-	(104)
Gain on disposal of investment in associates	-	(23)
Share of results of associates	1,303	367
Operating profit before working capital changes	30,123	22,024
Inventories	(2,838)	88
Amount due from contract customers	(1,013)	324
Trade receivables	(2,981)	971
Other receivables, deposits and prepaid expenses	818	731
Amount owing by associates	848	2,076
Trade payables	6,183	(7,050)
Other payables and accrued expenses	7,137	(479)
Amount owing to associates	-	(1,537)
Cash generated from operations	38,277	17,148
Taxes paid	(1,590)	(1,106)
Net cash from operating activities	36,687	16,042
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	170	140
Acquisition of additional interest in subsidiary	(3,742)	(477)
Purchase of property, plant and equipment	(5,337)	(11,769)
Loss on winding up of subsidiary	(171)	-
Proceeds from disposal of subsidiary	-	22,128
Proceeds from disposal of associates	-	150
Proceeds from disposal of asset held for sale	986	-
Proceeds from disposal of property, plant and equipment	111	7,289
Net cash for investing activities	(7,983)	17,461



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	CUMULATIVE QUARTER	
	Current Period To Date	Preceding Corresponding Period
	31 Dec 2013 RM'000	31 Dec 2012 RM'000
CASH FLOWS FOR FINANCING ACTIVITIES		
Interest paid	(1,451)	(2,706)
Issue of shares by subsidiary to non-controlling interests	-	890
Drawdown of term loans	-	11,998
Repayment of term loans	(28,780)	(18,773)
Payment of hire purchase payables	(3,463)	(7,919)
Treasury shares acquired	(1)	-
Dividend paid by a subsidiary to non-controlling interests	(409)	(436)
Net cash for financing activities	<u>(34,104)</u>	<u>(16,946)</u>
 NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	 (5,400)	 16,557
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	41,457	24,692
EFFECT OF EXCHANGE DIFFERENCES	1,055	208
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	<u><u>37,112</u></u>	<u><u>41,457</u></u>
 THE CASH AND CASH EQUIVALENTS COMPRISE:		
CASH AND BANK BALANCES	35,464	38,286
SHORT-TERM DEPOSITS WITH LICENSED BANKS	1,648	3,171
	<u><u>37,112</u></u>	<u><u>41,457</u></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 audited financial statements of the Company for the financial year ended 31 December 2012.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

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 2012.

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 since the financial year ended 31 December 2012.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2012 except for those standards, amendments and interpretations which are effective from the annual period beginning 1 January 2013. The adoption of the MFRSs and Amendments do not have significant impact on the financial statements of the Group.

A2. Realised and Unrealised Profits or Losses

	As at 31 Dec 2013 RM'000	As at 31 Dec 2012 RM'000
Total retained profits of FCB and its subsidiaries		
- Realised	81,056	87,289
- Unrealised	(4,140)	(2,941)
	76,916	84,348
Total share of retained profits from associated companies		
- Realised	64	1,419
- Unrealised	22	22
	86	1,441
Less: Consolidation adjustments	(12,215)	(18,506)
Total Group retained profits	64,787	67,283

A3. Audit qualification

The auditors' report in respect of the audited consolidated financial statements of FCB for the financial year ended 31 December 2012 was not subjected to any qualification.



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A4. 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.

A5. 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.

A6. Material changes in estimates

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

A7. 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 31 December 2013, the Company held 1,846,600 repurchased shares as treasury shares out of its total issued and paid-up share capital of 1,011,408,160 ordinary shares of RM0.10 each. Such treasury shares are held at a carrying amount of RM195,727.

A8. Dividends

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

A9. Segmental information

The breakdown of the Group's revenue and results by geographical regions for the quarter ended 31 December 2013 are set out below. Revenue and results by geographical sales were based on the location of the Group's subsidiaries.

Current Quarter 31 December 2013

	<u>Singapore</u>	<u>Malaysia</u>	<u>Philippines</u>	<u>China</u>	<u>Indonesia</u>	<u>Taiwan</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Segment Revenue</u>							
External sales	21,842	9,406	4,372	439	687	17,655	54,401
Inter-segment sales	3,674	10	31	-	10	91	3,816
Total revenue	<u>25,516</u>	<u>9,416</u>	<u>4,403</u>	<u>439</u>	<u>697</u>	<u>17,746</u>	<u>58,217</u>

Segment Results

Operating profit/(loss)	1,232	(243)	646	(530)	(242)	2,226	3,089
Interest income							46
Finance cost							(323)
Share of results in associates							(293)
Profit before taxation							<u>2,519</u>

Current Year-to-date 31 December 2013

<u>Segment Revenue</u>							
External sales	74,094	33,606	13,305	2,579	1,721	65,306	190,611
Inter-segment sales	5,654	99	637	-	18	424	6,832
Total revenue	<u>79,748</u>	<u>33,705</u>	<u>13,942</u>	<u>2,579</u>	<u>1,739</u>	<u>65,730</u>	<u>197,443</u>



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**Current Year-to-date
31 December 2013**

	Singapore	Malaysia	Philippines	China	Indonesia	Taiwan	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Segment Results</u>							
Operating profit/(loss)	2,472	(2,305)	1,875	(1,176)	(1,618)	9,247	8,495
Interest income							170
Finance cost							(1,451)
Share of results of associates							(1,303)
Profit before taxation							<u>5,911</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 metamorphosis technology using thermal spray coating processes and a series of complementary processes, including mechanical and chemical engineering works.



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A10. Profit before tax

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

	Current Quarter 31 Dec 2013 RM'000	Current Year-to-date 31 Dec 2013 RM'000
Interest income	46	170
Writeback of allowance for impairment losses	10	361
Gain on disposal of property, plant and equipment	(9)	56
Interest expense	(323)	(1,451)
Allowance for impairment losses	(345)	(1,200)
Bad debt written off	(300)	(1,421)
Depreciation of property, plant and equipment	(4,728)	(18,550)
Property, plant and equipment written off	(90)	(351)
Foreign exchange loss	(54)	(223)

A11. Valuation of property, plant and equipment

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

A12. 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.

A13. 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 6 November 2013, following the completion of the administrative formalities, Frontken Qatar WLL ("FQW"), a limited liability company incorporated in the State of Qatar, which is a joint venture between Frontken (Singapore) Pte Ltd ("FSPL") (49%), a wholly-owned subsidiary of the Company and Petroleum Technology Company WLL (51%) has been dissolved by the Ministry of Economy & Commerce, Registration and Commercial Licenses Department, Qatar pursuant to Qatar Companies Law. FQW is a dormant company.

On 8 November 2013, FSPL, a wholly-owned subsidiary of the Company, entered in to an agreement to dispose of 1,397,400 ordinary shares, representing its entire 20% equity interest in Chinyee Engineering & Machinery Pte Ltd to Mencast Holdings Ltd for a cash consideration of SGD1.7 million. The disposal has yet to be completed as at the report date.

In December 2013, the Company acquired a total of 2,109,000 ordinary shares of NT\$10 each representing 6.4% of the issued and paid-up share capital of Ares Green Technology Corporation ("AGTC") for a total cash consideration of NT\$33,858,505 (including incidental costs), of which 2,031,000 shares representing 6.1% was acquired from Mr Jorg Helmut Hohnloser for a total cash consideration of NT\$32,689,304 (including incidental costs). Mr Jorg Helmut Hohnloser is a director and shareholder of the Company and AGTC. Following the acquisition, the Group's interest in AGTC increased from 51.5% to 57.9%. Further to that acquisition the Company's effective equity interest in Frontken MIC Co. Limited, held directly by the Company and through AGTC, increased from 38.8% to 41.6%.



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A14. Contingent liabilities

As at 31 December 2013, the Group has no contingent liabilities which, upon crystallisation would have a material impact on the financial position of the Group.

A15. Cash and cash equivalents

	As at 31 Dec 2013 RM'000
Cash at bank	35,420
Cash on hand	44
Fixed deposits	1,648
	<hr/> 37,112
Bank overdrafts	-
	<hr/> 37,112

A16. Significant related party transactions

	Current Quarter 31 Dec 2013 RM'000	Current Year-to-date 31 Dec 2013 RM'000
Sales to AMT	20	61
Sales to Chinyee	249	731
Sales to A&I	1	2
Purchases from Chinyee	33	74
Rental payable to MIC-W	131	508
Rental payable to AMT	36	144
Purchase 6.1% of the issued and paid-up share capital of AGTC from Mr Jorg Helmut Hohnloser	3,587	3,587

Name of Related Parties	Relationship
AMT	Sia Chiok Meng, a Director of FEM, is also a director and substantial shareholder of AMT.
Chinyee	An associate of Frontken (Singapore) Pte Ltd which in turn is a wholly owned subsidiary of the Company.
A&I	Sia Chiok Meng, a director of FEM, is also a director and substantial shareholder of A&I.
MIC-W	MIC-W is a subsidiary of Marketech International Corporation, which in turn is a deemed substantial shareholder of FMIC.

Abbreviations:

<i>AMT</i>	<i>AMT Engineering Sdn Bhd</i>	<i>FMIC</i>	<i>Frontken-MIC (Wuxi) Co. Ltd</i>
<i>A&I</i>	<i>A&I Engine Rebuilders Sdn Bhd</i>	<i>MIC-W</i>	<i>MIC-Tech (Wuxi) Co., Ltd</i>
<i>Chinyee</i>	<i>Chinyee Engineering & Machinery Pte Ltd</i>	<i>FEM</i>	<i>Frontken (East Malaysia) Sdn Bhd</i>



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A17. 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 31 Dec 2013 RM'000
Acquisition of machinery and vehicle	<u>591</u>

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Analysis of performance

The Group's revenue for the current quarter and 12 months ended 31 December 2013 ("FY2013") increased by approximately RM7.8 million (16.8%) and RM9.6 million (5.3%) respectively compared with the preceding period ended 31 December 2012 ("FY2012"). The higher revenue for FY2013 was mainly due to increase in business in the Group's subsidiary in Taiwan.

The lower revenue from its Singapore's subsidiary for FY2013 was partly due to the disposal of Metall-Treat Industries Pte Ltd ("MTI"), a wholly owned subsidiary, on 6 December 2012, coupled with deferment of outages by its power generation customers and a one off trading sales in the preceding corresponding period.

Against the same period last year, the profit before tax ("PBT") for FY2013 increased by approximately RM2.7 million due to lower operating expenses as a result of management's efforts in cost control combined with improving results from its relatively new business units namely the ones in Kuching and Melaka.

The PBT for the current quarter as compared to the corresponding quarter in 2012 decreased by approximately RM1.3 million mainly due to gain in disposal of Metall-Treat Industries Pte Ltd, a wholly owned subsidiary, in 2012. Excluding the gain from the disposal of MTI, the PBT for the current quarter would have been RM4.2 million better than that of the corresponding quarter in 2012.

B2. Comparison with immediate preceding quarter

	4rd Quarter 31 Dec 2013 RM'000	3rd Quarter 30 Sept 2013 RM'000
Revenue	54,401	50,539
Profit before tax	2,519	2,355

The Group's revenue increased by 7.6% during the current quarter as compared to the immediate preceding quarter due to higher revenue by its subsidiaries in Singapore and the Philippines. This was mainly due to additional works during the period from its power generation division.



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B3. Prospects for the next financial year

The Group anticipates that the overall business conditions in 2014 will continue to be challenging but encouraging amidst subdued global economic conditions and slower growth in the regional economies. This has also resulted in an increase in pressure from customers for price reduction. Nevertheless, the Group believes with the right marketing approach, the Group business prospect in 2014 remains positive and encouraging barring unforeseen circumstances. In order to remain competitive, the Group had embarked on a series of improvement measures including cutting its cost base, improving cross selling for greater operational synergies and implementing best practice margin management and sourcing strategy to deliver better value propositions to its customers in previous years and these measures will continue to be adopted in 2014.

Key priorities for the year would be to grow our business and at the same time improve on our costing to protect our earnings, exercise prudence in liquidity management, disciplined execution of strategy whilst continuing to focus on the fundamentals of the Group's business.

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

	Current Quarter 31 Dec 2013	Current Year-to-date 31 Dec 2013
	RM'000	RM'000
Income tax	688	2,471
Deferred tax	3,032	2,975
	3,720	5,446

The Group's effective tax rate for the period under review was higher than the statutory tax rate due to losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries. The deferred tax provision was a result of certain R & D expenses that was claimed by our Singapore subsidiary in year of assessment 2011 but was disallowed by Inland Revenue Authority of Singapore.

B6. Status of corporate proposals

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

B7. Group borrowings

The Group's borrowings as at 31 December 2013 are as follows:

	Short-term	Long-term	Total
	RM'000	RM'000	RM'000
Secured			
Hire purchase creditors	2,131	1,701	3,832
Term loans	8,322	24,130	32,452
	10,453	25,831	36,284



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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	6,856	9,339	16,195
New Taiwan Dollar	950	11,009	11,959
	7,806	20,348	28,154

B8. Material litigations

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 18 February 2014:

(a) Litigation by Frontken Malaysia Sdn Bhd ("FM") against an ex-senior management personnel and 5 others ("collectively known as Defendants")

Following the resignation of a senior management personnel of FM, a wholly owned subsidiary of the Company, in 2012 the Board of Directors of the Company (the "Board") was made aware that there may be some irregular dealings between FM and its suppliers.

On 1 October 2012, Messrs Crowe Horwath was appointed to carry out a special investigative audit. Messrs Crowe Horwath issued a report on 18 February 2013 followed by an Expanded and Revised Investigative Audit Report on 3 June 2013.

The Company had on 11 June 2013 lodged a police report at the Police Headquarters, Commercial Crime Investigation Department at Bukit Aman on the alleged financial irregularities.

A civil suit had also been lodged against the Defendants in the High Court of Penang for inter alia recovery of monies identified to have been wrongfully paid out by FM to some of the Defendants in view of the findings of the Investigative Audit conducted by Messrs Crowe Horwath.

An ex-parte Mareva Injunction Order was subsequently obtained by FM against one of the Defendants on 2 August 2013. This was followed by an ex-parte Ad Interim order dated 16 August 2013. In essence, the purpose of the ex-parte Orders was to freeze his assets.

In respect of the main civil suit, some of the Defendants filed Defences and Counterclaims against FM and some of its existing senior management.

The aforesaid counterclaims are being resisted by FM as well as its senior management.

No trial dates have been fixed in respect of the main civil suit yet.

The Board has lodged a second police report on one of the Defendants for fraudulently and/or unlawfully altered the emails details in his affidavits for attempting to mislead the Court and pervert the course of justice.



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(b) Litigation by Frontken (East Malaysia) Sdn Bhd (“FEM”) against Kuching Barrage Management Sdn Bhd (“KBM”)

On 4 February 2014, FEM, a wholly-owned subsidiary of the Company, had served, via its solicitors, a writ of Summons together with a Statement of Claims on KBM.

FEM is claiming for an aggregate outstanding sum of RM2,571,570 in respect of unpaid invoices for work done and services rendered by FEM to KBM for the repair and refurbishment of the downriver shiplock gate cylinders at Pier 7 and 8 (“the said works”) at the price of RM2,050,420 and RM521,150 respectively. FEM has duly completed the said works and the same had been commissioned and tested to KBM’s satisfaction.

The solicitors of FEM are of the opinion that FEM has a good case to recover the above outstanding amount. Nevertheless, in the unlikely event that FEM lose the case and/or fail to recover any amount from KBM, then the full outstanding amount of RM2,571,570 would have to be fully provided for in the financial statements of the Group.

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

	Current Quarter	Preceding Corres- ponding Quarter	Current Year-to- date	Preceding Corres- ponding Year-to- date
(Loss)/Profit attributable to owners of the Company (RM'000)	(2,447)	5,074	(2,320)	3,820
Number of shares in issue ('000)	1,011,408	1,011,408	1,011,408	1,011,408
Effects of treasury shares acquired ('000)	(1,847)	(1,836)	(1,840)	(1,835)
Weighted average number of shares in issue ('000)	1,009,561	1,009,572	1,009,568	1,009,573
Basic EPS (sen)	-	0.50	-	0.38



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b) Diluted EPS

The diluted earnings per share at the end of the reporting period was not presented as the average market value of the ordinary shares of the Company is lower than the exercise price for the outstanding warrants and any exercise of warrants would be antidilutive.

B10. Dividends

No dividend has been declared for the current quarter ended 31 December 2013.

By Order of the Board
Frontken Corporation Berhad

Ng Wai Pin
Chairman / Managing Director
28 February 2014