



# FRONTKEN CORPORATION BERHAD

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

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2014 (The figures have not been audited)

	Current Year Quarter 30 Jun 2014 RM '000	Corresponding Quarter 30 Jun 2013 RM '000	Current Year To-date 30 Jun 2014 RM '000	Corresponding Period 30 Jun 2013 RM '000
Revenue	73,037	42,291	121,239	85,671
Operating expenses	<u>(64,841)</u>	<u>(37,296)</u>	<u>(105,435)</u>	<u>(75,544)</u>
Profit before depreciation and finance costs	8,196	4,995	15,804	10,127
Depreciation	(4,514)	(4,551)	(9,180)	(9,172)
Finance costs	(295)	(375)	(588)	(790)
Other operating income	65	641	3,358	1,470
Share of results of associated companies	<u>(15)</u>	<u>(344)</u>	<u>14</u>	<u>(598)</u>
Profit before tax	3,437	366	9,408	1,037
Taxation	<u>(750)</u>	<u>(809)</u>	<u>(1,434)</u>	<u>(1,351)</u>
Profit/(Loss) after tax	2,687	(443)	7,974	(314)
Other comprehensive expenses:				
Foreign currency translation	(403)	921	(1,628)	151
Total comprehensive income for the period	<u>2,284</u>	<u>478</u>	<u>6,346</u>	<u>(163)</u>
Profit/(Loss) after tax attributable to :				
Owners of the Company	1,778	(455)	6,360	(1,439)
Non-controlling interests	<u>909</u>	<u>12</u>	<u>1,614</u>	<u>1,125</u>
Profit/(Loss) for the period	<u>2,687</u>	<u>(443)</u>	<u>7,974</u>	<u>(314)</u>
Total comprehensive income attributable to:				
Owners of the Company	1,336	(317)	5,449	(1,590)
Non-controlling interests	<u>948</u>	<u>795</u>	<u>897</u>	<u>1,427</u>
Total comprehensive income for the period	<u>2,284</u>	<u>478</u>	<u>6,346</u>	<u>(163)</u>
Earnings/(Loss) per share attributable to equity holders of the company :				
Basic (sen)	<b>0.18</b>	<b>(0.05)</b>	<b>0.63</b>	<b>(0.14)</b>
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 unaudited financial statements of the Company for the financial period ended 30 June 2013.



# FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)  
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## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

(The figures have not been audited)

	Unaudited 30 Jun 2014 RM'000	Audited 31 Dec 2013 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	137,458	144,055
Investment in associated companies	1,664	1,665
Goodwill on consolidation	33,761	25,394
Deferred tax assets	776	665
<b>Total non-current assets</b>	<u>173,659</u>	<u>171,779</u>
<b>Current assets</b>		
Inventories	12,169	13,658
Amount due from contract customers	2,190	2,130
Trade receivables	86,985	69,763
Other receivables, deposits and prepaid expenses	7,478	4,653
Amount owing by associates	1,156	1,347
Tax recoverable	197	345
Fixed deposits with licensed bank	4,374	1,648
Cash and bank balances	38,101	35,464
	<u>152,650</u>	<u>129,008</u>
Asset held for sale	-	1,371
<b>Total current assets</b>	<u>152,650</u>	<u>130,379</u>
<b>Total assets</b>	<u><u>326,309</u></u>	<u><u>302,158</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserve</b>		
Issued capital	101,141	101,141
Reserves	20,076	20,375
Retained earnings	70,534	64,787
Equity attributable to owners of the Company	<u>191,751</u>	<u>186,303</u>
Non-controlling interests	32,080	27,924
<b>Total equity</b>	<u>223,831</u>	<u>214,227</u>
<b>Non-current liabilities</b>		
Bank borrowings	19,219	24,130
Hire-purchase payables	1,622	1,701
Deferred tax liabilities	3,348	3,653
<b>Total non-current liabilities</b>	<u>24,189</u>	<u>29,484</u>
<b>Current liabilities</b>		
Trade payables	34,996	21,370
Other payables and accrued expenses	31,196	25,074
Bank borrowings - current portion	8,223	8,322
Hire purchase payable - current portion	1,758	2,131
Tax liabilities	2,116	1,550
<b>Total current liabilities</b>	<u>78,289</u>	<u>58,447</u>
<b>Total liabilities</b>	<u>102,478</u>	<u>87,931</u>
<b>Total equity and liabilities</b>	<u><u>326,309</u></u>	<u><u>302,158</u></u>
<b>Net assets per share (RM)</b>	0.22	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 2013.



# FRONTKEN CORPORATION BERHAD

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## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2014

(The figures have not been audited)

	<----- Non-distributable ----->					Distributable				
	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Warrant reserve	Statutory reserve	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as of 1 January 2014	101,141	9,337	(196)	9,671	883	680	64,787	186,303	27,924	214,227
Other comprehensive income recognised for the period:										
Foreign currency translation	-	-	-	(911)	-	-	-	(911)	(717)	(1,628)
Profit for the period	-	-	-	-	-	-	6,360	6,360	1,614	7,974
Total comprehensive income for the period	-	-	-	(911)	-	-	6,360	5,449	897	6,346
Acquisition of subsidiary	-	-	-	-	-	-	-	-	3,259	3,259
Transfer to statutory reserve	-	-	-	-	-	613	(613)	-	-	-
Purchase of treasury shares	-	-	(1)	-	-	-	-	(1)	-	(1)
<b>Balance as of 30 June 2014</b>	<b>101,141</b>	<b>9,337</b>	<b>(197)</b>	<b>8,760</b>	<b>883</b>	<b>1,293</b>	<b>70,534</b>	<b>191,751</b>	<b>32,080</b>	<b>223,831</b>

## CORRESPONDING PERIOD CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2013

	<----- Non-distributable ----->					Distributable				
	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Warrant reserve	Statutory reserve	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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:										
Foreign currency translation	-	-	-	(151)	-	-	-	(151)	302	151
Loss for the period	-	-	-	-	-	-	(1,439)	(1,439)	1,125	(314)
Total comprehensive income for the period	-	-	-	(151)	-	-	(1,439)	(1,590)	1,427	(163)
Transfer to statutory reserve	-	-	-	-	-	304	(304)	-	-	-
<b>Balance as of 30 June 2013</b>	<b>101,141</b>	<b>9,337</b>	<b>(195)</b>	<b>5,923</b>	<b>883</b>	<b>674</b>	<b>65,540</b>	<b>183,303</b>	<b>29,543</b>	<b>212,846</b>

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



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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SECOND QUARTER ENDED 30 JUNE 2014**

(The figures have not been audited)

	<b>CUMULATIVE QUARTER</b>	
	<b>Current Period To Date</b>	<b>Preceding Corresponding Period</b>
	<b>30 Jun 2014 RM'000</b>	<b>30 Jun 2013 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	9,408	1,037
Adjustments for:		
Depreciation of property, plant and equipment	9,180	9,172
Interest expense	588	790
Unrealised gain/(loss) on foreign exchange	652	(358)
Interest income	(84)	(85)
Gain on disposal of property, plant and equipment	(18)	(65)
Writeback of allowance for impairment losses on trade receivables	(137)	(115)
Property, plant and equipment written off	10	203
Allowance for impairment losses on receivables	143	349
Bad debt written off	-	1,119
Gain on disposal of investment in associates	(2,945)	-
Share of results of associates	(14)	598
Operating profit before working capital changes	16,783	12,645
Inventories	1,298	(1,588)
Amount due from contract customers	(60)	(651)
Trade receivables	(16,081)	(4,643)
Other receivables, deposits and prepaid expenses	(2,685)	(596)
Amount owing by associates	178	678
Trade payables	13,612	(415)
Other payables and accrued expenses	5,972	5,234
Cash generated from operations	19,017	10,664
Taxes paid	(1,617)	(1,281)
Net cash from operating activities	17,400	9,383
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>		
Interest received	84	85
Acquisition of subsidiary	(7,397)	-
Purchase of property, plant and equipment	(1,535)	(2,351)
Proceeds from disposal of associates	4,415	-
Proceeds from disposal of property, plant and equipment	17	65
Net cash for investing activities	(4,416)	(2,201)



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	<b>CUMULATIVE QUARTER</b>	
	<b>Current Period To Date 30 Jun 2014 RM'000</b>	<b>Preceding Corresponding Period 30 Jun 2013 RM'000</b>
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>		
Interest paid	(588)	(790)
Drawdown of term loans	1,285	-
Repayment of term loans	(6,294)	(22,406)
Payment of hire purchase payables	(1,435)	(1,801)
Treasury shares acquired	(1)	-
Net cash for financing activities	<u>(7,033)</u>	<u>(24,997)</u>
 <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 5,951	 (17,815)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b>	37,112	41,457
<b>EFFECT OF EXCHANGE DIFFERENCES</b>	(588)	(47)
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>	<u><u>42,475</u></u>	<u><u>23,595</u></u>
 <b>THE CASH AND CASH EQUIVALENTS COMPRISE:</b>		
<b>CASH AND BANK BALANCES</b>	38,101	19,921
<b>SHORT-TERM DEPOSITS WITH LICENSED BANKS</b>	<u>4,374</u>	<u>3,674</u>
	<u><u>42,475</u></u>	<u><u>23,595</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 unaudited financial statements of the Company for the financial period ended 30 June 2013.



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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2014**

**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 2013.

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 2013.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2013 except for those standards, amendments and interpretations which are effective from the annual period beginning 1 January 2014. 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**

	<b>As at 30 Jun 2014</b>	<b>As at 30 Jun 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Total retained profits of FCB and its subsidiaries		
- Realised	86,259	75,631
- Unrealised	(4,077)	(194)
	<b>82,182</b>	<b>75,437</b>
Total share of retained profits from associated companies		
- Realised	329	770
- Unrealised	-	22
	<b>329</b>	<b>792</b>
Less: Consolidation adjustments	(11,977)	(10,689)
Total Group retained profits	<b>70,534</b>	<b>65,540</b>

**A3. Audit qualification**

The auditors' report in respect of the audited consolidated financial statements of FCB for the financial year ended 31 December 2013 was not subjected to any qualification.



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**A4. Seasonality or cyclical 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.

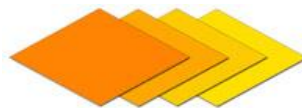
**A7. Issuance, cancellations, repurchases, resale and repayments of debt and equity securities**

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 30 June 2014, the Company held 1,856,600 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 RM196,768.

**A8. Dividends**

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



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**A9. Segmental information**

The breakdown of the Group's revenue and results by geographical regions for the quarter ended 30 June 2014 are set out below. Revenue and results by geographical sales were based on the location of the Group's subsidiaries.

**Current Quarter  
30 June 2014**

	<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	11,639	38,722	2,181	-	259	20,236	73,037
Inter-segment sales	2,157	119	512	-	-	114	2,902
Total revenue	<u>13,796</u>	<u>38,841</u>	<u>2,693</u>	<u>-</u>	<u>259</u>	<u>20,350</u>	<u>75,939</u>

Segment Results

Operating profit/(loss)	(1,996)	2,914	377	(569)	(563)	3,532	3,695
Interest income							52
Finance cost							(295)
Share of results in associates							(15)
Profit before taxation							<u>3,437</u>

**Current Year-to-date  
30 June 2014**

<u>Segment Revenue</u>							
External sales	27,250	49,451	5,198	217	1,017	38,106	121,239
Inter-segment sales	3,592	143	512	-	-	159	4,406
Total revenue	<u>30,842</u>	<u>49,594</u>	<u>5,710</u>	<u>217</u>	<u>1,017</u>	<u>38,265</u>	<u>125,645</u>



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**Current Year-to-date  
30 June 2014**

	<b>Singapore</b>	<b>Malaysia</b>	<b>Philippines</b>	<b>China</b>	<b>Indonesia</b>	<b>Taiwan</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Segment Results</u>							
Operating profit/(loss)	(2,111)	3,709	941	(1,187)	(234)	5,835	6,953
Interest income							84
Finance cost							(588)
Share of results in associates							14
Gain on disposal of investment in associate							2,945
Profit before taxation							<u>9,408</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:

	<b>Current Quarter 30 Jun 2014</b>	<b>Current Year-to-date 30 Jun 2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Interest income	52	84
Gain on disposal of property, plant and equipment	-	18
Writeback of allowance for impairment losses	-	137
Gain on disposal of investment in associate	-	2,945
Allowance for impairment losses	(83)	(143)
Interest expense	(295)	(588)
Depreciation of property, plant and equipment	(4,514)	(9,180)
Property, plant and equipment written off	(10)	(10)
Foreign exchange loss	(729)	(927)

**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:

The Company had on 30 April 2014 entered into a sale and purchase agreement to acquire 900,000 ordinary shares of RM1.00 each ("TTES Shares") representing 45% of the issued and paid-up share capital of TTES Team & Specialist Sdn. Bhd. ("TTES") for a cash consideration of RM11 million or approximately RM12.22 per TTES Share from TTES's existing shareholders, namely En. Mohd Shukri Bin Hitam and Pn. Fauziah Binti Hamlawi.

**A14. Contingent liabilities**

As at 30 June 2014, the Group has no contingent liabilities which, upon crystallisation would have a material impact on the financial position of the Group.



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**A15. Cash and cash equivalents**

	<b>As at 30 Jun 2014 RM'000</b>
Cash at bank	38,051
Cash on hand	50
Fixed deposits	4,374
	<b>42,475</b>

**A16. Significant related party transactions**

	<b>Current Quarter 30 Jun 2014 RM'000</b>	<b>Current Year-to-date 30 Jun 2014 RM'000</b>
Sales to AMT	8	52
Sales to A&I	-	1
Purchase from AMT	5	8
Purchases from FT	-	136
Rental payable to MIC-W	-	132
Rental payable to AMT	36	72

<b>Name of Related Parties</b>	<b>Relationship</b>
AMT	Sia Chiok Meng, a Director of FEM, is also a director and substantial shareholder of AMT.
FT	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:

AMT      AMT Engineering Sdn Bhd  
A&I      A&I Engine Rebuilders Sdn Bhd  
FT      Frontken (Thailand) Co. Ltd

FMIC      Frontken-MIC (Wuxi) Co. Ltd  
MIC-W      MIC-Tech (Wuxi) Co., Ltd  
FEM      Frontken (East Malaysia) Sdn Bhd

**A17. Capital commitments**

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

	<b>As at 30 Jun 2014 RM'000</b>
Acquisition of machinery and equipment	<b>829</b>



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

**B1. Analysis of performance**

The Group's revenue for the current quarter and 6 months ended 30 June 2014 ("FY2014") saw a significant increase of approximately RM30.7 million (72.7%) and RM35.6 million (41.5%) respectively compared to corresponding period of the preceding year. The improvement was mainly attributable to the better business performance by the Group's subsidiaries in Taiwan and Malaysia. There was a ramp up in the semi-conductor business in Taiwan due to improved outlook in this sector. In the case of Malaysia, the better performance was mainly due to the recognition of progressive revenue from the USD34.5 million ATB project coupled with higher revenue from our oil and gas division.

Against the same period last year, the profit before tax ("PBT") for the current quarter and 6 months ended 30 June 2014 increased by approximately RM3.1 million and RM8.4 million respectively as a result of improved business performance and the gain on disposal of investment in an associate company in Singapore. The disposal of investment in an associate company also significantly reduced the Group share of losses compared to the last corresponding period.

**B2. Comparison with immediate preceding quarter**

	<b>2nd Quarter 30 Jun 2014</b>	<b>1st Quarter 31 Mar 2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	73,037	48,202
Profit before tax	3,437	5,971

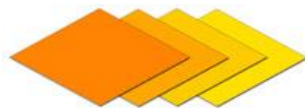
The Group's revenue increased by 51.5% or approximately RM24.8 million during the current quarter as compared to the immediate preceding quarter. This was mainly due to higher revenue recorded by its subsidiaries in Malaysia for its oil and gas division and the recognition of progressive billings from the ATB project.

Despite the higher revenue, the Group's unaudited PBT decreased from RM6.0 million in the immediate preceding quarter to RM3.4 million in the current quarter. This was mainly attributable to the one-off gain on disposal of investment in an associate company of RM2.9 million in the immediate preceding quarter.

**B3. Prospects for the year**

The Group recorded an improved first 6 months results compared to the same period last year. The improvement in business and operating performance augur well with us as our business had been affected by the slowdown and deferment of projects by our customers due to scale back of new or proposed expansion in light of the uncertainties of the economy in 2013.

For the remaining 6 months period of 2014, we will continue to focus our attention on the quality of our services and efficiencies so as to maintain our competitiveness for enhancing business performance. Over the years the Group had taken serious steps to continue looking for business opportunities that bode well and synergize with our current activities and the Group will continue this proven strategy in the future. The Group completed its acquisition of the 45% stake in TTES Team & Specialist Sdn Bhd ("TTES") in Q2 2014 and is confident that this purchase will bring in positive contribution to the Group for the second half of 2014.



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The Group is encouraged by the performance for the first half of this year. However, with the uncertainties in the domestic and overseas markets it needs to continue to be vigilant in monitoring its costs to mitigate any adverse condition it may face for the remainder of the year.

**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 Quarter 30 Jun 2014</b>	<b>Current Year-to-date 30 Jun 2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Income tax	1,087	1,881
Deferred tax	(337)	(447)
	<u>750</u>	<u>1,434</u>

The Group's effective tax rate for the period under review is lower than the statutory tax rate principally due to relatively lower statutory tax rate of an overseas subsidiary and gain not subject to tax.

**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 30 June 2104 are as follows:

	<b>Short-term</b>	<b>Long-term</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Secured</u>			
Hire purchase creditors	1,758	1,622	3,380
Term loans	8,223	19,219	27,442
	<u>9,981</u>	<u>20,841</u>	<u>30,822</u>

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

	<b>Short-term</b>	<b>Long-term</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Currency</u>			
Singapore Dollar	6,829	8,237	15,066
New Taiwan Dollar	-	7,526	7,526
	<u>6,829</u>	<u>15,763</u>	<u>22,592</u>



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**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 August 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 an ex-senior management personnel and 5 others (“collectively known as 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 Horwarth.

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. FM’s Mareva application against the one of the Defendant was allowed by consent on 18 March 2014. The main civil suit has been fixed for case management on 22 September 2014.

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.

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

**(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.



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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.

On 6 March 2014, FEM received in total four cheques amounting to RM2,581,570 including legal fees in the sum of RM10,000 from KBM’s lawyer. FEM’s litigation against KBM had been withdrawn with no order as to costs on 12 May 2014 as the outstanding debts had been fully settled by KBM.

## 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
Profit/(Loss) attributable to owners of the Company (RM'000)	1,778	(455)	6,360	(1,439)
Number of shares in issue ('000)	1,011,408	1,011,408	1,011,408	1,011,408
Effects of treasury shares acquired ('000)	(1,857)	(1,836)	(1,853)	(1,836)
Weighted average number of shares in issue ('000)	1,009,551	1,009,572	1,009,555	1,009,572
Basic EPS (sen)	0.18	(0.05)	0.63	(0.14)

### 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.



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**B10. Dividends**

No dividend has been declared for the current quarter ended 30 June 2014.

By Order of the Board  
Frontken Corporation Berhad

Ng Wai Pin  
Chairman / Managing Director  
26 August 2014