

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 2018
(The figures have not been audited)

| | Individual Quarter | | | | Cumulative Quarter | | | |
|--|---|--|-----------------------|-----|---|---|-----------------------|----|
| | Current Year Quarter 31 Dec 2018 RM '000 | Preceding Year Corresponding Quarter 31 Dec 2017 RM '000 | Changes RM'000 (%) | | Current Year To-date 31 Dec 2018 RM '000 | Preceding Year Corresponding Period 31 Dec 2017 RM '000 | Changes RM'000 (%) | |
| Revenue | 88,665 | 80,376 | 8,289 | 10 | 327,218 | 296,580 | 30,638 | 10 |
| Operating expenses | (61,255) | (62,766) | 1,511 | (2) | (239,240) | (235,197) | (4,043) | 2 |
| Profit before depreciation and finance costs | 27,410 | 17,610 | 9,800 | 56 | 87,978 | 61,383 | 26,595 | 43 |
| Depreciation | (4,268) | (4,700) | | | (17,301) | (18,472) | | |
| Finance costs | (92) | (243) | | | (568) | (931) | | |
| Other operating income | 1,375 | 957 | | | 5,428 | 4,218 | | |
| Share of results of associated companies | - | 12 | | | 78 | (51) | | |
| Profit before tax | 24,425 | 13,636 | 10,789 | 79 | 75,615 | 46,147 | 29,468 | 64 |
| Taxation | (4,415) | (2,375) | (2,040) | 86 | (18,613) | (9,739) | (8,874) | 91 |
| Profit after tax | 20,010 | 11,261 | 8,749 | 78 | 57,002 | 36,408 | 20,594 | 57 |
| Profit after tax attributable to : | | | | | | | | |
| Owners of the Company | 18,683 | 9,827 | 8,856 | 90 | 52,257 | 29,858 | 22,399 | 75 |
| Non-controlling interests | 1,327 | 1,434 | | | 4,745 | 6,550 | | |
| Profit for the period | 20,010 | 11,261 | | | 57,002 | 36,408 | | |
| Profit for the period | 20,010 | 11,261 | | | 57,002 | 36,408 | | |
| Other comprehensive expenses: | | | | | | | | |
| Actuarial gains/(losses) | 398 | (141) | | | 398 | (141) | | |
| Foreign currency translation | 72 | (4,729) | | | (1,571) | (5,562) | | |
| Total comprehensive income for the period | 20,480 | 6,391 | | | 55,829 | 30,705 | | |
| Total comprehensive income attributable to: | | | | | | | | |
| Owners of the Company | 19,172 | 4,999 | | | 51,317 | 24,042 | | |
| Non-controlling interests | 1,308 | 1,392 | | | 4,512 | 6,663 | | |
| Total comprehensive income for the period | 20,480 | 6,391 | | | 55,829 | 30,705 | | |
| Earnings per share attributable to equity holders of the company : | | | | | | | | |
| Basic (sen) | 1.78 | 0.94 | | | 4.99 | 2.85 | | |

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 2017.

FRONTKEN CORPORATION BERHAD

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

(The figures have not been audited)

| | Unaudited 31 Dec 2018 RM'000 | Audited 31 Dec 2017 RM'000 |
|--|---|---|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 140,400 | 150,046 |
| Investment in an associate | - | 1,963 |
| Goodwill on consolidation | 33,761 | 33,761 |
| Deferred tax assets | 2,155 | 1,681 |
| Fixed deposits with licensed banks | 1,177 | 1,256 |
| Total non-current assets | <u>177,493</u> | <u>188,707</u> |
| Current assets | | |
| Inventories | 13,711 | 13,475 |
| Trade receivables | 106,846 | 91,715 |
| Other receivables, deposits and prepaid expenses | 6,727 | 5,302 |
| Amount owing by an associate | - | 1,334 |
| Current tax assets | 376 | 1,243 |
| Short-term investments | 13,288 | 3,508 |
| Fixed deposits with licensed banks | 3,627 | 6,493 |
| Cash and bank balances | 132,992 | 119,314 |
| Total current assets | <u>277,567</u> | <u>242,384</u> |
| Total assets | <u><u>455,060</u></u> | <u><u>431,091</u></u> |
| EQUITY AND LIABILITIES | | |
| Capital and reserve | | |
| Issued capital | 118,925 | 118,925 |
| Reserves | 36,120 | 34,367 |
| Retained earnings | 169,995 | 128,308 |
| Equity attributable to owners of the Company | <u>325,040</u> | <u>281,600</u> |
| Non-controlling interests | 19,604 | 24,373 |
| Total equity | <u>344,644</u> | <u>305,973</u> |
| Non-current liabilities | | |
| Bank borrowings | 7,533 | 11,547 |
| Hire-purchase payables | 1,341 | 166 |
| Other payables | 2,793 | 3,225 |
| Deferred tax liabilities | 681 | 1,123 |
| Total non-current liabilities | <u>12,348</u> | <u>16,061</u> |
| Current liabilities | | |
| Trade payables | 18,118 | 19,078 |
| Other payables and accrued expenses | 63,467 | 60,559 |
| Bank overdrafts | - | 5,182 |
| Bank borrowings | 3,915 | 16,750 |
| Hire purchase payable | 862 | 182 |
| Current tax liabilities | 11,706 | 7,306 |
| Total current liabilities | <u>98,068</u> | <u>109,057</u> |
| Total liabilities | <u>110,416</u> | <u>125,118</u> |
| Total equity and liabilities | <u><u>455,060</u></u> | <u><u>431,091</u></u> |
| Net assets per share attributable to owners of the parents (RM) | 0.31 | 0.27 |

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 2017.

FRONTKEN CORPORATION BERHAD

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

(The figures have not been audited)

| | <----- Non-distributable -----> | | | | | Distributable | | | |
|--|---------------------------------|---------------|-----------------|--------------------------------------|-------------------|-------------------|---------------------------------------|---------------------------|----------------|
| | Share capital | Share premium | Treasury shares | Foreign currency translation 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 |
| Balance as of 1 January 2018 | 118,925 | - | (663) | 28,983 | 6,047 | 128,308 | 281,600 | 24,373 | 305,973 |
| Other comprehensive income recognised for the period: | | | | | | | | | |
| Defined benefit plan actuarial gain | - | - | - | - | - | 371 | 371 | 27 | 398 |
| Foreign currency translation | - | - | - | (1,311) | - | - | (1,311) | (260) | (1,571) |
| Profit for the period | - | - | - | - | - | 52,257 | 52,257 | 4,745 | 57,002 |
| Total comprehensive income for the period | - | - | - | (1,311) | - | 52,628 | 51,317 | 4,512 | 55,829 |
| Dividends: | | | | | | | | | |
| - by the Company | - | - | - | - | - | (7,336) | (7,336) | - | (7,336) |
| - by subsidiaries to non-controlling interests | - | - | - | - | - | - | - | (2,689) | (2,689) |
| Transfer to statutory reserve | - | - | - | - | 3,064 | (3,064) | - | - | - |
| Changes in ownership interests in subsidiary that do not result in loss of control | - | - | - | - | - | (541) | (541) | (6,592) | (7,133) |
| Balance as of 31 December 2018 | 118,925 | - | (663) | 27,672 | 9,111 | 169,995 | 325,040 | 19,604 | 344,644 |

CORRESPONDING PERIOD CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017

| | <----- Non-distributable -----> | | | | | Distributable | | | |
|--|---------------------------------|---------------|-----------------|--------------------------------------|-------------------|-------------------|---------------------------------------|---------------------------|----------------|
| | Share capital | Share premium | Treasury shares | Foreign currency translation 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 |
| Balance as of 1 January 2017 | 105,343 | 13,582 | (663) | 34,704 | 3,908 | 104,736 | 261,610 | 33,799 | 295,409 |
| Other comprehensive income recognised for the period: | | | | | | | | | |
| Defined benefit plan actuarial loss | - | - | - | - | - | (95) | (95) | (46) | (141) |
| Foreign currency translation | - | - | - | (5,721) | - | - | (5,721) | 159 | (5,562) |
| Profit for the period | - | - | - | - | - | 29,858 | 29,858 | 6,550 | 36,408 |
| Total comprehensive income for the period | - | - | - | (5,721) | - | 29,763 | 24,042 | 6,663 | 30,705 |
| Dividends : | | | | | | | | | |
| - by the Company | - | - | - | - | - | (5,240) | (5,240) | - | (5,240) |
| - by subsidiary to non-controlling interests | - | - | - | - | - | - | - | (1,627) | (1,627) |
| Transfer to share capital upon implementation of the Companies Act 2016 | 13,582 | (13,582) | - | - | - | - | - | - | - |
| Transfer to statutory reserve | - | - | - | - | 2,139 | (2,139) | - | - | - |
| Changes in ownership interests in subsidiary that do not result in loss of control | - | - | - | - | - | 1,188 | 1,188 | (14,462) | (13,274) |
| Balance as of 31 December 2017 | 118,925 | - | (663) | 28,983 | 6,047 | 128,308 | 281,600 | 24,373 | 305,973 |

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 2018

(The figures have not been audited)

| | CUMULATIVE QUARTER | |
|---|-----------------------------------|---|
| | Current Period To Date | Preceding Corresponding Period |
| | 31 Dec 2018 RM'000 | 31 Dec 2017 RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 75,615 | 46,147 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 17,301 | 18,472 |
| Interest expense | 568 | 931 |
| Unrealised (gain)/loss on foreign exchange | (617) | 4,614 |
| Interest income | (917) | (845) |
| Gain on disposal of property, plant and equipment | (164) | (11) |
| Writeback of allowance for impairment losses on trade receivables | (10) | (60) |
| Plant and equipment written off | 11 | 507 |
| Allowance for impairment loss on plant and equipment | - | 50 |
| Allowance for impairment losses on receivables | 933 | 71 |
| Bad debt written off | 153 | - |
| Gain on disposal of an associate | (672) | - |
| Inventories written off | - | 137 |
| Share of results of associates | (78) | 51 |
| Operating profit before working capital changes | 92,123 | 70,064 |
| Inventories | (380) | (2,955) |
| Trade receivables | (16,590) | 2,181 |
| Other receivables, deposits and prepaid expenses | (1,493) | (425) |
| Amount owing by an associate | 1,331 | 2 |
| Trade payables | (826) | (1,355) |
| Other payables and accrued expenses | 3,376 | 9,419 |
| Cash generated from operations | 77,541 | 76,931 |
| Taxes paid | (14,219) | (7,902) |
| Net cash from operating activities | 63,322 | 69,029 |
| CASH FLOWS FOR INVESTING ACTIVITIES | | |
| Interest received | 917 | 845 |
| Additional investment of subsidiaries | (7,133) | (13,274) |
| Purchase of property, plant and equipment | (7,492) | (20,152) |
| (Placement)/Withdrawal of short-term investments | - | 2,198 |
| Proceeds from disposal of property, plant and equipment | 1,077 | 138 |
| Proceeds from disposal of an associate | 2,497 | - |
| Net withdrawal/(placement) of fixed deposits with licensed banks | 2,993 | (1,833) |
| Net cash for investing activities | (7,141) | (32,078) |

FRONTKEN CORPORATION BERHAD

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| | CUMULATIVE QUARTER | |
|---|-----------------------------------|---|
| | Current Period To Date | Preceding Corresponding Period |
| | 31 Dec 2018 RM'000 | 31 Dec 2017 RM'000 |
| CASH FLOWS FOR FINANCING ACTIVITIES | | |
| Interest paid | (568) | (931) |
| Dividend paid by the Company | (7,336) | (5,240) |
| Dividend paid by subsidiaries to non-controlling interests | (2,626) | (1,985) |
| Drawdown of term loans | - | 7,902 |
| Repayment of term loans | (16,712) | (7,884) |
| Payment of hire purchase payables | (545) | (251) |
| Net cash for financing activities | (27,787) | (8,389) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 28,394 | 28,562 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR | 120,253 | 98,068 |
| EFFECT OF EXCHANGE DIFFERENCES | 293 | (6,377) |
| CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR | 148,940 | 120,253 |
| THE CASH AND CASH EQUIVALENTS COMPRISE: | | |
| Cash and bank balances | 132,992 | 119,314 |
| Fixed deposits with licensed banks | 4,804 | 7,749 |
| Short-term investments | 13,288 | 3,508 |
| Bank overdraft | - | (5,182) |
| | 151,084 | 125,389 |
| Less: Fixed deposits pledged with banks | (1,962) | (3,136) |
| Less: Fixed deposits with maturity more than 3 months | (182) | (2,000) |
| Cash and cash equivalents | 148,940 | 120,253 |

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 2017.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018**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 2017.

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 2017.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2017 except for those standards, amendments and interpretations which are effective from the annual period beginning 1 January 2018. The adoption of the MFRSs and Amendments do not have significant impact on the financial statements of the Group.

A2. Audit qualification

The auditors' report in respect of the audited consolidated financial statements of FCB for the financial year ended 31 December 2017 was not subjected to any qualification.

A3. 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.

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.

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

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

As at 31 December 2018, the Company held 5,466,600 repurchased shares as treasury shares out of its total issued and paid-up share capital of 1,053,435,130 ordinary shares. Such treasury shares are held at a carrying amount of RM663,237.

A7. Dividends

During the financial year ended 31 December 2018, the Company paid the following dividend:

First interim single tier dividend on 21 December 2018, in respect of the financial year ending 31 December 2018, of 0.7 sen per ordinary share on 1,047,968,530 ordinary shares amounting to RM7,335,779.

The Board is pleased to announce that it will be declaring a second interim single tier dividend of 0.8 sen per ordinary share of 1,047,968,530 ordinary shares.



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A8. Segmental information

The breakdown of the Group's revenue and results by geographical regions for the quarter ended 31 December 2018 are set out below. Revenue and results by geographical sales were based on the location of the Group's subsidiaries.

**Current Quarter
31 December 2018**

| | <u>Singapore</u> | <u>Malaysia</u> | <u>Philippines</u> | <u>Indonesia</u> | <u>Taiwan</u> | <u>Total</u> |
|----------------------------------|------------------|-----------------|--------------------|------------------|---------------|---------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Segment Revenue</u> | | | | | | |
| External sales | 21,804 | 14,938 | 4,126 | 145 | 47,652 | 88,665 |
| Inter-segment sales | 420 | 26 | 78 | - | 102 | 626 |
| Total revenue | <u>22,224</u> | <u>14,964</u> | <u>4,204</u> | <u>145</u> | <u>47,754</u> | <u>89,291</u> |
| <u>Segment Results</u> | | | | | | |
| Operating (loss)/profit | 9,298 | 832 | 442 | 89 | 13,519 | 24,180 |
| Interest income | | | | | | 312 |
| Gain on disposal of an associate | | | | | | 25 |
| Finance cost | | | | | | (92) |
| Share of results in associates | | | | | | - |
| Profit before taxation | | | | | | <u>24,425</u> |

**Current Year-to-date
31 December 2018**

| | | | | | | |
|------------------------|---------------|---------------|---------------|------------|----------------|----------------|
| <u>Segment Revenue</u> | | | | | | |
| External sales | 65,151 | 57,773 | 17,238 | 968 | 186,088 | 327,218 |
| Inter-segment sales | 939 | 282 | 190 | - | 154 | 1,565 |
| Total revenue | <u>66,090</u> | <u>58,055</u> | <u>17,428</u> | <u>968</u> | <u>186,242</u> | <u>328,783</u> |



FRONTKEN CORPORATION BERHAD

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**Current Year-to-date
31 December 2018**

| | Singapore | Malaysia | Philippines | Indonesia | Taiwan | Elimination | Total |
|----------------------------------|------------------|-----------------|--------------------|------------------|---------------|--------------------|----------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Segment Results</u> | | | | | | | |
| Operating profit/(loss) | 18,442 | 4,964 | 2,653 | (939) | 49,396 | - | 74,516 |
| Interest income | | | | | | | 917 |
| Gain on disposal of an associate | | | | | | | 672 |
| Finance cost | | | | | | | (568) |
| Share of results in associates | | | | | | | 78 |
| Profit before taxation | | | | | | | <u>75,615</u> |
| <u>Assets</u> | | | | | | | |
| Non-current assets | | | | | | | |
| - Property, plant and equipment | 26,647 | 22,585 | 2,311 | 2,268 | 86,589 | - | 140,400 |
| - Deferred tax assets | - | - | - | - | 2,155 | - | 2,155 |
| - Goodwill | - | 33,761 | - | - | - | - | 33,761 |
| - Others | - | 1,177 | - | - | - | - | 1,177 |
| Current assets | 91,252 | 23,205 | 17,714 | 906 | 139,388 | 5,102 | <u>277,567</u> |
| Consolidated total assets | | | | | | | <u>455,060</u> |
| <u>Liabilities</u> | | | | | | | |
| Tax liabilities | 3,751 | 489 | 50 | - | 8,097 | - | 12,387 |
| Segment liabilities | 11,345 | 36,993 | 4,547 | 9,501 | 71,949 | (36,306) | <u>98,029</u> |
| Consolidated total liabilities | | | | | | | <u>110,416</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.

FRONTKEN CORPORATION BERHAD

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A9. Profit before tax

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

| | Current Quarter 31 Dec 2018 RM'000 | Current Year-to-date 31 Dec 2018 RM'000 |
|---|---|--|
| Interest income | 312 | 917 |
| Writeback of allowance for impairment losses on receivables | 3 | 10 |
| Gain on disposal of an associate | 25 | 672 |
| Foreign exchange (loss)/gain | (27) | 464 |
| Gain on disposal of property, plant and equipment | 14 | 164 |
| Allowance for impairment losses on receivables | (751) | (933) |
| Bad debt written off | (153) | (153) |
| Interest expense | (92) | (568) |
| Property, plant and equipment written off | (11) | (11) |
| Depreciation of property, plant and equipment | <u>(4,268)</u> | <u>(17,301)</u> |

A10. Valuation of property, plant and equipment

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

A11. Material events subsequent to the end of the quarter

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

A12. Changes in the composition of the Group

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

In the month of November 2018, the Company acquired 278,298 ordinary shares of NT\$10 each representing 0.82% of the issued and paid-up share capital of Ares Green Technology Corporation ("AGTC") for a total cash consideration of NT\$9,353,279 (equivalent to RM1,270,339). Following the acquisition, the Group's interest in AGTC increased to 89.59%.

A13. Contingent liabilities

As at 31 December 2018, the Group has no contingent liabilities which, upon crystallization, would have a material impact on the financial position of the Group.

FRONTKEN CORPORATION BERHAD

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A14. Cash and cash equivalents

| | As at 31 Dec 2018 RM'000 |
|--|---|
| Cash at bank | 132,912 |
| Cash on hand | 80 |
| Fixed deposits | 4,804 |
| Short-term investments – unit trust | 13,288 |
| | <u>151,084</u> |
| Less: Fixed deposits pledged with banks | (1,962) |
| Less: Fixed deposits with maturity period more than 3 months | (182) |
| | <u>148,940</u> |

A15. Significant related party transactions

| | Current Quarter 31 Dec 2018 RM'000 | Current Year-to-date 31 Dec 2018 RM'000 |
|-----------------------|---|--|
| Sales to AMT | - | 5 |
| Sales to TTM | 15 | 43 |
| Purchase from AMT | 4 | 5 |
| Purchase from TTM | 20 | 87 |
| Rental payable to AMT | 36 | 144 |

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

Abbreviations:

AMT AMT Engineering Sdn Bhd

TTM Tenaga-Tech (M) Sdn Bhd

FEM Frontken (East Malaysia) Sdn Bhd

TTES TTES Frontken Integrated Services Sdn. Bhd.

A16. Capital commitments

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

| | As at 31 Dec 2018 RM'000 |
|---------------------|---|
| Plant and equipment | <u>633</u> |

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS**B1. Analysis of performance**Current quarter's performance against the quarter ended 31 December 2017

The Group's revenue for the current quarter ended 31 December 2018 increased by approximately RM8.3 million (10.3%) compared to the preceding year corresponding quarter.

The Group's subsidiaries in Singapore and Malaysia performed better compared to the preceding year corresponding quarter. The Semiconductor Industry Association (SIA) announced that the global semiconductor industry posted sales of USD114.7 billion in the fourth quarter of 2018, an increase of 0.6% compared to the fourth quarter of 2017. As a result of the positive growth of the semi-conductor business and improvement in oil and gas business in Malaysia and Singapore, the Group's subsidiaries in Singapore and Malaysia achieved an improved business performance of 40.6% and 25.2% respectively compared to the preceding year corresponding quarter. Our subsidiary in Taiwan recorded a marginally lower revenue of 0.5% due to weaker translation rate from New Taiwan Dollar to Ringgit Malaysia in the current quarter. If it were to be assessed in New Taiwan Dollar, its current quarter's revenue would have been 1.9% better than the preceding quarter. However, slowdown in the oil & gas and power sector resulted in a drop in business for the Group's subsidiaries engaged in that industry in Indonesia and the Philippines.

The Group's profit before tax ("PBT") of RM24.4 million for the current quarter was RM10.8 million or 79.1% higher than the corresponding quarter's RM13.6 million. The higher profit was mainly due to improved performances by the Group's subsidiaries in Taiwan, Singapore and Malaysia and lower foreign exchange loss.

Current 12 months period's performance against the 12 months period ended 31 December 2017

The Group's revenue of RM327.2 million for the current period ended 31 December 2018 was RM30.6 million (10.3%) higher than that achieved in the preceding year corresponding period. The improvement was mainly due to better performances from the Group's subsidiaries in Singapore, Malaysia and Taiwan. Year-to-date revenue from our subsidiaries in Singapore, Malaysia and Taiwan rose 17.1%, 14.9% and 8.6% respectively compared to the preceding year corresponding period. This was consistent with the report issued by SIA on the overall growth in the semiconductor industry which had directly benefitted the Group's performance.

Against the same period last year, the PBT for the Group increased by RM29.5 million (63.9%) as a result of improved revenue, vigilance in cost management and a small gain on disposal of an associate. The profit after tax for the Group for the current period was RM57.0 million, an increase of RM20.6 million (56.6%) compared to the preceding year corresponding period.

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B2. Comparison with immediate preceding quarter

| | 4rd Quarter 31 Dec 2018 | 3rd Quarter 30 Sept 2018 | Changes |
|--|------------------------------------|-------------------------------------|-------------------|
| | RM'000 | RM'000 | RM'000 (%) |
| Revenue | 88,665 | 85,857 | 2,808 (3%) |
| Profit before tax | 24,425 | 20,645 | 3,780 (18%) |
| Profit after tax | 20,010 | 16,532 | 3,478 (21%) |
| Profit attributable to owners of the Company | 18,683 | 15,187 | 3,496 (23%) |

The Group's revenue was 3.3% or approximately RM2.8 million higher during the current quarter as compared to the immediate preceding quarter due to improved business performance for the Group's subsidiary in Singapore.

The Group's improved unaudited PBT for the current quarter was mainly due to higher revenue and better cost structure due to our continual efforts to explore ways to improve our efficiency.

B3. Prospects

The SIA announced that the global semiconductor industry posted sales of USD468.8 billion in 2018, the industry's highest-ever annual total, an increase of 13.7% compared to the 2017 total sales. While market growth slowed during the second half of 2018, SIA viewed the long-term outlook of the industry remains strong. Semiconductors will continue to make the world more connected, and a range of budding technologies – artificial intelligence, virtual reality, the Internet of Things (IOT), among many others – hold tremendous promise for future growth.

In 2018, the Group achieved another remarkable performance with a historical high profit after tax of RM57 million, mainly attributable to the stronger performance from the Group's subsidiaries in Taiwan, Singapore and Malaysia engaged in the Semiconductor industry. However, the projected global growth has somewhat weakened with the revised world economy projected to only expand 3.5% in 2019 and 3.6% in 2020, a 0.2% and 0.1% below October 2018 world Economic Outlook (WEO) forecast. The yet unresolved trade tensions remains a key source of risk to the current outlook. Amid the uncertainties in future trade policy of the United States as well as the economic performance of Europe and China, the Group anticipates that the overall business conditions in 2019 will continue to be challenging. To that end, we will continue to focus our attention on the quality of our services and cost management so as to maintain our competitiveness.

We believe that our subsidiaries in Taiwan, Singapore, Malaysia and the Philippines will be able to continue with its momentum during the year and therefore we are cautiously optimistic that they will contribute positively to the Group's earnings in 2019.

B4. Variance in profit forecast

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

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B5. Taxation

| | Current Quarter 31 Dec 2018 | Current Year-to-date 31 Dec 2018 |
|-----------------|--|---|
| | RM'000 | RM'000 |
| Income tax | 4,851 | 17,060 |
| Deferred tax | (437) | (884) |
| Withholding tax | 1 | 2,437 |
| | <u>4,415</u> | <u>18,613</u> |

The Group's effective tax rate for the period under review was higher than the statutory tax rate principally due to losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries

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 2018 are as follows:

| | As at 31 Dec 2018 | | As at 31 Dec 2017 | |
|-------------------------|--|---------------|--|---------------|
| | Foreign currencies RM'000 | RM'000 | Foreign currencies RM'000 | RM'000 |
| Short term | | | | |
| <u>Secured</u> | | | | |
| Bank overdrafts | | | | |
| - Singapore Dollar | - | - | 5,182 | 5,182 |
| Hire purchase creditors | | | | |
| - Singapore Dollar | - | - | 74 | 74 |
| - Ringgit Malaysia | - | 862 | - | 108 |
| Term loans | | | | |
| - Singapore Dollar | 1,685 | 1,685 | 1,688 | 1,688 |
| - New Taiwan Dollar | 2,230 | 2,230 | 563 | 563 |
| - Ringgit Malaysia | - | - | - | 2,038 |
| Money market security | | | | |
| - Singapore Dollar | - | - | 12,461 | 12,461 |
| | | <u>4,777</u> | | <u>22,114</u> |
| Long term | | | | |
| <u>Secured</u> | | | | |
| Hire purchase creditors | | | | |
| - Ringgit Malaysia | - | 1,341 | - | 166 |
| Term loans | | | | |
| - Singapore Dollar | 842 | 842 | 2,532 | 2,532 |
| - New Taiwan Dollar | 6,691 | 6,691 | 9,015 | 9,015 |
| | | <u>13,651</u> | | <u>33,827</u> |

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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 |
| As at 31 Dec 2018 | | | |
| <u>Currency</u> | | | |
| Singapore Dollar | 1,685 | 842 | 2,527 |
| New Taiwan Dollar | 2,230 | 6,691 | 8,921 |
| | 3,915 | 7,533 | 11,448 |
| As at 31 Dec 2017 | | | |
| <u>Currency</u> | | | |
| Singapore Dollar | 19,405 | 2,532 | 21,937 |
| New Taiwan Dollar | 563 | 9,015 | 9,578 |
| | 19,968 | 11,547 | 31,515 |

B8. Material litigations

The Group is not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant and the Board does not know of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially affect the financial position or business of the Group as at 4 February 2018.

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 in issue.

| | Current Quarter | Preceding Corresponding Quarter | Current Year-to-date | Preceding Corresponding Year-to-date |
|---|------------------------|--|-----------------------------|---|
| Profit attributable to owners of the Company (RM'000) | 18,683 | 9,827 | 52,257 | 29,858 |
| Number of shares in issue ('000) | 1,053,435 | 1,053,435 | 1,053,435 | 1,053,435 |
| Effects of: Treasury shares acquired ('000) | (5,467) | (5,467) | (5,467) | (5,467) |
| Weighted average number of shares in issue ('000) | 1,047,968 | 1,047,968 | 1,047,968 | 1,047,968 |
| Basic EPS (sen) | 1.78 | 0.94 | 4.99 | 2.85 |

b) Diluted EPS

The Group has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

B10. Dividends

During the financial year ended 31 December 2018, the Company paid the following dividend:

First interim single tier dividend on 21 December 2018, in respect of the financial year ending 31 December 2018, of 0.7 sen per ordinary share on 1,047,968,530 ordinary shares amounting to RM7,335,779.

The Board is pleased to announce that it will be declaring a second interim single tier dividend of 0.8 sen per ordinary share of 1,047,968,530 ordinary shares.

By Order of the Board
Frontken Corporation Berhad

Ng Wai Pin
Chairman / Chief Executive Officer
12 February 2019