



RESILIENCE

amid Turbulence



Frontken Corporation Berhad
(651020-T)

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Cover Rationale

Frontken is a major integrated service provider of surface metamorphosis technology engineering in the Asian Pacific region. We have persevered through the economic downturn by making timely adaptations to the market and moving with discipline to meet the directives we have set for ourselves, while remaining steadfastly committed to excellence. The resilience of our business model helped us to do well in the face of turbulence and adversity, and we are well prepared to seize the opportunities ahead.

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Corporate Information

BOARD OF DIRECTORS

Wong Hua Choon	<i>Executive Chairman / Managing Director</i>
Dr Tay Kiang Meng	<i>Executive Director / Chief Scientist</i>
Dato' Ibrahim Bin Mahmud	<i>Non-Independent Non-Executive Director</i>
Dato' Haji Johar Bin Murat @ Murad	<i>Independent Non-Executive Director</i>
Ng Wai Pin	<i>Independent Non-Executive Director</i>
Aaron Sim Kwee Lein	<i>Independent Non-Executive Director</i>

AUDIT COMMITTEE

Ng Wai Pin (Chairman)
Dato' Haji Johar Bin Murat @ Murad
Aaron Sim Kwee Lein

NOMINATION COMMITTEE

Ng Wai Pin (Chairman)
Dato' Haji Johar Bin Murat @ Murad
Dr Tay Kiang Meng

REMUNERATION COMMITTEE

Ng Wai Pin (Chairman)
Dato' Haji Johar Bin Murat @ Murad
Wong Hua Choon

COMPANY SECRETARIES

Tai Keat Chai (MIA 1688)
Lim Hooi Chin (MAICSA 7025949)

REGISTERED OFFICE

Suite 1603, 16th Floor
Wisma Lim Foo Yong
86 Jalan Raja Chulan
50200 Kuala Lumpur
Tel: +603 2732 1377
Fax: +603 2732 0338

HEAD OFFICE

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Fax: +603 7968 3316
Email: fcf@frontken.com
Website: www.frontken.com

SHARE REGISTRAR

Tricor Investor Services Sdn Bhd
(formerly known as Tenaga Koperat Sdn Bhd)
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Tel: +603 2264 3883
Fax: +603 2282 1886

AUDITORS

Crowe Horwath (AF 1018)
Chartered Accountants

STOCK EXCHANGE LISTING

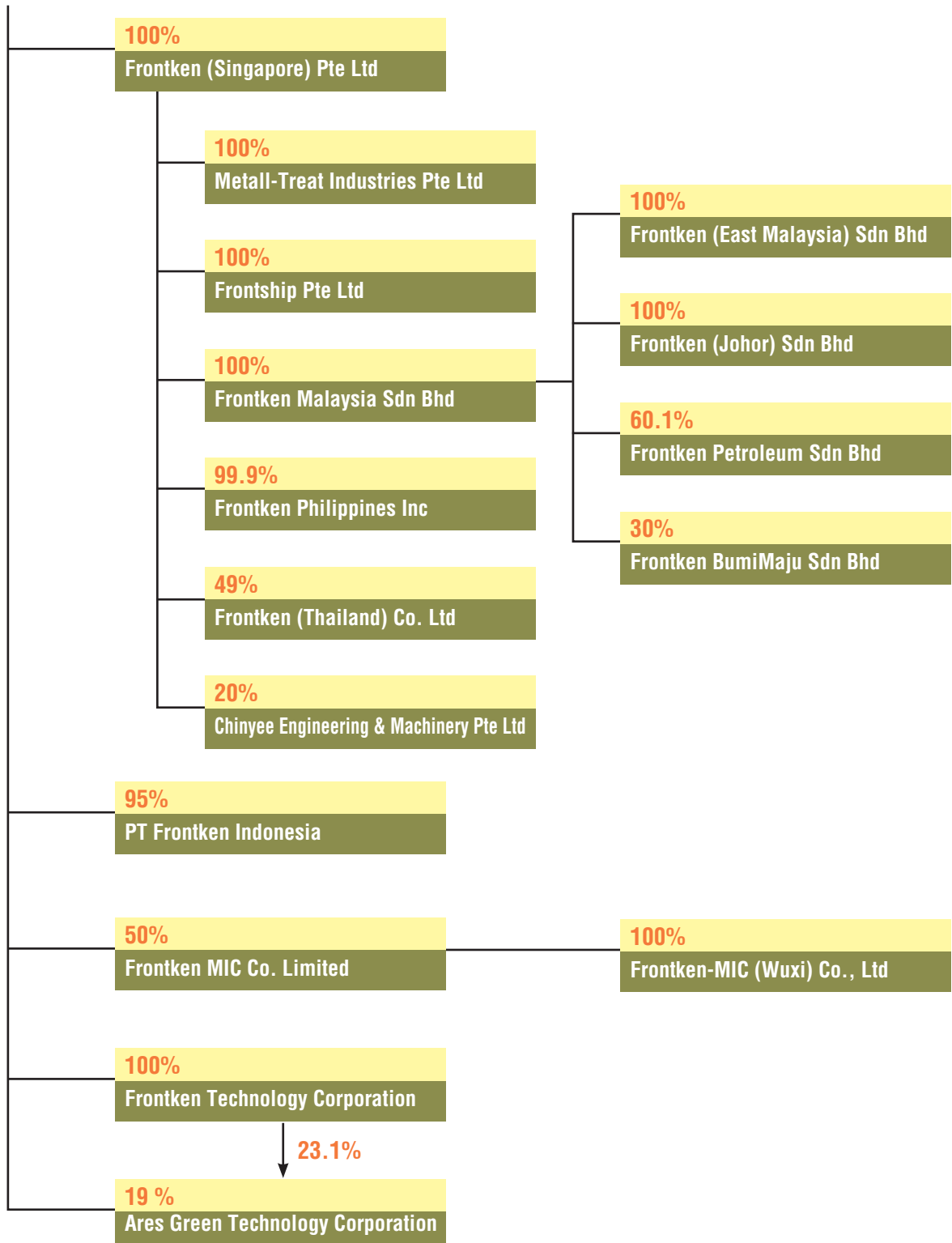
Main Market of Bursa Malaysia Securities Berhad
Stock Code: FRONTKN
Stock No: 0128
Reuters Code: 0128.KL
Bloomberg Code: FRCB MK

Corporate Structure

(as at 25 May 2010)



FRONTKEN
Frontken Corporation Berhad
(651020-T)



Our Vision

To be a continuing improving leader in performance excellence in advanced surface metamorphosis engineering and technology

Our Mission

To delight our customers with complete satisfaction which includes not only the most competitive price and fastest delivery time but also the highest technical performance and reliability for all our services and products

OUR PROFILE

Frontken Corporation Berhad, listed on the Main Market of Bursa Malaysia Securities Berhad, has since its inception in 1996, established itself as a leading service provider of surface metamorphosis engineering in the South East Asian region. The Group's comprehensive range of services increases the efficiency and extends the lifespan of machinery and equipment, therefore improving the customer's cost effectiveness in machinery operation and maintenance.

The Group utilises numerous thermal spray coating methods to improve the operations efficiency of various turnkey industries, including the oil and gas, petrochemical, power generation, semiconductor and electronics manufacturing sectors. The Group also undertakes research and development in advanced materials and surface engineering technology to produce new and improved coatings for use in the protection against material degradation and to improve the productivity of industrial processes.

To date, the Group's customer portfolio comprises key players in the oil and gas, power generation, petrochemical and semiconductor industries in mainly Singapore, Malaysia and other countries such as Philippines, Indonesia, China, Thailand, Myanmar, Vietnam, Taiwan, Japan and Germany.

The Group, together with its associates, has established a significant presence across the Asian region, with four plants in Singapore, five facilities and a sales office in Malaysia, one plant each in Thailand and Philippines, and an office each in Taiwan, China and Indonesia. Furthermore, over the years, the Group has established an international network of representatives – spanning from Brunei, Myanmar and Indonesia to Nigeria and Pakistan – to market the Group's specialized services worldwide.



Our Services

Metal Coating & Treatment

For Corrosion and Wear Resistance, Thermal and Electrical Resistivity/Conductivity, Friction/Lubricity, Abrading



Precision Cleaning

Process Kits Management and Recycling for Semiconductor and related industries



Mechanical Repairs

Welding, Fabrication, Metal-Stitching, Laser Alignment, Large Capacity Machining/Grinding and On-site Machining



Equipment Overhaul

Dynamic Balancing, Heat Treatment, Assembly and more for equipments such as Turbines, Compressors, Pumps, Valves and Marine Engines



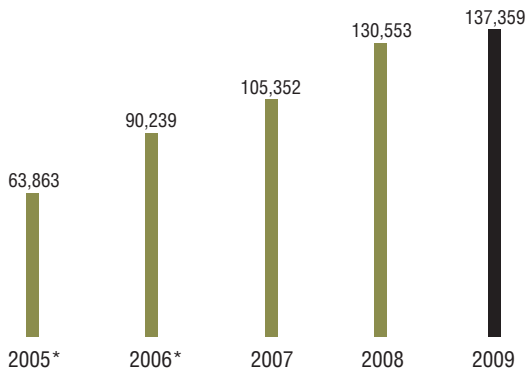
Precision Manufacturing

CNC Precision Machining Capability of up to 5-Axis, Conventional Machining Lathes and Spinning Machines

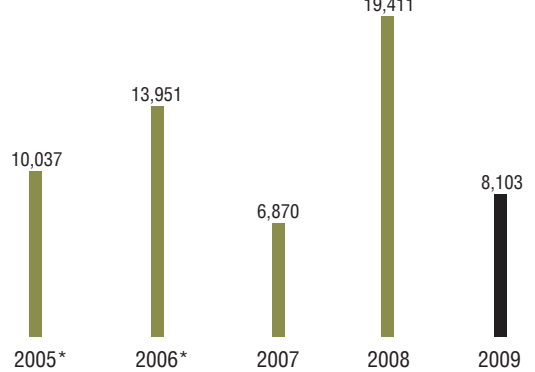


Financial Highlights

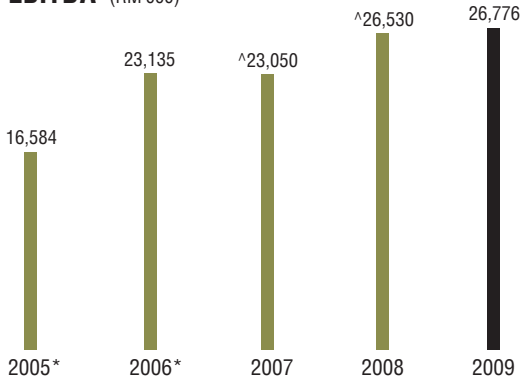
Revenue (RM'000)



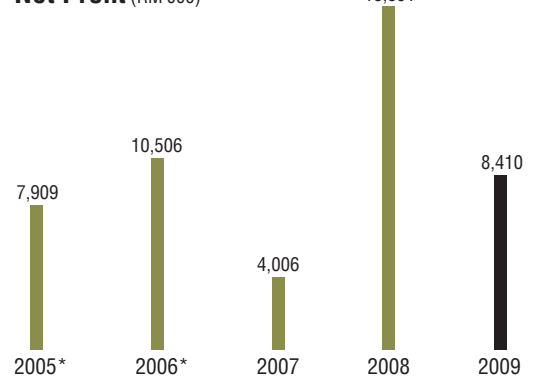
PBT (RM'000)



EBITDA# (RM'000)



Net Profit (RM'000)



* Proforma

EBITDA : Earnings before interest, tax, depreciation and amortisation

^ EBITDA for FY2007 and FY2008 had been adjusted for one-off income / expenses from fire and flood incidents in 2007

Segmental Revenue – By Customer Location (RM'000)

	Proforma 2005	Proforma 2006	Audited 2007	Audited 2008	Audited 2009
Singapore	39,328	56,084	49,966	59,409	56,494
Malaysia	22,740	33,167	52,010	61,293	74,532
Others	1,795	988	3,376	9,851	6,333
	63,863	90,239	105,352	130,553	137,359

Segmental Revenue – By Industry (RM'000)

	Proforma 2005	Proforma 2006	Audited 2007	Audited 2008	Audited 2009
Oil & Gas#	14,721	21,109	32,092	48,686	43,639
Power Generation	15,388	13,455	20,104	15,533	22,208
Semiconductor	20,352	31,002	35,437	42,819	45,426
General*	13,402	24,673	17,719	23,515	26,086
	63,863	90,239	105,352	130,553	137,359

Includes the upstream petrochemical sector

* Comprises aerospace, marine, steel, cement, wood processing, pulp & paper, printing, agriculture, industrial manufacturing, food, construction and other sectors

Financial Highlights (cont'd)

Summarised Group Balance Sheets

As at 31 Dec (RM'000)	2008	2009
Non-Current Assets	164,473	168,234
Current Assets	75,906	66,762
Total Assets	240,379	234,996
Share Capital	69,977	72,243
Reserves	51,689	63,105
Shareholders' Equity	121,666	135,348
Minority Interests	652	182
Total Equity	122,318	135,530
Non-Current Liabilities	48,758	43,651
Current Liabilities	69,303	55,815
Total Liabilities	118,061	99,466
Total Equity and Liabilities	240,379	234,996

Summarised Group Cash Flows

As at 31 Dec (RM'000)	2008	2009
Net Cash Flows From Operating Activities	25,769	23,278
Net Cash Flows Used in Investing Activities	(15,288)	(2,085)
Net Cash Flows Used in Financing Activities	(18,890)	(16,869)
Net (Decrease)/Increase in Cash and Cash Equivalents	(8,409)	4,324
Cash and Cash Equivalents at Beginning of Year	13,917	5,581
Effect of exchange differences	73	282
Cash and Cash Equivalents at End of Year	5,581	10,187

Financial Analysis (RM'000)

	2005	2006	2007	2008	2009
Turnover growth	30.6%	41.3%	16.7%	23.9%	5.2%
Profit Before Tax Growth	29.2%	39.0%	-50.8%	182.6%	-58.3%
Net Profit Growth	31.7%	32.8%	-61.9%	370.6%	-55.4%
Operating Profit Margin	17.3%	21.2%	18.4%	22.1%	16.7%
Pre-tax Profit Margin	15.7%	15.5%	6.5%	14.9%	5.9%
Net Profit Margin	12.4%	11.6%	3.8%	14.4%	6.1%
Gearing Ratio (Net of cash) (times)		0.1	0.6	0.5	0.4
Return on Average Shareholders' Equity		16.5%	4.5%	17.2%	6.5%
Return on Average Total Assets		9.1%	2.3%	8.4%	3.5%
Earnings Per Share (Sen)		*3.2	#0.6	#2.7	1.2

* Computed based on proforma earnings

Computed based on weighted average number of shares which had been adjusted to incorporate the effect of the bonus issue implemented in 2008

A Word from the Chairman

Dear Shareholders,

2009 was a year few of us will easily forget. An economic meltdown that spread around the globe and created the most difficult business environment made it a very challenging year for companies around the world, and Frontken was no exception.

Faced with the most severe global economic downturn many of us have ever experienced, our people delivered results that were as impressive as any we have ever achieved.

LOOKING BACK

Economies in the Asia and Pacific region were particularly hard hit by the collapse of global business investment in the fall of 2008. The crisis curtailed financing flows to private firms worldwide, and together with depressed growth expectations, investment plans were marked down sharply. However, East Asia's rebound from the global downturn over the course of 2009 was quicker and more robust than in other parts of the world, underpinned by domestic stimulus programs put in place by a number of economies, most notably by China.

In Malaysia, more than 40% of the country's exports are electrical and electronics products with high import content and produced in large part by firms under foreign ownership. This helped reduce the economy-wide significance of the shock. Still, growth for the Malaysian economy turned negative in the first three quarters, contracting markedly by 6.2% in the first quarter, but regained growth momentum in the fourth quarter to register an overall contraction of 1.7% in 2009. Real Gross Domestic Product is expected to expand by 4.5% to 5.5% in 2010 supported by strengthening domestic demand and an improving external environment.

Across the border, the Singapore economy contracted by 2.0% in 2009 compared to an expansion of 1.4% in 2008. With the exception of construction, business services and information and communications, all major sectors contracted in 2009. The Singapore Ministry of Trade and Industry expects the Singapore economy to grow by 4.5% to 6.5% in 2010, which is an upgrade from the earlier forecast of 3.0% to 5.0% largely reflecting increased strength in the near term growth momentum.



A Word from the Chairman (cont'd)

STRENGTH IN UNCERTAIN TIMES

To say that 2009 was a difficult year would be an understatement. It was a unique and extremely tough situation as we started the year confronted with muted demand, but we wrestled with our challenges and redefined our priorities swiftly to minimize the impact of the crisis. The trying times of the past year were indeed a test of our resolve, but we discovered more about our capabilities and commitment to persevere than we could have under less daunting environment.

In an extraordinarily difficult year for many, we remain steadfastly focused on deploying our resources where they can deliver the greatest results and rigorously assessed every decision against cost. We ended the year 2009 with group revenue of RM137.4 million, 5.2% higher compared with RM130.6 million previously. EBITDA, although improved to RM26.8 million from RM26.5 million in 2008, declined as a percentage of sales by 0.8% to 19.5% primarily due to higher subcontracting cost.

Net profit attributable to shareholders for the financial year ended 31 December ("FY") 2009 was RM8.4 million. This is however not directly comparable to the exceptional RM18.9 million recorded in FY2008 when a one-off insurance compensation (net of losses) of RM7.1 million was recognised. Profitability was further affected by share of losses of associates of RM1.3 million this year compared to share of profits of RM1.3 million previously, as our associate coped with the battered semiconductor market in Taiwan in 2009.

During the year, the oil and gas industry remained a key revenue driver, albeit at a lower level than in 2008. The sector chalked up RM43.6 million revenue but this represented a decline in overall contribution to Group's revenue from 37.3% in 2008 to 31.8%. Meanwhile, the power generation sector saw a tremendous growth of 43.0% in sales with a contribution of RM22.2 million or 16.2% to Group's revenue, compared with RM15.5 million or 11.9% in 2008. The semiconductor industry continued to perform well as we experienced a rebound in demand towards the end of the year to end the year with revenue of RM45.4 million or 33.1% of total revenue, up 6.1% from RM42.8 million recorded previously.

Geographically, Malaysia and Singapore remained our biggest markets in 2009, accounting for 54.3% and 41.1% of Group's revenue respectively. At RM74.5 million, revenue contribution from the Group's local customers increased by 21.6% from RM61.3 million in the preceding year. By comparison, the Group's Singapore-based customers contributed RM56.5 million to total revenue, a drop of 4.9% from RM59.4 million in the previous year.

During 2009, we increased our shareholders' equity by RM13.7 million and ended the year with RM10.2 million of cash. Net gearing was 0.4 times at the end of 2009, compared with 0.5 times at the end of 2008. Capital expenditure in 2009 amounted to RM16.6 million which included RM11.1 million in respect of purchase of plant and machinery.

Our results in 2009 once again demonstrates the underlying robustness of Frontken's business model, which, drawing upon the diversity of our markets, a broad array of services and applications, and strategic geographic positioning, has enabled us to thrive in the good times and weather the bad. The people of Frontken have been tested and we have pulled together, but we know that we have much more to accomplish.

The demands imposed by the fragile operating environment over the course of the last 18 months reduced access to financial capital and required that we reviewed more fundamentally how we achieve financial stability and liquidity cushion for the Group in a manner that best preserve long-term shareholders' value. To that end, we announced a 2-for-5 rights issue of shares with free warrants in November 2009, which was completed in March 2010 and raised approximately RM32 million. It was pleasing that the share issue was well subscribed with an over-subscription rate in excess of 40%. Its success demonstrated the strong confidence which you, our shareholders, have in our future and we are profoundly thankful for your support. As a consequence of the capital raising, proforma net gearing as at 31 December 2009 is further reduced to 0.3 times.



A Word from the Chairman (cont'd)



SUSTAINABILITY THROUGH RESEARCH & DEVELOPMENT (R&D)

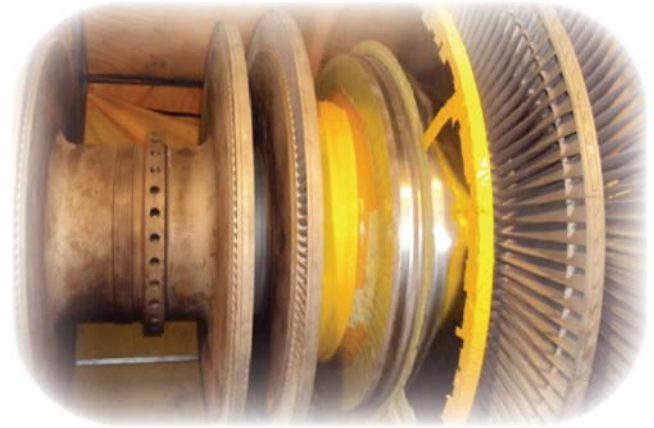
Investing in the future of Frontken has and will always remain a priority – a commitment we never once wavered even in the grip of the financial turmoil. We are committed to being more than just a high quality surface metamorphosis solutions provider, and to deliver this, we will fully leverage our broad capabilities and offer a compelling value proposition for our customers through innovation and technology.

During the year, we invested RM3.2 million (including depreciation) in developing the next generation technologies that will provide critical leading-edge solutions to our customers. Notable milestone on our journey of technology development included research on the effect of off-normal spray angle on the structure and properties of HVOF coatings. This has enabled us to take on challenging engineering problems which were once limited by thermal spray techniques.

Our R&D team is also undertaking studies on heat transfer and its correlation with zirconia thermal barrier coating for a plasma sprayed gas turbine application. If successful, this R&D initiative is expected to open door to thermal barrier coating applications in the power generation sector, in particular, for gas turbine engine and turbine blade.

Another major R&D initiative is the development of novel coating on the interior surface of semiconductor process kits to reduce impurities and particulate contamination that may sputter off the interior surfaces of the chamber during plasma immersion ion implantation. This invention is cost effective and has advantages over conventional methods with a relatively easy technique for improving implantation uniformity across a water with very low impurities and particulate contamination.

As a technology solutions provider, our technology innovation often goes hand-in-hand with corporate responsibility. We promote green initiatives by offering our customers practical cost-effective technology solutions to recover, recycle and reuse their critical parts and equipments. This year, we continue our green drive by collaborating with Kriya Materials B.V. to develop a series of new



advanced next generation nano-products and solutions to address, amongst others, the energy saving needs of major industries such as automotive, green building, precision optics, electronics or displays with groundbreaking nano-coating technologies.

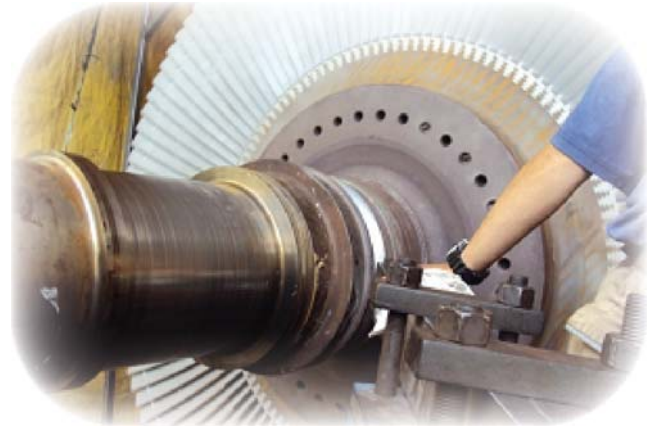
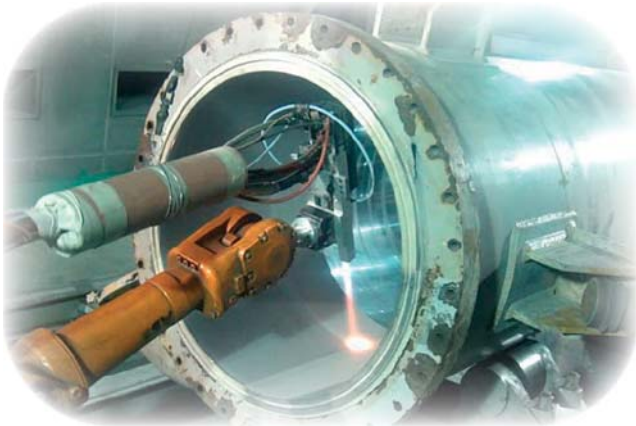
EXPANDING OUR MARKETS

Since our maiden foray into the solar and photovoltaic (“PV”) industry last year, we made good progress with the finalisation of a cleaning service agreement with one of the world’s largest manufacturer of PV cells. The PV industry is constantly advancing and has clearly entered the accelerating growth phase, with worldwide solar cell production reaching 9.34 gigawatt (“GW”) in 2009, up from 6.85 GW a year earlier. According to an international solar energy market research company, the industry is expected to return to high growth in 2010 and over the next five years, and even in the slowest growth scenario, the global market will be 2.5 times its current size by 2014. I am convinced that the solar business platform will provide our Group with opportunities to develop further with our core competency.

As we continue to break new ground identifying new market-relevant technology to broaden our services portfolio, we made major strides in the renewable energy sector this year. For the first time, we successfully completed the repair and restoration of a 63-megawatt steam turbine from Makban Geothermal Power Plant at Laguna, Philippines within a short period of time, an achievement which I believe will stand us in good stead for the future. Our execution success marks our entry into the geothermal energy sector and demonstrates, once again, our proven ability to deliver complex solutions. It also gives us confidence to advance our development efforts in the relatively untapped geothermal energy market.

In December 2009, a Memorandum of Understanding was signed with Osborne Engineering Ltd to jointly service Southeast Asia’s hydrodynamic bearings aftermarket and form an aftermarket support alliance and partnership for the turbo-machinery services, repair and retrofit activities in the United Arab Emirates, as well as selective Gulf Region and African markets. This is also in line with our customer-focused strategy of localised support for our existing original equipment manufacturer (OEM) customers in the energy, oil and gas and related sectors in the Middle East.

A Word from the Chairman (cont'd)



Consistent with our long term strategy to expand our market, we established Frontship Pte Ltd as a wholly-owned subsidiary with a paid-up capital of SGD500,000 in December 2009 to serve as a procurement partner for vessels in the marine industry and promote cross-selling opportunities within the Group. The marine sector, a market with which we are not unfamiliar, has been a small but steady revenue contributor to the Group thus far and we are now determined to grow this segment.

In January this year, we completed the acquisition of a 20% stake in Chinyee Engineering & Machinery Pte Ltd (Chinyee) for an adjusted purchase price of SGD1,387,000. Chinyee is an excellent fit with our long term strategy and should place us in a better stead to compete more effectively by offering a higher value service proposition.

More than ever, it is vital in our industry to deliver services when and where customers need them. Our regional footprints and local services spanning 7 countries with 13 facilities are among our strongest competitive advantages and explain why customers around the world put their trust in us. We believe the seeds we have sowed regionally will mature gradually to fuel growth in the foreseeable future. Notwithstanding the broad reach, we will continue to mine opportunities to strengthen our presence in geographies where more coverage sharpens our competitive edge. And our strengthened balance sheet means that we will be in a position to make strategic investments to accelerate our growth when such opportunities arise, but with a cautious approach.

SOCIAL RESPONSIBILITY

Our corporate social responsibility platform touches upon responsible business practices, environmental stewardship and education stewardship.

Conducting business responsibly has always been a tall order and never more so than now. Our aim is to ensure that we run our operations in line with our values, applicable laws and regulations and with integrity. We believe in empowering people close to the actions to take ownership and responsibility, and instil a culture that values honesty, integrity and transparency alongside innovation and continuous improvement.

We integrate health, safety and environment (HSE) considerations into all aspects of our business operations and processes as far as practicable and provide constant training and monitoring to ensure the safety and overall well-being of our people. Measurable approach is applied to continually improve our HSE culture and performance.

Delivering outstanding performance requires exceptional people. At Frontken, our goal is to develop our employees to have the highest technical and leadership capabilities in the industry. We believe that investing in our people creates a sustainable source of competitive advantage, and will continue to provide our people with formal training and a broad range of experiences to develop them into the next generation of company leaders.

We also encourage employees to support local initiatives of particular importance to them. In October 2009, our subsidiary, Frontken Philippines Inc., supported Manila Water Company Inc in the latter's relief efforts for Typhoon Ondoy, which wrought havoc on Metro Manila and nearby areas, causing severe flooding which resulted in the loss of many lives and the displacement of many people. We are incredibly proud of the efforts our employees put into these worthy causes.

ACCOLADES

While the year had been one of sharp contrasts, there were nevertheless many successes that the Group could celebrate.

In May 2009, Chinyee, was bestowed the 2009 Aerospace Supplier Excellence Award by The Association of Aerospace Industries (Singapore), recognising Chinyee's commitment to satisfy the OEMs and major aerospace market players. We are encouraged by this accolade but at the same time, are aware that with such recognition comes the expectation that we continue with the high standards which we have achieved.

We are also deeply honoured to receive the 2010 South East Asia Frost & Sullivan Technology Innovation Award in the Semiconductor Services Market, an award for best-in-class and industry leading surface treatment technologies with excellence in R&D activities. It is gratifying to see that our endeavours have been recognised and needless to say, this will go a long way in making sure we continue our efforts towards R&D and help us accomplish greater heights.

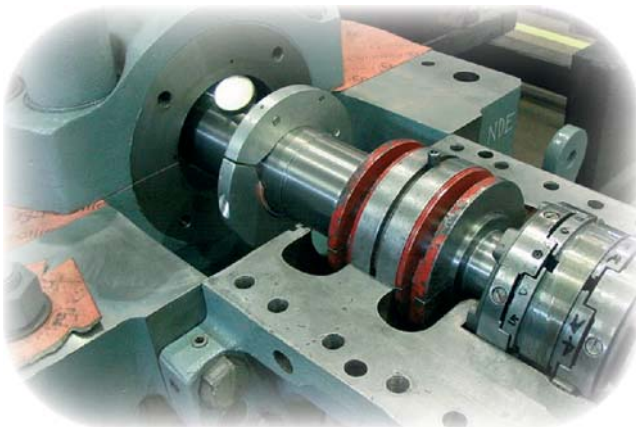
A Word from the Chairman (cont'd)

OUR PATH FORWARD

Looking back, I take great pride that we have been able to take headwinds in our stride in times of crisis and still deliver commendable performance. This, I have our people to thank whose loyalty, commitment, passion and tireless efforts I am incredibly proud of. Because of them we have been able to successfully navigate through the period of economic uncertainties, and emerge a better and stronger company than we have ever been.

As we embark on fiscal year 2010, we are encouraged by the signs that the worst of the downturn is behind us. Current macro-economic trends are pointing towards recovery and the start of a modest growth cycle. I am optimistic that our strengthened balance sheet and a good cash position, increasingly strong brand, considerable expertise and strong presence in a diverse array of market sectors will help us continue to grow our markets. More than ever, we are well-equipped to master the challenges that lie ahead and we will continue to prove our mettle in an environment that is full of profound challenges and opportunities.

Moving forward, our strategy remains unchanged and our value proposition intact. We will continue to grow our robust fundamentals and leverage our competitive advantages by replicating our business model in all our business units. We will also maintain the financial and operational discipline that had served us well through the economic downturn.



IN APPRECIATION

I am delighted to welcome Mr Aaron Sim to the Board as an independent non-executive director. Mr Sim joined us in August 2009 and his breadth of commercial experience and financial expertise will serve us well in the coming years. I would also like to express my gratitude and appreciation for the contribution by Mr See Chuan Swee, who stepped down as our Executive Director / Chief Financial Officer in June 2009. My sincere gratitude also goes to Mr Kek Chin Wu for his valuable contribution during his short stay with us.

I would also like to thank our customers around the world for putting their continued trust in us and allowing us to play a key role in helping them advance their businesses and achieve their goals.

And most of all I thank you, my fellow shareholders, for the trust you have shown in us. We are always mindful of our responsibility to steward the investment you have made in us and we are honoured to have that responsibility and are committed to continuing to earn your confidence.

Sincerely,

WONG HUA CHOON

Executive Chairman / Managing Director

Calendar of Events



May



2009

June

27-29 May 2009

Chinyee Engineering & Machinery Pte Ltd (Chinyee) participated in the inaugural Aerospace Supplier Exchange (ASX) 2009

Chinyee participated in ASX held at the Singapore Expo showcasing innovative products and services that meet the sourcing needs of both the original equipment manufacturers (OEMs) and maintenance, repair and overhaul (MRO) companies.



27-29 May 2009

Chinyee received the Aerospace Supplier Excellence Award (Gold Standard) by the Association of Aerospace Industries (Singapore)

The Singapore Aerospace Award picked out all aerospace suppliers and companies that support the aerospace industry and was bestowed on the Aerospace Supplier that had demonstrated the most outstanding supplier performance in the market. The Award signifies Chinyee's commitment to satisfy the OEM and major aerospace market players and highlights the strategy of the company that was instrumental to its success.



10-12 June 2009

Frontken Malaysia Sdn Bhd (FM) participated in OGA 2009

FM enjoyed an extremely busy event at the 12th Asian Oil, Gas & Petrochemical Engineering Exhibition (OGA) 2009 held at the Kuala Lumpur Convention Centre, with overwhelming response from various industry representatives showing interest in Frontken's products and services.



25 June 2009

Frontken Corporation Berhad (FCB) held its 5th Annual General Meeting at Bukit Kiara, Kuala Lumpur

Calendar of Events (cont'd)



July

1 July 2009

Frontken (Singapore) Pte Ltd (FS) entered into Joint Research & Development Agreement with Kriya Materials B.V.

FS entered into a research and development collaboration agreement with Kriya Materials B.V. (Kriya) to develop innovative and commercially-significant nano-coating technologies. The R&D collaboration will build on the collective knowledge of FS and Kriya, and complementary research expertise in materials science and surface metamorphosis engineering, to control and manipulate colloids nanostructures of specific materials. This new nano-product will be an "energy savings nanocoat products" aimed at improving indoor environmental quality for healthy lifestyle living and working environment to achieve environmentally-friendly green buildings.



14 July 2009

FS received outstanding quality rating from customer

Our customer rated the performance of its approved supplier in terms of acceptance / rejection rate and timely delivery every quarter to facilitate performance evaluation. FS is proud to uphold its high quality standards and achieve a 100% quality rating by its customer.

2009

August



20 August 2009

The Chairman of Frontken Corporation Berhad received the Outstanding Entrepreneurship Award 2009

Held at the Shangri-La Hotel, Kuala Lumpur, Willie Wong received the coveted Outstanding Entrepreneurship Award 2009 Malaysia which is accorded to the exemplary few who have shown outstanding performance in the communication of their visions, brands and strategies.



21 August 2009

FS hosted the inaugural Frontken Challenge Cup

Frontken Group has traditionally supported educational initiatives and development in sports for the overall well being of its employees. During the year, FS hosted a friendly football match, the inaugural Frontken Challenge Cup, with our customer, Lam Research Singapore Pte Ltd, in the city state to foster friendship and team spirit. Both teams played heroically during this fierce battle with Lam Research winning the match with a score of 5-2.

Calendar of Events (cont'd)



October



23 October 2009

FS feted its employees at an annual dinner & dance to show gratitude to all employees for their hard work in the past year

This fun-filled event, characterized by music, good cheer and good oratory, was attended by close to 300 staff of FS and senior management of the Group who were entertained to a scrumptious dinner, games and performances by executives at the SAFRA Club, Singapore. At the event, awards were presented to employees in recognition of their long outstanding services to the company.



November

2009



29 October 2009

Frontken Philippines Inc (FP) received a Certificate of Appreciation from Manila Water Company Inc (MWC)

In recognition of FP's support to MWC in providing on-site electro-mechanical repair of equipment and restoring water supply during Tropical Typhoon Ondoy (Ketsana), which wrought havoc on Metro Manila and nearby areas causing severe flooding, FP was awarded a Certificate of Appreciation by MWC. Ketsana brought the worst rainfall to Metro Manila among recorded typhoons since the start of rainfall record keeping, producing only moderate wind but hours of extremely heavy rain. We are all incredibly proud of the efforts our employees put into these worthy causes.



3-5 November 2009

Frontken (East Malaysia) Sdn Bhd (FEM) participated in 2009 International Energy Workshop (IEW)

Held at the Borneo Convention Centre Kuching and hosted by the Sarawak State Government to promote business partnerships, generate business and investment opportunities in the multi-billion dollar Sarawak Corridor on Renewable Energy, FEM participated in the IEW attended by over 5,000 delegates and trade buyers for the power and petroleum industry in the region.



3 December 2009

FP hosted a visit by Shell Philippines Exploration B.V. (SPEX)

FP hosted a visit by SPEX aimed at helping procurement officers and buyers from SPEX learn about FP's diverse capabilities and promote awareness of FP's overall operations. SPEX has been a customer of FP for over 3 years.

Calendar of Events (cont'd)



January



February

2010

March



22 January 2010

FCB held an Extraordinary General Meeting (EGM) to approve 2-for-5 Rights Issue of Shares with Warrants

There was active participation from shareholders at the EGM which was held at the Company's conference room. The Rights Issue was completed on 16 March 2010 following the listing of and quotation for the Rights Shares and Warrants on the Main Market of Bursa Malaysia Securities Berhad.



2 February 2010

Delegates from General Defence Industry, Vietnam (GDDI) visited FS

Delegates from GDDI visited FS to explore potential collaboration to deploy Frontken's advanced surface metamorphosis technology in Vietnam



15 March 2010

FCB was awarded the 2010 South East Asia Frost & Sullivan Technology Award in the Semiconductor Services Market

The award was presented to FCB for best-in-class and industry leading surface treatment technologies with excellence in R&D activities. It recognises the ability of the company to successfully develop and introduce new technology, formulate significant product performance contributions to the industry.



16-18 March 2010

FEM sponsored students to participate in 2010 First Lego League (FLL) Malaysia Open Championship

FEM sponsored a team of students from SMK Bintulu to take part in FLL, a global program to encourage research, problem solving, and engineering, and introduce young people to the fun and excitement of science and technology while building self-confidence, knowledge, and life skills. SMK Bintulu emerged as the first runner-up in this national competition held at the National Science Centre at Bukit Kiara, Kuala Lumpur. The team went on to clinch the Best Teamwork Award in the FLL Open International Robotics Championship held in Taiwan on 5-8 May 2010.



March



April

2010



23 March 2010

FS hosted a visit by students from Norwegian University of Science and Technology

FS places importance on support for education and research which define the future viability of society. In partnership with SWTS Pte Ltd, FS welcomed some 100 Master's students from Norwegian University of Science and Technology to its plant at Gul Circle, Singapore. The visiting students, mainly from the faculty of Production Design & Manufacturing, were given tailored presentations on thermal spray coating and a guided tour of the company's engineering plant.

24-26 March 2010

FS participated in the Asia Pacific Maritime 2010 (APM)

FS participated in this Asia's premier international maritime event held at the Singapore Expo showcasing the latest in marine engineering and port technology.



13-23 April 2010

Breakthrough by FP in geothermal energy sector

FP successfully completed the repair and restoration of a 63mm steam turbine rotor within a short timeframe. This marked a major breakthrough for Frontken in the relatively untapped geothermal energy sector.



28 April 2010

FS participated in sponsoring Shell/MF/MFBE Jurong Island Golf Challenge

FS was one of the sponsors of the Shell/MF/MFBE Jurong Island Golf Challenge, an annual networking event to foster business relationship. Our Manager Tin Htut, and Engineer Lim Seng Teck, were able to best the field and win the individual championship.



Directors' Profile

Wong Hua Choon

A Malaysian aged 46, was appointed as the Executive Chairman / Managing Director of Frontken Corporation Berhad ("FCB") on 10 April 2006. He is a member of the Remuneration Committee. He is the co-founder of FCB and its subsidiaries ("FCB Group" or "Group") and holds a Bachelor of Science in Mechanical Engineering from the University of Idaho, USA. He is responsible for leading the Group's corporate mission, direction and business performance with a strong breakthrough strategy, by growing market share and offering an integrated products and services. He has more than 20 years of experience in the business of surface technology, including setting up of research and development ("R&D") and engineering application in thermal coating processes.

Prior to starting Frontken (Singapore) Pte Ltd in 1996, he was with Sulzer Metco (Singapore) Pte Ltd, one of the largest thermal spray equipment and material manufacturing company in the world, during which time he has been at the forefront of many of the industry's most significant technology innovations. An engineer by training, Mr Wong began his career at Horiguchi Engineering Co., Ltd in the firm's thermal spray department. During his 5 years' tenure there, he was instrumental in setting up the marketing, R&D and engineering applications in thermal spray technology. He has been instrumental in steering the FCB Group to its present stature.

He also sits on the board of Ares Green Technology Corporation, Taiwan. He has no family relationship with any other Directors or major shareholder of the Company. He has not been convicted of any offences within the past ten years. He has no conflict of interest other than disclosed under Sections 8 and 11 in the Additional Disclosure section which appear on pages 27 and 28 in this Annual Report.

Dr Tay Kiang Meng

A Singaporean aged 45, was appointed as the Executive Director of FCB on 10 April 2006. He is a member of the Nomination Committee. Dr Tay holds a Bachelor of Engineering (First Class Honours) in Manufacturing Systems Engineering from University of Portsmouth, and a Master of Science in Advanced Manufacturing Systems and a PhD in Engineering from Brunel University, United Kingdom.

He is also the Chief Scientist of the FCB Group and is responsible for leading the Group's technology roadmap, spearheading R&D activities, formalising the Group's quality systems, developing critical manufacturing technologies for FCB's semiconductor technology and advanced materials engineering, and exploring new technology opportunities for the Group. He is responsible for the commercialisation and breakthrough of the Group's R&D activities from a regional to a global scale. He has 20 years of professional experiences in technology development, R&D, and has led some of the most significant technology innovations in semiconductor-related manufacturing technology and advanced materials engineering. Dr Tay has been instrumental in pioneering the semiconductor 300mm copper technology together with the global partners and in achieving the Group's R&D critical milestones. Prior to joining FS in 2003, he was with Eng Tic Lee Engineering Pte Ltd.

An engineer and scientist by training, Dr Tay began his professional R&D experience with research think tank, Gintic Institute of Manufacturing Technology, Singapore. Dr Tay has received honours and awards in many of his academic, research and technology development work. Dr Tay has numerous inventions on his research work and has published in many international journals, books and encyclopedia in the areas of semiconductor manufacturing technology, advanced quality engineering, statistics, as well as advanced manufacturing engineering. His work has also been presented in many international conferences, seminars and workshops.

He has no family relationship with any other Directors or major shareholder of the Company. He has not been convicted of any offences within the past ten years. He has no conflict of interest other than disclosed under Section 11 in the Additional Disclosure section which appears on page 28 in this Annual Report.

Dato' Ibrahim Bin Mahmud

A Malaysian aged 67, was appointed as the Non-Independent Non-Executive Director of FCB on 10 April 2006. He joined the Sarawak Constabulary on 12 March 1964 as Constable and was promoted to the rank of Inspector in 1966 and thereafter rose through the gazette rank to full superintendent before his retirement as Divisional Superintendent on 1 March 1998. During his service in the Royal Malaysia Police, he had served as Staff Officer Narcotic, Criminal Investigation Department at the Headquarters, Sarawak and Officer in Charge of Police District. He was also seconded to the Anti-Corruption Agency, Kuching as Senior Investigation Officer. Currently, he sits on the board of Kim Hin Industry Berhad and several other private companies.

He has no family relationship with any other Directors or major shareholder of the Company. He has not been convicted of any offences within the past ten years. He has no conflict of interest with the Company.

Directors' Profile

Dato' Haji Johar Bin Murat @ Murad

A Malaysian aged 63, was appointed as the Independent Non-Executive Director of FCB on 10 April 2006. He is a member of the Audit Committee, Nomination Committee and Remuneration Committee. He graduated with a Bachelor degree in Malay Studies from Universiti Malaya in 1971. He has worked in various government agencies, such as the Ministry of Science, Technology & Environment, the Ministry of Finance, the Ministry of Public Enterprises (now known as Ministry of Entrepreneur and Co-operative Development) and Economic Planning Unit of Prime Minister Department. During his tenure of service in the Ministry of Finance (1996-2000), he was a director of the following organisations:

- Yayasan Tun Razak (Tun Razak Foundation)
- Perbadanan Kemajuan Negeri Selangor (Selangor State Economic Development Corporation)
- Majlis Sukan Negara Malaysia (National Sports Council)
- Lembaga Pembangunan Labuan (Labuan Development Authority)
- Syarikat MKIC Malaysia (Malaysia Equity Investment of Malaysia)
- Jawatankuasa Pengurusan Hutan Serantau (Regional Forestry Management Committee)
- Majlis Penyelidikan dan Kemajuan Sains Negara (National Council of Science and Research Development)

When he was the Deputy Secretary General (Operations) of the Ministry of Science, Technology & Environment from 2000 to 2003, Dato' Johar was also an Alternate Director of Lembaga Pengarah Technology Park Malaysia, MIMOS Berhad, SIRIM Berhad, Malaysian Agriculture Research and Development Institute, Malaysia Technology Development Corporation, Composite Technology Research Malaysia Sdn Bhd, Malaysia Design Council and National Science Centre. He was also the Chairman of Audit Committee of MIMOS Berhad and a member of the Board of Tender for MIMOS Berhad and SIRIM Berhad. Currently, he sits on the board of Furniweb Industrial Products Berhad and several other private companies.

He has no family relationship with any other Directors or major shareholder of the Company. He has not been convicted of any offences within the past ten years. He has no conflict of interest with the Company.

Ng Wai Pin

A Malaysian aged 44, was appointed as Independent Non-Executive Director of FCB on 10 April 2006. He is the Chairman of the Audit Committee, Nomination Committee and Remuneration Committee. He graduated with a Bachelor of Laws degree from the University of Auckland in 1988 and was practising as a barrister and solicitor in a leading legal firm in New Zealand for a number of years before returning to Malaysia where he joined Shook Lin & Bok, a legal firm in Kuala Lumpur. He was admitted as an Advocate and Solicitor of the High Court of Malaya in 1993 and later became a Director and Chief Executive Officer of a company listed on Bursa Malaysia Securities Berhad with regional operations, before returning to private practice in law. From September 2005 to February 2009, he was the Chief Operating Officer of a company listed on Singapore Exchange Limited and was seconded as the Chief Executive Officer of a company listed on the Australian Stock Exchange. Currently, he sits on the board of Euro Holdings Berhad and BSL Corporation Berhad.

He has no family relationship with any other Directors or major shareholder of the Company. He has not been convicted of any offences within the past ten years. He has no conflict of interest with the Company.

Aaron Sim Kwee Lein

A Malaysian aged 44, was appointed as Independent Non-Executive Director of FCB on 27 August 2009. He is a member of the Audit Committee. He is also a Fellow member of the Chartered Association of Certified Accountants (UK), a Chartered Accountant of the Malaysian Institute of Accountant, a member of CPA Australia and a Chartered Member of the Institute of Internal Auditors Malaysia. He commenced his career with an international accounting firm and gained professional exposure in stock-broking, trading, manufacturing and construction concerns. Thereafter, he joined a listed company on the Main Board of Bursa Securities as an Internal Auditor where he was engaged in audit work of stock-broking, manufacturing, retail and distribution concerns. In addition, he was also involved in due diligence, operational rationalisation and strategic planning work of corporate acquisitions. Subsequently, he joined a food retail franchise chain company as the Finance & Administrative Manager before becoming the Deputy General Manager of Corporate Strategies and Affairs of a glove manufacturing company. He is currently the Principal Consultant with Omni Biz Consulting, offering business and financial advisory services. Mr Sim also sits on the board of Freight Management Holdings Bhd and Excel Force MSC Berhad.

He has no family relationship with any other Directors or major shareholder of the Company. He has not been convicted of any offences within the past ten years. He has no conflict of interest with the Company.

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors of FCB recognises the importance of maintaining good corporate governance as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value. The Board has therefore taken steps, as far as practical, towards compliance with the principles and best practices as set out in the Malaysian Code on Corporate Governance ("Code") and Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Listing Requirements").

The following statement describes how the Company has applied the Principles of Corporate Governance and the extent of compliance with the best practices. Save for the appointment of a senior independent non-executive director, the dual role held by the Chairman, the composition of the nomination committee and the details of the remuneration of each Director, the Company has complied with the best practices of the Code.

(A) BOARD OF DIRECTORS

Board Responsibilities

The Group is led and directed by an effective Board consisting of competent individuals with appropriate specialised skills and knowledge to ensure capable management of the Group. The Board is primarily entrusted with the responsibility of charting the direction of the Group and has taken steps to adopt the following specific responsibilities listed by the Code which facilitates the discharge of the Board's stewardship responsibilities.

- Review and adopt strategic plans for the FCB Group;
- Oversee the conduct of the Group's business operations and performance;
- Identify and effectively manage the principal risks affecting the Group;
- Implement succession planning for business continuity;
- Review the adequacy and the integrity of the Group's internal control systems;
- Maintain effective communication with stakeholders and the general public.

Board Balance and Independence

The Board currently has six (6) members, comprising three (2) executive members and four (4) non-executive members. The composition of the independent non-executive directors is higher than the minimum prescribed in the Code and the Listing Requirements. A brief profile of each Director is presented on pages 18 to 19 of this Annual Report.

The Board does not view the need to appoint a senior independent non-executive director to whom concerns may be conveyed as the Chairman of the Board encourages open discussion and active participation of each and every Board member in the decision making process. The existing structure is considered adequate to enable any concerns regarding the Company to be conveyed to the Board for its deliberation. In this respect, shareholders or investors who do not wish to go through the normal channels of contact with the Company may direct their concerns to any of the independent directors of the Company.

The Board remains mindful of the dual role held by the Chairman. However, the Board is of the view that there is no concentration of power and authority, and that no one individual has unfettered powers of decision. Furthermore, there are sufficient independent directors on the Board who are individuals of calibre, credibility and are free from any business or other relationship which could materially interfere with the exercise of their independent judgment. These independent directors are capable of exercising independent judgment to ensure fair and objective deliberations at Board meetings.

The Board is satisfied with its existing number and composition, and is of the view that the current Board composition fairly reflects the interests of minority shareholders in the Company. It is also of the view that it has the right mix of skills, experience and strength in qualities to enable the Board to discharge its responsibilities in an effective and competent manner.

To assist in the execution of its responsibilities, the Board has established a number of Board committees, which include the Audit Committee, Nomination Committee and Remuneration Committee. These committees function within clearly defined terms of references and operating procedures which are reviewed on a regular basis.

Board Meetings and Supply of Information

The Board meets at least once every quarter, with additional meetings to be held if there are matters requiring the Board's decision at the relevant times. All proceedings of the Board Meetings are minuted which are then circulated to all Directors for their perusal prior to confirmation of the minutes at the following Board meeting.

Directors receive a set of Board papers prior to each Board meeting. This is to enable the Directors to study matters to be discussed and obtain further explanations, where necessary, before the meeting. All Directors have unrestricted access to the Group or to obtain independent advice at the Company's expense, whether as a full Board or in their individual capacity, in furtherance of their duties. The Directors also have access to the advice and services of the Company Secretaries who are responsible for ensuring that established procedures and relevant statutes and regulations are complied with.

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

(A) BOARD OF DIRECTORS (cont'd)

Board Meetings and Supply of Information (cont'd)

For the financial year ended 31 December 2009, five (5) Board Meetings were held and the summary of attendance of each Director at the Board Meetings held during the financial year under review is as follows:

Directors	Number of Board Meetings	
	Held	Attended
Wong Hua Choon	5	5
Dr Tay Kiang Meng	5	5
See Chuan Swee (resigned on 30 June 2009)	3	3
Dato' Ibrahim Bin Mahmud	5	3
Dato' Haji Johar Bin Murat @ Murad	5	5
Ng Wai Pin	5	5
Kek Chin Wu (resigned on 27 August 2009)	4	4
Aaron Sim Kwee Lein (appointed on 27 August 2009)	1	1

Directors' Training

All Directors have attended and completed the Mandatory Accreditation Programme ("MAP") in compliance with the Listing Requirements.

The Directors were updated on an ongoing basis by way of circulars on matters relating to changes to the Listing Requirements. Courses and forums attended by the Directors during the year were Financial Reporting During Financial Turbulence, Strengthening the Financial Reporting Chain in Enhancing Corporate Governance, Technical Briefing on Main Market Listing Requirements, Integrity & Compliance: The Malaysian Agenda, Entrepreneurship Form – Malaysia 2009, Best Practices of Boardroom Affairs, A Guide to Financial Statements – Tell Tale Signs of Cooked Books, Corporate Governance: CR Overview and Identifying CR Risks and Opportunity for Companies, The Challenges of Implementing FRS 139, Negotiating Equity Joint Ventures for Overseas Business, Analysing Financial Data with Microsoft Excel and 2010 Malaysian Tax Budget & Business.

The Directors are encouraged to update themselves with changes in guidelines issued by the relevant authorities and to attend such programmes which can complement their services to the Group. In addition, the Company Secretaries also update the Directors on the latest relevant regulatory requirements.

Appointment to the Board

The Nomination Committee ("NC") comprises three (3) members, majority of whom are independent non-executive directors, and they are:

Ng Wai Pin (Independent Non-Executive Director)	Chairman
Dato' Haji Johar Bin Murat @ Murad (Independent Non-Executive Director)	Member
Dr Tay Kiang Meng (Executive Director)	Member

The NC is responsible for reviewing the proposed candidate based on the selection criteria expected of a Director and makes recommendation to the Board if the proposed candidate is found to be suitable. The decision on new appointment of Directors rests with the Board after considering the recommendation of the NC. The NC also reviews the composition of the Board to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making.

The Board has also entrusted the NC with the responsibility for carrying out evaluation of board effectiveness in the areas of composition, roles and responsibilities, and whether the respective Board Committees effectively discharge their functions and duties in accordance with their terms of reference. The assessment of Board members takes into account the ability of each member to give material input at meetings and demonstrate high level of professionalism and integrity in decision making process.

The Board through the delegation of its authority to the NC, has used its best efforts to ensure that directors appointed to the board possess the background, experience, knowledge and skills critical to the Group's business and that each director with his special contributions brings to the board an independent and objective perspective to enable balanced and well-considered decisions to be made.

The Board is of the view that the current mix of skills and competency of its members are sufficient for the discharge of its responsibilities in an effective manner.

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

(A) BOARD OF DIRECTORS (cont'd)**Appointment to the Board (cont'd)**

Although the Code requires a nominating committee to consist fully of non-executive directors, the Board is of the view that the ability of the NC of the Company to effectively discharge its responsibility will not be impaired by an executive director serving as a member of the NC, since the Chairman of the NC leads the process of Board appointments and all appointments are also subject to the review and approval of the full Board.

For the year under review, the NC held two (2) meetings which were attended by all members of the Committee.

Re-election

The Articles of Association of the Company require that all Directors who are appointed by the Board shall retire from office and be subject to re-election by shareholders at the Annual General Meeting after their appointment. Furthermore, at least one-third (1/3) of the Board are subject to retirement and re-election by rotation at least once in every three (3) years. Accordingly, the Directors will submit themselves for re-nomination and re-election at regular intervals of at least once every three (3) years.

Directors' Remuneration

The Remuneration Committee ("RC"), consisting mainly of Non-Executive Directors, comprises the following members:

Ng Wai Pin (Independent Non-Executive Director)	Chairman
Dato' Haji Johar Bin Murat @ Murad (Independent Non-Executive Director)	Member
Wong Hua Choon (Executive Chairman / Managing Director)	Member

The RC is responsible for recommending to the Board the remuneration of the Executive Directors. The Company has adopted the objectives as recommended by the Code to determine the remuneration of the Directors so as to ensure that the Company attracts and retains Directors of the quality needed to manage the business of the Group effectively.

The remuneration packages of all Directors are devised to attract, retain and motivate them, and is reflective of the individual Director's experience and responsibilities. The remuneration for Executive Directors is structured to link rewards to performance and responsibility level. In setting remuneration packages, the RC takes into consideration the pay and employment conditions within the industry and in comparable companies. The remuneration of Non-Executive Directors is determined by the Board as a whole. None of the Directors participates in any way in determining their individual remuneration packages.

The RC met once during the financial year under review to deliberate on key remuneration matters.

The aggregate remuneration of the Directors for the financial year ended 31 December 2009 is as follows:

	Executive Directors	Non-Executive Directors
	RM'000	RM'000
Salaries	1,403	24
Fees	24	149
Bonuses	13	3
Other emoluments	58	1
	1,498	177

The number of Directors whose remuneration falls within the respective bands is as follows:

	Number of	Number of
	Executive Directors	Non-Executive Directors
Below RM50,000	-	4
RM50,001 to RM100,000	-	1
RM100,001 to RM150,000	1	-
RM150,001 to RM200,000	1	-
RM200,001 to RM250,000	1	-
	3	5

The Code recommends detailed disclosure to be made for each Director's remuneration. The Board is of the opinion that the transparency and accountability aspects of corporate governance as applicable to Directors' remuneration are appropriately served by the disclosures made above.

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

(B) ACCOUNTABILITY AND AUDIT

Audit Committee

The Audit Committee ("AC") currently comprises three (3) members, all of whom are independent non-executive directors.

The AC has full access to and co-operation of the management and has full discretion to invite any director or executive officer to attend its meetings. To create an environment for open discussion on audit matters, the AC meets with the internal and external auditors without the presence of the management at least once a year.

During the year, the Risk Management Committee was dissolved and its oversight responsibilities assumed by the AC. To eliminate duplication of efforts and ensure clear accountabilities, the respective heads of business unit are responsible to identify, monitor and manage risks as an integral part of business planning and performance management. The more significant risks (from a probability and impact perspective) are reserved for the Audit Committee's and the Board's review and discussion.

Further information on the Audit Committee is set out in the Audit Committee Report on pages 24 to 25 of this Annual Report.

Financial Reporting

The Board endeavours to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects to shareholders, primarily through the annual reports, quarterly announcements of the Group's results and other price-sensitive public reports. The Board is assisted by the Audit Committee in overseeing the Group's financial reporting processes and the accuracy, consistency and appropriateness of the use and application of accounting policies and standards, as well as the reasonableness and prudence in making estimates, statements and explanations.

Internal Controls

The Board has overall responsibility of maintaining a system of internal controls, which provides reasonable assurance of effective and efficient operations and compliance with laws and regulations as well as with internal policies and procedures.

The Board recognises that a system of internal controls is designed to manage rather than to eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss and therefore no internal control system will preclude all errors and irregularities.

With the assistance of the internal audit function, the AC and the Board review the effectiveness of key internal controls on an ongoing basis, provides its perspective on management control and ensures that the necessary corrective actions are taken on a timely basis.

The Statement on Internal Control of the Group set out on page 26 of this Annual Report provides an overview of the Group's approach in maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets.

Relationship with Auditors

The Board on its own and through the Audit Committee maintains a formal and transparent professional relationship with the Group's auditors. The roles of the Audit Committee in relation to the auditors are described in the Audit Committee Report set out on pages 24 to 25 of this Annual Report.

Directors' Responsibilities in Respect of Financial Statements

The Directors are required by the Companies Act, 1965 to prepare financial statements which give a true and fair view of the state of affairs of the Group and of the Company as at the end of each financial year and of the results and cash flows of the Group and of the Company for the financial year then ended. The Directors ensure that suitable accounting policies have been used and applied consistently, and that reasonable and prudent judgments and estimates have been made, in the preparation of the financial statements. The Directors also ensure that applicable approved accounting standards have been followed. The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy the financial position of the Group and of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1965.

(C) COMMUNICATION WITH SHAREHOLDERS

The Group communicates with its shareholders and investors primarily through timely release of financial results on a quarterly basis, press releases and announcements which gives the shareholders an overview of the Group's performance and operations. The Company's Annual General Meeting is the principal forum for dialogue with shareholders. The Board provides opportunities for shareholders to raise questions pertaining to issues in the Annual Report, corporate developments in the Group, the resolutions being proposed and the business of the Group in general at every General Meeting of the Company. The Company maintains dialogues with analysts and fund managers as a means of maintaining and improving investors relation.

Shareholders and members of the public can also obtain information on the Company through the Company's website at www.frontken.com.

AUDIT COMMITTEE REPORT

(A) COMPOSITION

The Audit Committee ("AC") comprises the following members:

Ng Wai Pin (Independent Non-Executive Director)	Chairman
Dato' Haji Johar Bin Murat @ Murad (Independent Non-Executive Director)	Member
Kek Chin Wu (Independent Non-Executive Director) *	Member
Aaron Sim Kwee Lein (Independent Non-Executive Director) **	Member

* resigned as member of the AC on 27 August 2009

** appointed as member of the AC on 27 August 2009

(B) TERMS OF REFERENCE

Composition

The AC shall be appointed by the Board of Directors from amongst its members and shall comprise no fewer than three (3) members, all of whom should be non-executive directors with a majority being independent directors. At least one (1) member must be a member of the Malaysian Institute of Accountants or possess such other qualifications and/or experience as approved by Bursa Malaysia Securities Berhad.

In the event of any vacancy in the Audit Committee resulting in the non-compliance with Paragraph 15.09 of the Listing Requirements, the Board shall appoint a new member within three (3) months. The Board will review the term of office and the performance of the AC and each of its members at least once every three (3) years.

Meetings

The AC shall meet at least four (4) times in each financial year and may regulate its own procedure in lieu of convening a formal meeting by means of video or teleconference. The quorum for a meeting shall be the majority of members present, who shall be independent directors. The Company Secretary shall act as secretary of the AC.

The AC may invite any board member or any member of management or any employee of the Company whom the Committee thinks fit to attend its meetings, assist and provide pertinent information as necessary. The internal and external auditors have the right to appear at any meetings of the AC and shall appear before the Committee when required to do so by the Committee.

Functions and Duties

The functions and duties of the AC are as follows:-

- To review the following and report the same to the Board of Directors:-
 - the nomination of external auditors;
 - the adequacy of existing external auditors audit arrangements, with particular emphasis on the scope and quality of the audit;
 - the effectiveness and adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - the internal audit programme and the results of the internal audit processes, and where necessary, ensure that appropriate actions are taken on the recommendations of the internal auditors;
 - any appraisal or assessment of the performance of members of the internal audit function and approve any appointment or termination of internal auditors;
 - the effectiveness of the internal control and management information systems;
 - the financial statements of the Company with both the external auditors and management;
 - the external auditors' audit report;
 - any management letter sent by the external auditors to the Company and the management's response to such letter;
 - any letter of resignation from the Company's external auditors;
 - the quarterly and year end financial statements of the Group;
 - the assistance given by the employees of the Company to the external auditors;
 - all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels; and
 - all related party transactions and potential conflict of interests situations that may arise within the Company/Group.
- To consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal and on whether there is reason (supported by grounds) to believe that the Company's external auditors is not suitable for re-appointment.
- To carry out any other function that may be mutually agreed upon by the Committee and the Board, which would be beneficial to the Company and ensure the effective discharge of the Committee's duties and responsibilities.

AUDIT COMMITTEE REPORT (cont'd)

(B) TERMS OF REFERENCE (cont'd)

Functions and Duties (cont'd)

4. The Committee's actions shall be reported to the Board of Directors with such recommendations as the Committee deems appropriate.
5. To report to Bursa Malaysia Securities Berhad on any matter reported by it to the Board of the Company which has not been satisfactorily resolved resulting in a breach of the Listing Requirements.

Authority

The AC shall have the authority to:-

- (a) investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information which it requires in the course of performing its duties;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function;
- (e) obtain independent/external professional or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and
- (f) convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

(C) SUMMARY OF THE ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year under review, the AC had five (5) meetings. The details of their attendance at meetings are as follows:

	Number of Meetings Attended
Ng Wai Pin	5/5
Dato' Haji Johar Bin Murat @ Murat	5/5
Kek Chin Wu (resigned as member of the AC on 27 August 2009)	4/4
Aaron Sim Kwee Lein (appointed as member of the AC on 27 August 2009)	1/1

The AC carried out its duties as set out in the terms of reference. These included:

- (a) Reviewed quarterly and year-end financial statements prior to recommending the same for the Board's approval, focusing particularly on significant and unusual events and compliance with accounting standards and other legal requirements.
- (b) Recommended the appointment of the external auditors and audit fees.
- (c) Reviewed the external auditors' Audit Planning Memorandum comprising their scope of audit, key audit areas, audit approach and timetable.
- (d) Reviewed the external auditors' management letter and recommendations regarding opportunities for improvement to internal controls based on observations made in the course of the audit.
- (e) Reviewed the scope and results of the internal audit procedures and evaluated the adequacy of the internal control systems based on the reports from the internal auditors.
- (f) Reviewed the related party transactions and to ensure that they are not more favourable to the related parties than those generally available to the public and comply with the Listing Requirements.
- (g) Review the Group's financial and accounting policies and practices.
- (h) Evaluated the performance of the external auditors' function based on timeliness, competency and adequacy of resources to achieve the agreed scope of audit before recommending the re-appointment of external auditors to the Board.
- (i) Evaluated the performance of the internal auditors to ascertain that the internal audit function is carried out effectively.

(D) INTERNAL AUDIT FUNCTION

The Company outsourced its internal audit function to an independent internal audit service provider. The principal role of the internal audit is to undertake such systematic reviews of the internal control systems within the Group in accordance with internal audit plan, so as to provide reasonable assurance that such systems are adequate and functioning as intended. Its responsibilities include provision of independent and objective reports on the state of internal control of the various operating units within the Group to the AC and provide recommendations for the improvement of the control procedures, so that remedial actions can be taken in relation to weaknesses noted in the systems and controls of the respective operating units. The internal audit covered key operational, financial and compliance control. The total costs incurred by the Company for the internal audit function of the Group in 2009 amounted to RM21,300.

STATEMENT ON INTERNAL CONTROL

The Board recognises the importance of a sound system of internal control in the Group and is pleased to present below a status review of the Group's state of internal controls, which has been prepared in accordance with the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

Acknowledgement of Responsibility

The Board recognises the importance of a sound system of internal control to cover the financial, compliance and operational controls and effective risk management practices in the Group. The Board and the Audit Committee are informed of all control issues pertaining to internal controls and regulatory compliance. The Board affirms its overall responsibility and reviews the adequacy and integrity of the system of internal control to safeguard shareholders' investment and the Group's assets. However, due to the inherent limitations of any system of internal control, this system is designed to manage, rather than eliminate the risk of failure to achieve the Group's objectives. Accordingly, the system can only provide reasonable but not absolute assurance against material misstatement, loss and fraud.

System of Internal Control

The Group has an established organisational structure with clearly defined lines of responsibilities and appropriate levels of delegation and authority. It maintains a clear reporting lines and segregation of duties for major operational functions such as purchasing, payment and capital expenditures and investments. These procedures are subject to review and improvements to reflect the changing risks or resolve operational deficiencies. A process of hierarchical reporting is established which provides a documented and auditable trail of accountability.

The Group conducts regular management meetings to monitor business developments, discuss and resolve operational and management issues, review financial performance against business plans and monitor the respective business unit's performance against budgets. During these meetings, the Group's business objectives, strengths, weaknesses, opportunities, threats and key business risks are identified and action plans are formulated thereon. The Executive Directors undertake regular site visits to production and operating units and communicate with various levels of staff to gauge first-hand the effectiveness of strategies discussed and implemented.

Significant changes in the business development are reported to the Board during the Board meetings. This oversight review enables the Board to control and evaluate the business performance so as to ensure that the Group is achieving its corporate objectives.

Risk Management Framework

The Board and the management regard risk management as an integral part of the business operations and are continuously identifying, evaluating and managing significant business risks affecting the day-to-day operations of the Group. The key risks relating to the Group's operations and strategic and business plans are addressed at management's periodic meetings. Risks identified were prioritised in terms of likelihood of their occurrence and the impact on the achievement of the Group's business objectives/goals. Where there are any areas of concern on the reliability and integrity of financial information of any business unit, special audits are commissioned to assist the Board in fulfilling its oversight responsibilities.

The internal audit function is outsourced to a professional service provider firm. The Internal Auditors review the Group's system of internal controls and report the internal audit activities conducted within the year to the Audit Committee. Any significant weaknesses identified during the reviews together with the improvement measures to strengthen the internal controls are reported to the Audit Committee. The Audit Committee reviews the internal control issues identified by the internal and external auditors, and evaluates the adequacy and effectiveness of the Group's risk management and internal control system.

Conclusion

The Board confirms that it has reviewed the effectiveness of the system of internal control and that any necessary actions have been or are being taken to remedy the internal control weaknesses identified from the review. No material losses, contingencies or uncertainties have arisen from any inadequacy or failure of the Group's system of internal control that would require separate disclosure in the Company's Annual Report.

The Board is also cognizant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the system of internal controls.

Pursuant to paragraph 15.23 of the Listing Requirements, the external auditors have reviewed this Statement for inclusion in the Annual Report for the year ended 31 December 2009 and reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

ADDITIONAL DISCLOSURE

1. Share Buyback

The proposed share buy-back which was announced on 29 April 2009 was approved by the shareholders of the Company at the 5th AGM on 25 June 2009. However, the Company did not enter into any share buyback transactions during the financial year.

2. Options, Warrants or Convertible Securities

On 11 March 2010, the Company issued 288,973,760 warrants pursuant to 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 11 February 2010.

Save as disclosed, the Company has not issued any options, warrants or convertible securities.

3. Depository Receipts ("DR")

During the financial year, the Company did not sponsor any DR.

4. Sanctions and/or Penalties

There were no sanctions or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the year.

5. Non-Audit Fees

During the year, the non-audit fees paid to our external auditors, or a firm or company affiliated to the external auditors for the financial year ended 31 December 2009 amounted to RM52,000.

6. Variation in Results

There was no deviation of 10% or more between the audited results for the financial year ended 31 December 2009 and the unaudited results announced by the Company on 23 February 2010.

7. Profit Guarantee

During the financial year, there was no profit guarantee given by the Company.

8. Material Contract

Save as disclosed below and other than those in the ordinary course of business entered into by the Company and/or its subsidiaries during the financial year, there were no material contracts entered into by the Company and its subsidiaries involving the interests of Directors and/or major shareholders of the Company.

On 27 February 2009, the Company announced that its wholly-owned subsidiary, Frontken (Singapore) Pte Ltd, had agreed to the terms and entered into a conditional Share Purchase Agreement ("SPA") with Wong Hua Choon for the acquisition of 1,397,400 ordinary shares representing 20% of the issued and paid-up share capital of Chinyee Engineering & Machinery Pte Ltd ("Chinyee") for a cash consideration of SGD820,000 (equivalent to approximately RM1,963,000 based on the exchange rate of SGD1.00 : RM2.3937 as at 26 February 2009).

On 19 January 2010, the Company announced that based on the audited financial statements of Chinyee for the financial year ended 31 December 2008, the audited net asset value ("NAV") of Chinyee had varied from the unaudited NAV by more than 10% and as such, the purchase price for the acquisition 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 SPA. The acquisition was completed on 20 January 2010.

Wong Hua Choon, a Director and major shareholder of the Company, is also a director and substantial shareholder of Chinyee. Yeo Lay Poh, a former substantial shareholder of the Company, is also a director and substantial shareholder of Chinyee.

9. Revaluation Policy

The Group's property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. At each balance sheet date, the Group reviews its assets to determine whether there is any indication that those assets have suffered an impairment loss.

As part of the review, the Group will conduct yearly review of the fair values of its landed properties. The Group will also procure a formal valuation from independent professional valuers on its landed properties at least once every five years or any point of time at the request of the banks under the mortgaging agreements.

ADDITIONAL DISCLOSURE (cont'd)

10. Corporate Social Responsibility

The Group acknowledges the importance of Corporate Social Responsibility (“CSR”) in our business practices. Our CSR platform touches upon responsible business practices, environmental stewardship and education stewardship.

We run our operations in line with our values, applicable laws and regulations and with integrity. We believe in empowering people close to the actions to take ownership and responsibility, and instil a culture that values honesty, integrity and transparency alongside innovation and continuous improvement.

We integrate health, safety and environment (HSE) considerations into all aspects of our business operations and processes as far as practicable and provide constant training and monitoring to ensure the safety and overall well-being of our people. We also implement an Occupational Safety and Health Management System in accordance with OHSAS 18001:2007 with the aim of preventing accidents, injuries, occupational illness and pollution, and conserving natural resources.

In line with the increasing global awareness for environmental protection, we require all our businesses to operate in an environmentally responsible manner. Our approach is to ensure strict adherence to environmental legislation governing treatment of plant effluents and waste water, and maintain strict control to minimise the adverse impact on the environment. Our facilities are accorded ISO 14001:2004 certification and we encourage all our operating subsidiaries to adopt an environmental management system to comply with the environmental regulations.

Delivering outstanding performance requires exceptional people. At Frontken, we aim to create a culture of lifelong learning, driven by a training and development programme to support continual self-improvement and help our people achieve their potential. We sponsor students to compete in events to create a culture where students not only emulate leaders in science, technology and engineering, but also realize the potential within them to someday be one of those pioneers.

We undertake various initiatives in contributing to the community, including supporting education by providing job opportunities to students from various polytechnics and institutes of technical education who wish to undergo industrial/practical training. We also encourage employees’ involvement in efforts to help local communities.

11. Recurrent Related Party Transactions (“RRPT”)

Details of the RRPT during the financial year ended 31 December 2009 are as follows:

Companies within the Group	Transacting parties	Interested parties/relationship	Nature of transactions	RM'000
Frontken (East Malaysia) Sdn Bhd (“FEM”)	AMT Engineering Sdn Bhd (“AMT”)	Sia Chiok Meng, a Director of FEM, is also a Director and major shareholder of AMT.	Sales to and purchases from AMT	61
FEM	A&I Engine Rebuilders Sdn Bhd (“A&I”)	Sia Chiok Meng, a Director of FEM, is also a Director and major shareholder of A&I.	Sales to and purchases from A&I	75
Frontken (Singapore) Pte Ltd (“FS”), Metall-Treat Industries Pte Ltd, FEM	Chinyee Engineering & Machinery Pte Ltd (“Chinyee”)	Wong Hua Choon, a Director and major shareholder of FCB, is also a Director and substantial shareholder of Chinyee. Yeo Lay Poh, a former substantial shareholder of FCB and a Director of FS, is also a Director and substantial shareholder of Chinyee. Dr Tay Kiang Meng is a Director of both FCB and Chinyee.	Sales to and purchases from Chinyee	6,855
Frontken - MIC (Wuxi) Co. Ltd. (“FMIC-W”)	MIC-Tech (Wuxi) Co., Ltd (“MIC-Tech”)	Marketch International Corporation, the ultimate holding company of MIC-Tech, is a deemed substantial shareholder of FMIC-W	Rental payable to MIC-Tech and fees payable to MIC-Tech for administrative support functions and services, and sharing of resources	783

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.

ADDITIONAL DISCLOSURE (cont'd)

12. Utilisation of Proceeds

- (a) The Company raised approximately RM22.0 million from its private placement exercise which was announced on 2 April 2007. A total of 47,500,000 shares were issued pursuant to the private placement which were placed out to identified investors in four tranches at an issue prices per share of RM0.76, RM0.50, RM0.18 and RM0.21.

The proceeds received by the Company from the private placement were fully utilised on 20 August 2009 as follows:

Purpose	RM'000
Viable future investments	18,491
Working capital	3,253
Estimated share issue and related expenses	235
	21,979

- (b) The Company raised approximately RM31.8 million from its rights issue of shares with warrants which was completed on 16 March 2010.

As at 30 April 2010, the status of the utilisation of proceeds from the rights issue is as follows:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000
Repayment of Group's borrowings	15,000	228	14,772
To finance future investments	8,000	120	7,880
Working capital	7,787	-	7,787
Defraying estimated expenses	1,000	762	238
	31,787	1,110	30,677

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DIRECTORS' REPORT

The directors of **FRONTKEN CORPORATION BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended December 31, 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding and provision of management services to its subsidiaries.

The principal activities of the subsidiaries are disclosed in Note 13 to the Financial Statements.

There have been no significant changes in the nature of the activities of the Company and of its subsidiaries during the financial year.

SIGNIFICANT CORPORATE EVENTS

The corporate proposals during the financial year are disclosed in Note 31 to the financial statement.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	The Group RM	The Company RM
Profit/(Loss) before tax	8,103,178	(882,042)
Income tax expense	(259,284)	-
	<hr/>	<hr/>
Profit/(Loss) for the year	7,843,894	(882,042)
	<hr/>	<hr/>
Attributable to:		
Equity holders of the Company	8,409,575	(882,042)
Minority interests	(565,681)	-
	<hr/>	<hr/>
	7,843,894	(882,042)
	<hr/>	<hr/>

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors also do not recommend the payment of any dividend in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

DIRECTORS' REPORT (CONT'D)

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up share capital of the Company was increased from RM69,977,040 to RM72,243,440 by:

- (a) the issuance of 11,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.18 per share pursuant to the Private Placement on 16 March, 2009; and
- (b) the issuance of 11,664,000 new ordinary shares of RM0.10 each at an issue price of RM0.21 per share pursuant to the Private Placement on 22 July, 2009.

The resulting share premium of RM2,163,040 arising from the private placement exercise was credited to the share premium account.

The new shares issued rank pari passu in all material respects with the existing shares of the Company.

The Company has not issued any debentures during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.

OTHER FINANCIAL INFORMATION

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances:

- (a) which would require the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

DIRECTORS' REPORT (CONT'D)

OTHER FINANCIAL INFORMATION (CONT'D)

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the succeeding financial year other than those mentioned in Note 32 to the Financial Statements.

DIRECTORS

The following directors served on the Board of the Company since the date of the last report:

Wong Hua Choon
Dr. Tay Kiang Meng
Dato' Ibrahim Bin Mahmud
Dato' Haji Johar bin Murat @ Murad
Ng Wai Pin
Aaron Sim Kwee Lein (appointed on 27.8.2009)
See Chuan Swee (resigned on 30.6.2009)
Kek Chin Wu (resigned on 27.8.2009)

In accordance with Article 74 of the Company's Articles of Association, Dato' Haji Johar bin Murat @ Murad and Mr. Ng Wai Pin retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Mr. Aaron Sim Kwee Lein, who was appointed to the Board since the date of the last Annual General Meeting, retires under Article 79 of the Company's Articles of Association and, being eligible, offers himself for re-election.

DIRECTORS' INTERESTS

The shareholdings in the Company of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

	Number of ordinary shares of RM0.10 each			
	Balance as of 1.1. 2009	Bought	Sold	Balance as of 31.12.2009
Shares in the Company				
Direct Interests				
Wong Hua Choon	143,604,092	-	-	143,604,092
Dr. Tay Kiang Meng	1,580,000	1,142,000	-	2,722,000
Number of ordinary shares of RM0.10 each				
	Balance as of 1.1. 2009	Bought	Sold	Balance as of 31.12.2009
Shares in the Company				
Indirect Interests				
Wong Hua Choon ¹	16,852,123	-	-	16,852,123
Dr. Tay Kiang Meng ¹	16,852,123	-	-	16,852,123
Dato' Ibrahim Bin Mahmud ²	108,169,952	-	(108,169,952)	-

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS (CONT'D)

Notes:

- ¹ Deemed interest by virtue of Section 6A(4) of the Companies Act, 1965 through their interest in Frontken Holdings Pte. Ltd..
- ² Deemed interest by virtue of Section 6A(4) of the Companies Act, 1965 through his interest in Quantum Spire Sdn. Bhd..

By virtue of the above directors' interest in the shares of the Company, they are deemed to have interests in the shares of the subsidiaries to the extent the directors have their interests.

The other directors did not hold shares or have any beneficial interest in the shares of the Company or of its related companies during and at the end of the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by directors as disclosed in the Financial Statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the transactions as disclosed in Note 19 to the Financial Statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

AUDITORS

The auditors, Messrs. Crowe Horwath (formerly known as Messrs. Horwath) have expressed their willingness to continue in office.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

WONG HUA CHOON

DR. TAY KIANG MENG

Kuala Lumpur,

26 April 2010

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FRONTKEN CORPORATION BERHAD

We have audited the financial statements of Frontken Corporation Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 37 to 81.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the financial year then ended.

Other Matters

The financial statements of the Group and of the Company for the preceding financial year were audited by another firm of auditors whose report dated 28 April 2009, expressed an unqualified opinion on those statements.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act;
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 13 to the financial statements;
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes; and
- (d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OFFRONTKEN CORPORATION BERHAD (CONT'D)

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath

Firm No : AF 1018
Chartered Accountants

Kuala Lumpur

26 April 2010

Lee Kok Wai

Approval No : 2760/06/10 (J)
Chartered Accountant

INCOME STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	The Group		The Company	
		2009 RM	2008 RM	2009 RM	2008 RM
Revenue	6	137,358,860	130,553,084	231,555	1,168,570
Cost of sales		(101,663,796)	(89,599,383)	-	-
Gross profit		35,695,064	40,953,701	231,555	1,168,570
Other income		2,946,493	10,015,344	978,661	1,980,996
Administrative expenses		(22,081,728)	(23,914,134)	(1,734,588)	(2,191,853)
Other expenses		(3,325,932)	(4,713,516)	(87,806)	(35,392)
Finance costs	7	(3,879,051)	(4,241,909)	(269,864)	(1,432,406)
Share of results in associates		(1,251,668)	1,311,524	-	-
Profit/(Loss) before tax	8	8,103,178	19,411,010	(882,042)	(510,085)
Income tax expense	9	(259,284)	(496,105)	-	-
Profit/(Loss) for the year		7,843,894	18,914,905	(882,042)	(510,085)
Attributable to:					
Equity holders of the Company		8,409,575	18,850,507		
Minority interests		(565,681)	64,398		
		7,843,894	18,914,905		
Earnings per ordinary share attributable to equity holders of the Company (sen)					
Basic and diluted	10	1.2	2.7		

The accompanying Notes form an integral part of the Financial Statements.

BALANCE SHEETS
AS OF DECEMBER 31, 2009

	Note	The Group		The Company	
		2009 RM	2008 RM	2009 RM	2008 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	11	113,480,913	108,979,712	100,755	65,592
Prepaid lease payments	12	3,490,772	3,552,738	-	-
Investment in subsidiaries	13	-	-	30,903,191	29,923,851
Investment in associates	14	46,538,503	48,192,140	22,955,162	22,955,162
Goodwill on consolidation	15	4,724,073	3,749,020	-	-
Intangible asset	16	-	-	-	-
Total Non-Current Assets		168,234,261	164,473,610	53,959,108	52,944,605
Current Assets					
Inventories	17	8,925,542	9,044,623	-	-
Amount due from contract customers	18	-	668,875	-	-
Trade receivables	19	36,900,201	41,323,668	-	-
Other receivables and prepaid expenses	19	5,285,410	10,169,824	43,427	29,095
Tax recoverable		-	-	-	-
Amount owing by subsidiaries	13	-	-	43,607,599	42,930,836
Amount owing by associates	14	2,098,465	3,500,059	-	693,871
Fixed deposits with licensed banks		781,627	758,232	-	-
Cash and bank balances		12,770,709	10,440,412	200,943	322,258
Total Current Assets		66,761,954	75,905,693	43,851,969	43,976,060
Total Assets		234,996,215	240,379,303	97,811,077	96,920,665
EQUITY AND LIABILITIES					
Capital and Reserves					
Issued capital	20	72,243,440	69,977,040	72,243,440	69,977,040
Reserves	21	11,685,849	8,680,005	7,997,587	5,934,537
Retained earnings/ (Accumulated losses)		51,419,091	43,009,516	(1,390,543)	(508,501)
Equity attributable to equity holders of the Company		135,348,380	121,666,561	78,850,484	75,403,076
Minority interests		182,232	651,874	-	-
Total Equity		135,530,612	122,318,435	78,850,484	75,403,076

BALANCE SHEETS
AS OF DECEMBER 31, 2009 (CONT'D)

	Note	The Group		The Company	
		2009 RM	2008 RM	2009 RM	2008 RM
Non-Current Liabilities					
Term loans	22	25,265,019	33,200,474	-	-
Deferred income	23	-	-	-	-
Hire purchase payables	24	14,596,712	12,091,335	-	-
Deferred tax liabilities	25	3,789,267	3,466,075	-	-
Total Non-Current Liabilities		43,650,998	48,757,884	-	-
Current Liabilities					
Amount due to contract customers	18	47,202	-	-	-
Trade payables	26	12,556,468	19,452,763	-	-
Other payables and accrued expenses	26	12,506,798	18,195,181	253,253	345,619
Amount owing to subsidiaries	13	-	-	18,707,340	21,171,970
Amount owing to associates	14	117,594	300,858	-	-
Bank overdraft	27	3,365,362	5,617,839	-	-
Bank borrowings	27	18,367,015	18,471,490	-	-
Deferred income	23	-	19,248	-	-
Hire purchase payables	24	8,223,614	5,906,750	-	-
Tax liabilities		630,552	1,338,855	-	-
Total Current Liabilities		55,814,605	69,302,984	18,960,593	21,517,589
Total Liabilities		99,465,603	118,060,868	18,960,593	21,517,589
Total Equity and Liabilities		234,996,215	240,379,303	97,811,077	96,920,665

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2009

The Group	Issued capital RM	Share premium RM	Non-distributable	Distributable	Attributable	Minority interests RM	Total RM
			Foreign currency translation reserve RM	Retained earnings/ (Accumulated losses) RM	to equity holders of the Company RM		
Balance as of January 1, 2008	49,473,600	23,887,977	473,428	24,159,009	97,994,014	1,670,367	99,664,381
Net income recognised directly in equity:							
Exchange differences arising from translation of foreign operations	-	-	2,272,040	-	2,272,040	-	2,272,040
Profit for the year	-	-	-	18,850,507	18,850,507	64,398	18,914,905
Total recognised income	-	-	2,272,040	18,850,507	21,122,547	64,398	21,186,945
Issue of shares by subsidiary	-	-	-	-	-	661,303	661,303
Acquisition of additional equity interest in a subsidiary	-	-	-	-	-	(1,744,194)	(1,744,194)
Issue of ordinary shares (Note 20)	510,000	2,040,000	-	-	2,550,000	-	2,550,000
Private placement	19,993,440	(19,993,440)	-	-	-	-	-
Bonus issue							
Balance as of December 31, 2008	69,977,040	5,934,537	2,745,468	43,009,516	121,666,561	651,874	122,318,435
Balance as of January 1, 2009	69,977,040	5,934,537	2,745,468	43,009,516	121,666,561	651,874	122,318,435
Net income recognised directly in equity:							
Exchange differences arising from translation of foreign operations	-	-	942,794	-	942,794	44,079	986,873
Share issue expenses	-	(99,990)	-	-	(99,990)	-	(99,990)
Profit for the year	-	-	-	8,409,575	8,409,575	(565,681)	7,843,894
Total recognised income and expense	-	(99,990)	942,794	8,409,575	9,252,379	(521,602)	8,730,777
Issue of shares by subsidiary	-	-	-	-	-	51,960	51,960
Issue of ordinary shares (Note 20):							
Private placement	2,266,400	2,163,040	-	-	4,429,440	-	4,429,440
Balance as of December 31, 2009	72,243,440	7,997,587	3,688,262	51,419,091	135,348,380	182,232	135,530,612

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2009 (CONT'D)

The Company	Issued Capital RM	Non- distributable - Share premium RM	Distributable- Retained earnings/ (Accumulated losses) RM	Total RM
Balance as of January 1, 2008	49,473,600	23,887,977	1,584	73,363,161
Total recognised income and expense				
Loss for the year	-	-	(510,085)	(510,085)
Issue of ordinary shares (Note 20)				
Private placement	510,000	2,040,000	-	2,550,000
Bonus issue	19,993,440	(19,993,440)	-	-
Balance as of December 31, 2008	<u>69,977,040</u>	<u>5,934,537</u>	<u>(508,501)</u>	<u>75,403,076</u>
Balance as of January 1, 2009	69,977,040	5,934,537	(508,501)	75,403,076
Net expense recognised directly in equity				
Share issue expenses	-	(99,990)	-	(99,990)
Loss for the year	-	-	(882,042)	(882,042)
Total recognised income and expense	-	(99,990)	(882,042)	(982,032)
Issue of ordinary shares (Note 20):				
Private placement	2,266,400	2,163,040	-	4,429,440
Balance as of December 31, 2009	<u>72,243,440</u>	<u>7,997,587</u>	<u>(1,390,543)</u>	<u>78,850,484</u>

The accompanying Notes form an integral part of the Financial Statements.

CASH FLOW STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES				
Profit/(Loss) for the year	7,843,894	18,914,905	(882,042)	(510,085)
Adjustments for:				
Depreciation of property, plant and equipment	13,479,985	11,098,636	26,622	30,083
Interest expense	3,879,051	4,241,909	269,864	1,432,406
Unrealised (gain)/loss on foreign exchange	(837,117)	1,352,145	(370,494)	1,039,824
Income tax expense recognised in income statements	259,284	496,105	-	-
Allowance for doubtful debts	100,920	-	-	-
Bad debts written off	522,290	-	-	-
Property, plant and equipment written off	70,677	285,674	30,370	-
Amortisation of intangible assets	-	123,680	-	-
Amortisation of prepaid lease payments	61,966	61,967	-	-
Share of results in associates	1,251,668	(1,311,524)	-	-
Interest income	(65,606)	(520,419)	(966,428)	(1,980,996)
Gain on disposal of property, plant and equipment	(100,740)	(509,056)	-	-
Gain on dilution of investment in a former subsidiary to associate	-	(311,833)	-	-
Government grants	(19,383)	(50,968)	-	-
Writeback of allowance for doubtful debts	(49,454)	-	-	-
Dividend income from associate	-	-	(231,555)	(1,168,570)
Operating Profit/(Loss) Before Working Capital Changes	26,397,435	33,871,221	(2,123,663)	(1,157,338)
(Increase)/Decrease in:				
Inventories	(2,618,208)	(3,686,039)	-	-
Amount due from contract customers	668,875	(453,475)	-	-
Trade receivables	5,347,129	(6,923,373)	-	-
Other receivables and prepaid expenses	8,555,772	(5,244,176)	(14,332)	21,115
Amount owing by associates	(1,152,773)	-	-	-
Increase/(Decrease) in:				
Amount due to contract customers	47,202	-	-	-
Trade payables	(7,080,926)	3,502,096	-	-
Other payables and accrued expenses	(6,023,929)	6,901,996	(90,842)	26,479
Amount owing to associates	(185,519)	300,858	-	-
Amount owing to a director	21,214	-	-	-
Cash Generated From/(Used in) Operations	23,976,272	28,269,108	(2,228,837)	(1,109,744)
Taxes paid	(698,369)	(2,500,190)	-	-
Net Cash From/(Used In) Operating Activities	23,277,903	25,768,918	(2,228,837)	(1,109,744)

(Forward)

CASH FLOW STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009 (CONT'D)

	Note	The Group		The Company	
		2009 RM	2008 RM	2009 RM	2008 RM
CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES					
Increase in amount owing by subsidiaries		-	-	17,108	304,839
Increase in amount owing by associates		-	(2,542,998)	-	(693,871)
Purchase of property, plant and equipment		(3,391,952)	(16,728,613)	(92,155)	(3,354)
Dividend received from associates		600,891	2,779,369	231,555	1,168,570
Acquisition of subsidiaries	13	354,446	(2,550,000)	-	(692,804)
Acquisition of associates		-	(427,337)	-	-
Proceeds from disposal of property, plant and equipment		285,779	3,661,072	-	-
Interest received		65,606	520,419	966,428	1,980,996
Net Cash From/(Used In) Investing Activities		(2,085,230)	(15,288,088)	1,122,936	2,064,376
CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES					
Decrease in amount owing to subsidiaries		-	-	(3,069,239)	(3,502,660)
Proceeds from issuance of shares		4,429,440	2,550,000	4,429,440	2,550,000
Share issue expenses		(99,990)	-	(99,990)	-
Repayment of term loans		(8,618,237)	(17,281,639)	-	-
Interest paid		(3,879,051)	(4,241,909)	(269,864)	(1,432,406)
Issue of shares by subsidiary		-	661,303	-	-
Drawdown of term loans		-	5,000,000	-	-
Increase/(Decrease) in short-term borrowings		-	795,519	-	(8,000,000)
Payment of hire purchase payables		(8,701,131)	(6,373,333)	-	-
Net Cash From/(Used In) Financing Activities		(16,868,969)	(18,890,059)	990,347	(10,385,066)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS					
Effect of exchange rate changes		282,465	73,101	(5,761)	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR					
		5,580,805	13,916,933	322,258	9,752,692
CASH AND CASH EQUIVALENTS AT END OF YEAR					
	28	10,186,974	5,580,805	200,943	322,258

Note : During the financial year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM16,562,501 and RM92,155 (2008 : RM26,934,261 and RM3,354), respectively, of which RM13,170,549 (2008 : RM10,205,648), respectively, was acquired under hire-purchase arrangements. Cash payments for the acquisition of property, plant and equipment amounted to RM3,391,952 and RM92,155 (2008 : RM16,728,613 and RM3,354) respectively.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of Bursa Malaysia Securities Berhad.

The principal activity of the Company is that of investment holding and provision of management services to its subsidiaries.

The principal activities of the subsidiaries are disclosed in Note 13.

There have been no significant changes in the nature of the activities of the Company and of its subsidiaries during the financial year.

The registered office of the Company is located at Suite 1603, 16th Floor, Wisma Lim Foo Yong, No. 86, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia.

The principal place of business of the Company is located at Suite 301, Block F, Pusat Dagangan Phileo Damansara 1, No. 9, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 26 April 2010.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Financial Reporting Standards ("FRS") and the Companies Act 1965 in Malaysia.

The Group has not applied in advance the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:

FRSs/IC Interpretations	Effective date
Revised FRS 1 (2010) First-time Adoption of Financial Reporting Standards	1 July 2010
Revised FRS 3 (2010) Business Combinations	1 July 2010
FRS 4 Insurance Contracts	1 January 2010
FRS 7 Financial Instruments: Disclosures	1 January 2010
FRS 8 Operating Segments	1 July 2009
Revised FRS 101 (2009) Presentation of Financial Statements	1 January 2010
Revised FRS 123 (2009) Borrowing Costs	1 January 2010
Revised FRS 127 (2010) Consolidated and Separate Financial Statements	1 July 2010
Revised FRS 139 (2010) Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 1 and FRS 127: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 1: Limited Exemption from Comparative FRS7 Disclosures for First-time adoption	1 January 2011
Amendments to FRS 2: Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 2: Scope of FRS 2 and Revised FRS 3 (2010)	1 July 2010

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

FRSs/IC Interpretations (Cont'd)	Effective date
Amendments to FRS 5: Plan to Sell the Controlling Interest in a Subsidiary	1 July 2010
Amendments to FRS 7, FRS 139 and IC Interpretation 9	1 January 2010
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 132: Classification of Rights Issues and the Transitional Provision In Relation to Compound Instruments	1 January 2010/ 1 March 2010
Amendments to FRS 138: Consequential Amendments Arising from Revised FRS 3 (2010)	1 July 2010
IC Interpretation 9 Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10 Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11: FRS 2 – Group and Treasury Share Transactions	1 January 2010
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 13 Customer Loyalty Programmes	1 January 2010
IC Interpretation 14: FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
IC Interpretation 15 Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and Revised FRS 3 (2010)	1 July 2010
Annual Improvements to FRSs (2009)	1 January 2010

The above FRSs, IC Interpretations and amendments are not relevant to the Group's operations except as follows:

The revised FRS 3 (2010) introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. In addition, all transaction costs, other than share and debt issue costs, will be expensed as incurred. This revised standard will be applied prospectively and therefore there will not have any financial impact on the financial statements of the Group for the current financial year but may impact the accounting for future transactions or arrangements.

The possible impacts of FRS 7 (including the subsequent amendments) and the revised FRS 139 (2010) on the financial statements upon their initial applications are not disclosed by virtue of the exemptions given in these standards.

The revised FRS 101 (2009) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. The adoption of this revised standard will only impact the form and content of the presentation of the Group's financial statements in the next financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

The revised FRS 127 (2010) requires accounting for changes in ownership interests by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the minority interest to be absorbed by the minority interest instead of by the parent. The Group will apply the major changes of the revised FRS 127 (2010) prospectively and therefore there will not have any financial impact on the financial statements of the Group for the current financial year but may impact the accounting for future transactions or arrangements.

Amendments to FRS 1 and FRS 127 remove the definition of "cost method" currently set out in FRS 127, and instead require an investor to recognise all dividend from subsidiaries, jointly controlled entities or associates as income in its separate financial statements. In addition, FRS 127 has also been amended to deal with situations where a parent reorganises its group by establishing a new entity as its new parent. Under this circumstance, the new parent shall measure the cost of its investment in the original parent at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the reorganisation date. The amendments will be applied prospectively and therefore there will not have any financial impact on the financial statements of the Company for the current financial year but may impact the accounting for future transactions or arrangements.

IC Interpretation 9 requires embedded derivatives to be separated from the host contract and accounted for as a derivative on the basis of the conditions that existed at the later of the date the entity first became a party to the contract. The possible impacts of IC Interpretation 9 on the financial statements upon its initial application are not disclosed by virtue of the exemptions given under the revised FRS 139 (2010).

IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation is expected to have no material impact on the financial statements of the Group upon its initial application.

Amendments to IC Interpretation 9 are a consequential amendment from the revised FRS 3 (2010). These amendments are expected to have no material impact on the financial statements of the Group upon its initial application.

Annual Improvements to FRSs (2009) contain amendments to 21 accounting standards that result in accounting changes for presentation, recognition or measurement purposes and terminology or editorial amendments. These amendments are expected to have no material impact on the financial statements of the Group upon their initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group made up to the end of the financial year. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed to exist when the Group owns, directly or indirectly through subsidiaries, more than half of the voting power of the entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances and resulting unrealised gains are eliminated on consolidation. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

Minority interest in the net assets of consolidated subsidiary is identified separately from the Group's equity therein. Minority interest consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Business Combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 3, Business Combinations, are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with FRS 5, Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statements.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Segmental Information

Segment revenue and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of property, plant and equipment (net of accumulated depreciation, where applicable), other investments, inventories, receivables and cash and bank balances.

Most segment assets can be directly attributed to the segments on a reasonable basis. Segment assets do not include income tax assets, whilst segment liabilities do not include income tax liabilities and borrowings from financial institutions.

Segment revenue, expenses and results include transfers between segments. The prices charged on inter-segment transactions are based on normal commercial terms. These transfers are eliminated on consolidation.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of sales tax, trade discounts and allowances and after eliminating sales within the Group.

The Group and the Company recognises revenue when the amount of the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group and to the Company, upon satisfying the conditions of the Group's and of the Company's activities as set out below:

(i) Services

Revenue from services is recognised when the services are rendered and upon customer's acceptance.

(ii) Sale of Goods

Revenue from sale of goods are recognised upon delivery of products and when the risks and rewards of ownership have passed to the customers.

(iii) Contracts

Revenue relating to contracts are accounted for under the percentage of completion method.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Revenue Recognition (Cont'd)****(iv) Management Fee and Interest Income**

Management fee and interest income are recognised on an accrual basis.

(v) Dividend Income

Dividend income from investment is recognised when the right to receive dividend payment is established.

Foreign Currency

The individual financial statements of the subsidiaries are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Ringgit Malaysia, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair values were determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statements for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statements for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Ringgit Malaysia using exchange rates prevailing at the balance sheet date.

Income and expense items (including comparatives) are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign currency translation reserve. Such translation differences are recognised in the income statements in the period in which the foreign operations is disposed off. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Employee Benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group and of the Company. Sick leave are recognised when the absences occur.

The Group and the Company make statutory contributions to approved provident funds and contributions are charged to the income statements. Once the contributions have been paid, there are no further payment obligations. The approved provident funds are defined contribution plans.

Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year, calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or recoverable).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Income Tax (Cont'd)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet "liability" method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets, if any, is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to income statements, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. Current and deferred tax are recognised as an expense or income in the income statements, except when they relate to items credited or debited from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Impairment of Assets excluding Goodwill

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in income statements, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in income statements, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Group or to the Company and the cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to income statements in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Property, Plant and Equipment and Depreciation (Cont'd)**

Freehold land and capital work-in-progress are not depreciated. Freehold buildings are depreciated on a straight-line basis over 50 years whilst the long leasehold buildings are depreciated over the remaining terms of the lease of 50 years. Depreciation of other property, plant and equipment is computed on the straight-line basis to their residual values at rates based on the estimated useful lives. The principal annual rates used are as follows:

Factory and office renovation	10%
Plant and machinery	10% - 20%
Workshop tools	20%
Office equipment	33 1/3%
Furniture and fittings	20% - 33 1/3%
Motor vehicles	14%
Computers	33%

Where significant parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately.

At each balance sheet date, the property, plant and equipment's residual values, useful lives and depreciation methods are reviewed, and the effect of any changes are recognised prospectively.

Gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements.

Assets under Finance Leases and Hire Purchase

Leases of plant and equipment where substantially all the benefits and risk of ownership are transferred to the Group are classified as finance leases. Plant and equipment acquired under finance lease and hire purchase are capitalised in the financial statements.

Each lease and hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding outstanding obligations due under the finance lease and hire purchase after deducting finance charges are included as liabilities in the financial statements.

Finance charges are allocated to the income statement over the period of the respective lease and hire purchase agreements.

Plant and equipment acquired under finance leases and hire purchase are depreciated over the useful lives of the assets. If there is no reasonable certainty that the ownership will be transferred to the Group, the assets are depreciated over the shorter of the lease terms and their useful lives.

Prepaid Lease Payments

Lease of land with title not expected to pass to the lessee by the end of the lease term is treated as operating lease as land normally has an indefinite economic life. The up-front payments made on entering into a lease or obtaining the right to a leasehold land that is accounted for as an operating lease, represents prepaid lease payments and are amortised on a straight-line basis over the remaining terms of the relevant lease.

Investments

Investment in unquoted shares of subsidiaries, which is eliminated on consolidation, is stated in the Company's financial statements at cost less any impairment losses.

Investment in unquoted shares of associates is stated in the Company's financial statements at cost less any impairment losses.

On the disposal of the investments in subsidiaries or associates, the difference between the net disposal proceeds and the carrying amount of the investments is taken to the income statement.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but has no control or joint control over those policies. Significant influence is presumed to exist when the Group owns, directly or indirectly not less than 20% of the voting power of the investee.

The results and assets and liabilities of associates are incorporated in the financial statements of the Group using the equity method of accounting based on the latest audited financial statements of the associates made up to December 31, 2009, except when the investment is classified as held for sale, in which case it is accounted for under FRS 5, Non-current Assets Held for Sale and Discontinued Operations, while dividends received are reflected as a reduction of the investment in the consolidated balance sheets.

Under the equity method, investments in associates are carried in the consolidated balance sheet at cost and adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised unless the Group has incurred obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities recognised of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities recognised over the cost of acquisition, after reassessment, is recognised immediately in the consolidated income statements.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where losses provide evidence of an impairment of the asset transferred, in which case, appropriate provision is made for impairment.

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequent measured at cost less any accumulated impairment losses.

The carrying value of goodwill is reviewed for impairment annually. The impairment value of goodwill is recognised immediately in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described under "Associates" above.

Inventories

Inventories are stated at the lower of cost (determined on the first-in, first-out basis) and net realisable value. The cost of raw materials comprises the original cost of purchase plus the cost of bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods include the cost of raw materials, direct labour, other direct cost and appropriate production overheads. Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Contracts Customers**

When the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, measured based on the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

Deferred Income and Government Grant

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the balance sheets and transferred to income statements on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the period necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group which no future related costs are recognised in the income statements in the period in which they become receivable.

Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation, and when a reliable estimate of the amount can be made. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

At each balance sheet date, the provisions are reviewed by the directors and adjusted to reflect the current best estimate. The provisions are reversed if it is no longer probable that the Group and the Company will be required to settle the obligation.

Equity Instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

Interest-bearing Borrowings

Interest-bearing borrowings are recorded at the amount of proceeds received, net of transaction costs.

All borrowing costs are charged to the income statement as expenses in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other highly liquid investments with maturities of three months or less from the date of acquisition that are readily convertible to a known amount of cash with insignificant risk of changes in value.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group and the Company's accounting policies, which are described in Note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Critical judgements in applying the Group and the Company's accounting policies

The following are critical judgements, apart from those involving estimations, that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(ii) Contract Customers

The Group recognises contract customers in the income statements by using the stage of percentage-of-completion method, which is the standard for similar industries.

The stage of completion is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Estimated losses are recognised in full when determined. Contract costs estimates are reviewed and revised periodically as work progresses and as variation orders are approved.

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs as well as the recoverability of the project undertaken. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists. If the Group is unable to make reasonably dependable estimates, the Group would not recognise any profit before a contract is completed, but would recognise a loss as soon as the loss becomes evident.

Adjustments based on the percentage-of-completion method are reflected in contract revenue in the reporting period. To the extent that these adjustments result in a reduction or elimination of previously reported amount due from contract customers and contract revenue and costs, the Group recognises a charge or credit against current earnings and amounts in prior periods, if any, are not restated.

(iii) Allowance for doubtful debts

The policy for allowance for doubtful debts of the Group and of the Company is based on the evaluation of collectibility and aging analysis of accounts and on management's estimate. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of the customers with which the Group and the Company deal with were to deteriorate, resulting in an impairment of their ability to make payments, an additional allowance may be required.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. SEGMENT REPORTING (CONT'D)

The Group 2009	Malaysia RM	Singapore RM	Philippines RM	Taiwan RM	China RM	Hong Kong RM	Indonesia RM	Elimination RM	Total RM
Assets									
Investment in associates	21,389,406	1,274,280	-	23,874,817	-	-	-	-	46,538,503
Segmental assets	115,792,797	132,745,004	4,312,932	231,166	967,808	623	1,569,290	(67,161,908)	188,457,712
Consolidated total assets									234,996,215
Liabilities									
Tax liabilities	693,905	3,615,630	6,585	103,699	-	-	-	-	4,419,819
Segment liabilities	65,976,153	71,169,799	2,317,480	24,337,959	682,395	8,904	698,690	(70,145,596)	95,045,784
Consolidated total liabilities									99,465,603
Other Information									
Capital expenditure	2,861,838	13,152,251	167,919	-	207,354	-	173,139	-	16,562,501
Depreciation and amortisation	4,624,456	8,596,513	277,535	-	17,108	-	26,339	-	13,541,951

The Group 2008	Malaysia RM	Singapore RM	Philippines RM	Taiwan RM	China RM	Hong Kong RM	Elimination RM	Total RM
Revenue								
External sales	48,281,920	79,430,987	2,840,177	-	-	-	-	130,553,084
Inter-segment sales	727,693	11,129,313	1,188,630	-	-	-	(13,045,636)	-
Total revenue	49,009,613	90,560,300	4,028,807	-	-	-	(13,045,636)	130,553,084
Results								
Segment results	9,783,968	11,148,009	1,368,729	1,356,459	(24,846)	(4,443)	(1,806,900)	21,820,976
Share in results of associates								1,311,524
Interest income								520,419
Finance costs								(4,241,909)
Profit before tax								19,411,010
Income tax expense								(496,105)
Profit for the year								18,914,905
Assets								
Investment in associates	22,183,186	1,372,092	-	24,636,862	-	-	-	48,192,140
Segmental assets	116,082,939	137,757,870	4,784,425	132,704	1,587,382	8,048	(68,166,205)	192,187,163
Consolidated total assets								240,379,303
Liabilities								
Tax liabilities	690,266	3,950,619	64,800	99,245	-	-	-	4,804,930
Segment liabilities	71,521,748	87,049,336	1,605,955	23,889,344	224,240	4,503	(71,039,189)	113,255,938
Consolidated total liabilities								118,060,868
Other Information								
Capital expenditure	4,752,717	22,140,756	40,788	-	-	-	-	26,934,261
Depreciation and amortisation	4,149,174	6,869,578	265,531	-	-	-	-	11,284,283

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. REVENUE

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Provision of services	123,693,688	117,721,777	-	-
Contract customers	4,249,534	5,460,852	-	-
Sale of goods	9,415,638	7,370,455	-	-
Dividend income from associates	-	-	231,555	1,168,570
	<u>137,358,860</u>	<u>130,553,084</u>	<u>231,555</u>	<u>1,168,570</u>

7. FINANCE COSTS

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Interest expense on:				
Term loans	1,611,168	2,272,281	-	-
Hire purchase	1,575,632	1,150,710	-	-
Short-term borrowings	246,330	463,246	-	463,248
Bank overdrafts	445,921	355,672	842	-
Amount owing to subsidiaries	-	-	269,022	969,158
	<u>3,879,051</u>	<u>4,241,909</u>	<u>269,864</u>	<u>1,432,406</u>

8. PROFIT/(LOSS) BEFORE TAX

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

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Insurance compensation received	1,013,353	7,583,876	-	-
Interest income from:				
Subsidiaries	-	-	953,023	1,551,202
Third parties	65,606	520,419	13,405	429,794
Gain on disposal of property, plant and equipment	100,740	509,056	-	-
Gain on dilution of investment in a former subsidiary to associate	-	311,833	-	-
Government grants	19,383	50,968	-	-
Writeback of allowance for doubtful debts	49,454	-	-	-
Staff costs	(35,131,526)	(33,226,529)	(460,585)	(234,066)
Depreciation of property, plant and equipment	(13,479,985)	(11,098,636)	(26,622)	(30,083)
Research and development expenditure	(2,885,599)	(1,976,243)	-	-
Directors' remuneration:				
Fees:				
Executive Director	(24,000)	-	(24,000)	-
Non-executive Directors	(148,600)	(144,000)	(148,600)	(144,000)
Salaries and other emoluments:				
Executive Directors	(1,474,201)	(1,794,157)	-	-
Non-Executive Directors	(28,440)	(31,880)	-	-
Gain/(Loss) on foreign exchange - net:				
Unrealised	837,117	(1,352,145)	370,494	(1,039,824)
Realised	(383,802)	(462,305)	(13,723)	56,128

(Forward)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. PROFIT/(LOSS) BEFORE TAX (CONT'D)

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Auditors' remuneration				
- Current year	(228,862)	(434,000)	(43,000)	(50,000)
- Under provision in the previous financial year	(32,525)	-	(10,000)	-
Losses arising from flood and fire incidents	-	(488,045)	-	-
Property, plant and equipment written off	(70,677)	(285,674)	(30,370)	-
Amortisation of intangible asset	-	(123,680)	-	-
Amortisation of prepaid lease payments	(61,966)	(61,967)	-	-
Allowance for doubtful debts	(100,920)	-	-	-
Bad debts written off	(522,290)	-	-	-

(a) Staff costs

Staff costs include salaries, bonuses, contributions to statutory defined contribution plans and all other staff related expenses. Contributions to statutory defined contribution plans, included in staff costs, made by the Group and by the Company during the financial year amounted to RM2,362,510 (2008: RM2,340,588) and RM50,703 (2008: RM24,004) respectively.

(b) Insurance compensation received and losses arising from flood and fire incidents

In 2007, two incidents of fire occurred at the Group's plant located in Kulim, Kedah and Singapore. In 2007, the Group's plant located at Bukit Mertajam experienced two flood incidents.

The fire and flood incidents resulted in the following losses:

	The Group	
	2009 RM	2008 RM
Incremental operating costs resulting from the incidents	-	488,045

The insurance compensation received and recognised as other income in the previous financial year are as follows:

	The Group	
	2009 RM	2008 RM
Insurance compensation received for fire incident in Kulim	-	2,633,609
Insurance compensation received for fire incident in Singapore	-	4,712,351
Insurance compensation received for flood incidents in Kulim	-	237,916
	-	7,583,876

(c) Key management personnel compensation

The remuneration of the members of key management included in staff costs are as follows:

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Salaries, bonuses, allowances and contributions to EPF	4,098,126	4,584,051	212,492	287,564

The estimated monetary value of benefits-in-kind received and receivable by the key management otherwise than in cash from the Group amounted to RM NIL (2008: RM1,400).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. PROFIT/(LOSS) BEFORE TAX (CONT'D)

(d) Directors' remuneration

Contribution to provident fund, included in directors' remuneration, made by the Group during the current financial year amounted to RM59,406 (2008: RM110,801).

9. INCOME TAX EXPENSE

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Estimated tax payable:				
Malaysian:				
- Current year	600,000	584,000	-	-
- Overprovision in prior years	(5,951)	-	-	-
	594,049	584,000	-	-
Foreign:				
- Current year	570,112	1,280,156	-	-
- Overprovision in prior years	(1,097,074)	(382,250)	-	-
	(526,962)	897,906	-	-
	67,087	1,481,906	-	-
Deferred tax (Note 25):				
- Current year	192,197	(412,565)	-	-
- Overprovision in prior years	-	(573,236)	-	-
	192,197	(985,801)	-	-
	259,284	496,105	-	-

A reconciliation of income tax expense at the applicable statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Profit/(Loss) before tax	8,103,178	19,411,010	(882,042)	(510,085)
Tax at the applicable tax rate of 25% (2008 : 26%)	2,025,794	5,046,863	(220,510)	(132,622)
Effect of different tax rates of other tax jurisdictions	(588,357)	(1,859,311)	-	-
Tax effects of:				
Non-deductible expenses	807,887	718,576	278,399	418,543
Income not subject to tax	(220,995)	(1,519,777)	(57,889)	(285,921)
Utilisation of deferred tax asset previously not recognised	(509,156)	(799,464)	-	-
Utilisation of unabsorbed reinvestment allowance	-	(273,547)	-	-
Double tax deduction	(234,830)	-	-	-
Income tax exemption	(62,837)	-	-	-
Overprovision in prior years				
- Income tax	(1,103,025)	(382,250)	-	-
- Deferred tax	-	(573,236)	-	-
Effect of share of results in associates	144,803	138,251	-	-
	259,284	496,105	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9. INCOME TAX EXPENSE (CONT'D)

A Malaysian subsidiary is entitled to claim reinvestment allowance under Schedule 7A of the Income Tax Act, 1967. As of December 31, 2009, the cumulative reinvestment allowances claimed amounted to approximately RM3,000,000 (2008 : RM6,000,000) which is subject to agreement by the Inland Revenue Board. The said amount has not been utilised to offset against the said subsidiary business income as of December 31, 2009.

During the current financial year, the tax rate was reduced from 26% to 25% as announced in the Malaysian Budget 2008.

As gazetted in the Finance Act 2009, the subsidiaries of the Company will no longer enjoy the preferential tax rate of 20% on their chargeable income of up to RM500,000 effective from year of assessment 2009 as the Company has a paid-up share capital exceeding RM2,500,000.

10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	The Group	
	2009 RM	2008 RM
Profit for the year attributable to equity holders of the Company	8,409,575	18,850,507
Number of shares in issue as of January 1	699,770,400	494,736,000
Effects of:		
Private placement	13,978,718	3,525,410
Bonus issue	-	199,934,400
Weighted average number of ordinary shares of RM0.10 each	713,749,118	698,195,810
Basic earnings per ordinary share attributable to equity holders of the Company (sen)	1.2	2.7

Diluted

The basic and diluted earnings per share are equal as the Company has no dilutive potential ordinary shares.

11. PROPERTY, PLANT AND EQUIPMENT

	← COST →							
	Balance as of January 1, 2008 RM	Foreign currency translation differences RM	Re- classification RM	Additions RM	Write-offs RM	Disposals RM	Balance as of December 31, 2008 RM	
The Group								
Freehold land	3,052,875	-	-	-	-	-	3,052,875	
Freehold buildings	1,160,451	-	-	-	-	-	1,160,451	
Long leasehold buildings	21,912,051	758,323	10,523,524	-	-	(2,984,317)	30,209,581	
Factory and office renovation	9,306,716	266,651	706,206	7,093,681	(163,183)	(12,470)	17,197,601	
Plant and machinery	69,135,215	2,121,938	2,227,226	17,990,992	(1,015,127)	(228,386)	90,231,858	
Workshop tools	1,210,864	-	-	261,841	-	(74,480)	1,398,225	
Office equipment	3,864,216	144,350	(141,317)	1,099,620	(91,831)	(94,662)	4,780,376	
Furniture and fittings	459,612	(95)	-	30,789	(938)	(8,330)	481,038	
Motor vehicles	4,226,996	146,567	-	300,925	-	(324,090)	4,350,398	
Computers	463,345	(505)	-	90,529	(11,818)	(13,615)	527,936	
Capital work-in-progress	12,706,232	616,878	(13,315,639)	65,884	-	-	73,355	
Total	127,498,573	4,054,107	-	26,934,261	(1,282,897)	(3,740,350)	153,463,694	

(Forward)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group	COST							Balance as of December 31, 2009 RM
	Balance as of January 1, 2009 RM	Arising from acquisition of subsidiary RM	Foreign currency translation differences RM	Transfer to stock and Re-classification RM	Additions RM	Write-offs RM	Disposals RM	
Freehold land	3,052,875	-	-	-	-	-	-	3,052,875
Freehold buildings	1,160,451	-	-	-	-	-	-	1,160,451
Long leasehold buildings	30,209,581	-	325,412	-	-	-	-	30,534,993
Factory and office renovation	17,197,601	-	169,016	(395,125)	616,192	(58,886)	-	17,528,798
Plant and machinery	90,231,858	83,424	849,579	(2,336,806)	11,105,094	(31,813)	(327,068)	99,574,268
Workshop tools	1,398,225	531,952	-	-	140,466	(13,516)	-	2,057,127
Office equipment	4,780,376	-	55,523	396,410	847,067	(10,329)	-	6,069,047
Furniture and fittings	481,038	14,300	(193)	-	19,631	-	-	514,776
Motor vehicles	4,350,398	299,170	44,758	-	273,230	-	(285,256)	4,682,300
Computers	527,936	5,548	284	-	109,989	(14,461)	-	629,296
Capital work-in-progress	73,355	-	15,839	2,310,990	3,450,832	-	-	5,851,016
Total	153,463,694	934,394	1,460,218	(24,531)	16,562,501	(129,005)	(612,324)	171,654,947

The Group	ACCUMULATED DEPRECIATION					Balance as of December 31, 2008 RM
	Balance as of January 1, 2008 RM	Foreign currency translation differences RM	Charge for the year RM	Write-offs RM	Disposals RM	
Freehold land	-	-	-	-	-	-
Freehold buildings	112,941	-	23,209	-	-	136,150
Long leasehold buildings	3,763,648	203,125	1,083,428	-	(402,431)	4,647,770
Factory and office renovation	2,317,729	81,389	893,193	(74,553)	(1,814)	3,215,944
Plant and machinery	22,357,063	812,148	7,048,670	(834,180)	(77,279)	29,306,422
Workshop tools	411,688	-	253,721	-	(3,484)	661,925
Office equipment	2,084,171	100,225	913,459	(81,886)	(45,047)	2,970,922
Furniture and fittings	160,178	(30)	91,278	(226)	(2,022)	249,178
Motor vehicles	2,224,107	100,283	665,402	-	(51,059)	2,938,733
Computers	242,553	(315)	126,276	(6,378)	(5,198)	356,938
Capital work-in-progress	-	-	-	-	-	-
Total	33,674,078	1,296,825	11,098,636	(997,223)	(588,334)	44,483,982

(Forward)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group	ACCUMULATED DEPRECIATION						NET BOOK VALUE		
	Balance as of January 1, 2009 RM	Arising from acquisition of subsidiary RM	Foreign currency translation differences RM	Charge for the year RM	Write-offs RM	Disposals RM	Balance as of December 31, 2009 RM	Balance as of December 31, 2009 RM	Balance as of December 31, 2008 RM
Freehold land	-	-	-	-	-	-	-	3,052,875	3,052,875
Freehold buildings	136,150	-	-	23,209	-	-	159,359	1,001,092	1,024,301
Long leasehold buildings	4,647,770	-	66,965	946,045	-	-	5,660,780	24,874,213	25,561,811
Factory and office renovation	3,215,944	-	42,609	1,240,324	(17,345)	-	4,481,532	13,047,266	13,981,657
Plant and machinery	29,306,422	15,310	345,366	9,121,417	(8,777)	(142,029)	38,637,709	60,936,559	60,925,436
Workshop tools	661,925	62,405	-	311,451	(11,902)	-	1,023,879	1,033,248	736,300
Office equipment	2,970,922	-	38,743	1,067,753	(6,506)	-	4,070,912	1,998,135	1,809,454
Furniture and fittings	249,178	1,907	(191)	88,279	-	-	339,173	175,603	231,860
Motor vehicles	2,938,733	85,489	34,629	554,192	-	(285,256)	3,327,787	1,354,513	1,411,665
Computers	356,938	2,385	63	127,315	(13,798)	-	472,903	156,393	170,998
Capital work-in-progress	-	-	-	-	-	-	-	5,851,016	73,355
Total	44,483,982	167,496	528,184	13,479,985	(58,328)	(427,285)	58,174,034	113,480,913	108,979,712

The Company	COST						
	Balance as of January 1, 2008 RM	Additions RM	Balance as of December 31, 2008 RM	Balance as of January 1, 2009 RM	Additions RM	Write-offs RM	Balance as of December 31, 2009 RM
Office renovation	47,329	-	47,329	47,329	-	(47,329)	-
Office equipment	29,538	2,050	31,588	31,588	6,647	-	38,235
Furniture and fittings	30,005	-	30,005	30,005	-	-	30,005
Computers	25,608	1,304	26,912	26,912	15,508	-	42,420
Capital work-in-progress	-	-	-	-	70,000	-	70,000
Total	132,480	3,354	135,834	135,834	92,155	(47,329)	180,660

The Company	ACCUMULATED DEPRECIATION						NET BOOK VALUE		
	Balance as of January 1, 2008 RM	Charge for the year RM	Balance as of December 31, 2008 RM	Balance as of January 1, 2009 RM	Charge for the year RM	Write-offs RM	Balance as of December 31, 2009 RM	Balance as of December 31, 2009 RM	Balance as of December 31, 2008 RM
Office renovation	7,888	4,733	12,621	12,621	4,338	(16,959)	-	-	34,708
Office equipment	13,716	10,130	23,846	23,846	7,247	-	31,093	7,142	7,742
Furniture and fittings	9,554	6,479	16,033	16,033	6,124	-	22,157	7,848	13,972
Computers	9,001	8,741	17,742	17,742	8,913	-	26,655	15,765	9,170
Capital work-in-progress	-	-	-	-	-	-	-	70,000	-
Total	40,159	30,083	70,242	70,242	26,622	(16,959)	79,905	100,755	65,592

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

As of December 31, 2009, freehold land and buildings, long leasehold buildings and plant and machinery of the Group with total net book value totalling RM28,928,181 (2008: RM33,191,727) have been charged as collateral to certain banks for term loans and bank borrowings granted to the Group as mentioned in Note 22.

Included in property, plant and equipment of the Group are property, plant and equipment acquired under hire purchase arrangements with net book value totalling RM31,466,853 (2008: RM26,891,825).

12. PREPAID LEASE PAYMENTS

	The Group	
	2009 RM	2008 RM
Cost:		
At end of year	3,664,274	3,664,274
Cumulative amortisation:		
At beginning of year	111,536	49,569
Additions	61,966	61,967
At end of year	173,502	111,536
Net:		
At end of year	3,490,772	3,552,738

Prepaid lease payments of the Group relate to lease rental paid for two parcels of long leasehold land on which the Group's factory buildings are located and the lease will expire in year 2066.

The long leasehold land of the Group have been pledged to certain banks for term loans granted to the Group as mentioned in Note 22.

13. INVESTMENT IN SUBSIDIARIES

	The Company	
	2009 RM	2008 RM
Unquoted shares - at cost	30,903,191	29,923,851

Details of the subsidiaries are as follows:

Name of Companies	Country of Incorporation	Effective Equity Interest		Principal Activities
		2009 %	2008 %	
Direct Subsidiaries				
Frontken (Singapore) Pte. Ltd. ¹	Singapore	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Frontken Technology Corporation ²	Taiwan	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of Companies	Country of Incorporation	Effective Equity Interest		Principal Activities
		2009 %	2008 %	
Direct Subsidiaries				
PT Frontken Indonesia ²	Indonesia	95	95	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Frontken MIC Co. Limited ²	Hong Kong	50	50	Investment holding and provision of management services.
Indirect Subsidiaries				
Frontken Malaysia Sdn. Bhd. ³	Malaysia	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Metall-Treat Industries Pte. Ltd. ¹	Singapore	100	100	Electroplating and plating of metals and formed products.
Frontken Philippines Inc ²	Philippines	99.99	99.99	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Frontken (East Malaysia) Sdn. Bhd. ³	Malaysia	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Frontken (Johor) Sdn. Bhd. ³	Malaysia	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes, including mechanical and chemical engineering services.
Frontken MIC (Wuxi) Co. Ltd. ²	China	50	50	Provision of cleaning of specialised equipment for semiconductor devices, integrated circuits and components, and research and development of semiconductor cleaning technology.
Frontken Petroleum Sdn. Bhd. ³	Malaysia	60.07	-	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering services.
Frontship Pte. Ltd. ⁴	Singapore	100	-	Dormant.

¹ The financial statements of the subsidiaries are examined by a member firm of Crowe Horwath International.

² The financial statements of the subsidiaries are examined by auditors other than the auditors of the Company.

³ The financial statements of the subsidiaries are examined by Messrs Crowe Horwath.

⁴ On 8 December 2009, the Group incorporated a wholly-owned subsidiary, Frontship Pte. Ltd. in Singapore with an issued and paid-up share capital of SGD2.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

The amounts owing by/(to) the subsidiaries arose mainly from unsecured advances and payments made on behalf. The amount arising from unsecured advances bear interest at 3% (2008: 5%) per annum and are repayable on demand whilst the amount arising from payments made on behalf is interest-free.

On 30 January 2009, the Company subscribed for the additional investment of 999,998 ordinary shares of RM1 each in Frontken Johor Sdn. Bhd. ("FJSB") for a total consideration of RM999,998 to retain its 100% equity interest in the Company.

During the financial year, Frontken Petroleum Sdn. Bhd. ("FP"), an associate of the Group, increased its issued and paid-up share capital from RM300,000 to RM407,000 by the allotment and issuance of 107,000 new ordinary shares of RM1.00 each at par. The acquisition was settled by the capitalisation of the debts owed by FP amounting to RM107,000. Consequent to the issuance of the new ordinary shares, the Group's interest in FP increased from 45.83% to 60.07% and FP became an indirect subsidiary of the Company.

The effects of the acquisition of the subsidiary on the financial results of the Group during the financial year are as follows:-

	The Group	
	2009 RM	2008 RM
Revenue	1,854,914	-
Cost of sales	(1,925,438)	-
Gross loss	(70,524)	-
Other income	6,826	-
Less : Operating expenses		
Administration and general expenses	(158,383)	-
Other operating expenses	(128,357)	-
Finance costs	(33,279)	-
	(320,019)	-
Decrease in net profit of the Group	(383,717)	-

In the current financial year, the details of the assets, liabilities and cash flows arising from the acquisition of subsidiary were as follows:-

	The Group	
	2009 RM	2008 RM
Property and equipment	766,898	-
Trade and other receivables	1,429,766	-
Work in progress	324,653	-
Cash and bank	354,446	-
Trade and other payables	(1,053,450)	-
Related parties balances	(2,455,758)	-
Hire purchase payable	(194,135)	-
Fair value of net assets acquired	(827,580)	-
Goodwill on consolidation	934,580	-
Purchase consideration	107,000	-
Less: Purchase consideration satisfied through settlement of debt	(107,000)	-
Add : Cash and cash equivalents in subsidiary acquired	354,446	-
Net cash inflow on acquisition	354,446	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

14. INVESTMENT IN ASSOCIATES

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Quoted shares outside Malaysia- at cost	49,102,207	49,102,207	22,955,162	22,955,162
Unquoted shares - at cost	1,216,779	1,216,779	-	-
	<u>50,318,986</u>	<u>50,318,986</u>	<u>22,955,162</u>	<u>22,955,162</u>
Share of post-acquisition results	2,475,704	3,727,372	-	-
Dividend received	(7,404,114)	(6,803,222)	-	-
Foreign currency translation differences	1,147,927	949,004	-	-
	<u>46,538,503</u>	<u>48,192,140</u>	<u>22,955,162</u>	<u>22,955,162</u>
Market value of quoted shares	<u>15,248,670</u>	<u>16,008,538</u>	<u>6,879,898</u>	<u>7,223,040</u>

The summarised financial information of the associates are as follows:

	The Group	
	2009 RM	2008 RM
Current assets	36,593,897	35,154,368
Non-current assets	59,232,376	62,019,365
Current liabilities	(21,274,337)	(20,047,326)
Non-current liabilities	(21,593,011)	(21,125,847)
Net Assets	<u>52,958,925</u>	<u>56,000,560</u>
Revenue	43,436,641	55,701,813
(Loss)/Profit for the year	(3,027,795)	3,163,791
Group's share of results for the year	<u>(1,251,668)</u>	<u>1,311,524</u>

The Group's share of the current year losses and accumulated losses of an associate amounting to RM7,018 (2008 : RM470,319) respectively have not been recognised in the Group's income statement as equity accounting has ceased when the Group's share of losses of this associate exceeded the carrying amount of its investment in the associate.

Impairment testing of investments in associates

Recoverable amount based on value in use

The recoverable amount of the Group's investments in associate are determined based on the value in use method.

Where applicable, using the published or management financial results of the associates from the financial year 2009, cash flow projections were computed based on annual growth rates of 10% over a five year period. Thereafter, the cash flows are extrapolated to perpetuity without applying any growth rates. The cash flows were discounted at the computed weighted average cost of capital of 1.3%

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

14. INVESTMENT IN ASSOCIATES (CONT'D)

Impairment testing of investments in associates (cont'd)

Sensitivity to changes in assumptions

In assessing the value in use, management has considered and evaluated, among other factors, the long-term business outlook of the associates, forecast demand for their revenue sources, and anticipated changes in their operating environment. Management is of the view that no foreseeable changes in any of the above key assumptions are expected to cause the carrying amount of the associates to materially exceed their recoverable amounts.

Details of the associates are as follows:

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2009 %	2008 %	
Frontken (Thailand) Co., Ltd	Thailand	49	49	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Ares Green Technology Corporation	Taiwan	42.11	42.11	Provision of surface treatment and advanced precision cleaning for the TFT - LCD (Thin Film Transistor - Liquid Crystal display) and semiconductor industries.
Frontken Petroleum Sdn. Bhd.	Malaysia	-	45.83	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Frontken BumiMaju Sdn. Bhd.	Malaysia	30	30	Trading in machineries, machine parts and equipment and providing engineering services.

Frontken Petroleum Sdn. Bhd. ("FP"), an associates of the Group, increased the issued and paid-up share capital from RM300,000 to RM407,000 by the allotment and issuance of 107,000 new ordinary shares of RM1.00 each at par. The acquisition was settled by the capitalisation of debts owed by FP amounting to RM107,000. Consequent to the issuance of the new ordinary shares, the Group's interest in FP increased from 45.83% to 60.07% and FP became an indirect subsidiary of the Group.

Amounts owing by/(to) associates

	The Group	
	2009 RM	2008 RM
Amount owing by associates		
- Trade	1,753,915	1,543,160
- Non-trade	344,550	1,956,899
	<u>2,098,465</u>	<u>3,500,059</u>
Amount owing to associates		
- Trade	117,594	300,858
- Non-trade	-	-
	<u>117,594</u>	<u>300,858</u>

The normal trade credit terms granted to an associate ranged from 30 to 60 days.

Included in the non-trade amount owing by the associates is a loan of RM153,850 (2008 : RM1,263,028) which bore an effective interest rate of 3% (2008 : 5%), is unsecured and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. GOODWILL ON CONSOLIDATION

	The Group	
	2009 RM	2008 RM
At beginning of year	3,749,020	2,804,791
Arising from acquisition of additional equity interest in a subsidiary	934,579	805,811
Foreign currency translation differences	40,474	138,418
	4,724,073	3,749,020
At end of year	4,724,073	3,749,020

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating unit ("CGU") that is expected to benefit from that business combination. The carrying amount of the goodwill had been allocated as follows:

	The Group	
	2009 RM	2008 RM
Metall-Treat Industries Pte. Ltd.	2,983,682	2,943,209
Frontken (East Malaysia) Sdn. Bhd.	805,812	805,811
Frontken Petroleum Sdn. Bhd.	934,579	-
	4,724,073	3,749,020
	4,724,073	3,749,020

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGU is determined from value in use calculation. The key assumptions for the value in use calculation are those regarding the discount rates, growth rates and expected changes to pricing and direct costs during the period. Management estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risk specific to the CGU. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. These calculations use pre-tax cash flow projections based on financial budgets approved by management and extrapolated cash flows for a three year period based on growth rates consistent with the long-term average growth rate for the industry. The rate used to discount the forecasted cash flows reflect specific risks and expected returns relating to the industry. Management determined budgeted gross margin based on past performance and its expectations of market development.

16. INTANGIBLE ASSET

	The Group	
	2009 RM	2008 RM
Licence fees - at cost:		
At beginning and end of year	781,935	781,935
Accumulated amortisation:		
At beginning of year	788,551	664,871
Charge for the year	-	123,680
At end of year	(788,551)	(788,551)
Foreign currency translation differences	6,616	6,616
Net	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. INVENTORIES

	The Group	
	2009 RM	2008 RM
Raw materials	4,015,529	3,170,150
Work-in-progress	4,432,845	4,886,871
Finished goods	477,168	987,602
	8,925,542	9,044,623

18. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

	The Group	
	2009 RM	2008 RM
Contract costs incurred plus recognised profits	1,171,798	6,129,727
Less: Progress billings	(1,219,000)	(5,460,852)
	(47,202)	668,875
Represents:		
Amount due (to)/from contracts customers	(47,202)	668,875

19. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

Trade receivables of the Group comprise amounts outstanding for the provision of services and sale of goods. The credit periods granted to the customers range from 30 to 120 days (2008: 30 to 120 days).

	The Group	
	2009 RM	2008 RM
Trade receivables	37,721,987	41,560,242
Allowance for doubtful debts	(821,786)	(236,574)
	36,900,201	41,323,668

Included in trade receivables of the Group are the following amounts owing to related parties:

	The Group	
	2009 RM	2008 RM
Chinyee Engineering & Machinery Pte. Ltd.	439,216	-
A& I Engine Rebuilders Sdn. Bhd.	2,720	-
AMT Engineering Sdn. Bhd.	-	95,420
	441,936	95,420

The said amount, which arose mainly from trade transactions, is unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONT'D)

The related parties and their relationships with the Group are as follows:

Name of related parties	Relationship
Chinyee Engineering & Machinery Pte. Ltd.	A company in which Wong Hua Choon, Yeo Lay Poh and Dr. Tay Kiang Meng, directors of the Company, are also directors and have financial interest.
A& I Engine Rebuilders Sdn. Bhd.	A company in which Sia Chiok Meng, a director of a subsidiary, is a director and has financial interests.
AMT Engineering Sdn. Bhd.	A company in which Sia Chiok Meng, a director of a subsidiary, is a director and has financial interests.

Significant transactions undertaken with related parties during the financial year are as follows:

	The Group	
	2009 RM	2008 RM
Chinyee Engineering & Machinery Pte. Ltd.		
Sales	1,552,712	557,698
Purchases	5,301,801	3,945,671
A& I Engine Rebuilders Sdn. Bhd.		
Sales	75,190	520
AMT Engineering Sdn. Bhd.		
Sales	29,100	25,955
Purchases	32,251	41,569

Other receivables, deposits and prepaid expenses consist of:

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Other receivables	3,187,090	991,877	251	255
Deposits	1,246,881	8,183,128	28,496	27,496
Prepayments	851,439	994,819	14,680	1,344
	<u>5,285,410</u>	<u>10,169,824</u>	<u>43,427</u>	<u>29,095</u>

The currency exposure profile of the trade and other receivables of the Group and of the Company is as follows:

	The Group	
	2009 RM	2008 RM
Trade receivables		
Ringgit Malaysia	20,762,409	20,570,938
Singapore Dollar	7,937,489	15,771,817
United States Dollar	7,741,095	3,804,526
Philippines Peso	298,023	1,176,387
Chinese Renminbi	153,056	-
Euro	8,129	-
	<u>36,900,201</u>	<u>41,323,668</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONT'D)

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Other receivables				
Singapore Dollar	280,253	634,585	-	-
Ringgit Malaysia	2,431,897	198,844	251	255
Philippines Peso	182,075	153,421	-	-
Chinese Renminbi	1,254	4,807	-	-
New Taiwan Dollar	106,554	220	-	-
Indonesian Rupiah	185,057	-	-	-
	<u>3,187,090</u>	<u>991,877</u>	<u>251</u>	<u>255</u>

20. SHARE CAPITAL

	The Group and The Company		2009 RM	2008 RM
	2009 Number of shares	2008 Number of shares		
Ordinary shares of RM0.10 each :				
Authorised	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid-up				
At beginning of year	699,770,400	494,736,000	69,977,040	49,473,600
Issued during the year:				
Private placement	22,664,000	5,100,000	2,266,400	510,000
Bonus issue	-	199,934,400	-	19,993,440
	<u>22,664,000</u>	<u>205,034,400</u>	<u>2,266,400</u>	<u>20,503,440</u>
At end of year	<u>722,434,400</u>	<u>699,770,400</u>	<u>72,243,440</u>	<u>69,977,040</u>

During the financial year, the issued and paid-up share capital of the Company was increased from RM69,977,040 to RM72,243,440 by:

- the issuance of 11,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.18 per share pursuant to the Private Placement on 16 March, 2009; and
- the issuance of 11,664,000 new ordinary shares of RM0.10 each at an issue price of RM0.21 per share pursuant to the Private Placement on 22 July, 2009.

The resulting share premium of RM2,163,040 arising from the private placement exercise was credited to the share premium account. The new shares issued rank pari passu in all material respects with the existing shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. RESERVES

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Non-distributable:				
Share premium	7,997,587	5,934,537	7,997,587	5,934,537
Foreign currency translation reserve	3,688,262	2,745,468	-	-
	<u>11,685,849</u>	<u>8,680,005</u>	<u>7,997,587</u>	<u>5,934,537</u>

Share premium

Share premium arose from the following:

	The Group and The Company	
	2009 RM	2008 RM
At beginning of year	5,934,537	23,887,977
Private placement exercise of 11,000,000 and 11,664,000 ordinary shares at a premium of RM0.08 and RM0.11 per ordinary share, net of share issue expenses of RM99,990 in 2009	2,063,050	-
Private placement exercise of 5,100,000 ordinary shares at a premium of RM0.40 per ordinary share in 2008	-	2,040,000
Bonus issue of 199,934,400 ordinary shares at RM0.10 per ordinary share in 2008	-	(19,993,440)
At end of year	<u>7,997,587</u>	<u>5,934,537</u>

Foreign currency translation reserve

Foreign currency translation differences arising from the translation of the financial statements of foreign subsidiaries are taken to the foreign currency translation reserve as described in the significant accounting policies.

22. TERM LOANS

	The Group	
	2009 RM	2008 RM
Principal outstanding	33,871,634	42,043,964
Less: Portion due within one year (Note 27)	(8,606,615)	(8,843,490)
Non-current portion	<u>25,265,019</u>	<u>33,200,474</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

22. TERM LOANS (CONT'D)

The non-current portion is repayable as follows:

	The Group	
	2009 RM	2008 RM
Later than one year but not later than five years	18,560,984	22,600,379
Later than five years	6,704,035	10,600,095
	25,265,019	33,200,474

As of December 31, 2009, the Group have the following term loan facilities:

- (a) Five (2008 : Five) term loan facilities totalling RM7,662,098 (2008: RM8,548,248), obtained by a local incorporated subsidiary, which bear interest ranging from 5.55% to 6.05% (2008: 5.5% to 7.75%) per annum and are repayable in equal monthly instalments over 67 to 133 (2008: 79 to 145) months;
- (b) Two (2008 : Two) term loan facilities totalling RM17,234,155 (2008: RM22,484,973), obtained by a subsidiary incorporated in Singapore, which bear interest at rates ranging from 3.91% to 5.25% (2008: 3.91% to 5.00%) per annum and are repayable in equal monthly instalments over 26 to 55 (2008: 38 to 67) months;
- (c) One (2008: One) term loan facility totalling RM7,483,877 (2008: RM8,001,143), obtained by another subsidiary incorporated in Singapore, which bears interest of 5.25% (2008: 4.75%) per annum and is repayable in 142 equal monthly instalments (2008: 154 months);
- (d) One (2008: One) term loan facility of RM1,491,504 (2008: RM3,009,600) obtained by a subsidiary incorporated in Taiwan, which bears interest of 2.51% (2008: 4.6%) per annum and is repayable annually over the next year (2008: 2 years).

The term loans and bank borrowings as mentioned in Note 27 are secured by:-

- (a) legal charges over the freehold land and factory building of the Group as disclosed in Note 11;
- (b) legal charges over the long leasehold building of the Group;
- (c) legal charges over the prepaid lease payments relating to the leases of two parcels of long leasehold land of the Group as mentioned in Note 12; and
- (d) corporate guarantees of the Company.

The currency exposure profile of the term loans of the Group is analysed as follows:

	The Group	
	2009 RM	2008 RM
Singapore Dollar	24,718,032	30,486,116
Ringgit Malaysia	7,662,098	8,548,248
New Taiwan Dollar	1,491,504	3,009,600
	33,871,634	42,043,964

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. DEFERRED INCOME

This represents asset-related government grants and is recognised in the income statements over the useful lives of the related assets.

	The Group	
	2009 RM	2008 RM
At beginning of year	19,248	67,969
Foreign currency translation differences	135	2,247
	<hr/>	<hr/>
At end of year	19,383	70,216
Transferred to income statements	(19,383)	(50,968)
	<hr/>	<hr/>
	-	19,248
Less: To be transferred to income statements within one year	-	(19,248)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

24. HIRE PURCHASE PAYABLES

	The Group	
	2009 RM	2008 RM
Total outstanding	25,893,741	20,673,960
Less: Interest-in-suspense	(3,073,415)	(2,675,875)
	<hr/>	<hr/>
Present value of payments	22,820,326	17,998,085
Less: Amount due within 12 months (included under current liabilities)	(8,223,614)	(5,906,750)
	<hr/>	<hr/>
Non-current portion	14,596,712	12,091,335
	<hr/>	<hr/>

The non-current portion is payable as follows:

	The Group	
	2009 RM	2008 RM
Later than one year but not later than five years	14,590,110	12,053,646
Later than five years	6,602	37,689
	<hr/>	<hr/>
	14,596,712	12,091,335
	<hr/>	<hr/>

It is the Group's policy to acquire certain of its property, plant and equipment under hire purchase arrangements. The average term of the hire purchase is about 3 to 10 years (2008: 3 to 9 years). The interest rates implicit in the hire purchase obligations range from 2.5% to 6.54% (2008: 2.5% to 5.5%) per annum.

The Group's hire purchase payables are secured by the financial institutions' charge over the assets under hire purchase as disclosed in Note 11.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. HIRE PURCHASE PAYABLES (CONT'D)

The currency exposure profile of the hire purchase payables of the Group is analysed as follows:

	The Group	
	2009 RM	2008 RM
Ringgit Malaysia	17,600,625	11,539,851
Singapore Dollar	5,219,701	6,458,234
	22,820,326	17,998,085

25. DEFERRED TAX LIABILITIES

	The Group	
	2009 RM	2008 RM
At beginning of year	3,466,075	4,303,429
Transfer from income statements (Note 9)	192,197	(985,801)
Foreign currency translation differences	130,995	148,447
	3,789,267	3,466,075

The net deferred tax liabilities are in respect of the tax effects of the following:

	The Group Deferred Tax (Asset)/Liability	
	2009 RM	2008 RM
Temporary differences arising from property, plant and equipment	3,925,126	4,318,040
Unabsorbed capital allowances	-	(799,464)
Others	(135,859)	(52,501)
	3,789,267	3,466,075

As mentioned in Note 3, the tax effects of deductible temporary differences, unused tax losses and unused tax credits which would give rise to deferred tax asset are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of December 31, 2009, the estimated amount of net deferred tax asset, calculated at the current tax rate which has not been recognised in the financial statements of the Group due to uncertainty of its realisation, is as follows:

	Deferred Tax Asset The Group	
	2009 RM	2008 RM
Unabsorbed tax losses	833,000	893,812
Unabsorbed capital allowances	2,838,000	314,012
	3,671,000	1,207,824

The unabsorbed tax losses and capital allowances are subject to the agreement of the tax authorities.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade payables of the Group comprise amounts outstanding for trade purchases. The credit period granted to the Group and the Company for trade purchases range from 30 to 90 days (2008: 30 to 60 days).

The currency exposure profile of the trade payables of the Group is analysed as follows:

	The Group	
	2009 RM	2008 RM
Singapore Dollar	7,749,407	14,103,365
United States Dollar	1,307,408	3,979,022
Ringgit Malaysia	3,238,768	1,212,943
Philippines Peso	69,648	121,755
Chinese Renminbi	106,150	35,678
Indonesian Rupiah	3,077	-
Euro	82,010	-
	<u>12,556,468</u>	<u>19,452,763</u>

Other payables and accrued expenses consist of:

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Other payables	7,487,499	12,876,673	94,148	159,240
Accrued expenses	5,019,299	5,318,508	159,105	186,379
	<u>12,506,798</u>	<u>18,195,181</u>	<u>253,253</u>	<u>345,619</u>

Included in other payables was an amount owing to a director amounting to RM21,214 (2008 – Nil).

The currency exposure profile of the other payables of the Group and of the Company is as follows:

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Japanese Yen	-	8,534,991	-	-
Ringgit Malaysia	2,749,976	1,595,040	94,148	159,240
Singapore Dollar	1,076,235	1,328,130	-	-
United States Dollar	247,490	579,252	-	-
Australian Dollar	-	570,729	-	-
Chinese Renminbi	576,245	149,772	-	-
Philippines Peso	102,135	118,759	-	-
Euro	2,621,036	-	-	-
New Taiwan Dollar	106,536	-	-	-
Indonesian Rupiah	7,846	-	-	-
	<u>7,487,499</u>	<u>12,876,673</u>	<u>94,148</u>	<u>159,240</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. BANK BORROWINGS

	The Group	
	2009 RM	2008 RM
Short-term borrowings	9,760,400	9,628,000
Term loans - current portion (Note 22)	8,606,615	8,843,490
	18,367,015	18,471,490
Bank overdrafts	3,365,362	5,617,839
	21,732,377	24,089,329

As of December 31, 2009, the Group has bank overdrafts amounting to RM3,365,362 (2008: RM5,617,839) obtained from licensed banks which bear effective interest rates ranging from 5.00% to 6.15% (2008: 5.00% to 6.15%) per annum.

The Group has a money market loan facility of RM9,760,400 (2008 : RM9,628,000) obtained by a subsidiary incorporated in Singapore, which is rolled over every 3 months and bears effective interest rates ranging from 2.48% to 5.04% (2008 : 5.00%) per annum.

The security for the bank borrowings are disclosed in Note 22.

28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Fixed deposits with licensed banks	781,627	758,232	-	-
Cash and bank balances	12,770,709	10,440,412	200,943	322,258
	13,552,336	11,198,644	200,943	322,258
Less: Bank overdrafts (Note 27)	(3,365,362)	(5,617,839)	-	-
	10,186,974	5,580,805	200,943	322,258

Fixed deposits with licensed bank earn an effective interest of 2.5% (2008: 3%) per annum and have an average maturity period of 365 (2008: 365) days.

The fixed deposits of the Group are pledged to licensed banks as security for banking facilities granted to the Group.

The currency exposure profile of the cash and cash equivalents is as follows:

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
United States Dollar	2,247,384	2,214,201	-	-
Ringgit Malaysia	3,040,560	1,879,305	148,897	265,674
Singapore Dollar	4,700,295	324,735	-	-
New Taiwan Dollar	153,373	166,206	52,046	56,584
Philippines Peso	43,989	340,530	-	-
Chinese Renminbi	354	655,828	-	-
Indonesian Rupiah	1,019	-	-	-
	10,186,974	5,580,805	200,943	322,258

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The operations of the Group are subject to a variety of financial risks, including foreign exchange risk, interest rate risk, credit risk, liquidity risk and cash flow risk. The Group has taken measures to minimise its exposure to risks and/or costs associated with the financing, investing and operating activities of the Group.

(i) Foreign currency risk

The Group undertakes certain trade transactions in Singapore Dollar and United States Dollar with foreign entities and therefore is exposed to foreign currency risks. Exposures to foreign currency risk are monitored on an on-going basis.

(ii) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing short-term borrowings and term loans. The interest rates of term loans and bank borrowings of the Company are disclosed in Notes 22 and 27. Interest rate of hire purchase payables, which is disclosed in Note 24, is fixed at the inception of the financing arrangement.

(iii) Credit risk

The Group is exposed to credit risk mainly from trade receivables. The Company extends credit to its customers based upon careful evaluation of the customers' financial condition and credit history.

(iv) Liquidity risk

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

(v) Cash flow risk

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

Financial Assets

The principal financial assets of the Group are cash and bank balances, fixed deposit with licensed banks, trade and other receivables and amount owing by associates.

The principal financial assets of the Company also include amount owing by the subsidiaries.

The accounting policies applicable to the major financial instruments are as disclosed in Note 3.

Financial Liabilities

Debts and equity instruments are classified as liability or equity in accordance with the substance of the contractual arrangement.

Significant financial liabilities of the Group include trade and other payables, hire-purchase payables, amount owing to associates, bank overdrafts and term loans, which are stated at their nominal values.

The principal financial liabilities of the Company also include amount owing to subsidiaries.

Term loans are recorded at the proceeds received. Finance charges are accounted for on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

Fair Values

The carrying amounts of the financial assets and financial liabilities of the Group reported in the balance sheets approximated their fair values because of the immediate or short maturity period for these financial instruments except for the following:

	The Group			
	2009		2008	
	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Financial liabilities				
Term loans (Note 22)	33,871,634	30,760,303	42,043,964	44,900,528
Hire purchase payables (Note 24)	22,820,326	25,433,963	17,998,085	20,673,960

Hire purchase payables and term loans

The fair values of hire purchase payables and term loans are estimated using discounted cash flow analysis based on current financing/borrowing rates for similar types of financing/borrowing arrangements.

30. COMMITMENTS

i) Operating lease commitments

	The Group	
	2009 RM	2008 RM
Future minimum lease payments		
Not later than one year	1,368,056	1,225,546
Between one year and five years	3,998,550	4,200,805
Later than five years	9,653,609	10,078,238
	<u>15,020,215</u>	<u>15,504,589</u>

ii) Capital commitments

As of December 31, 2009, the Group has the following capital commitments:

	The Group	
	2009 RM	2008 RM
Approved and contracted for:		
Property, plant and equipment	6,954,512	12,631,000

31. SIGNIFICANT CORPORATE EVENTS

- (i) On 1 June 2009, Frontken Petroleum Sdn. Bhd. ("FP"), an associate of the Group, increased its issued and paid-up share capital from RM300,000 to RM407,000 by the allotment and issuance of 107,000 new ordinary shares of RM1.00 each at par. The acquisition was settled by the capitalization of the debts owed by FP amounting to RM107,000. Consequent to the issuance of the new ordinary shares, the Group's interest in FP increased from 45.83% to 60.07% and FP became an indirect subsidiary of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31. SIGNIFICANT CORPORATE EVENTS (CONT'D)

- (ii) On 3 February 2009, Frontken Malaysia Sdn. Bhd. ("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 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.

Further details on the litigation are set out in Note 32 (iv).

- (iii) On 27 February 2009, Frontken (Singapore) Pte. Ltd. ("FS") entered into a conditional Share Purchase Agreement ("SPA") with Mr. Wong Hua Choon for the acquisition of 1,397,400 ordinary shares representing 20% equity interest in Chinyee Engineering & Machinery Pte Ltd for a cash consideration of SGD820,000. On 19 January 2010, the Company announced that the purchase price for the acquisition was adjusted to SGD1,387,000 in accordance with the terms of the SPA. The acquisition was completed on 20 January 2010.
- (iv) During the financial year, the issued and paid-up share capital of the Company was increased from RM69,977,040 to RM72,243,440 by:-
- (a) the issuance of 11,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.18 per share pursuant to the Private Placement on 16 March, 2009; and
 - (b) the issuance of 11,664,000 new ordinary shares of RM0.10 each at an issue price of RM0.21 per share pursuant to the Private Placement on 22 July, 2009.
- (v) On 8 December 2009, FS, a wholly-owned subsidiary of the Company incorporated a wholly-owned subsidiary, Frontship Pte. Ltd. ("FPL") in Singapore with an issued and paid-up share capital of SGD2. The principal activity of FPL is to undertake procurement of materials, equipment, consumable parts and engineering services.
- (vi) On 25 November 2009, Affin Investment Bank Berhad announced on behalf of the Company that the Company proposed to undertake a renounceable rights issue of up to 288,973,760 new ordinary shares of RM1.00 each in the Company ("Right Shares") together with up to 288,973,760 free new detachable warrants ("Warrants") at an issue price of RM0.11 per Right Shares on the basis of 2 Rights Shares together with 2 Warrants for every 5 existing shares held on the entitlement date ("Rights Issue").

32. SUBSEQUENT EVENTS

- (i) On 15 January 2010, the Company subscribed for the additional investment in FPL for a total consideration of SGD499,998 to retain its 100% equity interest in the FPL.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. SUBSEQUENT EVENTS (CONT'D)

- (ii) On 8 March 2010, Frontken MIC Co. Limited ("FMIC"), a subsidiary of the Company, increased its issued and paid-up capital from HKD3,120,000 to HKD3,950,000 by the allotment and issuance of 830,000 new ordinary shares of HKD1.00 each at par value for cash to its existing shareholders. The Company has subscribed for the additional investment in FMIC to retain the 50% equity interest.

The Company had subscribed for 415,000 new ordinary shares of HKD1.00 each for a cash consideration of HKD415,000. The shareholding of the Company in FMIC remains at approximately 50% after the increase in share capital.

- (iii) On 11 March 2010, the Company allotted and issued 288,973,760 Rights Shares together with 288,973,760 Warrants pursuant to its Rights Issue.

The Rights Issue had been completed upon admission of the Warrants to the Official List of Bursa Malaysia Securities Berhad ("Bursa Securities") and the listing of and quotation for the Warrants and the Rights Shares on Bursa Securities on 16 March 2010.

- (iv) FM had on 10 January 2010 filed an application for an injunction against further proceedings and stay of the winding-up proceedings pending disposal of FM's appeal. On 14 January 2010, the solicitors of IFC served a Writ of Seizure and Sale ("Writ") on FM to seize some of the assets located on its premises at Kulim Hi-Tech Park. FM filed an application for inter alia a stay of the Writ pending disposal of FM's appeal. On 8 March 2010, FM received a copy of notice from the High Court for the auction of the seized assets on 25 March 2010.

On 25 March 2010, the High Court disallowed the applications by FM for injunction against further proceedings, stay of execution of judgment and order, and stay of the Writ. Consequently, on the same day, FM paid IFC a sum of RM1,232,407.85 as full and final settlement of the judgment sum, interest thereon at 8% per annum and costs, and the notice of auction pursuant to the Writ received by FM on 8 March 2010 was withdrawn.

- (v) On 2 April 2010, Frontken BumiMaju Sdn Bhd ("FBM"), a 30% associate of Frontken Malaysia Sdn Bhd ("FM"), which in turn is a wholly-owned subsidiary of FCB, increased its issued and paid-up share capital from RM100,000 to RM500,000 by the allotment and issuance of 400,000 new ordinary shares of RM1.00 each at par value for cash to its existing shareholders on a pro-rata basis.

Pursuant to the increase in share capital, FM had subscribed for 120,000 new ordinary shares of RM1.00 each for a cash consideration of RM120,000. The shareholding of FM in FBM remains at 30% after the increase in share capital.

- (vi) The Company will implement an internal reorganisation of certain of its subsidiaries to streamline the corporate structure of FCB for improved efficiency ("Internal Reorganisation").

To formalise the Internal Reorganisation, the Company has on 12 April 2010 entered into a Share Purchase Agreement ("SPA") with its wholly-owned subsidiary, Frontken (Singapore) Pte Ltd ("FS") to acquire from the latter 10,000,000 ordinary shares of RM1.00 each representing the entire equity interest in Frontken Malaysia Sdn Bhd ("FM"), another wholly-owned subsidiary, for a cash consideration of SGD4,348,123. The consideration was determined based on FS' cost of investment in FM.

The Internal Reorganisation will not have any effect on the share capital of the Company and substantial shareholders' shareholding in the Company, and will not have any material effect on the consolidated earnings and net assets per share of the Company for the financial year ending 31 December 2010.

As the Internal Reorganisation is between the Company and its wholly-owned subsidiaries, none of the Directors and/or major shareholders of the Company or any persons connected to them has any interest, directly or indirectly, in the Internal Reorganisation.

The Internal Reorganisation does not require the approval of shareholders of the Company or any other government authorities.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

33. RECLASSIFICATIONS AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's financial year statements. As a result, certain line items have been amended on the face of balance sheets and related notes to the financial statements. Comparative figures have been adjusted to conform with the current year's presentation. The items were reclassified as follows:

	As previously reported RM	The Group	As restated RM
		Reclassification RM	
As of December 31, 2008			
Current Assets			
Inventories	5,910,167	3,134,456	9,044,623
Other receivables and prepaid expenses	13,304,280	(3,134,456)	10,169,824

STATEMENT BY DIRECTORS

We, **WONG HUA CHOON** and **DR. TAY KIANG MENG**, being two of the directors of **FRONTKEN CORPORATION BERHAD** do hereby state that, in the opinion of the directors, the financial statements set out on pages 37 to 81 are drawn up in accordance with the provisions of the Companies Act, 1965 and the Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as of December 31, 2009 and of their results and the cash flows of the Group and of the Company for the year ended on that date.

Signed on behalf of the Board in accordance
with a resolution of the directors,

WONG HUA CHOON

Kuala Lumpur

26 April 2010

DR. TAY KIANG MENGDECLARATION BY THE DIRECTOR PRIMARILY RESPONSIBLE
FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **WONG HUA CHOON**, being the director primarily responsible for the financial management of **FRONTKEN CORPORATION BERHAD**, do solemnly and sincerely declare that the financial statements of the Group and of the Company set out on pages 37 to 81 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

WONG HUA CHOON

Subscribed and solemnly declared by the
abovenamed **WONG HUA CHOON** at
KUALA LUMPUR this 26th day of April, 2010

Before me,

Datin Hajah Raihela Wanchik (No.W275)
COMMISSIONER FOR OATHS

LIST OF PROPERTIES

Details of the landed properties owned and leased by the Company and its subsidiaries are set out below:

Address	Description/ Existing use	Land area/ Built-up area sq m	Approximate age of building	Tenure	Audited net book value as at 31.12.2009 RM'000	Date of acquisition
Frontken (Singapore)						
Pte Ltd (FS) Pte Lot A12843 (to be known as Pte Lot A21020)	2 factory buildings with mezzanine office to house production facilities	11,154/ 6,242	13 years & 23 years	Leasehold expiring on 19.01.2019	4,447	01.08.2001
Bearing postal address: 156A Gul Circle Singapore 629614						
FS						
Pte Lot A22490 (to be known as Pte Lot A1355601)	4-storey factory building to house production facilities and R&D activities	4,877/ 3,147	8 years	Leasehold expiring on 30.04.2026	4,162	18.03.2005
Bearing postal address: 15 Gul Drive Singapore 629466						
Frontken Malaysia Sdn Bhd (FM)						
H.S. (D) 79995 Lot P.T. 14308 Mukim Damansara Daerah Petaling Selangor Darul Ehsan	1½ -storey detached factory building to house production facilities	2,023/ 1,006	13 years	Freehold	2,037	17.03.2003
Bearing postal address: Lot 2-46, Jalan Subang Utama 7 Taman Perindustrian Subang Utama Seksyen 22 40300 Shah Alam Selangor Darul Ehsan						
H.S. (D) 79985 Lot P.T. 14298 Mukim Damansara Daerah Petaling Selangor Darul Ehsan	Vacant industrial land	2,177/ -	N/A	Freehold	1,500	04.07.2007
Bearing postal address: Lot 2-47, Jalan Subang Utama 8 Taman Perindustrian Subang Utama Seksyen 22 40300 Shah Alam Selangor Darul Ehsan						

LIST OF PROPERTIES (CONT'D)

Details of the landed properties owned and leased by the Company and its subsidiaries are set out below: (Cont'd)

Address	Description/ Existing use	Land area/ Built-up area sq m	Approximate age of building	Tenure	Audited net book value as at 31.12.2009 RM'000	Date of acquisition	
FM							
H.S. (D) 40495 & 40609 Lots 12049 & 12063 Mukim 14, Daerah Seberang Perai Tengah Penang	1½ storey semi- detached factory to house production facilities and R&D activities	604/ 597	7 years	Freehold	}	}	
Bearing postal address: No. 18 Jalan Pala 12 Kawasan Industri Ringan Permatang Tinggi 14100 Bukit Mertajam Penang							
H.S. (D) 40496 & 40610 Lots 12050 & 12064 Mukim 14, Daerah Seberang Perai Tengah Penang	1½ storey semi- detached factory to house production facilities and R&D activities	603/ 541	7 years	Freehold			517
Bearing postal address: No. 20 Jalan Pala 12 Kawasan Industri Ringan Permatang Tinggi 14100 Bukit Mertajam Penang							
FM							
H.S. (D) 1600 P.T. No. 1923 Mukim Padang Cina Daerah Kulim Kedah Darul Aman	Single storey detached factory building to house production facilities and R&D activities	12,141/ 3,299	4 years	Leasehold expiring on 09.05.2066	7,722	23.12.2005	
Bearing postal address: Jalan Hi Tech 2/3 Industrial Zone Phase I Kulim Hi-Tech Industrial Park, 09000 Kulim Kedah Darul Aman							

LIST OF PROPERTIES (CONT'D)

Details of the landed properties owned and leased by the Company and its subsidiaries are set out below: (Cont'd)

Address	Description/ Existing use	Land area/ Built-up area sq m	Approximate age of building	Tenure	Audited net book value as at 31.12.2009 RM'000	Date of acquisition
FM H.S. (D) 1600 P.T. No. 1923 Mukim Padang Cina Daerah Kulim Kedah Darul Aman	Vacant industrial land	15,419	N/A	Leasehold expiring on 09.05.2066	2,017	09.11.2007
Bearing postal address: Jalan Hi Tech 2/3 Industrial Zone Phase II Kulim Hi-Tech Industrial Park, 09000 Kulim Kedah Darul Aman						
Metal-Treat Industries Pte Ltd	2 single-storey semi- detached factory with mezzanine office to house production facilities	8,620/ 5,607	31 years	Leasehold expiring on 30.06.2038	10,016	27.08.2007
Bearing postal address: No. 28 Gul Avenue Singapore 629668 & No. 30 Gul Avenue Singapore 629670						

SHAREHOLDING STATISTICS AS AT 30 APRIL 2010

Authorised Share Capital:	5,000,000,000
Paid-up and Issued Capital:	1,011,408,160
Type of Shares:	Ordinary Shares of RM0.10 each
No. of Shareholders:	3,463
Voting Rights:	One vote per share

ANALYSIS OF SHAREHOLDINGS BY RANGE

Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Capital
Less than 100	49	1.4	2,149	~
100 to 1,000	144	4.2	46,452	~
1,001 to 10,000	823	23.8	4,756,740	0.5
10,001 to 100,000	1,863	53.8	70,984,350	7.0
100,001 to less than 5% of issued shares	582	16.8	698,493,044	69.1
5% and above of issued shares	2	~	237,125,425	23.4
Total	3,463	100.0	1,011,408,160	100.0

Note:

~ Negligible

SUBSTANTIAL SHAREHOLDERS

The Substantial Shareholders of the Company and the number of shares held by them as recorded in the Register of Substantial Shareholders at the date of this statement are as follows:

	Direct		Indirect	
	No. of shares	%	No. of shares	%
Wong Hua Choon	201,660,901	19.9	23,592,972	*2.3
Lembaga Tabung Haji	63,464,524	6.3	-	-

Note:

* Deemed interested by virtue of his interest in Frontken Holdings Pte Ltd

DIRECTORS' SHAREHOLDINGS

The shareholdings of the Directors of the Company and the number of shares held by them as recorded in the Register of Directors' Shareholdings at the date of this statement are as follows:

	Direct		Indirect	
	No. of shares	%	No. of shares	%
Wong Hua Choon	201,660,901	19.9	23,592,972	*2.3
Dr Tay Kiang Meng	9,404,808	0.9	-	-

Note:

* Deemed interested by virtue of his interest in Frontken Holdings Pte Ltd

SHAREHOLDING STATISTICS AS AT 30 APRIL 2010 (CONT'D)

TOP 30 SHAREHOLDERS

(As extracted from the Record of Depositors as at 30 April 2010)

	Name of shareholders	No. of shares	% of issued capital
1	Wong Hua Choon	173,660,901	17.17
2	Lembaga Tabung Haji	63,464,524	6.28
3	CIMSEC Nominees (Asing) Sdn Bhd Exempt An For CIMB-GK Securities Pte Ltd (Retail Clients)	47,986,102	4.74
4	Yeo Lay Poh	43,305,503	4.28
5	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chieng Hock Ngie	38,527,248	3.81
6	Malaysia Nominees (Asing) Sendirian Berhad OCBC Capital Investment (Asia) Limited (00-00215-000)	27,630,400	2.73
7	Wong Mee Ngo	26,833,333	2.65
8	Fong Pik Na	24,026,730	2.38
9	Frontken Holdings Pte Ltd	23,592,972	2.33
10	Kho Chew Swan	17,075,552	1.69
11	Chan Bee Lian	16,827,500	1.66
12	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Wong Hua Choon (SFC)	14,000,000	1.38
13	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Hua Choon	14,000,000	1.38
14	Lau Chi Kiih	13,774,549	1.36
15	Public Invest Nominees (Asing) Sdn Bhd Exempt An for Phillip Securities Pte Ltd (Clients)	13,434,821	1.33
16	OSK Nominees (Asing) Sdn Berhad DMG & Partners Securities Pte Ltd for Melvin Ong Eng Hoe (8K/75712)	11,760,000	1.16
17	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Sun (M12)	10,539,100	1.04
18	AMT Engineering Sdn Bhd	8,900,000	0.88
19	See Chuan Swee	8,497,697	0.84
20	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kho Chai Yam	6,174,000	0.61
21	AIBB Nominees (Asing) Sdn Bhd Pledged Securities Account for Yee Huang Khim	6,036,800	0.60
22	EB Nominees (Asing) Sendirian Berhad Pledged Securities Account for Tay Kiang Meng (SFC)	6,000,000	0.59
23	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ravindra A/L Panchalingam	6,000,000	0.59
24	Oh Kim Sun	6,000,000	0.59
25	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goldinas Sdn Bhd (M12)	4,300,000	0.43
26	Nik Ismail B. Tengku Besar Indra Raja	4,202,660	0.42
27	Yap Fui Chin	4,089,288	0.40
28	Mok Siew Wai	3,904,422	0.39
29	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Hua Kiong	3,621,520	0.36
30	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Chin Seoh	3,550,000	0.35
		651,715,622	64.43

WARRANT HOLDING STATISTICS AS AT 30 APRIL 2010

Type of Securities:	Warrants
Total Warrants issued but not exercised:	288,973,760
Voting Rights:	One vote per warrant holder on show of hands or one vote per warrant on a poll in respect of a meeting of warrant holders

ANALYSIS OF WARRANT HOLDINGS BY RANGE

Holdings	No. of Warrant holders	% of Warrant holders	No. of Warrant	% of Warrant
Less than 100	42	2.1	2,260	~
100 to 1,000	91	4.6	54,173	~
1,001 to 10,000	778	39.5	3,978,908	1.4
10,001 to 100,000	804	40.8	27,864,136	9.6
100,001 to less than 5% of Warrants	256	13.0	207,456,874	71.8
5% and above of Warrants	1	~	49,617,409	17.2
Total	1,972	100.0	288,973,760	100.0

Note:

~ Negligible

TOP 30 WARRANT HOLDERS

(As extracted from the Record of Depositors as at 30 April 2010)

Name of warrant holders	No. of warrants	% of warrants
1 Wong Hua Choon	49,617,409	17.2
2 CIMSEC Nominees (Asing) Sdn Bhd Exempt An For CIMB-GK Securities Pte Ltd (Retail Clients)	13,245,736	4.6
3 Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chieng Hock Ngie	8,787,928	3.0
4 Wong Mee Ngo	7,666,666	2.7
5 Frontken Holdings Pte Ltd	6,740,849	2.3
6 Lau Chi Kiih	6,492,624	2.2
7 Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ravindra A/L Panchalingam	5,500,000	1.9
8 Yeo Lay Poh	5,158,700	1.8
9 Tai Eng Huat	5,100,000	1.8
10 Kho Chew Swan	4,878,729	1.7
11 Chan Bee Lian	4,807,937	1.7
12 EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Wong Hua Choon (SFC)	4,000,000	1.4
13 Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Hua Choon	4,000,000	1.4
14 Lembaga Tabung Haji	4,000,000	1.4
15 Ravindra A/L Panchalingam	4,000,000	1.4
16 Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Wai Yuan (8040793)	3,900,000	1.3
17 OSK Nominees (Asing) Sdn Berhad DMG & Partners Securities Pte Ltd for Melvin Ong Eng Hoe (8K/75712)	3,360,000	1.2

WARRANT HOLDING STATISTICS AS AT 30 APRIL 2010 (CONT'D)

TOP 30 WARRANT HOLDERS

(As extracted from the Record of Depositors as at 30 April 2010)

	Name of warrant holders	No. of warrants	% of warrants
18	Ting Hin Ming	3,036,730	1.1
19	Ong Loo Choon	2,990,000	1.0
20	CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Wai Yuan (T Cheras-CL)	2,874,800	1.0
21	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Sun Ping	2,700,000	0.9
22	Tay Kiang Meng	2,687,088	0.9
23	AMT Engineering Sdn Bhd	2,609,252	0.9
24	Loh Siew Hooi	2,120,000	0.7
25	Chee Lai Hock	1,900,000	0.7
26	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kho Chai Yam	1,764,000	0.6
27	AIBB Nominees (Asing) Sdn Bhd Pledged Securities Account for Yee Huang Khim	1,724,800	0.6
28	Suntharalingam A/L V Veluppillai	1,705,900	0.6
29	Ng Tee Kok	1,500,000	0.5
30	See Chuan See	1,499,300	0.5
		170,368,448	59.0

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixth Annual General Meeting of the Company will be held at Suite 301, 3rd Floor, Block F, Pusat Dagangan Phileo Damansara I, No. 9, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor on Tuesday, 22 June 2010 at 11.00 a.m. for the transaction of the following business:-

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements for the year ended 31 December 2009 together with the Reports of the Directors and Auditors thereon.
2. To re-elect the following Directors who retire pursuant to the following Articles of the Company's Articles of Association:-

Article 74	Dato' Haji Johar Bin Murat @ Murad	Resolution 1
	Ng Wai Pin	Resolution 2
Article 79	Aaron Sim Kwee Lein	Resolution 3
3. To approve the payment of Directors' fees for the financial year ended 31 December 2009. Resolution 4
4. To re-appoint Messrs Crowe Horwath as Auditors of the Company for the financial year ending 31 December 2010 and to authorise the Directors to fix their remuneration. Resolution 5

Special Business

5. To consider and if thought fit, to pass the following Resolutions as:-

ORDINARY RESOLUTION 1

Resolution 6

AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

"THAT, subject always to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company and the approvals of Bursa Malaysia Securities Berhad ("Bursa Securities") and the relevant regulatory authorities where such approval is necessary, the Directors be and are hereby empowered, pursuant to Section 132D of the Act, to issue shares in the Company at any time until the conclusion of the next Annual General Meeting ("AGM") and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate numbers of shares to be issued does not exceed 10% of the total issued share capital of the Company for the time being."

ORDINARY RESOLUTION 2

Resolution 7

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE AND PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"THAT subject to the Main Market Listing Requirements of Bursa Securities ("Listing Requirements"), approval be and is hereby given to the Company and its subsidiaries to enter into the recurrent transactions of a revenue or trading nature as set out in Section 2.2 of the Circular to Shareholders dated 31 May 2010 with the related parties mentioned therein which are necessary for the Group's day-to-day operations.

THAT the Company and its subsidiaries be and are hereby authorised to enter into the recurrent transactions with the related parties mentioned therein provided that:

- (a) the transactions are carried out in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company;
- (b) the disclosure of the aggregate value of the transactions conducted pursuant to the shareholders mandate during the financial year will be made in the Annual Report for the said financial year.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

THAT such approval shall commence immediately upon passing of the resolution and remain in force until:-

- (a) the conclusion of the next AGM of the Company following the general meeting at which the mandate is passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
- (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting, whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to this resolution.”

6. ORDINARY RESOLUTION 3

Resolution 8

PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES ("PROPOSED RENEWAL OF SHARE BUY-BACK MANDATE")

“THAT subject to the provisions under the Act, the Memorandum and Articles of Association of the Company, the Listing Requirements and any other applicable laws, rules, regulations and guidelines for the time being in force, the Company be and is hereby authorised to purchase such number of ordinary shares of RM0.10 each in the Company (“Shares”) as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased pursuant to this resolution shall not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company;

THAT the maximum amount of funds to be allocated for the purpose of purchasing the Shares shall not exceed the aggregate of the retained profits and share premium account of the Company;

THAT authority be and is hereby given to the Directors of the Company to decide at their discretion, as may be permitted and prescribed by the Act and/or any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities for the time being in force to deal with any of the Shares so purchased by the Company in the following manner:

- (i) the Shares so purchased could be cancelled; or
- (ii) the Shares so purchased could be retained as treasury shares for distribution as dividends to the shareholders of the Company and/or be resold through Bursa Securities in accordance with the relevant rules of Bursa Securities and/or be cancelled subsequently; or
- (iii) combination of (i) and (ii) above.

THAT the authority conferred by this resolution will be effective immediately from the passing of this ordinary resolution and shall continue to be in force until:

- (i) the conclusion of the next AGM of the Company, at which time the said authority would lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next AGM is required by law to be held; or
- (iii) the authority is revoked or varied by an ordinary resolution of the shareholders of the Company in a general meeting,

whichever occurs first;

AND THAT the Directors of the Company be and are hereby authorised to take such steps as are necessary or expedient to implement or to effect the purchase(s) of the Shares with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities and to take such steps as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto.”

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

7. **SPECIAL RESOLUTION 1** Resolution 9
PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION (“PROPOSED AMENDMENT”)

“THAT the Articles of Association of the Company be and are hereby amended in the form and manner as set out in Appendix I of the Circular to Shareholders dated 31 May 2010;

AND THAT the Board of Directors of the Company be and is hereby authorised to do all such acts and things as are necessary and/or expedient in order to give full effect to the Proposed Amendment with full powers to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities.”

8. To transact any other business of which due notice shall have been given.

BY ORDER OF THE BOARD

Tai Keat Chai (MIA 1688)
Lim Hooi Chin (MAICSA 7025949)
Company Secretaries

Kuala Lumpur
31 May 2010

Notes:

1. The Agenda No.1 is meant for discussion only as the provision of Section 169(1) of the Act, does not require a formal approval of shareholders and hence, is not put forward for voting.
2. A member entitled to attend and vote at this Meeting is entitled to appoint a proxy/proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. Where the appointer is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
5. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at Suite 1603, 16th Floor, Wisma Lim Foo Yong, No. 86 Jalan Raja Chulan, 50200 Kuala Lumpur not less than forty-eight (48) hours before the time fixed for convening the Meeting or any adjournment thereof.
6. Explanatory Notes on Special Business:-

- a. The proposed Resolution 6, if passed, will empower the Directors from the conclusion of this AGM, to allot and issue up to a maximum of 10% of the issued share capital of the Company (excluding treasury shares) at the time of issue (other than bonus or rights issue) for such purposes as they consider would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next AGM of the Company. This mandate will provide flexibility to the Company for the allotment of shares for the purpose of funding working capital, future expansion and investment / acquisition(s).

The proposed Resolution 6 is a renewal of the general mandate for issuance of shares pursuant to Section 132D of the Act. The Company had, at the Fifth AGM held on 25 June 2009, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 132D of the Act. Pursuant to the said mandate, the Company had placed out 11,664,000 new ordinary shares of RM0.10 each in the Company on 22 July 2009. The proceeds of RM2,449,440 raised from the said issuance of shares have been fully utilised for working capital of the Company and its subsidiaries (“FCB Group”) and defraying expenses for the private placement exercise.

- b. The proposed Resolution 7, if passed, will empower the FCB Group to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the FCB Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company. Please refer to the Circular to Shareholders dated 31 May 2010 which is despatched together with this Annual Report for more information.
- c. The proposed Resolution 8, if passed, will give the Directors of the Company the authority to take all such steps as are necessary or expedient to implement, finalise, complete and/or effect the purchase(s) of Shares by the Company as the Directors may deem fit and expedient in the best interest of the Company. This authority will, unless renewed or revoked or varied by the Company at a general meeting, continue to be in force until the conclusion of the next AGM of the Company or the expiry of the period within which the next AGM of the Company following the Sixth AGM is required by the law to be held. Please refer to the Circular to Shareholders dated 31 May 2010 which is despatched together with this Annual Report for more information.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

DIRECTOR WHO IS STANDING FOR ELECTION

Details of the Director who is standing for election under the proposed Resolution 3 are as follows:

Aaron Sim Kwee Lein (*Independent Non-Executive Director*)

Mr Sim, a Malaysian aged 44, was appointed as Independent Non-Executive Director of FCB on 27 August 2009. He is a member of the Audit Committee. He is also a Fellow member of the Chartered Association of Certified Accountants (UK), a Chartered Accountant of the Malaysian Institute of Accountant, a member of CPA Australia and a Chartered Member of the Institute of Internal Auditors Malaysia. He commenced his career with an international accounting firm and gained professional exposure in stock-broking, trading, manufacturing and construction concerns. Thereafter, he joined a listed company on the Main Board of Bursa Securities as an Internal Auditor where he was engaged in audit work of stock-broking, manufacturing, retail and distribution concerns. In addition, he was also involved in due diligence, operational rationalisation and strategic planning work of corporate acquisitions. Subsequently, he joined a food retail franchise chain company as the Finance & Administrative Manager before becoming the Deputy General Manager of Corporate Strategies and Affairs of a glove manufacturing company. He is currently the Principal Consultant with Omni Biz Consulting, offering business and financial advisory services. Mr Sim also sits on the board of Freight Management Holdings Bhd and Excel Force MSC Berhad.

He has no family relationship with any other Directors or major shareholders of the Company. He has not been convicted of any offences within the past ten years. He has no conflict of interest with the Company.

Mr Sim does not have interest, direct or indirect, in the securities of the Company and its subsidiaries.

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FRONTKEN CORPORATION BERHAD

(Company No.: 651020-T)

(Incorporated in Malaysia under the Companies Act, 1965)

PROXY FORM

Number of shares held

I/We, I.C. or Company No.
(FULL NAME IN CAPITAL LETTERS)

CDS Account No.....of.....
(ADDRESS IN FULL)

being a member/members of FRONTKEN CORPORATION BERHAD ("Company"), hereby appoint

.....I.C. or Company No.....
(FULL NAME IN CAPITAL LETTERS) (NEW AND OLD I.C. NO.)

of
(ADDRESS IN FULL)

or failing him/her,..... I.C. or Company No.....
(FULL NAME IN CAPITAL LETTERS) (NEW AND OLD I.C. NO.)

of
(ADDRESS IN FULL)

or the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Sixth Annual General Meeting of the Company to be held at Suite 301, 3rd Floor, Block F, Pusat Dagangan Phileo Damansara I, No. 9, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor on Tuesday, 22 June 2010 at 11.00 a.m., or at any adjournment thereof.

My/our proxy is to vote on the Resolutions set out in the Notice of the Meeting as indicated with an "X" in the appropriate space. If no specific direction as to the voting is given, my/our proxy will vote or abstain from voting at his/her discretion.

	Resolutions	For	Against
1	Re-election of Dato' Haji Johar Bin Murat @ Murad		
2	Re-election of Ng Wai Pin		
3	Re-election of Aaron Sim Kwee Lein		
4	Approval of the payment of Directors' fees		
5	Re-appointment of Messrs Crowe Horwath as Auditors of the Company		
6	Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965		
7	Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
8	Proposed Renewal of Share Buy-Back Mandate		
9	Proposed Amendment		

Dated this.....day of.....2010

.....
 Signature/Common Seal of Appointer

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy/proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. Where the member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. Where the appointer is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney to be duly authorised.
4. The instrument appointing a proxy shall be deposited at the Registered Office of the Company at Suite 1603, 16th Floor, Wisma Lim Foo Yong, 86 Jalan Raja Chulan, 50200 Kuala Lumpur, not less than forty-eight (48) hours before the time fixed for convening the meeting or any adjournment thereof.

FOLD THIS FLAP FOR SEALING

FOLD HERE

STAMP

The Company Secretary
FRONTKEN CORPORATION BERHAD
(Company No.: 651020-T)
Suite 1603, 16th Floor
Wisma Lim Foo Yong
86 Jalan Raja Chulan
50200 Kuala Lumpur

FOLD HERE



31 May 2010

Dear Shareholder,

Electronic Dividend Payment (eDividend)

We are pleased to inform you that Frontken Corporation Berhad (“the Company”) will be providing eDividend to be implemented in the third quarter of 2010. eDividend refers to the payment of cash dividends by a listed issuer directly into the shareholders’ bank accounts. One of the main objectives of implementing eDividend is to promote greater efficiency of the dividend payment system and to put Malaysia on par with practices in other regional markets in relation to receipt of dividends by shareholders.

eDividend provides, amongst others, faster access to your cash dividends, eliminates the inconvenience of having to deposit the dividend cheques and problems such as misplaced, lost or expired cheques, and unauthorised deposit of dividend cheques.

1. Registration for eDividend

- 1.1 Registration for eDividend has commenced on **19 April 2010** for a period of 1 year until 18 April 2011, at no cost to the shareholders. If you register after the 1-year period, an administrative charge will be imposed.

To register for eDividend, you are required to provide to Bursa Malaysia Depository Sdn Bhd (“Bursa Depository”) through your stock broker your bank account number and other information by completing the prescribed form. This form can be obtained from your stock broker’s office where your CDS account is maintained, or downloaded from Bursa Malaysia’s website at <http://www.bursamalaysia.com>.

- 1.2 You need to submit to your stock broker’s office where your Central Depository System (CDS) account is maintained, the duly completed prescribed form and the following for registration:-

- (a) Individual depositor: Copy of identification documents i.e. NRIC, Passport, Authority Card or other acceptable identification documents. Original documents must be produced for your stock broker’s verification;
Corporate depositor: Certified true copy of the Certificate of Incorporation/ Certificate of Registration; and
- (b) Copy of your bank statement / bank savings book / details of your bank account obtained from your banks website that has been certified by your bank / copy of letter from your bank confirming your bank account particulars. For individuals, original documents must be produced for your stock broker’s verification. For corporate entities, a certified true copy is to be submitted.
- (c) If the CDS account is held in the name of a nominee, the nominee will register for the eDividend.

- 1.3 If you are not able to be present at your stock broker’s office to submit the prescribed form and supporting documents, please ensure that the signing of the prescribed form and the supporting documents have been witnessed by an acceptable witness specified by Bursa Depository. In this regard, an acceptable witness includes an Authorised Officer of your stock broker, a Dealer’s Representative, a notary public and an Authorised Officer of the Malaysian Embassy/High Commission.

2. Notification of eDividend payment after registration

- 2.1 You are encouraged to provide in the prescribed form to Bursa Depository both your mobile phone number and e-mail address, if any. This is to enable the Company to issue electronic notification of dividend payment to you either via e-mail or sms, at the discretion of the Company, once the Company has paid the cash dividend out of its account. Please note that if you provide only your mobile phone number, you may only be notified of the cash dividend payment when you receive your dividend warrant or tax certificate.



3. Additional information for shareholders

3.1 Your savings or current account, must be an active bank account, maintained with a local bank under your name or in the case of a joint account, has your name as one of the account holders. It must also be a bank account with a financial institution that is a member of the Malaysian Electronic Payment System Inter-Bank GIRO (IBG) set out below, which can be found on this website: http://www.meps.com.my/faq/interbank_giro.asp?id=2#answer

- | | |
|--|---|
| 1. Affin Bank Berhad | 12. EON Bank Berhad |
| 2. Alliance Bank Malaysia Berhad | 13. Hong Leong Bank Berhad |
| 3. AmBank (M) Berhad | 14. HSBC Bank Malaysia Berhad |
| 4. Bank Islam Malaysia Berhad | 15. Malayan Banking Berhad |
| 5. Bank Muamalat Malaysia Berhad | 16. OCBC Bank (Malaysia) Berhad |
| 6. Bank Kerjasama Rakyat Malaysia Berhad | 17. Public Bank Berhad |
| 7. Bank of America | 18. RHB Bank Berhad |
| 8. Bank Simpanan Nasional | 19. Standard Chartered Bank Malaysia Berhad |
| 9. CIMB Bank Berhad | 20. The Royal Bank of Scotland Berhad |
| 10. Citibank Berhad | 21. United Overseas Bank (Malaysia) Bhd |
| 11. Deutsche Bank Berhad | |

3.2 Your bank account particulars and other related information is protected under the Securities Industry (Central Depositories) Act 1991 which strictly prohibits the disclosure of such information to any person unless you expressly authorise the disclosure in writing. For eDividend purposes, you will be authorising disclosure of your bank account particulars and other related information to persons necessary to facilitate the eDividend such as the Company, the share registrar and the appointed paying banks.

3.3 Once you have registered for eDividend, any cash dividend entitlement of which the books closure date is announced by the Company on or after 1 September 2010, shall be paid to you via eDividend.

We look forward to a successful implementation of eDividend through your active participation, and to serving you better as our valued shareholders. If you have any query relating to our eDividend service, please do not hesitate to contact our Share Registrar, Tricor Investor Services Sdn Bhd at 03 – 2264 3883 during office hours.

Yours faithfully,

Wong Hua Choon

Executive Chairman / Managing Director