



**FRONTKEN CORPORATION BERHAD**

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

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016**  
(The figures have not been audited)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31 Dec 2016 RM '000	Preceding Year Corresponding Quarter 31 Dec 2015 RM '000	Current Year To-date 31 Dec 2016 RM '000	Preceding Year Corresponding Period 31 Dec 2015 RM '000
Revenue	75,616	67,857	261,844	280,573
Operating expenses	<u>(60,915)</u>	<u>(61,418)</u>	<u>(217,952)</u>	<u>(257,618)</u>
Profit before depreciation and finance costs	14,701	6,439	43,892	22,955
Depreciation	(4,450)	(4,442)	(17,193)	(18,133)
Finance costs	(258)	(384)	(1,147)	(1,494)
Other operating income	4,082	295	7,901	12,645
Share of results of associated companies	<u>(25)</u>	<u>10</u>	<u>(109)</u>	<u>25</u>
Profit before tax	14,050	1,918	33,344	15,998
Taxation	<u>(1,188)</u>	<u>(2,209)</u>	<u>(6,059)</u>	<u>(6,490)</u>
Profit/(loss) after tax	12,862	(291)	27,285	9,508
Other comprehensive expenses:				
Foreign currency translation	6,134	(4,713)	6,723	23,600
Actuarial gains/(losses)	<u>(416)</u>	<u>486</u>	<u>(416)</u>	<u>(487)</u>
Total comprehensive income for the period	<u>18,580</u>	<u>(4,518)</u>	<u>33,592</u>	<u>32,621</u>
Profit/(loss) after tax attributable to :				
Owners of the Company	10,868	(199)	20,040	4,007
Non-controlling interests	<u>1,994</u>	<u>(92)</u>	<u>7,245</u>	<u>5,501</u>
Profit for the period	<u>12,862</u>	<u>(291)</u>	<u>27,285</u>	<u>9,508</u>
Total comprehensive income attributable to:				
Owners of the Company	15,252	(4,703)	24,823	21,293
Non-controlling interests	<u>3,328</u>	<u>185</u>	<u>8,769</u>	<u>11,328</u>
Total comprehensive income for the period	<u>18,580</u>	<u>(4,518)</u>	<u>33,592</u>	<u>32,621</u>
Earnings/(loss) per share attributable to equity holders of the company :				
Basic (sen)	<b>1.04</b>	<b>(0.02)</b>	<b>1.91</b>	<b>0.39</b>

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

The comparative figures are based on audited financial statements of the Company for the financial year ended 31 December 2015.



**FRONTKEN CORPORATION BERHAD**

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016**

(The figures have not been audited)

	<b>Unaudited 31 Dec 2016 RM'000</b>	<b>Audited 31 Dec 2015 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	152,066	135,667
Investment in associated companies	1,999	2,009
Goodwill on consolidation	33,761	33,761
Deferred tax assets	1,603	1,406
<b>Total non-current assets</b>	<u>189,429</u>	<u>172,843</u>
<b>Current assets</b>		
Inventories	10,976	11,793
Trade receivables	96,147	87,030
Other receivables, deposits and prepaid expenses	5,052	6,124
Amount owing by associates	1,363	1,330
Tax recoverable	1,182	965
Investment	8,996	-
Fixed deposits with licensed banks	5,872	15,311
Cash and bank balances	88,746	94,487
<b>Total current assets</b>	<u>218,334</u>	<u>217,040</u>
<b>Total assets</b>	<u>407,763</u>	<u>389,883</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserve</b>		
Issued capital	105,344	105,344
Reserves	51,530	45,076
Retained earnings	104,736	86,135
Equity attributable to owners of the Company	<u>261,610</u>	<u>236,555</u>
Non-controlling interests	33,799	34,684
<b>Total equity</b>	<u>295,409</u>	<u>271,239</u>
<b>Non-current liabilities</b>		
Bank borrowings	20,260	26,013
Hire-purchase payables	355	439
Other payables	3,134	2,433
Deferred tax liabilities	1,672	3,446
<b>Total non-current liabilities</b>	<u>25,421</u>	<u>32,331</u>
<b>Current liabilities</b>		
Trade payables	20,827	31,125
Other payables and accrued expenses	52,427	35,018
Bank borrowings	8,466	16,177
Hire purchase payable	249	687
Tax liabilities	4,964	3,306
<b>Total current liabilities</b>	<u>86,933</u>	<u>86,313</u>
<b>Total liabilities</b>	<u>112,354</u>	<u>118,644</u>
<b>Total equity and liabilities</b>	<u>407,763</u>	<u>389,883</u>
<b>Net assets per share attributable to owners of the parents (RM)</b>	0.25	0.23

The condensed consolidated balance sheet is to be read in conjunction with the accompanying notes to the interim financial report.

The comparative figures are based on audited financial statements of the Company for the financial year ended 31 December 2015.



**FRONTKEN CORPORATION BERHAD**

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016**

(The figures have not been audited)

	Non-distributable					Distributable				Total RM'000
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Warrant reserve RM'000	Statutory reserve RM'000	Retained earnings RM'000	Attributable to owners of the Company RM'000	Non-controlling interests RM'000	
Balance as of 1 January 2016	105,344	13,582	(599)	29,626	-	2,467	86,135	236,555	34,684	271,239
Other comprehensive income recognised for the period:										
Defined benefit plan actuarial loss	-	-	-	-	-	-	(294)	(294)	(122)	(416)
Foreign currency translation	-	-	-	5,077	-	-	-	5,077	1,646	6,723
Profit for the period	-	-	-	-	-	-	20,040	20,040	7,245	27,285
<b>Total comprehensive income for the period</b>	-	-	-	5,077	-	-	19,746	24,823	8,769	33,592
Dividend paid by subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	(1,959)	(1,959)
Transfer to statutory reserve	-	-	-	-	-	1,441	(1,441)	-	-	-
Purchase of treasury shares	-	-	(64)	-	-	-	-	(64)	-	(64)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	296	296	(7,695)	(7,399)
<b>Balance as of 31 December 2016</b>	<b>105,344</b>	<b>13,582</b>	<b>(663)</b>	<b>34,703</b>	<b>-</b>	<b>3,908</b>	<b>104,736</b>	<b>261,610</b>	<b>33,799</b>	<b>295,409</b>

**CORRESPONDING PERIOD CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015**

	Non-distributable					Distributable				Total RM'000
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Warrant reserve RM'000	Statutory reserve RM'000	Retained earnings RM'000	Attributable to owners of the Company RM'000	Non-controlling interests RM'000	
Balance as of 1 January 2015	101,141	9,337	(565)	12,034	883	1,291	82,683	206,804	32,913	239,717
Other comprehensive income recognised for the period:										
Defined benefit plan actuarial loss	-	-	-	-	-	-	(306)	(306)	(181)	(487)
Foreign currency translation	-	-	-	17,592	-	-	-	17,592	6,008	23,600
Profit for the period	-	-	-	-	-	-	4,007	4,007	5,501	9,508
<b>Total comprehensive income for the period</b>	-	-	-	17,592	-	-	3,701	21,293	11,328	32,621
Warrants										
- exercise of warrants	4,203	3,490	-	-	(128)	-	-	7,565	-	7,565
- lapse of unexercised warrants	-	755	-	-	(755)	-	-	-	-	-
Dividend paid by subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	(2,357)	(2,357)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	589	589
Transfer to statutory reserve	-	-	-	-	-	1,176	(1,176)	-	-	-
Purchase of treasury shares	-	-	(34)	-	-	-	-	(34)	-	(34)
Changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	-	-	-	927	927	(7,789)	(6,862)
<b>Balance as of 31 December 2015</b>	<b>105,344</b>	<b>13,582</b>	<b>(599)</b>	<b>29,626</b>	<b>-</b>	<b>2,467</b>	<b>86,135</b>	<b>236,555</b>	<b>34,684</b>	<b>271,239</b>

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



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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016**

(The figures have not been audited)

	<b>CUMULATIVE QUARTER</b>	
	<b>Current Period To Date</b>	<b>Preceding Corresponding Period</b>
	<b>31 Dec 2016 RM'000</b>	<b>31 Dec 2015 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	33,344	15,998
Adjustments for:		
Depreciation of property, plant and equipment	17,193	18,133
Interest expense	1,147	1,494
Unrealised gain on foreign exchange	(1,426)	(2,918)
Interest income	(770)	(780)
Loss/(Gain) on disposal of property, plant and equipment	138	(7)
Writeback of allowance for impairment losses on trade receivables	(1)	(717)
Plant and equipment written off	804	2,920
Allowance for impairment loss on plant and equipment	52	1,713
Impairment loss on plant and equipment no longer required	(392)	-
Allowance for impairment losses on receivables	133	295
Inventories written down to net realisable value	-	52
Inventories written off	493	147
Loss on disposal of investment in a subsidiary	-	1,870
Share of results of associates	109	(25)
Operating profit before working capital changes	50,824	38,175
Inventories	753	(968)
Amount due from a contract customer	-	1,837
Trade receivables	(5,100)	27,182
Other receivables, deposits and prepaid expenses	1,173	(733)
Amount owing by associates	(4)	28
Trade payables	(11,074)	(8,030)
Other payables and accrued expenses	14,412	(4,748)
Cash generated from operations	50,984	52,743
Taxes paid	(6,682)	(8,243)
Net cash from operating activities	44,302	44,500
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>		
Interest received	716	780
Additional investment in subsidiaries	(7,399)	(6,862)
Purchase of property, plant and equipment	(27,731)	(7,197)
Investment	(8,943)	-
Net cash outflow on disposal of a subsidiary	-	(785)
Proceeds from disposal of property, plant and equipment	119	78
Net withdrawal of fixed deposits with licensed banks	1,377	6,600
Net cash for investing activities	(41,861)	(7,386)



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	<b>CUMULATIVE QUARTER</b>	
	<b>Current Period To Date</b>	<b>Preceding Corresponding Period</b>
	<b>31 Dec 2016 RM'000</b>	<b>31 Dec 2015 RM'000</b>
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>		
Interest paid	(1,147)	(1,494)
Proceeds from issuance of shares	-	7,565
Drawdown of term loans	16,147	4,402
Repayment of term loans	(30,567)	(879)
Payment of hire purchase payables	(690)	(1,507)
Treasury shares acquired	(64)	(34)
Dividend paid by subsidiaries to non-controlling interests	(1,959)	(1,807)
Net cash (for)/from financing activities	<u>(18,280)</u>	<u>6,246</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(15,839)</b>	<b>43,360</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>	<b>105,117</b>	<b>52,575</b>
<b>EFFECT OF EXCHANGE DIFFERENCES</b>	<b>2,037</b>	<b>9,182</b>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	<b><u>91,315</u></b>	<b><u>105,117</u></b>
<b>THE CASH AND CASH EQUIVALENTS COMPRISE:</b>		
Cash and bank balances	88,746	94,487
Fixed deposits with licensed banks	5,872	15,310
	<u>94,618</u>	<u>109,797</u>
Less: Fixed deposits pledged with banks	(3,303)	(4,680)
Cash and cash equivalents	<u>91,315</u>	<u>105,117</u>

The condensed consolidated cash flow statement is to be read in conjunction with the accompanying notes to the interim financial report.

The comparative figures are based on audited financial statements of the Company for the financial year ended 31 December 2015.



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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016**

**A NOTES TO THE INTERIM FINANCIAL REPORT**

**A1. Basis of preparation**

The interim financial statements are unaudited and have been prepared in accordance with the reporting requirements outlined in the Malaysian Financial Reporting Standards ("MFRS") No.134 : Interim Financial Reporting, and Paragraph 9.22 of Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements and should be read in conjunction with the Company's audited financial statements for the financial year ended 31 December 2015.

The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of Frontken Corporation Berhad ("FCB" or "the Company"), its subsidiaries and associated companies since the financial year ended 31 December 2015.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2015 except for those standards, amendments and interpretations which are effective from the annual period beginning 1 January 2016. The adoption of the MFRSs and Amendments do not have significant impact on the financial statements of the Group.

**A2. Realised and Unrealised Profits or Losses**

	<b>As at 31 Dec 2016</b>	<b>As at 31 Dec 2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Total retained profits of FCB and its subsidiaries		
- Realised	125,440	105,338
- Unrealised	8,238	2,882
	<hr/> 133,678	<hr/> 108,220
Total share of retained profits from associated companies		
- Realised	257	366
Less: Consolidation adjustments	(29,199)	(22,451)
Total Group retained profits	<hr/> 104,736	<hr/> 86,135

**A3. Audit qualification**

The auditors' report in respect of the audited consolidated financial statements of FCB for the financial year ended 31 December 2015 was not subjected to any qualification.

**A4. Seasonality or cyclicity of interim operations**

The Group's business operations were not materially affected by any seasonal or cyclical factors during the quarter under review.



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**A5. Unusual items affecting assets, liabilities, equity, net income or cash flows**

There were no items or events that arose, which affected the assets, liabilities, equity, net income or cash flows, of the Group that are unusual by reason of their nature, size or incidence during the current quarter:

**A6. Material changes in estimates**

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

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

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

As at 31 December 2016, the Company held 5,466,600 repurchased shares as treasury shares out of its total issued and paid-up share capital of 1,053,435,130 ordinary shares of RM0.10 each. Such treasury shares are held at a carrying amount of RM663,237.

**A8. Dividends**

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



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**A9. Segmental information**

The breakdown of the Group's revenue and results by geographical regions for the quarter ended 31 December 2016 are set out below. Revenue and results by geographical sales were based on the location of the Group's subsidiaries.

**Current Quarter  
31 December 2016**

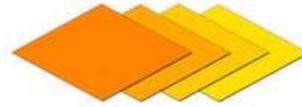
	<u>Singapore</u>	<u>Malaysia</u>	<u>Philippines</u>	<u>Indonesia</u>	<u>Taiwan</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Segment Revenue</u>						
External sales	15,425	17,401	5,216	783	36,791	75,616
Inter-segment sales	541	131	266	-	117	1,055
Total revenue	<u>15,966</u>	<u>17,532</u>	<u>5,482</u>	<u>783</u>	<u>36,908</u>	<u>76,671</u>

Segment Results

Operating profit/(loss)	5,202	1,080	862	(7)	6,220	13,357
Interest income						257
Finance cost						(258)
Gain on dissolution of a subsidiary						719
Share of results in associates						(25)
Profit before taxation						<u>14,050</u>

**Current Year-to-date  
31 December 2016**

<u>Segment Revenue</u>						
External sales	44,631	68,008	18,077	3,045	128,083	261,844
Inter-segment sales	2,337	525	311	-	172	3,345
Total revenue	<u>46,968</u>	<u>68,533</u>	<u>18,388</u>	<u>3,045</u>	<u>128,255</u>	<u>265,189</u>



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**Current Year-to-date  
31 December 2016**

	<b>Singapore</b>	<b>Malaysia</b>	<b>Philippines</b>	<b>Indonesia</b>	<b>Taiwan</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Segment Results</u>						
Operating profit/(loss)	(1,136)	7,199	3,210	(92)	23,930	33,111
Interest income						770
Finance cost						(1,147)
Gain on dissolution of a subsidiary						719
Share of results in associates						(109)
Profit before taxation						<u>33,344</u>

Disclosure of segmental information of the Group by business segment is not presented as the Group is primarily engaged in only one business segment which is the provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes, including mechanical and chemical engineering works.



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**A10. Profit before tax**

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

	<b>Current Quarter 31 Dec 2016</b>	<b>Current Year-to-date 31 Dec 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Gain on dissolution of a subsidiary	719	719
Interest income	257	770
Impairment loss on plant and equipment no longer required	58	392
Foreign exchange gain	3,473	2,683
Writeback of allowance for impairment losses	(40)	1
Allowance for impairment losses on receivables	(88)	(133)
Impairment loss on plant and equipment	(52)	(52)
Interest expense	(258)	(1,147)
Loss on disposal of property, plant and equipment	-	(138)
Plant and equipment written off	(367)	(804)
Depreciation of property, plant and equipment	<u>(4,450)</u>	<u>(17,193)</u>

**A11. Valuation of property, plant and equipment**

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

**A12. Material events subsequent to the end of the quarter**

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

**A13. Changes in the composition of the Group**

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

On 28 October 2016, the Company acquired 11,659 ordinary shares of NT\$10 each representing 0.03% of the issued and paid-up share capital of Ares Green Technology Corporation ("AGTC") for a total cash consideration of NT\$254,166 (equivalent to RM32,919). Following the acquisition, the Group's interest in AGTC increased to 73.22%.

On 27 December 2016, the Company received the approval from Taiwan Authority for dissolution of its wholly-owned subsidiary, Frontken Corporation Berhad ("FTC"). FTC was incorporated for the purpose of acquiring and hold the group's 23.11% share investment in Ares Green Technology Corporation ("AGTC"). On 30 December 2016, FTC has transferred all its AGTC shares to FCB and all FTC's assets and liabilities were merged into FCB's book.

**A14. Contingent liabilities**

As at 31 December 2016, the Group has no contingent liabilities which, upon crystallisation would have a material impact on the financial position of the Group.



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**A15. Cash and cash equivalents**

	<b>As at 31 Dec 2016</b>
	<b>RM'000</b>
Cash at bank	88,657
Cash on hand	89
Fixed deposits	5,872
	<u>94,618</u>
Less: Fixed deposits pledged with banks	<u>(3,303)</u>
	<u>91,315</u>

**A16. Significant related party transactions**

	<b>Current Quarter 31 Dec 2016</b>	<b>Current Year-to-date 31 Dec 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Sales to AMT	7	19
Sales to A&I	1	2
Sales to TTM	15	27
Purchase from AMT	-	1
Purchase from TTM	67	202
Rental payable to AMT	36	144

<b>Name of Related Parties</b>	<b>Relationship</b>
AMT	Sia Chiok Meng, a director of FEM, is also a director and substantial shareholder of AMT.
A&I	Sia Chiok Meng, a director of FEM, is also a director and substantial shareholder of A&I.
TTM	Mohd Shukri Bin Hitam and Fauziah Binti Hamlawi, directors and shareholders of TTES, are also directors and shareholders of TTM.

Abbreviations:

AMT	AMT Engineering Sdn Bhd	FEM	Frontken (East Malaysia) Sdn Bhd
A&I	A&I Engine Rebuilders Sdn Bhd	TTM	Tenaga-Tech (M) Sdn Bhd
TTES	TTES Frontken Integrated Services Sdn. Bhd.		

**A17. Capital commitments**

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

	<b>As at 31 Dec 2016</b>
	<b>RM'000</b>
Plant improvement and equipment	<u>9,691</u>



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

**B1. Analysis of performance**

Current quarter's performance against the quarter ended 31 December 2015

The Group's revenue of RM75.6 million for the current quarter was 11.4% higher compared to the RM67.9 million achieved in the corresponding quarter ended 31 December 2015. This was mainly due to improved business performance by our subsidiaries in Taiwan, Singapore, Indonesia and Philippines. Excluding the revenue derived from the ATB Project which was completed in the beginning of the third quarter of financial year 2015, the current quarter's revenue would have been 13.3% higher compared to the corresponding quarter in 2015. The Group's subsidiaries in Taiwan, Singapore, Philippines and Indonesia performed better particularly in Taiwan due to the continual growth in the semi-conductor industry. However, slowdown in our customers' business in the oil and gas industry had resulted in a drop of business for the Group's subsidiaries engaged in that industry in Malaysia.

The Group's profit before tax of RM14.1 million for the current quarter was RM12.1 million or 632.5% higher than the corresponding quarter's RM1.9 million. The higher profit was mainly due to improved performance by our subsidiaries in Taiwan, Singapore, Indonesia and Malaysia (semi-con). This was notwithstanding the dissolution of a subsidiary in Taiwan which resulted in a net expense of RM1.2 million to the Group in the current quarter after taking into consideration the related tax expenses and a gain on dissolution. However, the Group is expected to benefit from the future tax saving from the dissolution of the Taiwanese subsidiary.

Current 12 months period's performance against the 12 months period ended 31 December 2015

The Group's revenue of RM261.8 million for the current period ended 31 December 2016 ("FY2016") was RM18.7 million lower than that achieved in the preceding year corresponding period. However, if we were to exclude the revenue from the ATB Project which was completed in the beginning of the third quarter of financial year 2015, the revenue would have been 4.5% higher compared to the corresponding period.

Our subsidiaries in Taiwan and Malaysia (semi-con) continue to enjoy better business performance due to the positive growth of the semi-conductor business. The Group's subsidiaries in the Philippines and Indonesia have also achieved higher revenue in FY2016 attributable to the growing portfolio of our sales network. However, the domestic economic situation remains challenging during the relevant period and slowdown in our customers' business and cut in their operating and capital expenditures had resulted in a drop in business for the Group's subsidiaries in Singapore.

Against the same period last year, the profit before tax ("PBT") for the 12 months ended 31 December 2016 increased by approximately 108.4% mainly because our units in Taiwan and Malaysia (semi-con) performed better this year and without the losses incurred in 2015 from the ATB project. This was in spite of a net expense of RM1.2 million incurred in the current quarter from the dissolution of a subsidiary in Taiwan.



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**B2. Comparison with immediate preceding quarter**

	<b>4th Quarter 31 Dec 2016</b>	<b>3rd Quarter 30 Sept 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	75,616	64,592
Profit before tax	14,050	8,985

The Group's revenue was 17.1% or approximately RM11.0 million higher during the current quarter as compared to the immediate preceding quarter. This was mainly due to improved business performance by our subsidiaries in Taiwan, Singapore, Malaysia and Philippines.

The Group's improved unaudited profit before tax for the current quarter was mainly attributable to higher revenue and higher foreign exchange gain as compared to the immediate preceding quarter.

**B3. Prospects**

Global growth is estimated to have fallen to 2.3 percent in 2016, the weakest performance since the global financial crisis, as global trade stalled, investment decelerated, and policy uncertainty increased. The global economy has now entered its sixth year of stagnation, and the growth outlook for 2017 shows a continuation of this trend whereby a moderate recovery is expected, mainly driven by improvements in emerging market and developing economies.

In 2016, the Group achieved a remarkable performance attributable to the continue effort to remain vigilant in our cost management and exploring ways to improve on our efficiency to enhance profitability. In addition, the overall Group's performance was enhanced due to the completion of the ATB project in 2015 despite a lower net foreign exchange gain of RM2.6 million in 2016 compared to RM5.8 million in the corresponding year.

The Group is pleased with the improved performance of its subsidiaries in Malaysia, Taiwan and the Philippines in 2016 and continues to be optimistic that they will contribute positively to the Group's results in 2017. Nevertheless, the Group expects the business in Singapore to continue to be challenging in 2017 in light of the higher operating costs and cost-down by our customers in that market. The Group will continue to strive for the turn-around of our Indonesian subsidiary in light of the potential new business opportunities associated with the API certification obtained in December 2016.

Amidst the encouraging business developments in some of the markets it operates in, the Group is cautious of year 2017 as the uncertainties of the domestic and overseas markets as could be seen in 2016 to continue in 2017. However, the Group remains cautiously positive of its business and will need to stay focus on leveraging the qualitative sources of growth with investment in technology and business productivity in times of stagnation.

The Group would continue to look for opportunity to grow and is cautiously optimistic that its performance for the next financial year will be satisfactory.

**B4. Variance in profit forecast**

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



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**B5. Taxation**

	<b>Current Quarter 31 Dec 2016</b>	<b>Current Year-to-date 31 Dec 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Income tax	2,683	7,835
Deferred tax	(1,495)	(1,776)
	<u>1,188</u>	<u>6,059</u>

The Group's effective tax rate for the period under review was lower than the statutory tax rate principally due to gain which was not subjected to tax as well as a relatively lower statutory tax rate of overseas subsidiaries.

**B6. Status of corporate proposals**

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

**B7. Group borrowings**

The Group's borrowings as at 31 December 2016 are as follows:

	<b>Short-term</b>	<b>Long-term</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Secured</u>			
Hire purchase creditors	249	355	604
Term loans	8,466	20,260	28,726
	<u>8,715</u>	<u>20,615</u>	<u>29,330</u>

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

	<b>Short-term</b>	<b>Long-term</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Currency</u>			
Singapore Dollar	6,505	4,387	10,892
New Taiwan Dollar	-	13,915	13,915
	<u>6,505</u>	<u>18,302</u>	<u>24,807</u>

**B8. Material litigations**

The Group is not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant and the Board does not know of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially affect the financial position or business of the Group as at 16 February 2017.



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**B9. Earnings per share (“EPS”)**

**(a) Basic EPS**

The calculation of the basic EPS is based on the net profit for the financial period under review divided by the number of ordinary shares of RM0.10 each in issue.

	<b>Current Quarter</b>	<b>Preceding Corres- ponding Quarter</b>	<b>Current Year-to- date</b>	<b>Preceding Corres- ponding Year-to- date</b>
Profit/(Loss) attributable to owners of the Company (RM'000)	10,868	(199)	20,040	4,007
Number of shares in issue ('000)	1,053,435	1,011,408	1,053,435	1,011,408
Effects of:				
Exercise of warrants ('000)	-	42,027	-	34,287
Treasury shares acquired ('000)	(5,532)	(5,067)	(5,301)	(4,984)
Weighted average number of shares in issue ('000)	1,047,903	1,048,368	1,048,134	1,040,711
Basic EPS (sen)	1.04	(0.02)	1.91	0.39

**b) Diluted EPS**

No disclosure on diluted earnings per share as there were no dilutive potential ordinary shares outstanding at the end of the reporting period.

**B10. Dividends**

No dividend has been declared for the current quarter ended 31 December 2016.

By Order of the Board  
Frontken Corporation Berhad

Ng Wai Pin  
Chairman / Managing Director  
23 February 2017