



FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR 3RD QUARTER ENDED 30 SEPTEMBER 2010

(The figures have not been audited)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30 Sept 2010 RM '000	Preceding Year Corresponding Quarter 30 Sept 2009 RM '000	Current Year To-date 30 Sept 2010 RM '000	Preceding Year Corresponding Period 30 Sept 2009 RM '000
Revenue	33,308	35,656	104,561	103,010
Operating expenses	<u>(26,642)</u>	<u>(25,594)</u>	<u>(80,268)</u>	<u>(82,220)</u>
Profit before amortisation, depreciation and finance costs	6,666	10,062	24,293	20,790
Depreciation and amortisation	(3,642)	(3,445)	(10,761)	(10,123)
Finance costs	(757)	(889)	(2,492)	(2,752)
Impairment loss	-	-	(935)	-
Other operating income	(863)	188	108	1,484
Share of results of associated companies	<u>590</u>	<u>(256)</u>	<u>629</u>	<u>(993)</u>
Profit before taxation	1,994	5,660	10,842	8,406
Taxation	<u>(40)</u>	<u>(772)</u>	<u>(1,490)</u>	<u>(1,088)</u>
Profit for the period	<u>1,954</u>	<u>4,888</u>	<u>9,352</u>	<u>7,318</u>
Other comprehensive income:				
Exchange difference arising on translation of foreign operations	617	1,129	(2,531)	1,307
Other comprehensive income, net of tax	<u>617</u>	<u>1,129</u>	<u>(2,531)</u>	<u>1,307</u>
Total comprehensive income for the period	<u>2,571</u>	<u>6,017</u>	<u>6,821</u>	<u>8,625</u>
Profit attributable to :				
Equity holders of the company	1,993	4,962	9,376	7,720
Minority interests	<u>(39)</u>	<u>(74)</u>	<u>(24)</u>	<u>(402)</u>
Profit for the period	<u>1,954</u>	<u>4,888</u>	<u>9,352</u>	<u>7,318</u>
Total comprehensive income attributable to:				
Equity holders of the company	2,621	6,091	6,870	9,027
Minority interests	<u>(50)</u>	<u>(74)</u>	<u>(49)</u>	<u>(402)</u>
Total comprehensive income for the period	<u>2,571</u>	<u>6,017</u>	<u>6,821</u>	<u>8,625</u>
Earnings per share attributable to equity holders of the company :				
Basic (sen)	0.2	0.7	1.0	1.1
Diluted (sen)	0.2	N/A	0.8	N/A

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

The comparative figures are based on unaudited financial statements of the Company for the financial period ended 30 September 2009.



FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2010

(The figures have not been audited)

	Unaudited 30 Sept 2010 RM'000	Audited 31 Dec 2009 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	113,810	113,481
Prepaid lease payments on leasehold land	3,444	3,491
Investment in associated companies	48,741	46,538
Goodwill on consolidation	3,672	4,724
Intangible assets	-	-
Total non-current assets	<u>169,667</u>	<u>168,234</u>
Current assets		
Inventories	10,075	8,926
Trade receivables	43,390	36,900
Other receivables and prepaid expenses	8,108	5,285
Amount owing by associates	3,654	2,098
Fixed deposits with licensed bank	20,233	782
Cash and bank balances	12,502	12,771
Total current assets	<u>97,962</u>	<u>66,762</u>
Total assets	<u>267,629</u>	<u>234,996</u>
EQUITY AND LIABILITIES		
Capital and reserve		
Issued capital	101,141	72,243
Reserves	34,520	11,686
Retained earnings	36,666	51,419
Equity attributable to equity holders of the parent	<u>172,327</u>	<u>135,348</u>
Minority interests	316	182
Total equity	<u>172,643</u>	<u>135,530</u>
Non-current liabilities		
Bank borrowings	24,935	25,265
Hire-purchase payables	12,185	14,597
Deferred tax liabilities	3,585	3,789
Total non-current liabilities	<u>40,705</u>	<u>43,651</u>
Current liabilities		
Amount due to contract customers	-	47
Trade payables	16,376	12,556
Other payables	9,470	12,507
Amount owing to associate	82	118
Bank overdrafts	3,151	3,365
Bank borrowings - current portion	18,478	18,367
Hire purchase payable - current portion	6,299	8,224
Tax liabilities	425	631
Total current liabilities	<u>54,281</u>	<u>55,815</u>
Total liabilities	<u>94,986</u>	<u>99,466</u>
Total equity and liabilities	<u>267,629</u>	<u>234,996</u>
Net assets per share (RM)	0.17	0.19

Notes :

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

The comparative figures are based on audited financial statements of the Company for the financial year ended 31 December 2009.



FRONTKEN CORPORATION BERHAD

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2010
(The figures have not been audited)

	Non-distributable				Distributable	Attributable to equity holders of the Company RM'000	Minority interests RM'000	Total RM'000
	Issued capital RM'000	Share premium RM'000	Foreign currency Translation reserve RM'000	Warrant reserve RM'000	Retained earnings/ RM'000			
Balance as of 1 January 2010	72,243	7,998	3,688	-	51,419	135,348	182	135,530
Net income/(expense) recognised directly in equity:								
Exchange differences arising from translation of foreign operations	-	-	(2,506)	-	-	(2,506)	(25)	(2,531)
Profit for the period	-	-	-	-	9,376	9,376	(24)	9,352
Total comprehensive income for the period	-	-	(2,506)	-	9,376	6,870	(49)	6,821
Arising from issue of shares by subsidiary	-	-	-	-	-	-	183	183
Renounceable rights issue	28,898	2,222	-	-	-	31,120	-	31,120
Transfer from retained earnings	-	-	-	23,118	(23,118)	-	-	-
Distribution of dividends	-	-	-	-	(1,011)	(1,011)	-	(1,011)
Balance as of 30 September 2010	101,141	10,220	1,182	23,118	36,666	172,327	316	172,643

CORRESPONDING PERIOD CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2009
(The figures have not been audited)

	Non-distributable			Distributable	Attributable to equity holders of the Company RM'000	Minority interests RM'000	Total RM'000
	Issued capital RM'000	Share premium RM'000	Foreign currency Translation reserve RM'000	Retained/ earnings/ RM'000			
Balance as of 1 January 2009	69,977	5,935	2,745	43,010	121,667	652	122,319
Net income/(expense) recognised directly in equity:							
Exchange differences arising from translation of foreign operations	-	-	1,307	-	1,307	-	1,307
Profit for the period	-	-	-	7,720	7,720	(402)	7,318
Total comprehensive income for the period	-	-	1,307	7,720	9,027	(402)	8,625
Arising from issue of shares by subsidiary	-	-	-	-	-	52	52
Arising from private placement	2,266	2,070	-	-	4,336	-	4,336
Balance as of 30 September 2009	72,243	8,005	4,052	50,730	135,030	302	135,332

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



FRONTKEN CORPORATION BERHAD

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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2010
(The figures have not been audited)

	CUMULATIVE QUARTER	
	Current Period To Date 30 Sept 2010 RM'000	Preceding Corresponding Period 30 Sept 2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	9,352	7,318
Adjustments for:		
Income tax expense recognised in income statement	1,490	1,088
Depreciation for property, plant and equipment	10,715	10,077
Interest expense	2,492	2,752
Unrealised loss/(gain) on foreign exchange	1,144	(586)
Interest income	(341)	(73)
Amortisation of prepaid land lease	46	46
Government grant	-	(14)
(Gain)/Loss on disposal of property, plant and equipment	(75)	(102)
Property, plant and equipment written off	1	20
Provision for doubtful debt	977	-
Bad debt written off	1	-
Impairment loss	935	-
Share of results of associated companies	(629)	993
Operating profit before working capital changes	26,108	21,519
Inventories	(1,611)	(1,832)
Amount due to/from contract customers	(47)	(312)
Trade receivables	(8,254)	(1,749)
Other receivables and prepaid expenses	(2,942)	3,942
Amount owing by associates	(1,591)	807
Trade payables	4,083	(3,740)
Other payables and accrued expenses	(3,037)	(7,888)
Amount owing to associate	(35)	(141)
Cash generated from operations	12,674	10,606
Tax paid	(1,738)	(1,761)
Net cash from operating activities	10,936	8,845
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in amount owing by associates	-	-
Interest received	341	73
Acquisition of subsidiaries	-	(935)
Acquisition of associates	(3,504)	-
Purchase of property, plant and equipment	(11,741)	(3,597)
Proceeds from disposal of property, plant and equipment	623	277
Dividend received from associate	-	-
Net cash used in investing activities	(14,281)	(4,182)



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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2010
(The figures have not been audited)

	CUMULATIVE QUARTER	
	Current Period To Date 30 Sept 2010 RM'000	Preceding Corresponding Period 30 Sept 2009 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(2,492)	(2,752)
Dividend paid	(1,011)	-
Proceeds from minority interest	183	52
Proceeds from issuance of shares	31,787	4,429
Drawdown of term loans	13,045	-
Repayment of term loans	(11,802)	(5,390)
Increase in short-term borrowings	-	637
Repayment of hire purchase payables	(6,327)	(5,356)
Share issue expenses	(668)	(93)
Net cash from/(used in) financing activities	<u>22,715</u>	<u>(8,473)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	19,370	(3,810)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	10,187	5,581
EFFECT OF EXCHANGE DIFFERENCES	27	128
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u>29,584</u>	<u>1,899</u>
THE CASH AND CASH EQUIVALENTS COMPRISE:		
CASH AND BANK BALANCES	12,502	7,393
SHORT-TERM DEPOSITS WITH LICENSED BANKS	20,233	778
BANK OVERDRAFT	<u>(3,151)</u>	<u>(6,272)</u>
	<u>29,584</u>	<u>1,899</u>

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

The comparative figures are based on unaudited financial statements of the Company for the financial period ended 30 September 2009.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

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 Financial Reporting Standards (“FRS”) No.134 : Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”), 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 2009.

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 2009.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2009 except for the adoption of the following new FRSs with effect from 1 January 2010:

FRS 7 Financial Instruments: Disclosures

FRS 101 (2009) Presentation of Financial Statements

Revised FRS 123 (2009) Borrowing Costs

Revised FRS 139 (2010) Financial Instruments: Recognition and Measurement

Amendments to FRS1 and FRS 127: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Amendments to FRS 7, FRS 139 and IC Interpretation 9

IC Interpretation 10 Interim Financial Reporting and Impairment

Annual Improvements to FRSs (2009)

The adoption of the above standards does not have significant impact on the financial statements of the Group.

A2. Audit qualification

The auditors’ report in respect of the audited consolidated financial statements of FCB for the financial year ended 31 December 2009 was not subject to any qualification.



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A3. 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.

A4. Unusual items affecting assets, liabilities, equity, net income or cash flows

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

A5. Material changes in estimates

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

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

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

A7. Dividends

The Company had on 28 September 2010 paid a first interim single tier dividend in respect of financial year ending 31 December 2010, of 1% per ordinary share amounting to RM1,011,410.



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A8. Segmental information

The breakdown of the Group's revenue and results by geographical regions for the quarter ended 30 September 2010 are set out below. Revenue and results by geographical sales were based on the location of the Group's subsidiaries.

**Current Quarter
30 September 2010**

	<u>Singapore</u>	<u>Malaysia</u>	<u>Philippines</u>	<u>China</u>	<u>Indonesia</u>	<u>Taiwan</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Segment Revenue</u>							
External sales	18,210	12,364	2,555	154	25	-	33,308
Inter-segment sales	1,108	-	-	-	-	-	1,108
Total revenue	<u>19,318</u>	<u>12,364</u>	<u>2,555</u>	<u>154</u>	<u>25</u>	<u>-</u>	<u>34,416</u>

Segment Results

Operating profit/(loss)	1,480	681	853	(56)	(357)	(566)	2,035
Interest income							126
Finance cost							(757)
Share of results of associated companies							590
Profit before taxation							<u>1,994</u>

**Current Year-to-date
30 September 2010**

<u>Segment Revenue</u>							
External sales	62,027	35,659	5,314	951	610	-	104,561
Inter-segment sales	5,857	263	1,419	-	-	-	7,539
Total revenue	<u>67,884</u>	<u>35,922</u>	<u>6,733</u>	<u>951</u>	<u>610</u>	<u>-</u>	<u>112,100</u>



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**Current Year-to-date
30 September 2010**

	<u>Singapore</u>	<u>Malaysia</u>	<u>Philippines</u>	<u>China</u>	<u>Indonesia</u>	<u>Taiwan</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Segment Results</u>							
Operating profit/(loss)	9,749	2,938	1,838	(5)	(415)	(1,741)	12,364
Interest income							341
Finance cost							(2,492)
Share of results of associated companies							629
Profit before taxation							<u>10,842</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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A9. Valuation of property, plant and equipment

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

A10. 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.

A11. Changes in the composition of the Group

There were no changes in the composition of the Group for the current quarter under review.

A12. Contingent liabilities

Save as disclosed below, the Directors are of the opinion that the Group has no contingent liabilities which, upon crystallisation would have a material impact on the financial position of the Group:

Guarantee by a wholly-owned subsidiary in favour of third party for the due and complete performance of a project by an associated company

**As at
30 Sept 2010**
RM'000

2,898

A13. Cash and cash equivalents

Cash at bank
Cash on hand
Fixed deposits

Bank overdrafts

**As at
30 Sept 2010**
RM'000

12,456

46

20,233

32,735

(3,151)

29,584



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A14. Significant related party transactions

	Current Quarter 30 Sept 2010	Current Year-to-date 30 Sept 2010
	RM'000	RM'000
Sales by FEM to AMT	7	27
Sales by FS, MTI and FEM to Chinyee	223	683
Sales by FMIC to MIC-W	90	845
Purchases from AMT by FEM	1	12
Purchases from Chinyee by FS	-	2,825
Rental payable by FMIC to MIC-W	126	385
Rental payable by FEM to AMT	18	18

Abbreviations:

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

Name of Related Parties	Relationship
AMT	Sia Chiok Meng, a Director of FEM, is also a director and major shareholder of AMT.
Chinyee	Wong Hua Choon, a director and major shareholder of FCB, and Yeo Lay Poh, a former substantial shareholder of FCB, are also directors and substantial shareholders of Chinyee. Dr Tay Kiang Meng is a director and shareholder of both FCB and Chinyee.
A&I	Sia Chiok Meng, a director of FEM, is also a director and major shareholder of A&I.
MIC-W	MIC-W is a subsidiary of Marketech International Corporation, which in turn is a deemed major shareholder of FMIC.

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.

A15. Capital commitments

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

	As at 30 Sept 2010
	RM'000
Factory improvement	11,721
Acquisition of machinery and equipment	1,851
	13,572



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B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Review of performance

The Group recorded revenue of approximately RM104.6 million for the nine (9) months ended 30 September 2010 ("FP 2010"), representing an increase of 1.5% compared with RM103.0 million for the preceding corresponding period ended 30 September 2009 ("FP 2009"). The higher revenue for FP 2010 was mainly due to higher demand for the Group's services in Singapore and the Philippines.

Against the same period last year, profit before tax ("PBT") increased 29.0% from RM8.4 million to RM10.8 million. The higher PBT recorded by the Group for FP 2010 was mainly due to the following:

- (a) Higher margin during the current period arising from lower subcontracting cost; and
- (b) Share of profit of associates during the current period as compared to share of losses of associates in preceding corresponding period.

Overall, net profit attributable to shareholders rose 21.5% to RM9.4 million for FP 2010 from RM7.7 million in the previous corresponding period.

B2. Comparison with immediate preceding quarter

	3rd Quarter 30 Sept 2010	2nd Quarter 30 Jun 2010
	RM'000	RM'000
Revenue	33,308	37,356
Profit before tax	1,994	4,790

The Group recorded a decrease in revenue of 10.8% or approximately RM4.0 million during the current quarter compared to the preceding quarter. The decrease in revenue during the current quarter was primarily due to lower sales in Singapore.

The Group's unaudited PBT in the current quarter was approximately RM2.8 million lower than the preceding quarter. The decrease in the Group's PBT was the result of lower revenue and higher unrealized exchange loss during the current quarter.

B3. Prospects for the year

The FCB Group's revenue is expected to move in tandem with the performance of the economy of Singapore and Malaysia, being the two major countries in which the Group operates. In Singapore, the Ministry of Trade and Industry expects the Singapore economy to grow by 13% to 15% in 2010 (2009: -2%), following expansion of 17.9% in the first half of 2010. In Malaysia, the economy is projected to expand between 5% and 6% in 2011 (2010: 7%), mainly driven by domestic demand and supported by a favourable external sector.



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With a healthy financial position and positive operating performance, the Group will continue to focus on the expansion of its core competencies in the Asia Pacific region and at the same time explore attractive acquisition and investment opportunities to complement the Group's operations and build a stable and growing revenue base in the longer term. Barring any unforeseen circumstances, the Directors expect performance for the current financial year to 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.

B5. Taxation

	Current Quarter 30 Sept 2010	Current Year-to-date 30 Sept 2010
	RM'000	RM'000
Income tax	(122)	(1,563)
Deferred tax	82	73
	<u>(40)</u>	<u>(1,490)</u>

The Group's effective tax rate for the period under review is 13.8% compared to the statutory tax rate of 25% in Malaysia. This is primarily attributed to deferred tax adjustment arising from reduction in corporation tax rate from 18% to 17% enjoyed by its subsidiaries in Singapore, jobs credit grant received from the Singapore government which is not subject to tax, as well as a relatively lower statutory tax rate of 17% in Singapore.

B6. Unquoted investments and properties

There were no disposals of unquoted investment and properties during the current quarter and financial period under review.

B7. Quoted and marketable securities

Save as disclosed below, there were no purchases and disposals of marketable securities during the current quarter:

On 24 June 2010, Ares Green Technology Corporation ("AGTC"), an associated company of FCB, obtained shareholders' approval for the distribution of share dividend on the basis of 1 new share of NT\$10 each for every 20 existing shares held. Consequently, although the percentage shareholding held collectively by FCB and its subsidiary in AGTC remains unchanged, the aggregate number of shares in AGTC held by FCB and its subsidiary increased from 13,265,210 shares to 13,928,470 shares. The share dividend was completed on 8 October 2010.



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B8. Status of corporate proposals

There were no corporate proposals which had been announced but not completed.

The status of utilisation of proceeds from the rights issue as at 30 September 2010 is as follows:

	Approved utilisation RM'000	Actual utilisation as at 30 Sept 2010 RM'000	Balance RM'000	Estimated timeframe for utilisation
Repayment of Group's borrowings	15,000	8,239	6,761	15 March 2011
To finance future investments	8,000	120	7,880	15 March 2012
Working capital	7,787	6,209	1,578	15 March 2011
Defraying estimated expenses	1,000	762	*238	15 May 2010
	31,787	15,330	16,457	

* The Company will utilise the balance of the proceeds allocated for defraying estimated expenses for working capital purposes.

B9. Group borrowings

The Group's borrowings as at 30 September 2010 are as follows:

	Short-term RM'000	Long-term RM'000	Total RM'000
<u>Secured</u>			
Bank overdrafts	3,151	-	3,151
Hire purchase creditors	6,299	12,185	18,484
Term loans	18,478	24,935	43,413
	27,928	37,120	65,048

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

	Short-term RM'000	Long-term RM'000	Total RM'000
<u>Currency</u>			
Singapore Dollar	24,235	30,646	54,881
New Taiwan Dollar	1,383	-	1,383
	25,618	30,646	56,264

B10. Off balance sheet financial instruments

The Group has not entered into any contract involving off balance sheet financial instruments as at the date of this report.



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B11. Material litigations

Save as disclosed below, the Group is not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant and the Board does not know of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings as at 16 November 2010:

(a) Litigation by IFC Engineering Sdn Bhd (“IFC”) against FM

On 3 February 2009, FM was served a Writ of Summons by 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 Act 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.

On 17 December 2009, FM filed a Notice of Appeal against the summary judgment. Thereafter, on 10 January 2010, FM filed an application for injunction against further proceedings and for stay of the winding-up proceedings pending disposal of its 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 the notice from the High Court for the auction of the seized assets on 25 March 2010.

On 25 March 2010, the High Court dismissed 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.

Pending the availability of the grounds of judgment and notes of proceedings, the Directors will deliberate on the appropriate course of action at the relevant time.



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(b) Litigation by Frontken Petroleum Sdn Bhd (“FPSB”) against SGL Carbon Sdn Bhd (“SGL”)

On 25 August 2010, FPSB, an effectively 60.1% subsidiary of FCB, served, via its solicitors, a Writ of Summons together with a Statement of Claims on SGL.

Under the said Writ of Summons, FPSB claimed for a sum of RM1,541,807.20, being revised outstanding debts due from SGL in relation to work performed by FPSB as set out in the ensuing paragraph. In addition, FPSB also claimed for interest, costs and such further or other reliefs or orders as the Court deems fit.

In February 2009, SGL awarded FPSB the order for busbar welding for an agreed contract sum of RM2.5 million and RM1.4 million for scope 1 and scope 2 respectively. FPSB duly completed substantial part of the work and the remaining work was stopped in or around August 2009 upon mutual agreement/consent. Various invoices were issued for progress payments, with a sum of RM1,577,007.20 remaining due and owing from SGL. SGL refused to make payments and claimed for a set-off of the sum for delay or late completion of the contract and defective works. The outstanding sum was reduced by FPSB to RM1,541,807.20 out of goodwill after considering the allegations raised by SGL. However, SGL failed, refused and or neglected to settle the revised outstanding sum.

On 5 October 2010, SGL filed a defence and counterclaim via its solicitors on FPSB. In the said defence, SGL denied the Statement of Claims and prayed that the claims be dismissed with costs. Further, SGL alleged that FPSB had breached the terms and conditions of the letter of award and its related agreements resulting in SGL suffering loss and damage, and therefore, counterclaimed against FPSB for special damages in the sum of RM1,617,633.09, general damages and/or liquidated damages in the sum of RM8,894,485.88 as at 6 September 2010 and still continuing, and interest at the rate of 8% per annum on daily rests from the date of filing of the counterclaim until full settlement.

FPSB filed, via its solicitors, its reply to the defence by SGL as well as its defence to the counterclaim by SGL on 4 November 2010.

The solicitors of FPSB are of the opinion that SGL does not have a valid claim for set-off against the revised outstanding sum and FPSB has a good chance of successfully recovering the same from SGL. Further, the solicitors are of the opinion that SGL does not have a valid counterclaim against FPSB.



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B12. Earnings per share (“EPS”)

(a) Basic EPS

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

	Current Quarter	Preceding Corres- ponding Quarter	Current Year-to- date	Preceding Corres- ponding Year-to- date
Profit attributable to ordinary shareholders (RM'000)	1,993	4,962	9,376	7,720
The number/weighted average number of shares in issue ('000)	1,011,408	719,772	938,371	707,115
Basic EPS (sen)	0.2	0.7	1.0	1.1

(b) Diluted EPS

For the diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

	Current Quarter	Current Year-to-date
Profit attributable to ordinary shareholders (RM'000)	1,993	9,376
The number/weighted average number of shares in issue ('000)	1,300,382	1,154,307
Diluted EPS (sen)	0.2	0.8

The Group does not have any dilutive potential ordinary shares in issue as at 30 September 2009.

B13. Dividends

No dividend has been declared for the current quarter ended 30 September 2010.

By Order of the Board
Frontken Corporation Berhad

Wong Hua Choon
Executive Chairman / Managing Director
23 November 2010