



FRONTKEN CORPORATION BERHAD

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2010

(The figures have not been audited)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31 Dec 2010 RM '000	Preceding Year Corresponding Quarter 31 Dec 2009 RM '000	Current Year To-date 31 Dec 2010 RM '000	Preceding Year Corresponding Period 31 Dec 2009 RM '000
Revenue	42,143	34,349	146,704	137,359
Operating expenses	<u>(36,361)</u>	<u>(31,309)</u>	<u>(116,629)</u>	<u>(113,529)</u>
Profit before amortisation, depreciation and finance	5,782	3,040	30,075	23,830
Depreciation and amortisation	(3,758)	(3,419)	(14,519)	(13,542)
Finance costs	(588)	(1,127)	(3,080)	(3,879)
Impairment loss	-	-	(935)	-
Other operating income	924	1,462	1,032	2,946
Share of results of associated companies	<u>12</u>	<u>(259)</u>	<u>641</u>	<u>(1,252)</u>
Profit before taxation	2,372	(303)	13,214	8,103
Taxation	<u>169</u>	<u>829</u>	<u>(1,321)</u>	<u>(259)</u>
Profit for the period	<u>2,541</u>	<u>526</u>	<u>11,893</u>	<u>7,844</u>
Other comprehensive income:				
Exchange difference arising on translation of foreign operati	1,301	(321)	(1,230)	986
Other comprehensive income, net of tax	<u>1,301</u>	<u>(321)</u>	<u>(1,230)</u>	<u>986</u>
Total comprehensive income for the period	<u>3,842</u>	<u>205</u>	<u>10,663</u>	<u>8,830</u>
Profit attributable to :				
Equity holders of the company	2,403	689	11,779	8,409
Minority interests	<u>138</u>	<u>(163)</u>	<u>114</u>	<u>(565)</u>
Profit for the period	<u>2,541</u>	<u>526</u>	<u>11,893</u>	<u>7,844</u>
Total comprehensive income attributable to:				
Equity holders of the company	3,704	325	10,574	9,352
Minority interests	<u>138</u>	<u>(120)</u>	<u>89</u>	<u>(522)</u>
Total comprehensive income for the period	<u>3,842</u>	<u>205</u>	<u>10,663</u>	<u>8,830</u>
Earnings per share attributable to equity holders of the company :				
Basic (sen)	0.2	0.1	1.2	1.2
Diluted (sen)	0.2	N/A	1.0	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 audited financial statements of the Company for the financial year ended 31 December 2009.



FRONTKEN CORPORATION BERHAD

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

(The figures have not been audited)

	Unaudited 31 Dec RM'000	Audited 31 Dec RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	178,041	116,972
Investment in associated companies	4,494	46,538
Goodwill on consolidation	28,312	4,724
Deferred tax assets	351	-
Total non-current assets	<u>211,198</u>	<u>168,234</u>
Current assets		
Inventories	10,462	8,926
Trade receivables	67,603	36,900
Other receivables and prepaid expenses	5,909	5,285
Amount owing by associates	4,214	2,099
Fixed deposits with licensed bank	12,684	781
Cash and bank balances	21,516	12,771
Total current assets	<u>122,388</u>	<u>66,762</u>
Total assets	<u>333,586</u>	<u>234,996</u>
EQUITY AND LIABILITIES		
Capital and reserve		
Issued capital	101,141	72,243
Reserves	35,821	11,686
Retained earnings	39,069	51,419
Equity attributable to equity holders of the parent	<u>176,031</u>	<u>135,348</u>
Minority interests	25,902	182
Total equity	<u>201,933</u>	<u>135,530</u>
Non-current liabilities		
Bank borrowings	48,292	25,265
Hire-purchase payables	13,975	14,597
Deferred tax liabilities	3,867	3,789
Total non-current liabilities	<u>66,134</u>	<u>43,651</u>
Current liabilities		
Amount due to contract customers	-	47
Trade payables	24,452	12,556
Other payables	12,601	12,507
Amount owing to associate	-	118
Bank overdrafts	1,230	3,365
Bank borrowings - current portion	22,154	18,367
Hire purchase payable - current portion	3,142	8,224
Tax liabilities	1,940	631
Total current liabilities	<u>65,519</u>	<u>55,815</u>
Total liabilities	<u>131,653</u>	<u>99,466</u>
Total equity and liabilities	<u>333,586</u>	<u>234,996</u>
Net assets per share (RM)	0.20	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 FOURTH QUARTER ENDED 31 DECEMBER 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	-	-	(1,205)	-	-	(1,205)	(25)	(1,230)
Profit for the year	-	-	-	-	11,779	11,779	114	11,893
Total comprehensive income for the year	-	-	(1,205)	-	11,779	10,574	89	10,663
Arising from issue of shares by subsidiary	-	-	-	-	-	-	183	183
Acquisition of additional equity interest in an associate	-	-	-	-	-	-	25,448	25,448
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 31 December 2010	101,141	10,220	2,483	23,118	39,069	176,031	25,902	201,933

CORRESPONDING PERIOD CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2009

	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 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	-	-	943	-	-	943	43	986
Profit for the year	-	-	-	-	8,409	8,409	(565)	7,844
Total comprehensive income for the year	-	-	943	-	8,409	9,352	(522)	8,830
Arising from issue of shares by subsidiary	-	-	-	-	-	-	52	52
Arising from private placement	2,266	2,063	-	-	-	4,329	-	4,329
Balance as of 31 December 2009	72,243	7,998	3,688	-	51,419	135,348	182	135,530

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



FRONTKEN CORPORATION BERHAD

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2010

(The figures have not been audited)

	CUMULATIVE QUARTER	
	Current Period To Date	Preceding Corresponding Period
	31 Dec 2010	31 Dec 2009
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	11,893	7,844
Adjustments for:		
Income tax expense recognised in income statement	1,321	259
Depreciation for property, plant and equipment	14,519	13,542
Interest expense	3,080	3,879
Unrealised gain on foreign exchange	126	(837)
Interest income	(457)	(66)
Government grant	-	(19)
Gain on disposal of property, plant and equipment	(77)	(102)
Writeback of allowance for doubtful debts	-	(49)
Property, plant and equipment written off	24	71
Allowance for doubtful debt	2,875	101
Bad debt written off	1	522
Impairment loss	935	-
Share of results of associated companies	(641)	1,252
Operating profit before working capital changes	<u>33,599</u>	<u>26,397</u>
Inventories	(468)	(2,618)
Amount due to/from contract customers	(47)	716
Trade receivables	(9,561)	5,347
Other receivables and prepaid expenses	(426)	8,556
Amount owing by associates	(2,134)	(1,153)
Trade payables	2,140	(7,081)
Other payables and accrued expenses	(990)	(6,003)
Amount owing to associate	(118)	(185)
Cash generated from operations	<u>21,995</u>	<u>23,976</u>
Tax paid	(1,081)	(698)
Net cash from operating activities	<u>20,914</u>	<u>23,278</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in amount owing by associates	-	-
Interest received	457	66
Acquisition of subsidiaries	1,899	354
Acquisition of associates	(3,504)	-
Purchase of property, plant and equipment	(23,850)	(3,392)
Proceeds from disposal of property, plant and equipment	1,123	286
Dividend received from associate	259	601
Net cash used in investing activities	<u>(23,616)</u>	<u>(2,085)</u>



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	CUMULATIVE QUARTER	
	Current Period To	Preceding
	Date	Corresponding Period
	31 Dec 2010	31 Dec 2009
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(3,080)	(3,879)
Dividend paid	(1,011)	-
Proceeds from minority interest	183	-
Proceeds from issuance of shares	31,787	4,429
Drawdown of term loans	21,855	-
Repayment of term loans	(15,373)	(8,618)
Increase in short-term borrowings	-	-
Repayment of hire purchase payables	(8,346)	(8,701)
Share issue expenses	(668)	(100)
Net cash from / (used in) financing activities	<u>25,347</u>	<u>(16,869)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	22,645	4,324
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	10,187	5,581
EFFECT OF EXCHANGE DIFFERENCES	138	282
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	<u>32,970</u>	<u>10,187</u>
THE CASH AND CASH EQUIVALENTS COMPRISE:		
CASH AND BANK BALANCES	21,516	12,771
SHORT-TERM DEPOSITS WITH LICENSED BANKS	12,684	781
BANK OVERDRAFT	<u>(1,230)</u>	<u>(3,365)</u>
	<u>32,970</u>	<u>10,187</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 2009.



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

Amendments to FRS 117 : Leases

The Group adopted the amendments in FRS 117. The Group's leasehold land which in substance is a finance lease has been reclassified as property, plant and equipment and measured as such retrospectively. The following comparative figures has been restated following the adoption of the amendments to FRS 117:

	As previously reported RM'000	Adoption of FRS 117 RM'000	As restated RM'000
Property, plant and equipment	113,481	3,491	116,972
Prepaid lease payments on leasehold land	3,491	(3,491)	-

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



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A2. Realised and Unrealised Profits/Losses

	As at end of 4th Quarter 31 Dec 2010 RM'000	As at end of 3rd Quarter 30 Sept 2010 RM'000
Total retained profits of FCB and its subsidiaries		
- Realised	53,473	50,815
- Unrealised	(3,667)	(3,533)
	49,806	47,282
Total share of retained profits from associated companies		
- Realised	2,152	2,153
- Unrealised	90	72
	2,242	2,225
Less: Consolidation adjustments	(12,979)	(12,841)
Total Group retained profits	36,069	36,666

A3. 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.

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.

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, shares held as treasury shares or resale of treasury shares during the current quarter.

A8. Dividends

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



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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 2010 are set out below. Revenue and results by geographical sales were based on the location of the Group's subsidiaries.

**Current Quarter
31 December 2010**

	Singapore	Malaysia	Philippines	China	Indonesia	Taiwan	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Segment Revenue</u>							
External sales	29,374	10,882	545	1,339	3	-	42,143
Inter-segment sales	1,689	1,963	1,557	-	-	-	5,209
Total revenue	<u>31,063</u>	<u>12,845</u>	<u>2,102</u>	<u>1,339</u>	<u>3</u>	<u>-</u>	<u>47,352</u>

Segment Results

Operating profit/(loss)	2,434	(1,831)	334	276	(5)	1,624	2,832
Interest income							116
Finance cost							(588)
Share of results of associated companies							12
Profit before taxation							<u>2,372</u>

**Current Year-to-date
31 December 2010**

<u>Segment Revenue</u>							
External sales	91,401	46,541	5,859	2,290	613	-	146,704
Inter-segment sales	7,723	2,191	2,827	-	-	-	12,741
Total revenue	<u>99,124</u>	<u>48,732</u>	<u>8,686</u>	<u>2,290</u>	<u>613</u>	<u>-</u>	<u>159,445</u>



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**Current Year-to-date
31 December 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)	12,183	1,107	2,172	271	(420)	(117)	15,196
Interest income							457
Finance cost							(3,080)
Share of results of associated companies							641
Profit before taxation							<u>13,214</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. Valuation of property, plant and equipment

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

A11. Material events subsequent to the end of the quarter

Save as disclosed below, there were no material events subsequent to the end of the current quarter under review up to the date of this report:

On 7 January 2011, Frontken MIC Co. Limited ("FMIC"), a subsidiary of the Company, increased its issued and paid-up capital from HKD3,950,000 to HKD4,882,772 by way of allotment and issuance of 932,772 new ordinary shares of HKD1.00 each at par value for cash to its existing shareholders ("Increase in Share Capital").

Pursuant to the Increase in Share Capital, FCB had subscribed for 466,386 new ordinary shares of HKD1.00 each for a cash consideration of HKD466,386 (equivalent to approximately RM184,000 based on the exchange rate of HKD1.00 : RM0.3952 on 6 January 2011). The shareholding of FCB in FMIC remains unchanged at approximately 50% after the Increase in Share Capital.

A12. Changes in the composition of the Group

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

On 10 December 2010, FCB acquired 2,802,500 ordinary shares of NT\$10 each representing 8.5% of the issued and paid-up share capital of Ares Green Technology Corporation ("AGTC") for a cash consideration of NT\$47,642,500 (equivalent to approximately RM4,963,000 based on the exchange rate of NT\$10 : RM1.042 on 9 December 2010).

Following the acquisition, the combined shareholdings of FCB and its wholly-owned subsidiary, Frontken Technology Corporation, in AGTC increased from 42.11% to 50.58% of the issued and paid-up shares in AGTC. As a result, AGTC has become a subsidiary of the Company.

A13. 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:

	As at 31 Dec 2010 RM'000
Guarantee by a wholly-owned subsidiary in favour of third party for the due and complete performance of a project by an associated company	1,449



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A14. Cash and cash equivalents

	As at 31 Dec 2010
	RM'000
Cash at bank	21,454
Cash on hand	62
Fixed deposits	12,684
	<hr/> 34,200
Bank overdrafts	(1,230)
	<hr/> 32,970 <hr/>

A15. Significant related party transactions

	Current Quarter 31 Dec 2010	Current Year-to-date 31 Dec 2010
	RM'000	RM'000
Sales by FEM to AMT	4	31
Sales by FS, MTI and FEM to Chinyee	839	1,522
Sales by FMIC to MIC-W	1,394	2,239
Purchases from AMT and A&I by FEM	-	12
Purchases from Chinyee by FS	929	3,754
Rental payable by FMIC to MIC-W	124	509
Rental payable by FEM to AMT	18	36

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, is also a director and substantial shareholder 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.



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A16. Capital commitments

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

	As at 31 Dec 2010
	RM'000
Factory improvement	2,004
Acquisition of machinery and equipment	2,044
	4,048

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Review of performance

The Group recorded revenue of approximately RM146.7 million for the year ended 31 December 2010 ("FY2010"), representing an increase of 6.8% compared with RM137.4 million for the preceding year ended 31 December 2009 ("FY2009"). The higher revenue for FY2010 was mainly due to higher demand for the Group's services in Singapore and the Philippines.

Compared to last year, profit before tax ("PBT") increased 63.1% from RM8.1 million to RM13.2 million. The higher PBT recorded by the Group for FY2010 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 financial year as compared to share of losses of associates in preceding year.

Overall, net profit attributable to shareholders rose 40.1% to RM11.8 million for FY2010 from RM8.4 million in the previous year.

B2. Comparison with immediate preceding quarter

	4th Quarter 31 Dec 2010	3rd Quarter 30 Sept 2010
	RM'000	RM'000
Revenue	42,143	33,308
Profit before tax	2,372	1,994

The Group recorded an increase in revenue of 26.5% or approximately RM8.8 million during the current quarter compared to the preceding quarter. The increase in revenue during the current quarter was primarily due to higher sales in Singapore and China.

The Group's unaudited PBT in the current quarter was approximately RM0.4 million higher than the preceding quarter. The increase in the Group's PBT was the result of higher sales during the current quarter.



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B3. Prospects for the next financial year

With positive sentiment about growth in Asia, the Group is optimistic on the overall outlook of the sectors in which the Group operates, namely the power generation, oil and gas, and petrochemical sectors. Growth momentum for the semiconductor industry, on the other hand, is expected to moderate in 2011.

Operationally, the Group will continue to strengthen its capabilities and stay focused on the expansion of its core competencies in the Asia Pacific region and at the same time seek new growth opportunities to complement its operations and build a stable and growing revenue base in the longer term.

Barring any unforeseen circumstances, the Directors expect performance for the next 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 31 Dec 2010	Current Year-to-date 31 Dec 2010
	RM'000	RM'000
Income tax	240	(1,323)
Deferred tax	(71)	2
	<u>169</u>	<u>(1,321)</u>

The Group's effective tax rate for the period under review is 10.0% compared to the statutory tax rate of 25% in Malaysia. This is primarily attributed to the utilisation of reinvestment allowance by a subsidiary, 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 in Note A12 above, there were no purchases and disposals of marketable securities during the current quarter.



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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 31 December 2010 is as follows:

	Approved utilisation	Actual utilisation as at 31 Dec 2010	Balance	Estimated timeframe for utilisation
	RM'000	RM'000	RM'000	
Repayment of Group's borrowings	15,000	8,776	6,224	15 March 2011
To finance future investments	8,000	5,325	2,675	15 March 2012
Working capital	7,787	7,148	639	15 March 2011
Defraying estimated expenses	1,000	762	*238	15 May 2010
	31,787	22,011	9,776	

* 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 31 December 2010 are as follows:

	Short-term	Long-term	Total
	RM'000	RM'000	RM'000
<u>Secured</u>			
Bank overdrafts	1,230	-	1,230
Hire purchase creditors	3,142	13,975	17,117
Term loans	22,154	48,292	70,446
	26,526	62,267	88,793

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

	Short-term	Long-term	Total
	RM'000	RM'000	RM'000
<u>Currency</u>			
Singapore Dollar	23,133	35,036	58,169
New Taiwan Dollar	-	21,112	21,112
	23,133	56,148	79,281

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 15 February 2010:

(a) Litigation by IFC Engineering Sdn Bhd (“IFC”) against Frontken Malaysia Sdn Bhd (“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.

The matter is now fixed for case management on 19 May 2011.

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)	2,403	689	11,779	8,409
The number/weighted average number of shares in issue ('000)	1,011,408	722,434	956,780	713,749
Basic EPS (sen)	0.2	0.1	1.2	1.2

(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)	2,403	11,779
The number/weighted average number of shares in issue ('000)	1,300,382	1,191,126
Diluted EPS (sen)	0.2	1.0

The Group does not have any dilutive potential ordinary shares in issue as at 31 December 2009.

B13. Dividends

No dividend has been declared for the current quarter ended 31 December 2010.

By Order of the Board
Frontken Corporation Berhad

Wong Hua Choon
Executive Chairman / Managing Director
22 February 2011