



FRONTKEN CORPORATION BERHAD

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2011

(The figures have not been audited)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31 Mar 2011 RM '000	Preceding Year Corresponding Quarter 31 Mar 2010 RM '000	Current Year To-date 31 Mar 2011 RM '000	Preceding Year Corresponding Period 31 Mar 2010 RM '000
Revenue	54,183	33,897	54,183	33,897
Operating expenses	<u>(44,156)</u>	<u>(25,785)</u>	<u>(44,156)</u>	<u>(25,785)</u>
Profit before amortisation, depreciation and finance costs	10,027	8,112	10,027	8,112
Depreciation and amortisation	(4,492)	(3,563)	(4,492)	(3,563)
Finance costs	(588)	(877)	(588)	(877)
Impairment loss	-	-	-	-
Other operating income	156	419	156	419
Share of results of associated companies	<u>(1)</u>	<u>(33)</u>	<u>(1)</u>	<u>(33)</u>
Profit before taxation	5,102	4,058	5,102	4,058
Taxation	<u>(912)</u>	<u>(512)</u>	<u>(912)</u>	<u>(512)</u>
Profit for the period	<u>4,190</u>	<u>3,546</u>	<u>4,190</u>	<u>3,546</u>
Other comprehensive income:				
Exchange difference arising on translation of foreign operations	(493)	(2,731)	(493)	(2,731)
Other comprehensive income, net of tax	<u>(493)</u>	<u>(2,731)</u>	<u>(493)</u>	<u>(2,731)</u>
Total comprehensive income for the period	<u>3,697</u>	<u>815</u>	<u>3,697</u>	<u>815</u>
Profit attributable to:				
Equity holders of the company	4,062	3,581	4,062	3,581
Minority interests	<u>128</u>	<u>(35)</u>	<u>128</u>	<u>(35)</u>
Profit for the period	<u>4,190</u>	<u>3,546</u>	<u>4,190</u>	<u>3,546</u>
Total comprehensive income attributable to:				
Equity holders of the company	4,280	863	4,280	863
Minority interests	<u>(583)</u>	<u>(48)</u>	<u>(583)</u>	<u>(48)</u>
Total comprehensive income for the period	<u>3,697</u>	<u>815</u>	<u>3,697</u>	<u>815</u>
Earnings per share attributable to equity holders of the company:				
Basic (sen)	0.4	0.5	0.4	0.5
Diluted (sen)	0.3	0.4	0.3	0.4

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 31 March 2010.



FRONTKEN CORPORATION BERHAD

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

(The figures have not been audited)

	Unaudited 31 Mar 2011 RM'000	Audited 31 Dec 2010 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	178,232	178,405
Investment in associated companies	4,514	4,494
Goodwill on consolidation	28,328	28,312
Deferred tax assets	343	352
Total non-current assets	<u>211,417</u>	<u>211,563</u>
Current assets		
Inventories	9,723	10,431
Trade receivables	72,171	67,337
Other receivables and prepaid expenses	6,789	5,126
Amount owing by associates	4,622	4,534
Fixed deposits with licensed bank	684	12,684
Cash and bank balances	28,354	21,516
Total current assets	<u>122,343</u>	<u>121,628</u>
Total assets	<u>333,760</u>	<u>333,191</u>
EQUITY AND LIABILITIES		
Capital and reserve		
Issued capital	101,141	101,141
Reserves	12,923	12,706
Retained earnings	66,459	62,396
Equity attributable to equity holders of the parent	180,523	176,243
Minority interests	26,214	25,902
Total equity	<u>206,737</u>	<u>202,145</u>
Non-current liabilities		
Bank borrowings	47,662	48,314
Hire-purchase payables	8,774	9,868
Deferred tax liabilities	4,561	4,390
Total non-current liabilities	<u>60,997</u>	<u>62,572</u>
Current liabilities		
Trade payables	19,918	20,502
Other payables	18,552	16,265
Amount owing to associate	381	-
Bank overdrafts	2,069	1,230
Bank borrowings - current portion	17,133	22,132
Hire purchase payable - current portion	6,635	7,250
Tax liabilities	1,338	1,095
Total current liabilities	<u>66,026</u>	<u>68,474</u>
Total liabilities	<u>127,023</u>	<u>131,046</u>
Total equity and liabilities	<u>333,760</u>	<u>333,191</u>
Net assets per share (RM)	0.20	0.20

Notes :

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 2010.



FRONTKEN CORPORATION BERHAD

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2011

(The figures have not been audited)

	<u>Non-distributable</u>				<u>Distributable</u>	Attributable to equity holders of the Company RM'000	Minority interests RM'000	<u>Total</u> RM'000
	<u>Issued capital</u> RM'000	<u>Share premium</u> RM'000	<u>Foreign currency Translation reserve</u> RM'000	<u>Warrant reserve</u> RM'000	<u>Retained earnings/</u> RM'000			
Balance as of 1 January 2011	101,141	9,337	2,485	883	62,397	176,243	25,902	202,145
Net income/(expense) recognised directly in equity: Exchange differences arising from translation of foreign operations	-	-	218	-	-	218	(711)	(493)
Profit for the period	-	-	-	-	4,062	4,062	128	4,190
Total comprehensive income for the period	-	-	218	-	4,062	4,280	(583)	3,697
Arising from issue of shares by subsidiary	-	-	-	-	-	-	185	185
Acquisition of a subsidiary	-	-	-	-	-	-	710	710
Balance as of 31 March 2011	101,141	9,337	2,703	883	66,459	180,523	26,214	206,737

CORRESPONDING PERIOD CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2010

	<u>Non-distributable</u>				<u>Distributable</u>	Attributable to equity holders of the Company RM'000	Minority interests RM'000	<u>Total</u> RM'000
	<u>Issued capital</u> RM'000	<u>Share premium</u> RM'000	<u>Foreign currency Translation reserve</u> RM'000	<u>Warrant reserve</u> RM'000	<u>Retained earnings/</u> 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	-	-	(2,718)	-	-	(2,718)	(13)	(2,731)
Profit for the period	-	-	-	-	3,581	3,581	(35)	3,546
Total comprehensive income for the period	-	-	(2,718)	-	3,581	863	(48)	815
Arising from issue of shares by subsidiary	-	-	-	-	-	-	183	183
Renounceable rights issue	28,898	2,007	-	883	-	31,788	-	31,788
Share issue expenses	-	(637)	-	-	-	(637)	-	(637)
Balance as of 31 March 2010	101,141	9,368	970	883	55,000	167,362	317	167,679

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

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

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE FIRST QUARTER ENDED
31 MARCH 2011**

(The figures have not been audited)

	CUMULATIVE QUARTER	
	Current	Preceding
	Period To Date	Corresponding
	31 Mar 2011	Period
	RM'000	31 Mar 2010
		RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	4,190	3,546
Adjustments for:		
Income tax expense recognised in income statement	912	512
Depreciation for property, plant and equipment	4,492	3,562
Interest expense	588	877
Unrealised loss/(gain) on foreign exchange	929	(13)
Interest income	(63)	(29)
Loss on disposal of property, plant and equipment	-	92
Writeback of allowance for doubtful debts	(541)	-
Allowance for doubtful debt	1,106	470
Bad debt written off	-	1
Share of results of associated companies	1	33
Operating profit before working capital changes	<u>11,614</u>	<u>9,051</u>
Inventories	677	(762)
Amount due to/from contract customers	-	(47)
Trade receivables	(5,793)	(3,409)
Other receivables and prepaid expenses	(1,698)	(1,717)
Amount owing by associates	(78)	(1,696)
Trade payables	(482)	(1,004)
Other payables and accrued expenses	2,399	(2,019)
Amount owing to associate	381	690
Cash generated from operations	<u>7,020</u>	<u>(913)</u>
Tax paid	(483)	(178)
Net cash from operating activities	<u>6,537</u>	<u>(1,091)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	63	29
Acquisition of subsidiaries	570	-
Acquisition of associates	-	(3,384)
Purchase of property, plant and equipment	(5,077)	(2,069)
Proceeds from disposal of property, plant and equipment	<u>77</u>	<u>45</u>
Net cash used in investing activities	<u>(4,367)</u>	<u>(5,379)</u>



FRONTKEN CORPORATION BERHAD

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	CUMULATIVE QUARTER	
	Current Period To Date	Preceding Corresponding Period
	31 Mar 2011	31 Mar 2010
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(588)	(877)
Proceeds from minority interest	185	183
Proceeds from issuance of shares	-	31,787
Drawdown of term loans	1,416	5,643
Repayment of term loans	(6,734)	(1,710)
Increase in short-term borrowings	-	1,363
Repayment of hire purchase payables	(2,064)	(1,831)
Share issue expenses	-	(637)
Net cash used in financing activities	<u>(7,785)</u>	<u>33,921</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,615)	27,451
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	32,970	10,187
EFFECT OF EXCHANGE DIFFERENCES	(386)	230
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u>26,969</u>	<u>37,868</u>
THE CASH AND CASH EQUIVALENTS COMPRISE:		
CASH AND BANK BALANCES	28,354	7,999
SHORT-TERM DEPOSITS WITH LICENSED BANKS	684	31,633
BANK OVERDRAFT	<u>(2,069)</u>	<u>(1,764)</u>
	<u>26,969</u>	<u>37,868</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 31 March 2010.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2011

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 2010.

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 2010.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2010 except for those standards, amendments and interpretations which are effective from the annual period beginning 1 January 2011. The adoption of these standards, amendments and interpretations does not have significant impact on the financial statements of the Group

A2. Realised and Unrealised Profits/Losses

	As at end of 1st Quarter 31 Mar 2011 RM'000	As at end of 4th Quarter 31 Dec 2010 RM'000
Total retained profits of FCB and its subsidiaries		
- Realised	83,005	53,473
- Unrealised	(5,229)	(3,667)
	<u>77,776</u>	<u>49,806</u>
Total share of retained profits from associated companies		
- Realised	1,790	2,152
- Unrealised	-	90
	<u>1,790</u>	<u>2,242</u>
Less: Consolidation adjustments	(13,107)	(12,979)
Total Group retained profits	<u>66,459</u>	<u>36,069</u>



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A3. Audit qualification

The auditors' report in respect of the audited consolidated financial statements of FCB for the financial year ended 31 December 2010 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

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



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(Co. No. 651020-T)

(Incorporated in Malaysia)

A9. Segmental information

The breakdown of the Group's revenue and results by geographical regions for the quarter ended 31 March 2011 are set out below. Revenue and results by geographical sales were based on the location of the Group's subsidiaries.

**Current Quarter
31 March 2011**

	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	26,857	11,043	2,887	450	8	12,938	54,183
Inter-segment sales	1,652	89	-	-	-	-	1,741
Total revenue	<u>28,509</u>	<u>11,132</u>	<u>2,887</u>	<u>450</u>	<u>8</u>	<u>12,938</u>	<u>55,924</u>
<u>Segment Results</u>							
Operating profit/(loss)	5,832	(683)	720	(238)	(54)	51	5,628
Interest income							63
Finance cost							(588)
Share of results of associated companies							(1)
Profit before taxation							<u>5,102</u>

**Current Year-to-date
31 March 2011**

<u>Segment Revenue</u>							
External sales	26,857	11,043	2,887	450	8	12,938	54,183
Inter-segment sales	1,652	89	-	-	-	-	1,741
Total revenue	<u>28,509</u>	<u>11,132</u>	<u>2,887</u>	<u>450</u>	<u>8</u>	<u>12,938</u>	<u>55,924</u>



FRONTKEN CORPORATION BERHAD

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

**Current Year-to-date
31 March 2011**

	<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)	5,832	(683)	720	(238)	(54)	51	5,628
Interest income							63
Finance cost							(588)
Share of results of associated companies							(1)
Profit before taxation							<u>5,102</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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(Incorporated in Malaysia)

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:

The Board of Directors of FCB had on 20 April 2011 resolved that its wholly-owned subsidiary, Frontken (Singapore) Pte Ltd ("FS"), shall incorporate a limited liability company under the name of Frontken Qatar WLL ("FQ") in the State of Qatar jointly with Petroleum Technology Company WLL ("Petrotec") ("Incorporation").

FQ shall be involved in the provision of surface metamorphosis engineering services and will have a total issued and paid-up share capital of USD3 million. Pursuant to the Incorporation, FS shall subscribe for 49% of the share capital of FQ for a cash consideration of USD1.47 million. The remaining 51% equity interest will be held by Petrotec.

The subscription shall be implemented in one or more tranches, to be agreed between FS and Petrotec, in the proportion of their respective shareholdings in FQ. The cash subscription by FS shall be funded by internally generated funds and/or the proceeds from the rights issue of FCB which was completed in March 2010.

It is intended that FS will have board control and the power to govern the operating and management policies of FQ, and as such, FCB would regard FQ as its subsidiary upon Incorporation.

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 15 March 2011, FS subscribed for 306,000 new ordinary shares, representing 51% of the enlarged share capital of Frontken Projects Pte Ltd for a cash consideration of SGD306,000.

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 Mar 2011
	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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(Co. No. 651020-T)
(Incorporated in Malaysia)

A14. Cash and cash equivalents

	As at 31 Mar 2011
	RM'000
Cash at bank	28,287
Cash on hand	67
Fixed deposits	684
	<hr/>
	29,038
Bank overdrafts	(2,069)
	<hr/>
	26,969

A15. Significant related party transactions

	Current Quarter 31 Mar 2011	Current Year-to-date 31 Mar 2011
	RM'000	RM'000
Sales by FEM to AMT	8	8
Sales by FS, MTI and FM to Chinyee	203	203
Sales by FMIC to MIC-W	199	199
Sales by FEM to A&I	1	1
Purchases from AMT by FEM	9	9
Purchases from Chinyee by FS	900	900
Rental payable by FMIC to MIC-W	124	124
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, 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.



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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 Mar 2011
	RM'000
Factory improvement	716
Acquisition of machinery and equipment	1,956
	2,672

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Review of performance

The Group recorded revenue of approximately RM54.2 million for the three (3) months ended 31 March 2011 ("FP2011"), representing an increase of 59.9% compared with RM33.9 million for the preceding corresponding period ended 31 March 2010 ("FP2010"). The higher revenue for FP2011 was mainly due to higher demand for the Group's services in Singapore and the Philippines and consolidation of revenue of Ares Green Technology Corporation ("AGTC") which became a subsidiary of the Company on 10 December 2010.

Against the same period last year, profit before tax ("PBT") increased 25.7% from RM4.1 million to RM5.1 million. The higher PBT recorded by the Group for FP2011 was mainly due to the following:

- (a) higher profit contribution from AGTC; and
- (b) lower share of losses of associates during the current period as compared to preceding corresponding period.

Overall, net profit attributable to shareholders rose 13.4% to RM4.1 million for FP2011 from RM3.6 million in the previous corresponding period.

B2. Comparison with immediate preceding quarter

	1st Quarter 31 Mar 2011	4th Quarter 31 Dec 2010
	RM'000	RM'000
Revenue	54,183	42,142
Profit before tax	5,102	2,262

The Group recorded an increase in revenue of 28.6% or approximately RM12.0 million during the current quarter compared to the preceding quarter. The increase in revenue during the current quarter was primarily due to consolidation of AGTC's revenue.

The Group's unaudited PBT in the current quarter was approximately RM2.8 million higher than the preceding quarter. The increase in the Group's PBT was the result of higher sales and lower impairment loss during the current quarter.



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B3. Prospects for the year

The Group will continue to strengthen its capabilities and stay focused on the expansion of its core competencies in the Asian 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. Emphasis will be placed on leveraging on its existing regional network and differentiated service offerings even more intensively as the Group continues to pursue avenues for developing its business in growth markets.

Barring 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 31 Mar 2011	Current Year-to-date 31 Mar 2011
	RM'000	RM'000
Income tax	757	757
Deferred tax	155	155
	<u>912</u>	<u>912</u>

The Group's effective tax rate for the period under review is lower than 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 in certain tax jurisdictions of overseas subsidiary.

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

There were no purchases and disposals of marketable securities during the current quarter and financial period under review.



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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 March 2011 is as follows:

	Approved utilisation	Actual utilisation as at 31 Mar 2011	Balance	Estimated timeframe for utilisation
	RM'000	RM'000	RM'000	
Repayment of Group's borrowings	15,000	15,000	-	15 March 2011
To finance future investments	8,000	5,310	2,690	15 March 2012
Working capital	7,787	*8,025	-	15 March 2011
Defraying estimated expenses	1,000	*762	-	15 May 2010
	31,787	29,097	2,690	

* The balance of the proceeds allocated for defraying estimated expenses of RM238,000 has been fully utilised for working capital purposes.

B9. Group borrowings

The Group's borrowings as at 31 March 2011 are as follows:

	Short-term	Long-term	Total
	RM'000	RM'000	RM'000
<u>Secured</u>			
Bank overdrafts	2,069	-	2,069
Hire purchase creditors	6,635	8,774	15,409
Term loans	17,133	47,662	64,795
	25,837	56,436	82,273

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	23,978	30,140	54,118
New Taiwan Dollar	-	20,530	20,530
	23,978	50,670	74,648

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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(Incorporated in Malaysia)

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 17 May 2011:

(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 legal advice on the appeal, the Directors will deliberate on the appropriate course of action at the relevant time.



FRONTKEN CORPORATION BERHAD

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

(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.

SGL had proposed mediation out of Court, and the Court has fixed the matter for further case management on 21 June 2011 pending settlement between the parties.

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.



FRONTKEN CORPORATION BERHAD

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

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)	4,062	3,581	4,062	3,581
The number/weighted average number of shares in issue ('000)	1,011,408	789,862	1,011,408	789,862
Basic EPS (sen)	0.4	0.5	0.4	0.5

(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	Preceding Corres- ponding Quarter	Current Year-to- date	Preceding Corres- ponding Year-to- date
Profit attributable to ordinary shareholders (RM'000)	4,062	3,581	4,062	3,581
The number/weighted average number of shares in issue ('000)	1,300,382	857,289	1,300,382	857,289
Diluted EPS (sen)	0.3	0.4	0.3	0.4

B13. Dividends

The Board of Directors has declared a first interim single-tier dividend of 1% per ordinary share in respect of the financial year ending 31 December 2011.

The book closure and payment dates in respect of the aforesaid dividend are 13 June 2011 and 28 June 2011 respectively.

By Order of the Board
Frontken Corporation Berhad

Wong Hua Choon
Executive Chairman / Managing Director
24May 2011