



FRONTKEN CORPORATION BERHAD

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2011

(The figures have not been audited)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30 Jun 2011 RM '000	Preceding Year Corresponding Quarter 30 Jun 2010 RM '000	Current Year To-date 30 Jun 2011 RM '000	Preceding Year Corresponding Period 30 Jun 2010 RM '000
Revenue	46,607	37,356	100,790	71,253
Operating expenses	(41,579)	(27,841)	(85,735)	(53,626)
Profit before amortisation, depreciation and finance costs	5,028	9,515	15,055	17,627
Depreciation and amortisation	(4,727)	(3,556)	(9,219)	(7,119)
Finance costs	(890)	(858)	(1,478)	(1,735)
Impairment of goodwill	-	(935)	-	(935)
Other operating income	798	552	954	971
Share of results of associated companies	(32)	72	(33)	39
Profit before taxation	177	4,790	5,279	8,848
Taxation	174	(938)	(738)	(1,450)
Profit for the period	<u>351</u>	<u>3,852</u>	<u>4,541</u>	<u>7,398</u>
Other comprehensive income:				
Exchange difference arising on translation of foreign operations	2,657	(417)	2,164	(3,148)
Other comprehensive income, net of tax	<u>2,657</u>	<u>(417)</u>	<u>2,164</u>	<u>(3,148)</u>
Total comprehensive income for the period	<u>3,008</u>	<u>3,435</u>	<u>6,705</u>	<u>4,250</u>
Profit attributable to :				
Equity holders of the company	105	3,802	4,167	7,383
Minority interests	<u>246</u>	<u>50</u>	<u>374</u>	<u>15</u>
Profit for the period	<u>351</u>	<u>3,852</u>	<u>4,541</u>	<u>7,398</u>
Total comprehensive income attributable to:				
Equity holders of the company	2,124	3,386	6,404	4,249
Minority interests	<u>884</u>	<u>49</u>	<u>301</u>	<u>1</u>
Total comprehensive income for the period	<u>3,008</u>	<u>3,435</u>	<u>6,705</u>	<u>4,250</u>
Earnings per share attributable to equity holders of the company :				
Basic (sen)	0.01	0.40	0.41	0.80
Diluted (sen)	0.01	0.30	0.32	0.70

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 June 2010.



FRONTKEN CORPORATION BERHAD

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011 (The figures have not been audited)

	Unaudited 30 Jun 2011 RM'000	Audited 31 Dec 2010 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	180,482	178,405
Investment in associated companies	4,580	4,494
Goodwill on consolidation	28,399	28,312
Deferred tax assets	351	352
Total non-current assets	<u>213,812</u>	<u>211,563</u>
Current assets		
Inventories	11,473	10,431
Trade receivables	66,249	67,337
Other receivables and prepaid expenses	8,285	5,126
Amount owing by associates	4,421	4,534
Fixed deposits with licensed bank	696	12,684
Cash and bank balances	26,951	21,516
Total current assets	<u>118,075</u>	<u>121,628</u>
Total assets	<u>331,887</u>	<u>333,191</u>
EQUITY AND LIABILITIES		
Capital and reserve		
Issued capital	101,141	101,141
Reserves	15,042	12,706
Retained earnings	65,355	62,396
Equity attributable to equity holders of the parent	<u>181,538</u>	<u>176,243</u>
Minority interests	27,196	25,902
Total equity	<u>208,734</u>	<u>202,145</u>
Non-current liabilities		
Bank borrowings	49,202	48,314
Hire-purchase payables	7,217	9,868
Deferred tax liabilities	4,501	4,390
Total non-current liabilities	<u>60,920</u>	<u>62,572</u>
Current liabilities		
Trade payables	19,622	20,502
Other payables	17,165	16,265
Amount owing to associate	601	-
Bank overdrafts	582	1,230
Bank borrowings - current portion	17,135	22,132
Hire purchase payable - current portion	6,600	7,250
Tax liabilities	528	1,095
Total current liabilities	<u>62,233</u>	<u>68,474</u>
Total liabilities	<u>123,153</u>	<u>131,046</u>
Total equity and liabilities	<u>331,887</u>	<u>333,191</u>
Net assets per share (RM)	0.21	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 SECOND QUARTER ENDED 30 JUNE 2011

(The figures have not been audited)

	Non-distributable				Distributable				Total RM'000
	Issued capital RM'000	Share premium RM'000	Foreign currency Translation reserve RM'000	Warrant reserve RM'000	Statutory reserve RM'000	Retained earnings/ RM'000	Attributable to equity holders of the Company RM'000	Minority interests 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	-	-	2,237	-	-	-	2,237	(73)	2,164
Profit for the period	-	-	-	-	-	4,167	4,167	374	4,541
Total comprehensive income for the period	-	-	2,237	-	-	4,167	6,404	301	6,705
Arising from issue of shares by subsidiary	-	-	-	-	-	-	-	185	185
Acquisition of a subsidiary	-	-	-	-	-	-	-	710	710
Transfer to statutory reserve	-	-	-	-	100	(198)	(98)	98	-
Dividend paid	-	-	-	-	-	(1,011)	(1,011)	-	(1,011)
Balance as of 30 June 2011	101,141	9,337	4,722	883	100	65,355	181,538	27,196	208,734

CORRESPONDING PERIOD CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2010

	Non-distributable				Distributable				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	Attributable to equity holders of the Company RM'000	Minority interests 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	-	-	(3,134)	-	-	(3,134)	(14)	(3,148)	
Profit for the period	-	-	-	-	7,383	7,383	15	7,398	
Total comprehensive income for the period	-	-	(3,134)	-	7,383	4,249	1	4,250	
Arising from issue of shares by subsidiary	-	-	-	-	-	-	183	183	
Renounceable rights issue	28,898	2,007	-	883	-	31,788	-	31,788	
Share issue expenses	-	(668)	-	-	-	(668)	-	(668)	
Balance as of 30 June 2010	101,141	9,337	554	883	58,802	170,717	366	171,083	

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 SECOND QUARTER ENDED 30 JUNE 2011

(The figures have not been audited)

	CUMULATIVE QUARTER	
	Current Period To Date 30 June 2011 RM'000	Preceding Corresponding Period 30 June 2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	4,541	7,398
Adjustments for:		
Income tax expense recognised in income statement	738	1,450
Depreciation for property, plant and equipment	9,219	7,119
Interest expense	1,478	1,735
Unrealised loss/(gain) on foreign exchange	597	(27)
Interest income	(76)	(215)
(Gain)/Loss on disposal of property, plant and equipment	(5)	102
Writeback of allowance for doubtful debts	(1,312)	-
Property, plant and equipment written off	118	-
Allowance for doubtful debt	1,294	785
Bad debt written off	5	1
Impairment of goodwill	-	935
Share of results of associated companies	33	(39)
Operating profit before working capital changes	16,630	19,244
Inventories	(921)	513
Amount due to/from contract customers	-	(47)
Trade receivables	1,963	(9,156)
Other receivables and prepaid expenses	(3,134)	(2,106)
Amount owing by associates	163	(1,761)
Trade payables	(1,085)	1,883
Other payables and accrued expenses	743	(4,154)
Amount owing to associate	601	179
Cash generated from operations	14,960	4,595
Tax paid	(1,312)	(1,222)
Net cash from operating activities	13,648	3,373
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	76	215
Acquisition of subsidiaries	570	-
Acquisition of associates	-	(3,504)
Purchase of property, plant and equipment	(9,065)	(2,925)
Proceeds from disposal of property, plant and equipment	84	54
Net cash used in investing activities	(8,335)	(6,160)



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	CUMULATIVE QUARTER	
	Current Period To Date	Preceding Corresponding Period
	30 June 2011	30 June 2010
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(1,478)	(1,735)
Proceeds from minority interest	185	183
Proceeds from issuance of shares	-	31,787
Drawdown of term loans	3,550	6,973
Repayment of term loans	(8,908)	(8,244)
Repayment of hire purchase payables	(4,006)	(4,234)
Share issue expenses	-	(668)
Dividend paid	(1,011)	-
Net cash used in financing activities	<u>(11,668)</u>	<u>24,062</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,355)	21,275
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	32,970	10,187
EFFECT OF EXCHANGE DIFFERENCES	450	166
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u>27,065</u>	<u>31,628</u>
THE CASH AND CASH EQUIVALENTS COMPRISE:		
CASH AND BANK BALANCES	26,951	9,210
SHORT-TERM DEPOSITS WITH LICENSED BANKS	696	26,446
BANK OVERDRAFT	(582)	(4,028)
	<u>27,065</u>	<u>31,628</u>

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

The comparative figures are based on unaudited financial statements of the Company for the financial period ended 30 June 2010.



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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED
30 JUNE 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 30 Jun 2011 RM'000	As at 31 Dec 2010 RM'000
Total retained profits of FCB and its subsidiaries		
- Realised	80,976	77,297
- Unrealised	(4,758)	(4,164)
	76,218	73,133
Total share of retained profits from associated companies		
- Realised	2,490	2,152
- Unrealised	-	90
	2,490	2,242
Less: Consolidation adjustments	(13,353)	(12,979)
Total Group retained profits	65,355	62,396

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.



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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 June 2011 paid a first interim single tier dividend in respect of financial year ending 31 December 2011, of 1% per ordinary share amounting to RM1,011,411.



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A9. Segmental information

The breakdown of the Group's revenue and results by geographical regions for the quarter ended 30 June 2011 are set out below. Revenue and results by geographical sales were based on the location of the Group's subsidiaries.

**Current Quarter
30 June 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	19,919	10,285	1,772	428	620	13,583	46,607
Inter-segment sales	1,484	81	294	-	-	-	1,859
Total revenue	<u>21,403</u>	<u>10,366</u>	<u>2,066</u>	<u>428</u>	<u>620</u>	<u>13,583</u>	<u>48,466</u>

Segment Results

Operating profit/(loss)	(1,563)	521	493	(152)	110	1,677	1,086
Interest income							13
Finance cost							(890)
Share of results of associated companies							(32)
Profit before taxation							<u>177</u>

**Current Year-to-date
30 June 2011**

Segment Revenue

External sales	46,776	21,328	4,659	878	629	26,520	100,790
Inter-segment sales	3,135	170	294	-	-	-	3,599
Total revenue	<u>49,911</u>	<u>21,498</u>	<u>4,953</u>	<u>878</u>	<u>629</u>	<u>26,520</u>	<u>104,389</u>



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**Current Year-to-date
30 June 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)	4,268	(162)	1,213	(389)	56	1,728	6,714
Interest income							76
Finance cost							(1,478)
Share of results of associated companies							<u>(33)</u>
Profit before taxation							<u>5,279</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

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

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:

- (a) On 20 April 2011, the Board of Directors resolved to incorporate Frontken Qatar WLL ("FQ") jointly with Petroleum Technology Company WLL ("Petrotec"). On 30 May 2011, following the receipt of the Commercial Registration Certificate for FQ, a Shareholders' Agreement was entered into between Frontken (Singapore) Pte Ltd and Petrotec to regulate their relationship as shareholders of FQ, holding 49% and 51% of the shares in FQ respectively.
- (b) On 18 August 2011, the Board of Directors resolved to increase the share capital of Frontken MIC Co. Limited ("FMIC"), a subsidiary in which FCB holds approximately 50.0% equity interest, by way of allotment and issuance of new ordinary shares of HKD1.00 each in two (2) tranches at par value to raise aggregate cash proceeds of USD2 million. Given that FCB will not subscribe for any shares in FMIC pursuant to the increase in share capital, the effective equity interest of FCB in FMIC, to be held directly by the Company and through its subsidiary, will be diluted from approximately 50.0% to 36.2% upon completion of the two (2) tranches of share issuance.

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 30 June 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

A14. Cash and cash equivalents

	As at 30 June 2011 RM'000
Cash at bank	26,855
Cash on hand	96
Fixed deposits	696
	<u>27,647</u>
Bank overdrafts	(582)
	<u>27,065</u>



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A15. Significant related party transactions

	Current Quarter 30 June 2011	Current Year-to-date 30 June 2011
	RM'000	RM'000
Sales by FEM to AMT	17	25
Sales by FS, MTI and FM to Chinyee	326	529
Sales by FMIC to MIC-W	292	491
Sales by FEM to A&I	1	2
Purchases from AMT by FEM	-	9
Purchases from Chinyee by FS	908	1,808
Rental payable by FMIC to MIC-W	123	247
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.

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 30 June 2011
	RM'000
Factory improvement	1,680
Acquisition of machinery and equipment	1,737
	<u>3,417</u>



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B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Review of performance

The Group recorded revenue of approximately RM100.8 million for the six (6) months ended 30 June 2011 ("FP2011"), representing an increase of 41.5% compared with RM71.3 million for the preceding corresponding period ended 30 June 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. Excluding revenue of AGTC, the Group revenue for FP2011 would have increased by 5%.

Against the same period last year, profit before tax ("PBT") decreased 40.3% from RM8.8 million to RM5.3 million. The lower PBT recorded by the Group for FP2011 was mainly due to the lower margin during the current period arising from higher labour cost.

Overall, net profit attributable to shareholders decreased by 43.6% to RM4.2 million for FP2011 from RM7.4 million in the previous corresponding period.

B2. Comparison with immediate preceding quarter

	2nd Quarter 30 June 2011	1st Quarter 31 Mar 2011
	RM'000	RM'000
Revenue	46,607	54,183
Profit before tax	177	5,102

The Group recorded a decrease in revenue of 14.0% or approximately RM7.6 million during the current quarter compared to the preceding quarter. The decrease in revenue during the current quarter was primarily due to lower revenue from Singapore.

The Group's unaudited PBT in the current quarter was approximately RM4.9 million lower than the preceding quarter. The decrease in the Group's PBT was the result of lower sales, lower gross margin and higher percentage of operating expenses over revenue during the current quarter.

B3. Prospects for the year

With the economic growth in emerging East Asia moderating in the first half of 2011 and the global economy remaining uncertain, the Group is cautiously optimistic towards the overall business environment in the months ahead. Taking cognizance of rising operational costs, management will focus on improving operational efficiency. The Group will continue to explore new opportunities to complement its operations and build a stable and growing revenue base in the longer term.

Barring any unforeseen circumstances, the Directors expect overall performance of the Group for the remaining period of 2011 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.



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B5. Taxation

	Current Quarter 30 June 2011	Current Year-to-date 30 June 2011
	RM'000	RM'000
Income tax	(16)	741
Deferred tax	(158)	(3)
	<u>(174)</u>	<u>738</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 subjected to tax, productivity and innovative credit scheme from the Singapore government as well as a relatively lower statutory tax rate of an 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.

B8. Status of corporate proposals

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

The proceeds from the rights issue had been fully utilised as at 31 May 2011, as follows:

	Approved utilisation	Actual utilisation as at 31 May 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	8,000	-	15 March 2012
Working capital	7,787	*8,025	-	15 March 2011
Defraying estimated expenses	1,000	*762	-	15 May 2010
	<u>31,787</u>	<u>31,787</u>	<u>-</u>	

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



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B9. Group borrowings

The Group's borrowings as at 30 June 2011 are as follows:

	Short-term	Long-term	Total
	RM'000	RM'000	RM'000
<u>Secured</u>			
Bank overdrafts	582	-	582
Hire purchase creditors	6,600	7,217	13,817
Term loans	17,135	49,202	66,337
	<u>24,317</u>	<u>56,419</u>	<u>80,736</u>

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	21,973	28,518	50,491
New Taiwan Dollar	-	21,035	21,035
	<u>21,973</u>	<u>49,553</u>	<u>71,526</u>

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.

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 11 August 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



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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.

On 24 June 2011, the Board of Directors, upon receiving the written grounds of judgment and advice from its solicitors on the merits of an appeal, resolved not to make an appeal, at that juncture, against the decision of the High Court which granted the summary judgment.

(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.



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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 Court had fixed the matter for further case management on 15 September 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.

(c) Litigation by FM against Petra Resources Sdn Bhd (“PRSB”)

On 15 July 2011, FMSB issued, via its solicitors, Letters of Demand to PRSB demanding for the payment of an aggregate outstanding sum of RM3,121,279.57 within 14 days from the date of the Letters of Demand, failing which legal proceedings would be instituted against PRSB for the recovery of the same. The outstanding debt was in respect of unpaid invoices for work done and services rendered by FMSB to PRSB in the ordinary course of business between 2009 and 2011.

The solicitors of FMSB are of the opinion that FMSB has a good case to recover the above outstanding amount.

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)	105	3,802	4,167	7,383
The number/weighted average number of shares in issue ('000)	1,011,408	1,011,408	1,011,408	901,247
Basic EPS (sen)	0.01	0.40	0.41	0.80



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(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)	105	3,802	4,167	7,383
The number/weighted average number of shares in issue ('000)	1,300,382	1,300,382	1,300,382	1,080,059
Diluted EPS (sen)	0.01	0.30	0.32	0.70

B13. Dividends

No dividend has been declared for the current quarter ended 30 June 2011.

By Order of the Board
Frontken Corporation Berhad

Wong Hua Choon
Executive Chairman / Managing Director
25 August 2011