



FRONTKEN CORPORATION BERHAD

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011

(The figures have not been audited)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31 Dec 2011 RM '000	Preceding Year Corresponding Quarter 31 Dec 2010 RM '000	Current Year To-date 31 Dec 2011 RM '000	Preceding Year Corresponding Period 31 Dec 2010 RM '000
Revenue	51,726	42,143	198,123	146,704
Operating expenses	<u>(51,395)</u>	<u>(36,832)</u>	<u>(177,510)</u>	<u>(117,100)</u>
Profit before amortisation, depreciation and finance costs	331	5,311	20,613	29,604
Depreciation and amortisation	(4,937)	(3,451)	(19,017)	(14,212)
Finance costs	(792)	(535)	(2,803)	(3,027)
Impairment of goodwill	-	-	-	(935)
Other operating income	951	925	3,005	1,033
Share of results of associated companies	<u>(47)</u>	<u>12</u>	<u>18</u>	<u>641</u>
(Loss)/profit before taxation	(4,494)	2,262	1,816	13,104
Taxation	<u>1,671</u>	<u>489</u>	<u>559</u>	<u>(1,001)</u>
(Loss)/profit for the period	<u>(2,823)</u>	<u>2,751</u>	<u>2,375</u>	<u>12,103</u>
Other comprehensive income:				
Exchange difference arising on translation of foreign operations	(111)	1,304	1,619	(1,227)
Share of revaluation reserve of associated company	<u>22</u>	<u>-</u>	<u>22</u>	<u>-</u>
Other comprehensive income, net of tax	<u>(89)</u>	<u>1,304</u>	<u>1,641</u>	<u>(1,227)</u>
Total comprehensive income for the period	<u>(2,912)</u>	<u>4,055</u>	<u>4,016</u>	<u>10,876</u>
Profit attributable to :				
Equity holders of the company	(2,857)	2,613	1,375	11,989
Minority interests	<u>34</u>	<u>138</u>	<u>1,000</u>	<u>114</u>
(Loss)/profit for the period	<u>(2,823)</u>	<u>2,751</u>	<u>2,375</u>	<u>12,103</u>
Total comprehensive income attributable to:				
Equity holders of the company	(3,047)	3,916	3,087	10,786
Minority interests	<u>135</u>	<u>139</u>	<u>929</u>	<u>90</u>
Total comprehensive income for the period	<u>(2,912)</u>	<u>4,055</u>	<u>4,016</u>	<u>10,876</u>
Earnings per share attributable to equity holders of the company :				
Basic (sen)	-	0.27	0.14	1.25
Diluted (sen)	-	0.22	0.11	1.00

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 2010.



FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

(The figures have not been audited)

	Unaudited 31 Dec 2011 RM'000	Audited 31 Dec 2010 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	180,969	178,405
Investment in associated companies	4,631	4,494
Goodwill on consolidation	28,381	28,312
Deferred tax assets	196	352
Total non-current assets	<u>214,177</u>	<u>211,563</u>
Current assets		
Inventories	11,374	10,431
Trade receivables	69,155	67,337
Other receivables and prepaid expenses	6,633	5,126
Amount owing by associates	4,150	4,534
Fixed deposits with licensed bank	3,737	12,684
Cash and bank balances	22,625	21,516
Total current assets	<u>117,674</u>	<u>121,628</u>
Total assets	<u>331,851</u>	<u>333,191</u>
EQUITY AND LIABILITIES		
Capital and reserve		
Issued capital	101,141	101,141
Reserves	14,398	12,705
Retained earnings	62,584	62,397
Equity attributable to equity holders of the parent	<u>178,123</u>	<u>176,243</u>
Minority interests	27,890	25,902
Total equity	<u>206,013</u>	<u>202,145</u>
Non-current liabilities		
Bank borrowings	46,952	48,314
Hire-purchase payables	5,912	9,868
Deferred tax liabilities	2,750	4,390
Total non-current liabilities	<u>55,614</u>	<u>62,572</u>
Current liabilities		
Trade payables	23,782	20,502
Other payables	17,582	16,265
Amount owing to associate	1,500	-
Bank overdrafts	1,670	1,230
Bank borrowings - current portion	20,010	22,132
Hire purchase payable - current portion	5,440	7,250
Tax liabilities	240	1,095
Total current liabilities	<u>70,224</u>	<u>68,474</u>
Total liabilities	<u>125,838</u>	<u>131,046</u>
Total equity and liabilities	<u>331,851</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 FOURTH QUARTER ENDED 31 DECEMBER 2011

(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	Treasury shares RM'000	Foreign currency Translation reserve RM'000	Warrant reserve RM'000	Statutory reserve RM'000	Retained earnings/ 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	-	-	-	1,690	-	-	-	1,690	(71)	1,619
Share of revaluation reserve of associated companies	-	-	-	-	-	-	22	22	-	22
Profit for the period	-	-	-	-	-	-	1,375	1,375	1,000	2,375
Total comprehensive income for the period	-	-	-	1,690	-	-	1,397	3,087	929	4,016
Arising from issue of shares by subsidiary	-	-	-	-	-	-	-	-	719	719
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	701	701
Transfer to statutory reserve	-	-	-	-	-	198	(198)	-	-	-
Treasury shares acquired	-	-	(195)	-	-	-	-	(195)	-	(195)
Dividend paid to minority interest	-	-	-	-	-	-	-	-	(361)	(361)
Dividend paid	-	-	-	-	-	-	(1,012)	(1,012)	-	(1,012)
Balance as of 31 December 2011	101,141	9,337	(195)	4,175	883	198	62,584	178,123	27,890	206,013

CORRESPONDING PERIOD CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2010

	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	Treasury shares 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	-	-	-	(1,203)	-	-	(1,203)	(24)	(1,227)	
Profit for the period	-	-	-	-	-	11,989	11,989	114	12,103	
Total comprehensive income for the period	-	-	-	(1,203)	-	11,989	10,786	90	10,876	
Arising from acquisition of subsidiary	-	-	-	-	-	-	-	25,448	25,448	
Issue of shares by subsidiary	-	-	-	-	-	-	-	182	182	
Renounceable rights issue	28,898	2,007	-	-	883	-	31,788	-	31,788	
Share issue expenses	-	(668)	-	-	-	-	(668)	-	(668)	
Distribution of dividends	-	-	-	-	-	(1,011)	(1,011)	-	(1,011)	
Balance as of 31 December 2010	101,141	9,337	2,485	883	62,397	176,243	25,902	202,145		

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 2011

(The figures have not been audited)

	CUMULATIVE QUARTER	
	Current Period To Date	Preceding Corresponding Period
	31 December 2011	31 December 2010
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	2,375	12,103
Adjustments for:		
Income tax expense recognised in income statement	(559)	1,001
Depreciation for property, plant and equipment	19,017	14,212
Interest expense	2,803	3,027
Unrealised loss/(gain) on foreign exchange	242	126
Interest income	(182)	(457)
Gain on disposal of property, plant and equipment	(228)	(77)
Writeback of allowance for doubtful debts	(2,079)	-
Property, plant and equipment written off	175	24
Allowance for doubtful debt	3,551	2,876
Allowance for inventories	1,222	-
Bad debt written off	180	-
Impairment of goodwill	-	935
Gain on dilution of investment in subsidiary	(86)	-
Share of results of associated companies	(18)	(641)
Operating profit before working capital changes	26,413	33,129
Inventories	(2,014)	(438)
Amount due to/from contract customers	-	(47)
Trade receivables	(2,527)	(9,295)
Other receivables and prepaid expenses	(1,404)	358
Amount owing by associates	417	(2,455)
Trade payables	2,996	1,875
Other payables and accrued expenses	1,116	(1,009)
Amount owing to associate	1,500	(118)
Cash generated from operations	26,497	22,000
Tax paid	(1,871)	(1,081)
Net cash from operating activities	24,626	20,919
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from minority interest	-	182
Interest received	182	457
Acquisition of subsidiaries	580	1,899
Acquisition of associates	-	(3,504)
Purchase of property, plant and equipment	(22,488)	(23,903)
Proceeds from disposal of property, plant and equipment	3,376	1,123
Dividend received from associate	-	259
Net cash used in investing activities	(18,350)	(23,487)



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	CUMULATIVE QUARTER	
	Current Period To Date	Preceding Corresponding Period
	31 December 2011	31 December 2010
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(2,803)	(3,027)
Proceeds from minority interest	805	-
Proceeds from issuance of shares	-	31,787
Drawdown of term loans	15,609	21,855
Repayment of term loans	(19,996)	(15,373)
Increase in short-term borrowings	-	-
Repayment of hire purchase payables	(6,819)	(8,346)
Share issue expenses	-	(668)
Treasury shares acquired	(195)	-
Dividend paid	(1,011)	(1,011)
Dividend paid to minority interest	(361)	-
Net cash from financing activities	<u>(14,771)</u>	<u>25,217</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(8,495)	22,649
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	32,970	10,187
EFFECT OF EXCHANGE DIFFERENCES	217	134
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	<u>24,692</u>	<u>32,970</u>
THE CASH AND CASH EQUIVALENTS COMPRISE:		
CASH AND BANK BALANCES	22,625	21,516
SHORT-TERM DEPOSITS WITH LICENSED BANKS	3,737	12,684
BANK OVERDRAFT	<u>(1,670)</u>	<u>(1,230)</u>
	<u>24,692</u>	<u>32,970</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 2010.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 adoption of the following new accounting standards and interpretations (including the consequential amendments):-

FRS 1 (Revised) First-time Adoption of Financial Reporting Standards

FRS 3 (Revised) Business Combinations

FRS 127 (Revised) Consolidated and Separate Financial Statements

Amendments to FRS 1 (Revised): Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters

Amendments to FRS 1 (Revised): Additional Exemptions for First-time Adopters

Amendments to FRS 2: Scope of FRS 2 and FRS 3 (Revised)

Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions

Amendments to FRS 5: Plan to Sell the Controlling Interest in a Subsidiary

Amendments to FRS 7: Improving Disclosures about Financial Instruments

Amendments to FRS 138: Consequential Amendments Arising from FRS 3 (Revised)

IC Interpretation 4 Determining Whether An Arrangement Contains a Lease

IC Interpretation 12 Service Concession Arrangements

IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation

IC Interpretation 17 Distributions of Non-cash Assets to Owners

IC Interpretation 18 Transfers of Assets from Customers



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Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and FRS 3 (Revised)

Annual Improvement to FRSs (2010)

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 31 Dec 2011	As at 31 Dec 2010
	RM'000	RM'000
Total retained profits of FCB and its subsidiaries		
- Realised	78,390	77,298
- Unrealised	(3,744)	(4,164)
	<hr/> 74,646	<hr/> 73,134
Total share of retained profits from associated companies		
- Realised	1,807	2,152
- Unrealised	22	90
	<hr/> 1,829	<hr/> 2,242
Less: Consolidation adjustments	(13,891)	(12,979)
Total Group retained profits	<hr/> <hr/> 62,584	<hr/> <hr/> 62,397

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.



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

Save as disclosed below, there was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current quarter:

The Company purchased 975,200 of its own ordinary shares of RM0.10 each on the market of Bursa Securities at an average buy-back price of RM0.10 per share. The total consideration paid for the acquisition of the shares was RM98,233 and was financed by internally generated funds.

The shares purchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965. As at 31 December 2011, the Company held 1,833,600 repurchased shares as treasury shares out of its total issued and paid-up share capital of 1,011,408,160 ordinary shares. Such treasury shares are held at a carrying amount of RM194,563. None of the treasury shares were resold or cancelled during the current quarter.

A8. Dividends

The Company had on 28 June 2011 paid a first interim single-tier dividend in respect of the financial year ended 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 31 December 2011 are set out below. Revenue and results by geographical sales were based on the location of the Group's subsidiaries.

**Current Quarter
31 December 2011**

	<u>Singapore</u>	<u>Malaysia</u>	<u>Philippines</u>	<u>China</u>	<u>Indonesia</u>	<u>Taiwan</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Segment Revenue</u>							
External sales	22,028	15,044	1,638	678	47	12,291	51,726
Inter-segment sales	1,207	213	26	-	-	4	1,450
Total revenue	<u>23,235</u>	<u>15,257</u>	<u>1,664</u>	<u>678</u>	<u>47</u>	<u>12,295</u>	<u>53,176</u>

Segment Results

Operating profit/(loss)	(2,956)	54	(293)	(265)	(351)	115	(3,696)
Interest income							41
Finance cost							(792)
Share of results of associated companies							(47)
Profit before taxation							<u>(4,494)</u>

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

<u>Segment Revenue</u>							
External sales	87,753	47,988	7,813	2,023	764	51,782	198,123
Inter-segment sales	4,982	509	325	-	-	953	6,769
Total revenue	<u>92,735</u>	<u>48,497</u>	<u>8,138</u>	<u>2,023</u>	<u>764</u>	<u>52,735</u>	<u>204,892</u>



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

	<u>Singapore</u>	<u>Malaysia</u>	<u>Philippines</u>	<u>China</u>	<u>Indonesia</u>	<u>Taiwan</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Segment Results</u>							
Operating profit/(loss)	268	1,434	861	(985)	(403)	3,244	4,419
Interest income							182
Finance cost							(2,803)
Share of results of associated companies							18
Profit before taxation							<u>1,816</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. (Loss)/Profit before tax

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

	Current Quarter 31 Dec 2011 RM'000	Current Year-to-date 31 Dec 2011 RM'000
Allowance for doubtful debts	1,867	3,551
Bad debt written off	-	180
Provision for and write off of inventories	1,222	1,222
(Gain)/loss on disposal of quoted and unquoted investments	-	-
(Gain)/loss on disposal of properties	-	-
Impairment of assets	-	-
Foreign exchange (gain)/loss	(244)	733
Exceptional items	-	-

A11. Valuation of property, plant and equipment

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

A12. Material events subsequent to the end of the quarter

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

A13. Changes in the composition of the Group

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

A14. Contingent liabilities

As at 31 December 2011, the Group has no contingent liabilities which, upon crystallisation would have a material impact on the financial position of the Group.

A15. Cash and cash equivalents

	As at 31 Dec 2011 RM'000
Cash at bank	22,572
Cash on hand	53
Fixed deposits	3,737
	<hr/>
	26,362
Bank overdrafts	(1,670)
	<hr/>
	24,692



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A16. Significant related party transactions

	Current Quarter 31 Dec 2011	Current Year-to-date 31 Dec 2011
	RM'000	RM'000
Sales to AMT	20	53
Sales to Chinyee	224	980
Sales to MIC-W	76	585
Sales to A&I	1	3
Purchases from AMT	3	13
Purchases from Chinyee	1,365	4,329
Rental payable to MIC-W	124	494
Rental payable to AMT	18	72

Name of Related Parties	Relationship
AMT	Sia Chiok Meng, a Director of FEM, is also a director and substantial shareholder of AMT.
Chinyee	Wong Hua Choon, who was a director and major shareholder of FCB within the past 6 months, is also a director and substantial shareholder of Chinyee.
A&I	Sia Chiok Meng, a director of FEM, is also a director and substantial shareholder of A&I.
MIC-W	MIC-W is a subsidiary of Marketech International Corporation, which in turn is a deemed substantial shareholder of FMIC.

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>FEM</i>	<i>Frontken (East Malaysia) Sdn Bhd</i>

A17. 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 2011
	RM'000
Factory improvement	1,192
Acquisition of machinery and equipment	1,200
	<u>2,392</u>



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B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Review of performance

The Group recorded revenue of approximately RM198.1 million for the twelve (12) months ended 31 December 2011 ("FP2011"), representing an increase of 35.0% compared with RM146.7 million for the preceding corresponding period ended 31 December 2010 ("FP2010"). The higher revenue for FP2011 was mainly due to consolidation of revenue of Ares Green Technology Corporation ("AGTC") which became a subsidiary of the Company on 10 December 2010. Excluding revenue of AGTC, there are no increase in the Group revenue for FP2011.

The revenue from Singapore decreased by RM3.6 million due mainly to slowdown in oil & gas and power generation industries. The revenue from Malaysia and Philippines increased by RM3.4 million contributed mainly by the semi-conductor and electronics industries in Malaysia, and power generation industry in the Philippines.

Against the same period last year, profit before tax ("PBT") decreased from RM13.1 million to RM1.8 million. The lower PBT recorded by the Group for FP2011 was mainly due to the lower margin arising from higher salaries and related expenses as a result of the increase in number of staff and cost in Singapore and Malaysia.

Overall, net profit attributable to shareholders decreased 88.5% to RM1.4 million for FP2011 from RM12.0 million in the previous corresponding period.

B2. Comparison with immediate preceding quarter

	4th Quarter 31 Dec 2011	3rd Quarter 30 Sep 2011
	RM'000	RM'000
Revenue	51,726	45,607
Profit before tax	(4,494)	1,031

The Group recorded an increase in revenue of 13.4% or approximately RM6.1 million during the current quarter compared to the preceding quarter. The increase in revenue during the current quarter was primarily due to higher revenue from the marine and engineering industries in Singapore, and the oil & gas and semi-conductor industries in Malaysia.

The Group's unaudited PBT in the current quarter was approximately RM5.5 million lower than the preceding quarter. This was mainly due to increase in material cost and sub-contract charges, and allowances for inventories during the current quarter.

B3. Prospects for the next financial year

The Group anticipates that the overall business conditions will be increasingly challenging amidst subdued global economic conditions and slower growth in regional economies. It will remain focused on executing its strategy to strengthen its businesses and grow its revenue base, reduce its operating expenses and improve operational efficiencies, whilst investing in the areas of business which it believes will deliver long term growth and value.



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The Board is cautiously optimistic that the performance of the Group for the next financial year will be better than year ended 31 December 2011.

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 2011	Current Year-to-date 31 Dec 2011
	RM'000	RM'000
Income tax	(93)	(1,163)
Deferred tax	1,764	1,722
	<u>1,671</u>	<u>559</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. Status of corporate proposals

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

B7. Group borrowings

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

	Short-term	Long-term	Total
	RM'000	RM'000	RM'000
<u>Secured</u>			
Bank overdrafts	1,670	-	1,670
Hire purchase creditors	5,440	5,912	11,352
Term loans	20,010	46,952	66,962
	<u>27,120</u>	<u>52,864</u>	<u>79,984</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	22,293	24,422	46,715
New Taiwan Dollar	-	22,015	22,015
	<u>22,293</u>	<u>44,437</u>	<u>68,730</u>



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B8. 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 27 February 2012:

(a) 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 Court had fixed the matter for further case management on 11 April 2012.

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.

(b) Litigation by Frontken Malaysia Sdn Bhd (“FMSB”) against Petra Resources Sdn Bhd (“PRSB”)

On 15 July 2011, FMSB, a wholly-owned subsidiary of FCB, 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.



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On 10 November 2011, FMSB received, via its solicitors, the Statements of Defence and Counterclaim dated 8 November 2011 from PRSB. In the said defence, PRSB denied the Statements of Claim and stated that FMSB had been duly paid for the services rendered by FMSB to PRSB, and that FMSB was not entitled to the claims against PRSB. Further, PRSB contended that based on misrepresentation by FMSB in relation to an alleged agreement, PRSB had made payments by mistake to FMSB in the combined sum of RM6,656,455.70. PRSB therefore counterclaimed against FMSB for the refund of the said sum, interest at the rate of 8% per annum calculated from the date of judgment until full realization, costs and such further or other relief as deemed fit and proper by the Court.

The hearing for the application by FMSB for summary judgment against PRSB had been fixed on 29 February 2012 and 7 March 2012.

The solicitors of FMSB are of the opinion that FMSB has a good case to recover the outstanding amount from PRSB. The solicitors are also of the opinion that FMSB has good grounds to resist the counterclaim by PRSB.

B9. Earnings per share (“EPS”)

(a) Basic EPS

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

	Current Quarter	Preceding Corres- ponding Quarter	Current Year-to- date	Preceding Corres- ponding Year-to- date
(Loss)/Profit attributable to ordinary shareholders (RM'000)	(2,857)	2,613	1,375	11,989
Number of shares in issue as of 1 Jan 2011 ('000)	1,011,408	722,434	1,011,408	722,434
Effects of shares bought back ('000)	(1,795)	-	(486)	-
Effects of rights issue ('000)	-	288,974	-	234,346
The number/weighted average number of shares in issue ('000)	1,009,613	1,011,408	1,010,922	956,780
Basic EPS (sen)	-	0.27	0.14	1.25



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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
(Loss)/Profit attributable to ordinary shareholders (RM'000)	(2,857)	2,613	1,375	11,989
Number of shares in issue as of 1 Jan 2011 ('000)	1,011,408	722,434	1,011,408	722,434
Effects of shares bought back ('000)	(1,795)	-	(486)	-
Effects of rights issue ('000)	-	288,974	-	234,346
Effects of dilution – warrants ('000)	288,974	288,974	288,974	234,346
The number/weighted average number of shares in issue ('000)	1,298,587	1,300,382	1,299,896	1,191,126
Diluted EPS (sen)	-	0.22	0.11	1.00

B10. Dividends

No dividend has been declared for the current quarter ended 31 December 2011.

By Order of the Board
Frontken Corporation Berhad

Ng Wai Pin
Executive Chairman / Managing Director
29 February 2012