



FRONTKEN CORPORATION BERHAD

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2012

(The figures have not been audited)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30 Jun 2012 RM '000	Preceding Year Corresponding Quarter 30 Jun 2011 RM '000	Current Year To-date 30 Jun 2012 RM '000	Preceding Year Corresponding Period 30 Jun 2011 RM '000
Revenue	44,359	46,607	92,350	100,790
Operating expenses	<u>(39,932)</u>	<u>(41,579)</u>	<u>(82,750)</u>	<u>(85,735)</u>
Profit before depreciation and finance costs	4,427	5,028	9,600	15,055
Depreciation	(4,966)	(4,727)	(9,835)	(9,219)
Finance costs	(666)	(890)	(1,327)	(1,478)
Other operating income	2,328	798	3,131	954
Share of results of associated companies	<u>98</u>	<u>(32)</u>	<u>174</u>	<u>(33)</u>
Profit before tax	1,221	177	1,743	5,279
Taxation	<u>(319)</u>	<u>174</u>	<u>(498)</u>	<u>(738)</u>
Profit after tax	902	351	1,245	4,541
Other comprehensive expenses:				
Foreign currency translation	<u>3,757</u>	<u>2,657</u>	<u>2,727</u>	<u>2,164</u>
Total comprehensive income for the period	<u>4,659</u>	<u>3,008</u>	<u>3,972</u>	<u>6,705</u>
Profit after tax attributable to:				
Owners of the Company	864	105	1,436	4,167
Non-controlling interests	<u>38</u>	<u>246</u>	<u>(191)</u>	<u>374</u>
Profit for the period	<u>902</u>	<u>351</u>	<u>1,245</u>	<u>4,541</u>
Total comprehensive income attributable to:				
Owners of the Company	3,852	2,124	3,677	6,404
Non-controlling interests	<u>807</u>	<u>884</u>	<u>295</u>	<u>301</u>
Total comprehensive income for the period	<u>4,659</u>	<u>3,008</u>	<u>3,972</u>	<u>6,705</u>
Earnings per share attributable to equity holders of the company:				
Basic (sen)	0.09	0.01	0.14	0.41
Diluted (sen)	0.07	0.01	0.11	0.32

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 2011.



FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

(The figures have not been audited)

	Unaudited 30 Jun 2012 RM'000	Audited 31 Dec 2011 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	183,308	180,969
Investment in associated companies	4,916	4,631
Goodwill on consolidation	28,457	28,381
Deferred tax assets	199	196
Total non-current assets	<u>216,880</u>	<u>214,177</u>
Current assets		
Inventories	10,690	11,374
Amount due from contract customers	107	177
Trade receivables	70,786	70,265
Other receivables and prepaid expenses	10,045	6,528
Amount owing by associates	3,645	4,150
Tax recoverable	575	555
Fixed deposits with licensed bank	2,844	3,737
Cash and bank balances	20,526	22,625
Total current assets	<u>119,218</u>	<u>119,411</u>
Total assets	<u>336,098</u>	<u>333,588</u>
EQUITY AND LIABILITIES		
Capital and reserve		
Issued capital	101,141	101,141
Reserves	16,926	14,437
Retained earnings	64,899	63,694
Equity attributable to owners of the Company	<u>182,966</u>	<u>179,272</u>
Non-controlling interests	<u>28,477</u>	<u>27,890</u>
Total equity	<u>211,443</u>	<u>207,162</u>
Non-current liabilities		
Bank borrowings	46,073	46,952
Hire-purchase payables	5,146	5,912
Deferred tax liabilities	2,727	2,750
Total non-current liabilities	<u>53,946</u>	<u>55,614</u>
Current liabilities		
Trade payables	19,319	22,690
Other payables and accrued expenses	18,483	18,634
Amount owing to associates	1,706	1,500
Bank overdrafts	2,993	1,670
Bank borrowings - current portion	22,750	20,010
Hire purchase payable - current portion	4,594	5,440
Tax liabilities	864	868
Total current liabilities	<u>70,709</u>	<u>70,812</u>
Total liabilities	<u>124,655</u>	<u>126,426</u>
Total equity and liabilities	<u>336,098</u>	<u>333,588</u>
Net assets per share (RM)	0.21	0.21

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 2011.



FRONTKEN CORPORATION BERHAD

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2012

(The figures have not been audited)

	Non-distributable					Distributable				
	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Warrant reserve	Statutory reserve	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as of 1 January 2012	101,141	9,337	(195)	4,214	883	198	63,694	179,272	27,890	207,162
Other comprehensive income/expenses recognised recognised for the financial year, net of tax										
Foreign currency translation	-	-	-	2,241	-	-	-	2,241	486	2,727
Profit after tax for the period	-	-	-	-	-	-	1,436	1,436	(191)	1,245
Total comprehensive income for the period	-	-	-	2,241	-	-	1,436	3,677	295	3,972
Arising from issue of shares by subsidiary	-	-	-	-	-	-	-	-	786	786
Changes in ownership interests in a subsidiary	-	-	-	-	-	-	17	17	(494)	(477)
Transfer to statutory reserve	-	-	-	-	-	248	(248)	-	-	-
Balance as of 30 June 2012	101,141	9,337	(195)	6,455	883	446	64,899	182,966	28,477	211,443

CORRESPONDING PERIOD CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2011

	Non-distributable					Distributable				
	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Warrant reserve	Statutory reserve	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as of 1 January 2011	101,141	9,337		2,485	883	-	62,397	176,243	25,902	202,145
Other comprehensive income/expenses recognised recognised for the financial year, net of tax										
Foreign currency translation	-	-	-	2,237	-	-	-	2,237	(73)	2,164
Profit after tax 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 acquisition of subsidiary	-	-	-	-	-	-	-	-	710	710
Issue of shares by subsidiary	-	-	-	-	-	-	-	-	185	185
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

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 2012

(The figures have not been audited)

	CUMULATIVE QUARTER	
	Current Period To Date	Preceding Corresponding Period
	30 Jun 2012 RM'000	30 Jun 2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	1,743	5,279
Adjustments for:		
Depreciation of property, plant and equipment	9,835	9,219
Interest expense	1,327	1,478
Unrealised loss on foreign exchange	3	597
Interest income	(64)	(76)
Gain on disposal of property, plant and equipment	(320)	(5)
Writeback of allowance for impairment losses	(1,569)	(1,312)
Property, plant and equipment written off	566	118
Allowance for impairment losses	116	1,294
Bad debt written off	-	5
Gain on dilution of investment in subsidiary	(104)	-
Share of results of associates	(174)	33
Operating profit before working capital changes	11,359	16,630
Inventories	870	(921)
Amount due from contract customers	(71)	-
Trade receivables	2,204	1,963
Other receivables and prepaid expenses	(3,443)	(3,134)
Amount owing by associates	549	163
Trade payables	(3,740)	(1,085)
Other payables and accrued expenses	(505)	743
Amount owing to associates	169	601
Cash generated from operations	7,392	14,960
Taxes paid	(632)	(1,312)
Net cash from operating activities	6,760	13,648
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	64	76
Acquisition of additional interest in subsidiary	(477)	570
Purchase of property, plant and equipment	(8,457)	(9,065)
Proceeds from disposal of property, plant and equipment	520	84
Net cash used in investing activities	(8,350)	(8,335)



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	CUMULATIVE QUARTER	
	Current Period To Date	Preceding Corresponding Period
	30 Jun 2012	30 Jun 2011
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(1,327)	(1,478)
Issue of shares by subsidiary to non-controlling interests	890	185
Drawdown of term loans	4,392	3,550
Repayment of term loans	(3,898)	(8,908)
Repayment of hire purchase payables	(3,452)	(4,006)
Dividend paid	-	(1,011)
Net cash used in financing activities	<u>(3,395)</u>	<u>(11,668)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,985)	(6,355)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	24,692	32,970
EFFECT OF EXCHANGE DIFFERENCES	670	450
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u><u>20,377</u></u>	<u><u>27,065</u></u>
THE CASH AND CASH EQUIVALENTS COMPRISE:		
CASH AND BANK BALANCES	20,526	26,951
SHORT-TERM DEPOSITS WITH LICENSED BANKS	2,844	696
BANK OVERDRAFT	(2,993)	(582)
	<u><u>20,377</u></u>	<u><u>27,065</u></u>

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

The comparative figures are based on unaudited financial statements of the Company for the financial period ended 30 June 2011.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2012

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 Malaysian Financial Reporting Standards ("MFRS") No.134 : Interim Financial Reporting, 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 consolidated financial statements for the financial year ended 31 December 2011.

These interim financial statements are the Group's first MFRS condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS annual financial statements for the year ending 31 December 2012. MFRS 1: First Time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") has been applied.

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 (collectively, the "Group") since the financial year ended 31 December 2011.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2011 except for those standards, amendments and interpretations which are effective from the annual period beginning 1 January 2012. The adoption of the MFRSs and Amendments do not have significant impact on the financial statements of the Group.

A2. Realised and Unrealised Profits or Losses

	As at 30 Jun 2012	As at 30 Jun 2011
	RM'000	RM'000
Total retained profits of FCB and its subsidiaries		
- Realised	79,083	80,976
- Unrealised	(2,498)	(4,758)
	<hr/> 76,585	<hr/> 76,218
Total share of retained profits from associated companies		
- Realised	1,982	2,490
Less: Consolidation adjustments	(13,668)	(13,353)
Total Group retained profits	<hr/> <hr/> 64,899	<hr/> <hr/> 65,355



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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 2011 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

Save as disclosed below, 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:

The fire incident which occurred at the Group's plant at Kulim Hi-Tech Park on 17 June 2012 resulted in an estimated loss, arising from the writing off of fixed assets, of RM565,000. All the assets damaged in the fire are insured. The Group is taking the necessary steps to recover the losses from its insurers.

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.

As at 30 June 2012, the Company held 1,834,600 repurchased shares as treasury shares out of its total issued and paid-up share capital of 1,011,408,160 ordinary shares of RM0.10 each. Such treasury shares are held at a carrying amount of RM194,724.

A8. Dividends

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



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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 2012 are set out below. Revenue and results by geographical sales were based on the location of the Group's subsidiaries.

**Current Quarter
30 June 2012**

	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	19,819	8,786	2,614	412	344	12,384	44,359
Inter-segment sales	997	47	209	-	-	65	1,318
Total revenue	<u>20,816</u>	<u>8,833</u>	<u>2,823</u>	<u>412</u>	<u>344</u>	<u>12,449</u>	<u>45,677</u>
<u>Segment Results</u>							
Operating profit/(loss)	1,637	(1,728)	857	(192)	(236)	1,415	1,753
Interest income							36
Finance cost							(666)
Share of results in associates							98
Profit before taxation							<u>1,221</u>

**Current Year-to-date
30 June 2012**

<u>Segment Revenue</u>							
External sales	45,033	17,820	4,682	915	558	23,342	92,350
Inter-segment sales	1,974	994	768	-	-	65	3,801
Total revenue	<u>47,007</u>	<u>18,814</u>	<u>5,450</u>	<u>915</u>	<u>558</u>	<u>23,407</u>	<u>96,151</u>



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**Current Year-to-date
30 June 2012**

	<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)	3,077	(2,205)	1,508	(463)	(488)	1,403	2,832
Interest income							64
Finance cost							(1,327)
Share of results of associates							174
Loss before taxation							<u>1,743</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. Profit before tax

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

	Current Quarter 30 Jun 2012	Current Year-to-date 30 Jun 2012
	RM'000	RM'000
Interest income	36	64
Gain on disposal of property, plant and equipment	277	320
Writeback of allowance for impairment losses	1,147	1,569
Allowance for impairment losses	(50)	(116)
Depreciation of property, plant and equipment	(4,966)	(9,835)
Property, plant and equipment written off	(566)	(566)
Foreign exchange loss	389	(44)

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

Saved 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 Company's wholly-owned subsidiary, Frontken (Singapore) Pte Ltd, had on 30 July 2012 accepted a Letter of Intent from Malayan Daching Co Pte Ltd, to dispose of to the latter the entire issued share capital of Metall-Treat Industries Pte Ltd for a cash consideration of SGD10 million, subject to the negotiation and execution of a definitive sale and purchase agreement.

A13. 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 9 May 2012, Frontken Malaysia Sdn Bhd, a wholly-owned subsidiary of FCB, entered into an agreement to dispose of 150,000 ordinary shares of RM1.00 each, representing its entire 30% equity interest in Daya Bumimaju Sdn Bhd (formerly known as Frontken BumiMaju Sdn Bhd) to Azlan bin Abu Bakar for a cash consideration of RM150,000. The disposal was completed on 31 July 2012, whereupon Daya Bumimaju Sdn Bhd ceases to be an associated company of FCB.



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A14. Contingent liabilities

Saved 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 Jun 2012 RM'000
Performance guarantees	<u>542</u>

A15. Cash and cash equivalents

	As at 30 Jun 2012 RM'000
Cash at bank	20,472
Cash on hand	54
Fixed deposits	<u>2,844</u>
	23,370
Bank overdrafts	<u>(2,993)</u>
	<u>20,377</u>

A16. Significant related party transactions

	Current Quarter 30 Jun 2012 RM'000	Current Year-to-date 30 Jun 2012 RM'000
Sales to AMT	17	25
Sales to Chinyee	158	460
Sales to MIC-W	-	14
Sales to A&I	1	2
Purchases from AMT	3	3
Purchases from Chinyee	858	2,014
Rental payable to MIC-W	128	256
Rental payable to AMT	18	36

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 (up to 18 January 2012), is also a director and substantial shareholder of Chinyee.



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Name of Related Parties	Relationship
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
	30 Jun 2012
	RM'000
Factory improvement	27
Acquisition of machinery and equipment	949
	<u>976</u>

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Review of performance

The Group revenue for the current quarter and six (6) months ended 30 June 2012 ("FP2012") decreased by approximately RM2.2 million (4.8%) and RM8.4 million (8.4%) respectively mainly due to lower revenue from Singapore, Malaysia and Taiwan.

The higher revenue from Singapore for the preceding corresponding period was due to more service works from its power generation division from customers' planned outages. The lower revenue from Malaysia and Taiwan were mainly due to slow down in the customers' production capacity coupled with competitive pricing in the respective local markets, leading to lower unit selling price.

Against the same period last year, the profit before tax ("PBT") for FP2012 decreased from RM5.3 million to RM1.7 million. This was mainly caused by lower margin from certain trading activities coupled with losses from a few of its new business units in Melaka, Kuching and Indonesia that only commenced their operations in the fourth quarter of 2011 and in the first quarter of 2012.

The PBT for the current quarter as compared to the corresponding quarter in 2011 increased by approximately RM1 million mainly due to write back of impairment loss on receivables and some savings in marketing and general operating expenses.



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B2. Comparison with immediate preceding quarter

	2nd Quarter 30 Jun 2012	1st Quarter 31 Mar 2012
	RM'000	RM'000
Revenue	44,359	47,991
Profit before tax	1,221	522

The Group's revenue decreased by 7.6% or approximately RM3.6 million during the current quarter as compared to the preceding quarter mainly due to lower amount of service works caused by lower production activities and deferment of certain projects by the customers.

The Group's unaudited PBT in the current quarter was approximately RM0.7 million higher than the preceding quarter mainly due to write back of impairment loss on receivables. The Group's PBT would have been better but for the loss caused by its assets damaged in the recent fire at its Kulim plant.

B3. Prospects for the year

The Group anticipates that the overall business conditions this year will be most challenging amidst subdued global economic conditions and slower growth in the regional economies. The Group had embarked on a series of improvement measures including cutting its cost base, improving cross selling for greater operational synergies, and implementing best practice margin management and sourcing strategy to deliver better value propositions to customers. Key priorities for the current year would be to manage our costs to protect our earnings, exercise prudence in liquidity management, disciplined execution of strategy whilst focusing on the fundamentals of the Group's business.

B4. Variance in profit forecast

Not applicable as no profit forecast or profit guarantee has been announced or disclosed in a public document previously.

B5. Taxation

	Current Quarter 30 Jun 2012	Current Year-to-date 30 Jun 2012
	RM'000	RM'000
Income tax	373	578
Deferred tax	(54)	(80)
	<u>319</u>	<u>498</u>

The Group's effective tax rate for the period under review is higher than the statutory tax rate principally due to losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries.

B6. Status of corporate proposals

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



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B7. Group borrowings

The Group's borrowings as at 30 June 2012 are as follows:

	Short-term	Long-term	Total
	RM'000	RM'000	RM'000
<u>Secured</u>			
Bank overdrafts	2,993	-	2,993
Hire purchase creditors	4,594	5,146	9,740
Term loans	22,750	46,073	68,823
	<u>30,337</u>	<u>51,219</u>	<u>81,556</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	23,568	21,428	44,996
New Taiwan Dollar	400	23,409	23,809
	<u>23,968</u>	<u>44,837</u>	<u>68,805</u>

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 20 August 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.



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On 4 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 22 October 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.

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.

On 4 January 2012, applications were filed for summary judgment against PRSB.

On 7 March 2012, summary judgment was entered against PRSB for one of the applications, and the Court ordered PRSB to pay FMSB the sum of RM1,481,478.57, interest at the rate of 1.5% on a monthly basis from 29 July 2011 until the date of full and final settlement, and costs of RM5,000.

On the same date, PRSB and FMSB entered into a consent judgment whereby PRSB shall pay FMSB its principal claim of RM1,639,801, together with a sum of RM50,000, in 4 equal monthly instalments of RM422,450.25 commencing from 30 April 2012 (“Consent Judgment”).



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In relation to the counterclaim by PRSB against FMSB in the combined sum of RM6,656,455.70:

- (a) PRSB had withdrawn its counterclaim of RM3,328,227.85 against FMSB, and FMSB had withdrawn its striking-out application, both with no order as to costs, on 22 June 2012; and
- (b) the Court had on 25 July 2012 allowed FMSB's application to strike out the counterclaim by PRSB of RM3,328,227.85 in relation to the principal claim by FMSB, which was the subject of the Consent Judgment, and ordered PRSB to pay RM2,000 as costs to FMSB.

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
Profit attributable to owners of the Company (RM'000)	864	105	1,436	4,167
Number of shares in issue as of 1 Jan ('000)	1,011,408	1,011,408	1,011,408	1,011,408
Effects of treasury shares acquired ('000)	(1,834)	-	(1,834)	-
Weighted average number of shares in issue ('000)	1,009,574	1,011,408	1,009,574	1,011,408
Basic EPS (sen)	0.09	0.01	0.14	0.41



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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 owners of the Company (RM'000)	864	105	1,436	4,167
Number of shares in issue as of 1 Jan 2011 ('000)	1,011,408	1,011,408	1,011,408	1,011,408
Effects of treasury shares acquired ('000)	(1,834)	-	(1,834)	-
Effects of dilution – warrants ('000)	288,974	288,974	288,974	288,974
Weighted average number of shares in issue ('000)	1,298,548	1,300,382	1,298,548	1,300,382
Diluted EPS (sen)	0.07	0.01	0.11	0.32

B10. Dividends

No dividend has been declared for the current quarter ended 30 June 2012.

By Order of the Board
Frontken Corporation Berhad

Ng Wai Pin
Chairman / Managing Director
27 August 2012