



FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

(The figures have not been audited)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31 Dec 2012 RM '000	Preceding Year Corresponding Quarter 31 Dec 2011 RM '000	Current Year To-date 31 Dec 2012 RM '000	Preceding Year Corresponding Period 31 Dec 2011 RM '000
Revenue	46,596	51,726	181,035	198,123
Operating expenses	<u>(44,123)</u>	<u>(50,688)</u>	<u>(164,994)</u>	<u>(176,803)</u>
Profit before depreciation and finance costs	2,473	1,038	16,041	21,320
Depreciation	(5,048)	(4,937)	(20,168)	(19,017)
Finance costs	(875)	(792)	(2,870)	(2,803)
Other operating income	7,646	1,427	10,603	3,481
Share of results of associated companies	<u>(399)</u>	<u>(47)</u>	<u>(367)</u>	<u>18</u>
Profit/(Loss) before tax	3,797	(3,311)	3,239	2,999
Taxation	<u>1,812</u>	<u>1,597</u>	<u>927</u>	<u>485</u>
Profit/(Loss) after tax	5,609	(1,714)	4,166	3,484
Other comprehensive expenses:				
Foreign currency translation	48	(72)	1,946	1,658
Defined benefit plan actuarial losses	(148)	-	(148)	-
Share of revaluation reserve of associated company	<u>-</u>	<u>22</u>	<u>-</u>	<u>22</u>
Total comprehensive income for the period	<u>5,509</u>	<u>(1,764)</u>	<u>5,964</u>	<u>5,164</u>
Profit/(Loss) after tax attributable to :				
Owners of the Company	5,065	(1,748)	3,811	2,484
Non-controlling interests	<u>544</u>	<u>34</u>	<u>355</u>	<u>1,000</u>
Profit/(Loss) for the period	<u>5,609</u>	<u>(1,714)</u>	<u>4,166</u>	<u>3,484</u>
Total comprehensive income attributable to:				
Owners of the Company	4,824	(1,899)	5,594	4,235
Non-controlling interests	<u>685</u>	<u>135</u>	<u>370</u>	<u>929</u>
Total comprehensive income for the period	<u>5,509</u>	<u>(1,764)</u>	<u>5,964</u>	<u>5,164</u>
Earnings per share attributable to equity holders of the company :				
Basic (sen)	0.50	-	0.38	0.25
Diluted (sen)	0.39	-	0.29	0.19

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 2011.



FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

(The figures have not been audited)

	Unaudited 31 Dec 2012	Audited 31 Dec 2011	Audited 1 Jan 2011
	RM'000	RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	154,615	180,969	178,405
Investment in associated companies	4,236	4,631	4,494
Goodwill on consolidation	25,394	28,381	28,312
Deferred tax assets	441	196	352
Total non-current assets	<u>184,686</u>	<u>214,177</u>	<u>211,563</u>
Current assets			
Inventories	11,188	11,374	10,431
Amount due from contract customers	501	177	-
Trade receivables	71,837	70,265	67,337
Other receivables and prepaid expenses	5,501	6,528	5,126
Amount owing by associates	2,117	4,150	4,534
Tax recoverable	462	555	-
Fixed deposits with licensed bank	3,171	3,737	12,684
Cash and bank balances	38,287	22,625	21,516
Total current assets	<u>133,064</u>	<u>119,411</u>	<u>121,628</u>
Total assets	<u>317,750</u>	<u>333,588</u>	<u>333,191</u>
EQUITY AND LIABILITIES			
Capital and reserve			
Issued capital	101,141	101,141	101,141
Reserves	16,469	14,437	12,706
Retained earnings	67,273	63,694	62,396
Equity attributable to owners of the Company	<u>184,883</u>	<u>179,272</u>	<u>176,243</u>
Non-controlling interests	28,116	27,890	25,902
Total equity	<u>212,999</u>	<u>207,162</u>	<u>202,145</u>
Non-current liabilities			
Bank borrowings	28,158	46,952	48,314
Hire-purchase payables	3,280	5,912	9,868
Deferred tax liabilities	363	2,750	4,390
Total non-current liabilities	<u>31,801</u>	<u>55,614</u>	<u>62,572</u>
Current liabilities			
Trade payables	15,090	22,690	20,502
Other payables and accrued expenses	21,117	18,634	16,265
Amount owing to associates	-	1,500	-
Bank overdrafts	-	1,670	1,230
Bank borrowings - current portion	33,074	20,010	22,132
Hire purchase payable - current portion	2,934	5,440	7,250
Tax liabilities	735	868	1,095
Total current liabilities	<u>72,950</u>	<u>70,812</u>	<u>68,474</u>
Total liabilities	<u>104,751</u>	<u>126,426</u>	<u>131,046</u>
Total equity and liabilities	<u>317,750</u>	<u>333,588</u>	<u>333,191</u>
Net assets per share (RM)	0.21	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 2011.



FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

(The figures have not been audited)

	Non-distributable					Distributable				
	Share 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	Attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total 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	-	-	-	1,859	-	-	-	1,859	87	1,946
Defined benefit plan actuarial losses	-	-	-	-	-	(76)	-	(76)	(72)	(148)
Profit after tax for the year	-	-	-	-	-	-	3,811	3,811	355	4,166
Total comprehensive income for the year	-	-	-	1,859	-	(76)	3,811	5,594	370	5,964
Issue of shares by subsidiary	-	-	-	-	-	-	-	-	786	786
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-
Changes in ownership interests in a subsidiary	-	-	-	-	-	-	17	17	(494)	(477)
Transfer to statutory reserve	-	-	-	-	-	249	(249)	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
Dividends:										
- by the Company	-	-	-	-	-	-	-	-	-	-
- by subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	(436)	(436)
Balance as of 31 December 2012	101,141	9,337	(195)	6,073	883	371	67,273	184,883	28,116	212,999

CORRESPONDING PERIOD CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011

	Non-distributable					Distributable				
	Share 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	Attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total 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 recognised for the financial year, net of tax:										
Foreign currency translation	-	-	-	1,729	-	-	-	1,729	(71)	1,658
Share of associate's revaluation reserve	-	-	-	-	-	-	22	22	-	22
Profit after tax for the year	-	-	-	-	-	-	2,484	2,484	1,000	3,484
Total comprehensive income for the year	-	-	-	1,729	-	-	2,506	4,235	929	5,164
Acquisition of subsidiary	-	-	-	-	-	-	-	-	701	701
Issue of shares by subsidiary	-	-	-	-	-	-	-	-	719	719
Transfer to statutory reserve	-	-	-	-	-	198	(198)	-	-	-
Purchase of treasury shares	-	-	(195)	-	-	-	-	(195)	-	(195)
Dividends:										
- by the Company	-	-	-	-	-	-	(1,011)	(1,011)	-	(1,011)
- by subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	(361)	(361)
Balance as of 31 December 2011	101,141	9,337	(195)	4,214	883	198	63,694	179,272	27,890	207,162

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 2012

(The figures have not been audited)

	CUMULATIVE QUARTER	
	Current Period To Date 31 Dec 2012 RM'000	Preceding Corresponding Period 31 Dec 2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	3,239	2,999
Adjustments for:		
Depreciation of property, plant and equipment	20,168	19,017
Interest expense	2,870	2,803
Unrealised loss on foreign exchange	1,076	242
Interest income	(140)	(182)
Gain on disposal of property, plant and equipment	(388)	(228)
Writeback of allowance for impairment losses on trade receivables	(1,849)	(1,822)
Property, plant and equipment written off	1,212	175
Allowance for impairment losses on receivables	1,035	2,111
Bad debt written off	2	180
Inventories written off	-	1,222
Gain on dilution of investment in subsidiary	(104)	(86)
Gain on disposal of investment in subsidiary	(5,477)	-
Gain on disposal of investment in associates	(23)	-
Share of results of associates	367	(18)
Operating profit before working capital changes	21,988	26,413
Inventories	88	(2,014)
Amount due from contract customers	324	(177)
Trade receivables	(2,544)	(2,454)
Other receivables and prepaid expenses	714	(1,297)
Amount owing by associates	2,076	417
Trade payables	(7,074)	1,903
Other payables and accrued expenses	3,116	2,167
Amount owing to associates	(1,537)	1,500
Cash generated from operations	17,151	26,458
Taxes paid	(1,106)	(1,871)
Net cash from operating activities	16,045	24,587
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	140	182
Acquisition of additional interest in subsidiary	(477)	580
Purchase of property, plant and equipment	(11,769)	(22,489)
Proceeds from disposal of subsidiary	22,128	-
Proceeds from disposal of associates	150	-
Proceeds from disposal of property, plant and equipment	7,289	3,376
Net cash generated from/(used in) investing activities	17,461	(18,351)



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	CUMULATIVE QUARTER	
	Current Period To Date	Preceding Corresponding Period
	31 Dec 2012 RM'000	31 Dec 2011 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(2,706)	(2,803)
Issue of shares by subsidiary to non-controlling interests	890	805
Proceeds from issuance of shares	-	-
Drawdown of term loans	11,998	15,609
Repayment of term loans	(18,773)	(19,996)
Increase in short-term borrowings	-	-
Payment of hire purchase payables	(7,919)	(6,819)
Treasury shares acquired	-	(195)
Dividend paid	-	(1,011)
Dividend paid by a subsidiary to non-controlling interests	(436)	(361)
Net cash used in financing activities	(16,946)	(14,771)
NET DECREASE IN CASH AND CASH EQUIVALENTS	16,560	(8,535)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	24,692	32,970
EFFECT OF EXCHANGE DIFFERENCES	206	257
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	41,458	24,692
THE CASH AND CASH EQUIVALENTS COMPRISE:		
CASH AND BANK BALANCES	38,287	22,625
SHORT-TERM DEPOSITS WITH LICENSED BANKS	3,171	3,737
BANK OVERDRAFT	-	(1,670)
	41,458	24,692

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 2011.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 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 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 31 Dec 2012	As at 31 Dec 2011
	RM'000	RM'000
Total retained profits of FCB and its subsidiaries		
- Realised	87,247	79,065
- Unrealised	(2,942)	(3,309)
	<hr/> 84,305	<hr/> 75,756
Total share of retained profits from associated companies		
- Realised	1,419	1,807
- Unrealised	22	22
	<hr/> 1,441	<hr/> 1,829
Less: Consolidation adjustments	(18,473)	(13,891)
Total Group retained profits	<hr/> <hr/> 67,273	<hr/> <hr/> 63,694



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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 Group's performance for the current quarter and financial year has taken into account the disposal of the entire ordinary shares in Metall-Treat Industries Pte Ltd as disclosed in Part A 13 of this announcement for a cash consideration of SGD10,000,000.

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 31 December 2012, the Company held 1,835,600 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 RM194,860.

A8. Dividends

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

A9. Segmental information

The breakdown of the Group's revenue and results by geographical regions for the quarter ended 31 December 2012 are set out below. Revenue and results by geographical sales were based on the location of the Group's subsidiaries.

**Current Quarter
31 December 2012**

	<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 Revenue</u>							
External sales	19,755	8,160	3,431	993	471	13,786	46,596
Inter-segment sales	1,364	29	282	-	-	67	1,742
Total revenue	<u>21,119</u>	<u>8,189</u>	<u>3,713</u>	<u>993</u>	<u>471</u>	<u>13,853</u>	<u>48,338</u>

Segment Results

Operating profit/(loss)	(1,794)	1,128	278	(150)	(268)	353	(453)
Interest income							47
Gain on disposal of investment in subsidiary							5,477
Finance cost							(875)
Share of results in associates							(399)
Profit before taxation							<u>3,797</u>

**Current Year-to-date
31 December 2012**

<u>Segment Revenue</u>							
External sales	82,982	33,488	10,786	2,295	1,478	50,006	181,035
Inter-segment sales	3,962	1,167	1,192	-	-	1,053	7,374
Total revenue	<u>86,944</u>	<u>34,655</u>	<u>11,978</u>	<u>2,295</u>	<u>1,478</u>	<u>51,059</u>	<u>188,409</u>



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**Current Year-to-date
31 December 2012**

	Singapore	Malaysia	Philippines	China	Indonesia	Taiwan	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Segment Results</u>							
Operating profit/(loss)	640	(2,773)	2,538	(895)	(944)	2,293	859
Interest income							140
Gain on disposal of investment in subsidiary							5,477
Finance cost							(2,870)
Share of results of associates							(367)
Profit before taxation							<u>3,239</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 31 Dec 2012	Current Year-to-date 31 Dec 2012
	RM'000	RM'000
Interest income	47	140
Gain on disposal of property, plant and equipment	123	388
Writeback of allowance for impairment losses	252	1,849
Gain on disposal of investment in subsidiary	5,477	5,477
Interest expense	(875)	(2,870)
Allowance for impairment losses	(755)	(1,035)
Depreciation of property, plant and equipment	(5,048)	(20,168)
Property, plant and equipment written off	(205)	(1,212)
Foreign exchange loss	(5)	(1,194)

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

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

On 28 September 2012, Frontken (Singapore) Pte Ltd, a wholly-owned subsidiary of FCB, entered into an agreement to dispose of 2,929,082 ordinary shares representing its entire 100% equity interest in Metall-Treat Industries Pte Ltd ("MTI") to Malayan Daching Co Pte Ltd for a cash consideration of SGD10,000,000. The disposal was completed on 6 December 2012, whereupon MTI ceased to be a subsidiary company of FCB.

A14. Contingent liabilities

As at 31 December 2012, the Group has no contingent liabilities which, upon crystallisation would have a material impact on the financial position of the Group.



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A15. Cash and cash equivalents

	As at 31 Dec 2012 RM'000
Cash at bank	38,216
Cash on hand	71
Fixed deposits	3,171
	<hr/> 41,458
Bank overdrafts	-
	<hr/> <hr/> 41,458

A16. Significant related party transactions

	Current Quarter 31 Dec 2012 RM'000	Current Year-to-date 31 Dec 2012 RM'000
Sales to AMT	7	43
Sales to Chinyee	207	813
Sales to MIC-W	-	14
Sales to A&I	1	4
Purchases from AMT	-	10
Purchases from Chinyee	69	2,324
Rental payable to MIC-W	123	496
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	An associate of Frontken (Singapore) Pte Ltd which in turn is a wholly owned subsidiary of FCB.
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:

AMT	AMT Engineering Sdn Bhd	FMIC	Frontken-MIC (Wuxi) Co. Ltd
A&I	A&I Engine Rebuilders Sdn Bhd	MIC-W	MIC-Tech (Wuxi) Co., Ltd
Chinyee	Chinyee Engineering & Machinery Pte Ltd	FEM	Frontken (East Malaysia) Sdn Bhd



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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 2012
	RM'000
Acquisition of machinery and equipment	<u>226</u>

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Analysis of performance

The Group's revenue for the current quarter and twelve (12) months ended 31 December 2012 ("FY2012") decreased by approximately RM5.1 million (9.9%) and RM17.1 million (8.6%) respectively mainly due to lower revenue from its operations in 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 which did not happen this year. 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 FY2012 increased from RM3.0 million to RM3.2 million. Excluding the gain on disposal of investments in Metall-Treat Industries Pte Ltd ("MTI"), a wholly owned subsidiary, of RM5.5 million, the Group's PBT would have decreased by 174.6%. This was mainly caused by lower margin from certain trading activities coupled with losses from a few of its new business units namely the ones in Melaka, Kuching and Indonesia that only commenced operations in the fourth quarter of 2011 and in the first quarter of 2012 and also the relocation of our plant in Johor.

The PBT for the current quarter as compared to the corresponding quarter in 2011 increased to RM3.8 million from a loss before tax of RM3.3 million in the corresponding quarter in 2011. Excluding the gain on disposal on investments in MTI of RM5.5 million, the loss before tax for the current quarter would have been RM1.7 million.

B2. Comparison with immediate preceding quarter

	4th Quarter 31 Dec 2012	3rd Quarter 30 Sept 2012
	RM'000	RM'000
Revenue	46,596	42,089
Profit/(Loss) before tax	3,797	(2,301)

The Group's revenue increased by 10.7% or approximately RM4.5 million during the current quarter as compared to the immediate preceding quarter mainly due to improved sales in its subsidiary in Singapore.



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The Group's unaudited PBT increased to RM3.8 million from a loss before tax of RM2.3 million of the immediate preceding quarter. The increase was mainly due to the gain on disposal on investments in MTI of RM5.5 million.

B3. Prospects for the next financial year

The Group anticipates that the overall business conditions next year will continue to be 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 its customers. Key priorities for the next 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 31 Dec 2012	Current Year-to-date 31 Dec 2012
	RM'000	RM'000
Income tax	171	1,110
Deferred tax	(1,983)	(2,037)
	<u>(1,812)</u>	<u>(927)</u>

The Group's effective tax rate for the period under review is lower than the statutory tax rate principally due to gain which is not subjected to tax.

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 2012 are as follows:

	Short-term	Long-term	Total
	RM'000	RM'000	RM'000
<u>Secured</u>			
Bank overdrafts	-	-	-
Hire purchase creditors	2,934	3,280	6,214
Term loans	33,074	28,158	61,232
	<u>36,008</u>	<u>31,438</u>	<u>67,446</u>



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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	20,810	12,754	33,564
New Taiwan Dollar	11,744	11,442	23,186
	32,554	24,196	56,750

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 18 February 2013:

(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 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.

At the mediation on 1 November 2012, the parties were unable to agree on the terms of settlement and the parties will proceed to trial. The Court had fixed the matter for trial on 19 August 2013 to 21 August 2013 and case management on 12 August 2013.



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(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.

A Summons in Chamber (“SIC”) to strike out the counterclaim by PRSB had been filed, and the Court had allowed FMSB’s application to strike out the counterclaim by PRSB of RM3,328,227.85. In addition, the Court had also ordered PRSB to pay RM2,000 as costs to FMSB.

A second SIC to strike out another counterclaim by PRSB had been filed and fixed for hearing on 22 June 2012. The second SIC to strike out another counterclaim by PRSB, 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. As such, the said suit is considered disposed off entirely.

On 10 August 2012, the Court had allowed FMSB application to strike out the counterclaim by PRSB of RM3,328,227.85. In addition, the Court had also ordered PRSB to pay RM2,000 as costs to FMSB.



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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/(Loss) attributable to owners of the Company (RM'000)	5,065	(1,748)	3,811	2,484
Number of shares in issue ('000)	1,011,408	1,011,408	1,011,408	1,011,408
Effects of treasury shares acquired ('000)	(1,835)	(1,795)	(1,834)	(486)
Weighted average number of shares in issue ('000)	1,009,573	1,009,613	1,009,574	1,010,922
Basic EPS (sen)	0.50	-	0.38	0.25



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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
Profit/(Loss) attributable to owners of the Company (RM'000)	5,065	(1,748)	3,811	2,484
Number of shares in issue ('000)	1,011,408	1,011,408	1,011,408	1,011,408
Effects of treasury shares acquired ('000)	(1,835)	(1,795)	(1,834)	(486)
Effects of dilution – warrants ('000)	288,974	288,974	288,974	288,974
Weighted average number of shares in issue ('000)	1,298,547	1,298,587	1,298,548	1,299,896
Diluted EPS (sen)	0.39	-	0.29	0.19

B10. Dividends

No dividend has been declared for the current quarter ended 31 December 2012.

By Order of the Board
Frontken Corporation Berhad

Ng Wai Pin
Chairman / Managing Director
26 February 2012