



**FRONTKEN CORPORATION BERHAD**

(Co. No. 651020-T)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

(The figures have not been audited)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31 Mar 2014 RM '000	Preceding Year Corresponding Quarter 31 Mar 2013 RM '000	Current Year To-date 31 Mar 2014 RM '000	Preceding Year Corresponding Period 31 Mar 2013 RM '000
Revenue	48,202	43,380	48,202	43,380
Operating expenses	<u>(40,594)</u>	<u>(38,248)</u>	<u>(40,594)</u>	<u>(38,248)</u>
Profit before depreciation and finance costs	7,608	5,132	7,608	5,132
Depreciation	(4,666)	(4,621)	(4,666)	(4,621)
Finance costs	(293)	(415)	(293)	(415)
Other operating income	3,293	829	3,293	829
Share of results of associated companies	<u>29</u>	<u>(254)</u>	<u>29</u>	<u>(254)</u>
Profit before tax	5,971	671	5,971	671
Taxation	<u>(684)</u>	<u>(542)</u>	<u>(684)</u>	<u>(542)</u>
Profit after tax	5,287	129	5,287	129
Other comprehensive expenses:				
Foreign currency translation	(1,225)	(770)	(1,225)	(770)
Total comprehensive income for the period	<u>4,062</u>	<u>(641)</u>	<u>4,062</u>	<u>(641)</u>
Profit after tax attributable to :				
Owners of the Company	4,582	(984)	4,582	(984)
Non-controlling interests	<u>705</u>	<u>1,113</u>	<u>705</u>	<u>1,113</u>
Profit for the period	<u>5,287</u>	<u>129</u>	<u>5,287</u>	<u>129</u>
Total comprehensive income attributable to:				
Owners of the Company	4,113	(1,326)	4,113	(1,273)
Non-controlling interests	<u>(51)</u>	<u>685</u>	<u>(51)</u>	<u>632</u>
Total comprehensive income for the period	<u>4,062</u>	<u>(641)</u>	<u>4,062</u>	<u>(641)</u>
Earnings/(Loss) per share attributable to equity holders of the company :				
Basic (sen)	<b>0.45</b>	<b>(0.10)</b>	<b>0.45</b>	<b>(0.10)</b>
Diluted (sen)	N/A	N/A	N/A	N/A

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

The comparative figures are based on unaudited financial statements of the Company for the financial period ended 31 March 2013.



**FRONTKEN CORPORATION BERHAD**

(Co. No. 651020-T)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014**  
(The figures have not been audited)

	<b>Unaudited 31 Mar 2014 RM'000</b>	<b>Audited 31 Dec 2013 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	139,183	144,055
Investment in associated companies	1,695	1,665
Goodwill on consolidation	25,394	25,394
Deferred tax assets	648	665
<b>Total non-current assets</b>	<u>166,920</u>	<u>171,779</u>
<b>Current assets</b>		
Inventories	13,516	13,658
Amount due from contract customers	1,514	2,130
Trade receivables	75,681	69,763
Other receivables, deposits and prepaid expenses	10,344	4,653
Amount owing by associates	1,167	1,347
Tax recoverable	319	345
Fixed deposits with licensed bank	2,478	1,648
Cash and bank balances	35,136	35,464
	<u>140,155</u>	<u>129,008</u>
Asset held for sale	-	1,371
<b>Total current assets</b>	<u>140,155</u>	<u>130,379</u>
<b>Total assets</b>	<u><u>307,075</u></u>	<u><u>302,158</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserve</b>		
Issued capital	101,141	101,141
Reserves	19,905	20,375
Retained earnings	69,369	64,787
Equity attributable to owners of the Company	<u>190,415</u>	<u>186,303</u>
Non-controlling interests	27,873	27,924
<b>Total equity</b>	<u>218,288</u>	<u>214,227</u>
<b>Non-current liabilities</b>		
Bank borrowings	23,164	24,130
Hire-purchase payables	1,607	1,701
Deferred tax liabilities	3,532	3,653
<b>Total non-current liabilities</b>	<u>28,303</u>	<u>29,484</u>
<b>Current liabilities</b>		
Trade payables	21,283	21,370
Other payables and accrued expenses	26,576	25,074
Bank overdrafts	1,809	-
Bank borrowings - current portion	6,674	8,322
Hire purchase payable - current portion	2,040	2,131
Tax liabilities	2,102	1,550
<b>Total current liabilities</b>	<u>60,484</u>	<u>58,447</u>
<b>Total liabilities</b>	<u>88,787</u>	<u>87,931</u>
<b>Total equity and liabilities</b>	<u><u>307,075</u></u>	<u><u>302,158</u></u>
<b>Net assets per share (RM)</b>	0.22	0.21

**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 2013.



**FRONTKEN CORPORATION BERHAD**

(Co. No. 651020-T)

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

(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 2014	101,141	9,337	(196)	9,671	883	680	64,787	186,303	27,924	214,227
Other comprehensive income recognised for the period:										
Foreign currency translation	-	-	-	(469)	-	-	-	(469)	(756)	(1,225)
Profit for the period	-	-	-	-	-	-	4,582	4,582	705	5,287
Total comprehensive income for the period	-	-	-	(469)	-	-	4,582	4,113	(51)	4,062
Purchase of treasury shares	-	-	(1)	-	-	-	-	(1)	-	(1)
<b>Balance as of 31 March 2014</b>	<b>101,141</b>	<b>9,337</b>	<b>(197)</b>	<b>9,202</b>	<b>883</b>	<b>680</b>	<b>69,369</b>	<b>190,415</b>	<b>27,873</b>	<b>218,288</b>

**CORRESPONDING PERIOD CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2013**

	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 2013	101,141	9,337	(195)	6,074	883	370	67,283	184,893	28,116	213,009
Other comprehensive income recognised for the period:										
Foreign currency translation	-	-	-	(289)	-	-	-	(289)	(481)	(770)
Loss for the period	-	-	-	-	-	-	(984)	(984)	1,113	129
Total comprehensive income for the period	-	-	-	(289)	-	-	(984)	(1,273)	632	(641)
<b>Balance as of 31 March 2013</b>	<b>101,141</b>	<b>9,337</b>	<b>(195)</b>	<b>5,785</b>	<b>883</b>	<b>370</b>	<b>66,299</b>	<b>183,620</b>	<b>28,748</b>	<b>212,368</b>

The condensed consolidated statement of changes in equity is to be read in conjunction with the accompanying notes to the interim financial report.



**FRONTKEN CORPORATION BERHAD**

(Co. No. 651020-T)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

(The figures have not been audited)

	<b>CUMULATIVE QUARTER</b>	
	<b>Current Period To Date 31 Mar 2014 RM'000</b>	<b>Preceding Corresponding Period 31 Mar 2013 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	5,971	671
Adjustments for:		
Depreciation of property, plant and equipment	4,666	4,621
Interest expense	293	415
Unrealised loss on foreign exchange	241	189
Interest income	(32)	(40)
Gain on disposal of property, plant and equipment	(18)	-
Writeback of allowance for impairment losses on trade receivables	(138)	(5)
Property, plant and equipment written off	-	187
Allowance for impairment losses on receivables	60	79
Gain on disposal of investment in associates	(2,945)	-
Share of results of associates	(29)	254
Operating profit before working capital changes	8,069	6,371
Inventories	(30)	(568)
Amount due from contract customers	(596)	(396)
Trade receivables	(4,734)	(2,822)
Other receivables, deposits and prepaid expenses	(5,693)	(441)
Amount owing by associates	179	250
Trade payables	(69)	(1,653)
Other payables and accrued expenses	1,501	8,292
Cash (for)/generated from operations	(1,373)	9,033
Taxes paid	(168)	(183)
Net cash (for)/from operating activities	(1,541)	8,850
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>		
Interest received	32	40
Purchase of property, plant and equipment	(306)	(1,025)
Proceeds from disposal of associates	4,415	-
Proceeds from disposal of property, plant and equipment	18	-
Net cash from/(for) investing activities	4,159	(985)



**FRONTKEN CORPORATION BERHAD**

(Co. No. 651020-T)

(Incorporated in Malaysia)

	<b>CUMULATIVE QUARTER</b>	
	<b>Current Period To Date</b>	<b>Preceding Corresponding Period</b>
	<b>31 Mar 2014</b>	<b>31 Mar 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>		
Interest paid	(293)	(415)
Repayment of term loans	(2,613)	(16,870)
Payment of hire purchase payables	(783)	(975)
Treasury shares acquired	(1)	-
Net cash for financing activities	<u>(3,690)</u>	<u>(18,260)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(1,072)	(10,395)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>	37,112	41,457
<b>EFFECT OF EXCHANGE DIFFERENCES</b>	(235)	(296)
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	<u><u>35,805</u></u>	<u><u>30,766</u></u>
<b>THE CASH AND CASH EQUIVALENTS COMPRISE:</b>		
<b>CASH AND BANK BALANCES</b>	35,136	27,148
<b>SHORT-TERM DEPOSITS WITH LICENSED BANKS</b>	2,478	3,628
<b>BANK OVERDRAFT</b>	<u>(1,809)</u>	<u>(10)</u>
	<u><u>35,805</u></u>	<u><u>30,766</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 31 March 2013.



**FRONTKEN CORPORATION BERHAD**

(Co. No. 651020-T)

(Incorporated in Malaysia)

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

**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 2013.

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 2013.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2013 except for those standards, amendments and interpretations which are effective from the annual period beginning 1 January 2014. 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**

	<b>As at 31 Mar 2014</b>	<b>As at 31 Mar 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Total retained profits of FCB and its subsidiaries		
- Realised	84,054	76,756
- Unrealised	(3,961)	(916)
	<hr/> 80,093	<hr/> 75,840
Total share of retained profits from associated companies		
- Realised	2,248	1,113
- Unrealised	-	22
	<hr/> 2,248	<hr/> 1,135
Less: Consolidation adjustments	(12,972)	(10,676)
Total Group retained profits	<hr/> <hr/> 69,369	<hr/> <hr/> 66,299

**A3. Audit qualification**

The auditors' report in respect of the audited consolidated financial statements of FCB for the financial year ended 31 December 2013 was not subjected to any qualification.



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(Co. No. 651020-T)

(Incorporated in Malaysia)

**A4. Seasonality or cyclicity of interim operations**

The Group's business operations were not materially affected by any seasonal or cyclical factors during the quarter under review.

**A5. Unusual items affecting assets, liabilities, equity, net income or cash flows**

There were no items or events that arose, which affected the assets, liabilities, equity, net income or cash flows, of the Group that are unusual by reason of their nature, size or incidence during the current quarter:

**A6. Material changes in estimates**

There were no changes in estimates that had a material effect on the current quarter's results.

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

Save as disclosed below, 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:

The Company purchased 10,000 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 RM1,041 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 March 2014, the Company held 1,856,600 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 RM196,768.

**A8. Dividends**

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



**FRONTKEN CORPORATION BERHAD**

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

**A9. Segmental information**

The breakdown of the Group's revenue and results by geographical regions for the quarter ended 31 March 2014 are set out below. Revenue and results by geographical sales were based on the location of the Group's subsidiaries.

**Current Quarter  
31 March 2014**

	<u>Singapore</u>	<u>Malaysia</u>	<u>Philippines</u>	<u>China</u>	<u>Indonesia</u>	<u>Taiwan</u>	<u>Total</u>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Segment Revenue</u>							
External sales	15,611	10,729	3,017	217	758	17,870	48,202
Inter-segment sales	1,435	24	-	-	-	45	1,504
Total revenue	<u>17,046</u>	<u>10,753</u>	<u>3,017</u>	<u>217</u>	<u>758</u>	<u>17,915</u>	<u>49,706</u>
<u>Segment Results</u>							
Operating profit/(loss)	(115)	795	564	(618)	329	2,303	3,258
Interest income							32
Finance cost							(293)
Share of results in associates							29
Gain on disposal of investment in associate							2,945
Profit before taxation							<u>5,971</u>

**Current Year-to-date  
31 March 2014**

<u>Segment Revenue</u>							
External sales	15,611	10,729	3,017	217	758	17,870	48,202
Inter-segment sales	1,435	24	-	-	-	45	1,504
Total revenue	<u>17,046</u>	<u>10,753</u>	<u>3,017</u>	<u>217</u>	<u>758</u>	<u>17,915</u>	<u>49,706</u>





**FRONTKEN CORPORATION BERHAD**

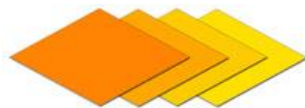
(Co. No. 651020-T)

(Incorporated in Malaysia)

**Current Year-to-date  
31 March 2014**

	<b>Singapore</b>	<b>Malaysia</b>	<b>Philippines</b>	<b>China</b>	<b>Indonesia</b>	<b>Taiwan</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Segment Results</u>							
Operating profit/(loss)	(115)	795	564	(618)	329	2,303	3,258
Interest income							32
Finance cost							(293)
Share of results in associates							29
Gain on disposal of investment in associate							<u>2,945</u>
Profit before taxation							<u><u>5,971</u></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:

	<b>Current Quarter 31 Mar 2014</b>	<b>Current Year-to-date 31 Mar 2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Interest income	32	32
Gain on disposal of property, plant and equipment	18	18
Writeback of allowance for impairment losses	138	138
Gain on disposal of investment in associate	2,945	2,945
Allowance for impairment losses	(60)	(60)
Interest expense	(293)	(293)
Depreciation of property, plant and equipment	(4,666)	(4,666)
Foreign exchange loss	(198)	(198)

**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 had on 30 April 2014 entered into a sale and purchase agreement to acquire 900,000 ordinary shares of RM1.00 each ("TTES Shares") representing 45% of the issued and paid-up share capital of TTES Team & Specialist Sdn. Bhd. ("TTES") for a cash consideration of RM11 million or approximately RM12.22 per TTES Share from TTES's existing shareholders, namely En. Mohd Shukri Bin Hitam and Pn. Fauziah Binti Hamlawi.

**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 8 November 2013, Frontken (Singapore) Pte Ltd, a wholly-owned subsidiary of the Company, entered in to an agreement to dispose of 1,397,400 ordinary shares, representing its entire 20% equity interest in Chinyee Engineering & Machinery Pte Ltd to Mencast Holdings Ltd for a cash consideration of SGD1.7 million. The disposal was completed in March 2014.

**A14. Contingent liabilities**

As at 31 March 2014, the Group has no contingent liabilities which, upon crystallisation would have a material impact on the financial position of the Group.



**FRONTKEN CORPORATION BERHAD**

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

**A15. Cash and cash equivalents**

	<b>As at 31 Mar 2014 RM'000</b>
Cash at bank	35,085
Cash on hand	51
Fixed deposits	2,478
	<hr/> 37,614
Bank overdrafts	(1,809)
	<hr/> <hr/> 35,805

**A16. Significant related party transactions**

	<b>Current Quarter 31 Mar 2014 RM'000</b>	<b>Current Year-to-date 31 Mar 2014 RM'000</b>
Sales to AMT	44	44
Sales to A&I	1	1
Purchase from AMT	3	3
Purchases from FT	136	136
Rental payable to MIC-W	134	134
Rental payable to AMT	36	36

<b>Name of Related Parties</b>	<b>Relationship</b>
AMT	Sia Chiok Meng, a Director of FEM, is also a director and substantial shareholder of AMT.
FT	An associate of Frontken (Singapore) Pte Ltd which in turn is a wholly owned subsidiary of the Company.
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  
A&I      A&I Engine Rebuilders Sdn Bhd  
FT        Frontken (Thailand) Co. Ltd

FMIC     Frontken-MIC (Wuxi) Co. Ltd  
MIC-W   MIC-Tech (Wuxi) Co., 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:

	<b>As at 31 Mar 2014</b>
	<b>RM'000</b>
Acquisition of machinery and equipment	<u>345</u>

**B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS**

**B1. Analysis of performance**

The Group's revenue for the 3 months ended 31 March 2014 ("FY2014") recorded an increase of approximately RM4.8 million (11.1%) compared to the preceding year corresponding period mainly attributable to the improved business performance for the Group's subsidiaries in Taiwan and Malaysia.

The higher revenue from Taiwan and Malaysia for FY2014 were due to the growth of our semi-conductor business and oil and gas activities respectively.

Against the same period last year, the profit before tax ("PBT") increased by approximately RM5.3 million as a result of improved revenue, lower operating expenses and the gain on disposal of investment in an associate company.

**B2. Comparison with immediate preceding quarter**

	<b>1st Quarter 31 Mar 2014</b>	<b>4th Quarter 31 Dec 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	48,202	54,402
Profit before tax	5,971	2,519

The Group's revenue decreased by 11.4% or approximately RM6.2 million during the current quarter as compared to the immediate preceding quarter. This was mainly due to lower sales by its subsidiaries in Singapore.

Despite the lower revenue, the Group's unaudited PBT increased from RM2.5 million in the immediate preceding quarter to RM6.0 million in the current quarter. This was mainly attributable to the improved operating profit in our Malaysia, Indonesia and Taiwan subsidiaries, coupled with the gain on disposal of investment in an associate company.

**B3. Prospects for the year**

The Group recorded an improved first quarter results compared to the same period last year. The improvement in business and operating performance augur well with us as our business had been affected by the slowdown and deferment of projects by our customers due to scale back of new or proposed expansion in light of the uncertainties of the economy in 2013.



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In the year 2014, our priority will be to continue to focus our attention on the quality of our services and efficiencies so as to maintain our competitiveness. Over the years the Group had taken serious steps to continue looking for business opportunities that bode well and synergize with our current activities. The recent acquisition of a strategic 45% stake in an oil and gas company, TTES Team & Specialist Sdn. Bhd., (“TTES”) is the result of that. TTES has a license with Petronas for it to supply and provide services to Petronas. With the encouraging outlook for the oil and gas industry in Malaysia following the implementation of the Economic Transformation Programme (“ETP”), the acquisition provides an attractive opportunity for the Group to mark our involvement in the promising oil and gas industry in Malaysia. Besides, the USD34.5 million ATB project secured by our Malaysia subsidiary in 2013 is expected to deliver progressive revenue and to contribute positively to the Group’s results in 2014.

The Group is pleased with the improved performance of our Taiwan subsidiary and continues to be optimistic that it will contribute positively to the Group in 2014.

Amidst the encouraging business developments, the Group is cautious of year 2014 as the uncertainties of the domestic and overseas markets could continue to run through the rest of the year. The Group remains positive of our business and would continue to look for opportunity to grow.

**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**

	<b>Current Quarter 31 Mar 2014</b>	<b>Current Year-to-date 31 Mar 2014</b>
	<b>RM’000</b>	<b>RM’000</b>
Income tax	794	794
Deferred tax	(110)	(110)
	<b>684</b>	<b>684</b>

The Group’s effective tax rate for the period under review is lower than the statutory tax rate principally due to relatively lower statutory tax rate of an overseas subsidiary and gain not subject to tax.

**B6. Status of corporate proposals**

There were no corporate proposals that were announced but not completed.

**B7. Group borrowings**

The Group’s borrowings as at 31 March 2104 are as follows:



**FRONTKEN CORPORATION BERHAD**

(Co. No. 651020-T)

(Incorporated in Malaysia)

	<b>Short-term</b>	<b>Long-term</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Secured</u>			
Bank overdrafts	1,809	-	1,809
Hire purchase creditors	2,040	1,607	3,647
Term loans	6,674	23,164	29,838
	<u>10,523</u>	<u>24,771</u>	<u>35,294</u>

The Group's borrowings that are not denominated in functional currency are as follows:

	<b>Short-term</b>	<b>Long-term</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Currency</u>			
Singapore Dollar	6,316	8,969	15,285
New Taiwan Dollar	-	10,727	10,727
	<u>6,316</u>	<u>19,696</u>	<u>26,012</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 12 May 2014:

**(a) Litigation by Frontken Malaysia Sdn Bhd ("FM") against an ex-senior management personnel and 5 others ("collectively known as Defendants")**

Following the resignation of a senior management personnel of FM, a wholly-owned subsidiary of the Company, in 2012 the Board of Directors of the Company (the "Board") was made aware that there may be some irregular dealings between FM and its suppliers.

On 1 October 2012, Messrs Crowe Horwath was appointed to carry out a special investigative audit. Messrs Crowe Horwath issued a report on 18 February 2013 followed by an Expanded and Revised Investigative Audit Report on 3 June 2013.

The Company had on 11 June 2013 lodged a police report at the Police Headquarters, Commercial Crime Investigation Department at Bukit Aman on the alleged financial irregularities.

A civil suit had also been lodged against an ex-senior management personnel and 5 others ("collectively known as Defendants") in the High Court of Penang for inter alia recovery of monies identified to have been wrongfully paid out by FM to some of the Defendants in view of the findings of the Investigative Audit conducted by Messrs Crowe Horwath.

An ex-parte Mareva Injunction Order was subsequently obtained by FM against one of the Defendants on 2 August 2013. This was followed by an ex-parte Ad Interim order dated 16 August 2013. In essence, the purpose of the ex-parte Orders was to freeze his assets. FM's Mareva application against the one of the Defendant was allowed by consent on 18 March 2014. As such, the main civil suit has therefore been fixed for case management on 15 May 2014 for preparation for trial.



**FRONTKEN CORPORATION BERHAD**

(Co. No. 651020-T)

(Incorporated in Malaysia)

In respect of the main civil suit, some of the Defendants filed Defences and Counterclaims against FM and some of its existing senior management. The aforesaid counterclaims are being resisted by FM as well as its senior management.

The Board has lodged a second police report on one of the Defendants for fraudulently and/or unlawfully altered the emails details in the Defendant affidavits for attempting to mislead the Court and pervert the course of justice.

**(b) Litigation by Frontken (East Malaysia) Sdn Bhd (“FEM”) against Kuching Barrage Management Sdn Bhd (“KBM”)**

On 4 February 2014, FEM, a wholly-owned subsidiary of the Company, had served, via its solicitors, a writ of Summons together with a Statement of Claims on KBM.

FEM is claiming for an aggregate outstanding sum of RM2,571,570 in respect of unpaid invoices for work done and services rendered by FEM to KBM for the repair and refurbishment of the downriver shiplock gate cylinders at Pier 7 and 8 (“the said works”) at the price of RM2,050,420 and RM521,150 respectively. FEM has duly completed the said works and the same had been commissioned and tested to KBM’s satisfaction.

On 6 March 2014, FEM received in total four cheques amounting to RM2,581,570 including legal fees in the sum of RM10,000 from KBM’s lawyer. FEM’s litigation against KBM has been withdrawn with no order as to costs on 12 May 2014 as the outstanding debts has been fully settled by KBM.



**FRONTKEN CORPORATION BERHAD**

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

**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.

	<b>Current Quarter</b>	<b>Preceding Corres- ponding Quarter</b>	<b>Current Year-to- date</b>	<b>Preceding Corres- ponding Year-to- date</b>
Profit/(Loss) attributable to owners of the Company (RM'000)	4,582	(984)	4,582	(984)
Number of shares in issue ('000)	1,011,408	1,011,408	1,011,408	1,011,408
Effects of treasury shares acquired ('000)	(1,850)	(1,836)	(1,850)	(1,836)
Weighted average number of shares in issue ('000)	1,009,558	1,009,572	1,009,558	1,009,572
Basic EPS (sen)	0.45	(0.10)	0.45	(0.10)

**b) Diluted EPS**

The diluted earnings per share at the end of the reporting period was not presented as the average market value of the ordinary shares of the Company is lower than the exercise price for the outstanding warrants and any exercise of warrants would be antidilutive.

**B10. Dividends**

No dividend has been declared for the current quarter ended 31 March 2014.

By Order of the Board  
Frontken Corporation Berhad

Ng Wai Pin  
Chairman / Managing Director  
20 May 2014