



FRONTKEN CORPORATION BERHAD

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014

(The figures have not been audited)

	Current Year Quarter 30 Sept 2014 RM '000	Corresponding Quarter 30 Sept 2013 RM '000	Current Year To-date 30 Sept 2014 RM '000	Corresponding Period 30 Sept 2013 RM '000
Revenue	83,554	50,539	204,793	136,210
Operating expenses	<u>(71,497)</u>	<u>(43,490)</u>	<u>(176,932)</u>	<u>(119,034)</u>
Profit before depreciation and finance costs	12,057	7,049	27,861	17,176
Depreciation	(4,589)	(4,650)	(13,769)	(13,822)
Finance costs	(293)	(338)	(881)	(1,128)
Other operating income	1,657	706	5,015	2,176
Share of results of associated companies	<u>(16)</u>	<u>(412)</u>	<u>(2)</u>	<u>(1,010)</u>
Profit before tax	8,816	2,355	18,224	3,392
Taxation	<u>(1,775)</u>	<u>(375)</u>	<u>(3,209)</u>	<u>(1,726)</u>
Profit after tax	7,041	1,980	15,015	1,666
Other comprehensive expenses:				
Foreign currency translation	(353)	4,390	(1,981)	4,541
Total comprehensive income for the period	<u>6,688</u>	<u>6,370</u>	<u>13,034</u>	<u>6,207</u>
Profit after tax attributable to :				
Owners of the Company	5,258	1,566	11,618	127
Non-controlling interests	<u>1,783</u>	<u>414</u>	<u>3,397</u>	<u>1,539</u>
Profit for the period	<u>7,041</u>	<u>1,980</u>	<u>15,015</u>	<u>1,666</u>
Total comprehensive income attributable to:				
Owners of the Company	4,885	4,737	10,334	3,147
Non-controlling interests	<u>1,803</u>	<u>1,633</u>	<u>2,700</u>	<u>3,060</u>
Total comprehensive income for the period	<u>6,688</u>	<u>6,370</u>	<u>13,034</u>	<u>6,207</u>
Earnings per share attributable to equity holders of the company :				
Basic (sen)	0.52	0.16	1.15	0.01
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 30 September 2013.



FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014

(The figures have not been audited)

	Unaudited 30 Sept 2014 RM'000	Audited 31 Dec 2013 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	134,993	144,055
Investment in associated companies	1,653	1,665
Goodwill on consolidation	33,761	25,394
Deferred tax assets	776	665
Total non-current assets	<u>171,183</u>	<u>171,779</u>
Current assets		
Inventories	13,200	13,658
Amount due from contract customers	2,121	2,130
Trade receivables	88,448	69,763
Other receivables, deposits and prepaid expenses	8,310	4,653
Amount owing by associates	1,150	1,347
Tax recoverable	197	345
Fixed deposits with licensed bank	5,401	1,648
Cash and bank balances	41,727	35,464
	<u>160,554</u>	<u>129,008</u>
Asset held for sale	-	1,371
Total current assets	<u>160,554</u>	<u>130,379</u>
Total assets	<u>331,737</u>	<u>302,158</u>
EQUITY AND LIABILITIES		
Capital and reserve		
Issued capital	101,141	101,141
Reserves	19,699	20,375
Retained earnings	75,795	64,787
Equity attributable to owners of the Company	<u>196,635</u>	<u>186,303</u>
Non-controlling interests	32,457	27,924
Total equity	<u>229,092</u>	<u>214,227</u>
Non-current liabilities		
Bank borrowings	18,530	24,130
Hire-purchase payables	1,299	1,701
Deferred tax liabilities	3,519	3,653
Total non-current liabilities	<u>23,348</u>	<u>29,484</u>
Current liabilities		
Trade payables	34,979	21,370
Other payables and accrued expenses	30,881	25,074
Bank borrowings - current portion	8,746	8,322
Hire purchase payable - current portion	1,535	2,131
Tax liabilities	3,156	1,550
Total current liabilities	<u>79,297</u>	<u>58,447</u>
Total liabilities	<u>102,645</u>	<u>87,931</u>
Total equity and liabilities	<u>331,737</u>	<u>302,158</u>
Net assets per share (RM)	0.23	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.



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014
(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 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	-	-	-	(1,284)	-	-	-	(1,284)	(697)	(1,981)
Profit for the period	-	-	-	-	-	-	11,618	11,618	3,397	15,015
Total comprehensive income for the period	-	-	-	(1,284)	-	-	11,618	10,334	2,700	13,034
Dividend paid by subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	(1,890)	(1,890)
Acquisition of subsidiary	-	-	-	-	-	-	-	-	3,259	3,259
Issue of shares by subsidiary	-	-	-	-	-	-	-	-	464	464
Transfer to statutory reserve	-	-	-	-	-	610	(610)	-	-	-
Purchase of treasury shares	-	-	(2)	-	-	-	-	(2)	-	(2)
Balance as of 30 September 2014	101,141	9,337	(198)	8,387	883	1,290	75,795	196,635	32,457	229,092

CORRESPONDING PERIOD CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2013

	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 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	-	-	-	3,020	-	-	-	3,020	1,521	4,541
Profit for the period	-	-	-	-	-	-	127	127	1,539	1,666
Total comprehensive income for the period	-	-	-	3,020	-	-	127	3,147	3,060	6,207
Transfer to statutory reserve	-	-	-	-	-	308	(308)	-	-	-
Dividend paid by subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	(406)	(406)
Purchase of treasury shares	-	-	(1)	-	-	-	-	(1)	-	(1)
Changes in ownership interests in a subsidiary	-	-	-	-	-	-	7	7	(31)	(24)
Balance as of 30 September 2013	101,141	9,337	(196)	9,094	883	678	67,109	188,046	30,739	218,785

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 THIRD QUARTER ENDED 30 SEPTEMBER 2014

(The figures have not been audited)

	CUMULATIVE QUARTER	
	Current Period To Date 30 Sept 2014 RM'000	Preceding Corresponding Period 30 Sept 2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	18,224	3,392
Adjustments for:		
Depreciation of property, plant and equipment	13,769	13,822
Interest expense	881	1,128
Unrealised (gain)/loss on foreign exchange	(14)	293
Interest income	(169)	(124)
Loss/(Gain) on disposal of property, plant and equipment	7	(65)
Writeback of allowance for impairment losses on trade receivables	(137)	(351)
Property, plant and equipment written off	153	261
Allowance for impairment losses on receivables	276	855
Bad debt written off	-	1,121
Gain on dilution of investment in subsidiary	(65)	-
Gain on disposal of investment in associates	(2,945)	-
Share of results of associates	2	1,010
Operating profit before working capital changes	29,982	21,342
Inventories	257	(3,406)
Amount due from contract customers	9	(910)
Trade receivables	(17,156)	(7,698)
Other receivables, deposits and prepaid expenses	(3,518)	(943)
Amount owing by associates	184	854
Trade payables	13,465	3,544
Other payables and accrued expenses	5,656	7,917
Cash generated from operations	28,879	20,700
Taxes paid	(2,177)	(1,345)
Net cash from operating activities	26,702	19,355
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	169	124
Acquisition of subsidiary	(7,397)	(24)
Purchase of property, plant and equipment	(3,888)	(3,396)
Proceeds from disposal of associates	4,415	-
Proceeds from disposal of property, plant and equipment	27	67
Net cash for investing activities	(6,674)	(3,229)



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	CUMULATIVE QUARTER	
	Current Period To Date 30 Sept 2014 RM'000	Preceding Corresponding Period 30 Sept 2013 RM'000
CASH FLOWS FOR FINANCING ACTIVITIES		
Interest paid	(881)	(1,128)
Issue of shares by subsidiary to non-controlling interests	530	-
Drawdown of term loans	3,470	-
Repayment of term loans	(8,646)	(29,219)
Payment of hire purchase payables	(1,981)	(2,667)
Treasury shares acquired	(3)	(1)
Dividend paid by a subsidiary to non-controlling interests	(1,890)	(406)
Net cash for financing activities	(9,401)	(33,421)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	10,627	(17,295)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	37,112	41,457
EFFECT OF EXCHANGE DIFFERENCES	(611)	1,483
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	47,128	25,645
THE CASH AND CASH EQUIVALENTS COMPRISE:		
CASH AND BANK BALANCES	41,727	21,949
SHORT-TERM DEPOSITS WITH LICENSED BANKS	5,401	3,696
	47,128	25,645

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 September 2013.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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

	As at 30 Sept 2014	As at 30 Sept 2013
	RM'000	RM'000
Total retained profits of FCB and its subsidiaries		
- Realised	92,847	78,663
- Unrealised	(3,670)	(838)
	<hr/> 89,177	<hr/> 77,825
Total share of retained profits from associated companies		
- Realised	314	357
- Unrealised	-	22
	<hr/> 314	<hr/> 379
Less: Consolidation adjustments	(13,696)	(11,095)
Total Group retained profits	<hr/> <hr/> 75,795	<hr/> <hr/> 67,109

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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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

Saved as disclosed below, there were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations or resale of treasury shares during the current quarter.

The Company purchased 10,000 of its own shares of RM0.10 each on the market of Bursa Securities at an average buy-back price of RM0.165 per share. The total consideration paid for the acquisition of the shares was RM1,692.50 and was financed by internally generated funds.

As at 30 September 2014, the Company held 1,866,600 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 RM198,460.

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 September 2014 are set out below. Revenue and results by geographical sales were based on the location of the Group's subsidiaries.

**Current Quarter
30 September 2014**

	<u>Singapore</u>	<u>Malaysia</u>	<u>Philippines</u>	<u>China</u>	<u>Indonesia</u>	<u>Taiwan</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Segment Revenue</u>							
External sales	12,697	45,553	2,317	-	518	22,469	83,554
Inter-segment sales	1,793	178	490	-	118	338	2,917
Total revenue	14,490	45,731	2,807	-	636	22,807	86,471

Segment Results

Operating profit/(loss)	973	4,065	359	(177)	(3)	3,823	9,040
Interest income							85
Finance cost							(293)
Share of results in associates							(16)
Profit before taxation							8,816

**Current Year-to-date
30 September 2014**

<u>Segment Revenue</u>							
External sales	39,947	95,004	7,515	217	1,535	60,575	204,793
Inter-segment sales	5,385	321	1,002	-	118	497	7,323
Total revenue	45,332	95,325	8,517	217	1,653	61,072	212,116



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**Current Year-to-date
30 September 2014**

	<u>Singapore</u>	<u>Malaysia</u>	<u>Philippines</u>	<u>China</u>	<u>Indonesia</u>	<u>Taiwan</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Segment Results</u>							
Operating profit/(loss)	(1,138)	7,774	1,300	(1,364)	(237)	9,658	15,993
Interest income							169
Finance cost							(881)
Share of results in associates							(2)
Gain on disposal of investment in associate							2,945
Profit before taxation							<u>18,224</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 Sept 2014	Current Year-to-date 30 Sept 2014
	RM'000	RM'000
Interest income	85	169
Writeback of allowance for impairment losses	-	137
Gain on disposal of investment in associate	-	2,945
Loss on disposal of property, plant and equipment	(25)	(7)
Allowance for impairment losses	(133)	(276)
Interest expense	(293)	(881)
Depreciation of property, plant and equipment	(4,589)	(13,769)
Property, plant and equipment written off	(143)	(153)
Foreign exchange gain/(loss)	665	(262)

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

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

On 28 August 2014, Frontken MIC Co. Limited ("FMIC"), a subsidiary of the Company, increased its issued and paid-up capital from HKD14,990,812 to HKD18,173,025 by the allotment and issuance of 3,182,213 new ordinary shares of HKD1 each at par for cash.

Pursuant to the above allotment of 3,182,213 new ordinary shares, the Company's effective equity interest in FMIC, held directly and indirectly by the Company diluted from 41.61% to 40.43%.

A14. Contingent liabilities

As at 30 September 2014, 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 30 Sept 2014
	RM'000
Cash at bank	41,663
Cash on hand	64
Fixed deposits	5,401
	47,128

A16. Significant related party transactions

	Current Quarter 30 Sept 2014	Current Year-to-date 30 Sept 2014
	RM'000	RM'000
Sales to AMT	16	68
Sales to A&I	1	2
Purchase from AMT	-	8
Purchase from TTM	383	383
Purchases from FT	6	142
Rental payable to MIC-W	-	132
Rental payable to AMT	36	108
Rental payable to TTM	33	33

Name of Related Parties	Relationship
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.
TTM	Mohd Shukri Bin Hitam and Fauziah Binti Hamlawi, directors and shareholders of TTES, are also directors and shareholders of TTM.
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

TTM Tenaga-Tech (M) Sdn Bhd

TTES TTES Team & Specialist Sdn Bhd

FMIC Frontken-MIC (Wuxi) Co. Ltd

MIC-W MIC-Tech (Wuxi) Co., Ltd

FEM Frontken (East Malaysia) Sdn Bhd

FT Frontken (Thailand) Co. Ltd



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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 30 Sept 2014
	RM'000
Acquisition of machinery and equipment	<u>2,891</u>

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Analysis of performance

The Group's revenue for the current quarter and 9 months ended 30 September 2014 ("FY2014") saw a significant increase of approximately RM33.0 million (65.3%) and RM68.6 million (50.4%) respectively compared to corresponding period of the preceding year. The improvement was mainly attributable to the better business performance by the Group's subsidiaries in Taiwan and Malaysia. There was a ramp up in the semi-conductor business in Taiwan due to improved outlook in this sector. In the case of Malaysia, the better performance was mainly due to the recognition of progressive revenue from the ATB project in Tanjung Bin coupled with higher revenue from our oil and gas division.

Against the same period last year, the profit before tax ("PBT") for the current quarter and 9 months ended 30 September 2014 increased by approximately RM6.5 million and RM14.8 million respectively as a result of improved business. The disposal of investment in an associate company also significantly reduced the Group share of losses compared to the last corresponding period.

B2. Comparison with immediate preceding quarter

	3rd Quarter 30 Sept 2014	2nd Quarter 30 Jun 2014
	RM'000	RM'000
Revenue	83,554	73,037
Profit before tax	8,816	3,437

The Group's revenue increased by 14.4% or approximately RM10.5 million during the current quarter as compared to the immediate preceding quarter. This was mainly due to higher revenue recorded by its subsidiaries in Malaysia for its oil and gas division and subsidiary in Taiwan in the semi-conductor business.

The Group's unaudited PBT increased from RM3.4 million in the immediate preceding quarter to RM8.8 million in the current quarter, in line with the improved performance of the Group during the quarter.

B3. Prospects for the year

The Group continued with an improved Q3 results and saw its 9 months profit surged to RM15 million compared to RM1.6 million for the same period last year. The improvement in business and operating performance augur well with us and this represents an encouraging sign that the Group is on the right track of recovery from the slowdown and deferment of projects by our customers in 2013.



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For the remaining 3 months of 2014, we will continue to focus our attention on the quality of our services and efficiencies so as to maintain our competitiveness for enhancing business performance. Over the years the Group had taken serious steps to continue looking for business opportunities that bode well and synergize with our current activities and the Group will continue this proven strategy in the future. The acquisition of 45% stake in TTES Team & Specialist Sdn Bhd ("TTES") in Q2 2014 has brought in positive contribution to the Group in Q3 of 2014, and thus enhance our confidence that the synergized effects from acquisition of TTES will continue to improve the Group's performance in 2014. Our Taiwan subsidiary had also recorded a positive growth in Q3 and contributed significantly in the overall performance of the Group.

The Group is encouraged by the performance for the 9 months period of this year. However, with the uncertainties in the domestic and overseas markets it needs to continue to be vigilant in monitoring its costs to mitigate any adverse condition it may face for the remainder of the year.

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 Sept 2014	Current Year-to-date 30 Sept 2014
	RM'000	RM'000
Income tax	1,601	3,482
Deferred tax	174	(273)
	<u>1,775</u>	<u>3,209</u>

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 30 September 2014 are as follows:

	Short-term	Long-term	Total
	RM'000	RM'000	RM'000
<u>Secured</u>			
Hire purchase creditors	1,535	1,299	2,834
Term loans	8,746	18,530	27,276
	<u>10,281</u>	<u>19,829</u>	<u>30,110</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	8,703	7,589	16,292
New Taiwan Dollar	-	7,520	7,520
	<u>8,703</u>	<u>15,109</u>	<u>23,812</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 13 November 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. The main civil suit has been fixed for case management on 16 March 2015. The trial dates have been fixed from 13 to 15 April 2015.

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



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(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 had been withdrawn with no order as to costs on 12 May 2014 as the outstanding debts had been fully settled by KBM.

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 Corresponding Quarter	Current Year-to-date	Preceding Corresponding Year-to-date
Profit attributable to owners of the Company (RM'000)	5,258	1,566	11,618	127
Number of shares in issue ('000)	1,011,408	1,011,408	1,011,408	1,011,408
Effects of treasury shares acquired ('000)	(1,860)	(1,841)	(1,856)	(1,838)
Weighted average number of shares in issue ('000)	1,009,548	1,009,567	1,009,552	1,009,570
Basic EPS (sen)	0.52	0.16	1.15	0.01

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.



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B10. Dividends

No dividend has been declared for the current quarter ended 30 September 2014.

By Order of the Board
Frontken Corporation Berhad

Ng Wai Pin
Chairman / Managing Director
21 November 2014