



FRONTKEN CORPORATION BERHAD

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2014

(The figures have not been audited)

	Current Year Quarter 31 Dec 2014 RM '000	Corresponding Quarter 31 Dec 2013 RM '000	Current Year To-date 31 Dec 2014 RM '000	Corresponding Period 31 Dec 2013 RM '000
Revenue	105,052	54,401	309,845	190,611
Operating expenses	<u>(92,619)</u>	<u>(46,643)</u>	<u>(269,551)</u>	<u>(165,677)</u>
Profit before depreciation and finance costs	12,433	7,758	40,294	24,934
Depreciation	(4,654)	(4,922)	(18,423)	(18,744)
Finance costs	(346)	(323)	(1,227)	(1,451)
Other operating income	2,456	299	7,471	2,475
Share of results of associated companies	<u>25</u>	<u>(293)</u>	<u>23</u>	<u>(1,303)</u>
Profit before tax	9,914	2,519	28,138	5,911
Taxation	<u>(1,743)</u>	<u>(3,720)</u>	<u>(4,952)</u>	<u>(5,446)</u>
Profit/(Loss) after tax	8,171	(1,201)	23,186	465
Other comprehensive expenses:				
Foreign currency translation	4,611	449	2,630	4,990
Actuarial losses	<u>(464)</u>	<u>87</u>	<u>(464)</u>	<u>87</u>
Total comprehensive income for the period	<u><u>12,318</u></u>	<u><u>(665)</u></u>	<u><u>25,352</u></u>	<u><u>5,542</u></u>
Profit/(Loss) after tax attributable to :				
Owners of the Company	7,155	(2,447)	18,773	(2,320)
Non-controlling interests	<u>1,016</u>	<u>1,246</u>	<u>4,413</u>	<u>2,785</u>
Profit/(Loss) for the period	<u><u>8,171</u></u>	<u><u>(1,201)</u></u>	<u><u>23,186</u></u>	<u><u>465</u></u>
Total comprehensive income attributable to:				
Owners of the Company	10,540	(1,820)	20,874	1,327
Non-controlling interests	<u>1,778</u>	<u>1,155</u>	<u>4,478</u>	<u>4,215</u>
Total comprehensive income for the period	<u><u>12,318</u></u>	<u><u>(665)</u></u>	<u><u>25,352</u></u>	<u><u>5,542</u></u>
Earnings/(Loss) per share attributable to equity holders of the company :				
Basic (sen)	0.71	(0.24)	1.86	(0.23)
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 audited financial statements of the Company for the financial year ended 31 December 2013.



FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

(The figures have not been audited)

	Unaudited 31 Dec 2014 RM'000	Audited 31 Dec 2013 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	135,551	144,055
Investment in associated companies	1,730	1,665
Goodwill on consolidation	33,761	25,394
Deferred tax assets	1,063	665
Total non-current assets	<u>172,105</u>	<u>171,779</u>
Current assets		
Inventories	10,320	13,658
Amount due from contract customers	2,884	2,130
Trade receivables	100,910	69,763
Other receivables, deposits and prepaid expenses	5,027	4,653
Amount owing by associates	1,184	1,347
Tax recoverable	-	345
Fixed deposits with licensed bank	12,369	1,648
Cash and bank balances	51,575	35,464
	<u>184,269</u>	<u>129,008</u>
Asset held for sale	-	1,371
Total current assets	<u>184,269</u>	<u>130,379</u>
Total assets	<u>356,374</u>	<u>302,158</u>
EQUITY AND LIABILITIES		
Capital and reserve		
Issued capital	101,141	101,141
Reserves	22,987	20,375
Retained earnings	82,680	64,787
Equity attributable to owners of the Company	<u>206,808</u>	<u>186,303</u>
Non-controlling interests	32,913	27,924
Total equity	<u>239,721</u>	<u>214,227</u>
Non-current liabilities		
Bank borrowings	24,347	24,130
Hire-purchase payables	1,039	1,701
Deferred tax liabilities	2,572	3,653
Total non-current liabilities	<u>27,958</u>	<u>29,484</u>
Current liabilities		
Trade payables	36,948	21,370
Other payables and accrued expenses	35,852	25,074
Bank borrowings - current portion	10,775	8,322
Hire purchase payable - current portion	1,377	2,131
Tax liabilities	3,743	1,550
Total current liabilities	<u>88,695</u>	<u>58,447</u>
Total liabilities	<u>116,653</u>	<u>87,931</u>
Total equity and liabilities	<u>356,374</u>	<u>302,158</u>
Net assets per share (RM)	0.24	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

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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:										
Actuarial gains	-	-	-	-	-	-	(269)	(269)	(195)	(464)
Foreign currency translation	-	-	-	2,370	-	-	-	2,370	260	2,630
Profit for the period	-	-	-	-	-	-	18,773	18,773	4,413	23,186
Total comprehensive income for the period	-	-	-	2,370	-	-	18,504	20,874	4,478	25,352
Dividend paid by subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	(3,212)	(3,212)
Acquisition of subsidiary	-	-	-	-	-	-	-	-	3,259	3,259
Issue of shares by subsidiary	-	-	-	-	-	-	-	-	464	464
Transfer to statutory reserve	-	-	-	-	-	611	(611)	-	-	-
Purchase of treasury shares	-	-	(369)	-	-	-	-	(369)	-	(369)
Balance as of 31 December 2014	101,141	9,337	(565)	12,041	883	1,291	82,680	206,808	32,913	239,721

CORRESPONDING PERIOD CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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:										
Actuarial gains	-	-	-	-	-	-	50	50	37	87
Foreign currency translation	-	-	-	3,597	-	-	-	3,597	1,393	4,990
Profit for the period	-	-	-	-	-	-	(2,320)	(2,320)	2,785	465
Total comprehensive income for the period	-	-	-	3,597	-	-	(2,270)	1,327	4,215	5,542
Transfer to statutory reserve	-	-	-	-	-	310	(310)	-	-	-
Dividend paid by subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	(409)	(409)
Purchase of treasury shares	-	-	(1)	-	-	-	-	(1)	-	(1)
Loss on winding up of a subsidiary	-	-	-	-	-	-	(86)	(86)	(85)	(171)
Changes in ownership interests in a subsidiary	-	-	-	-	-	-	170	170	(3,913)	(3,743)
Balance as of 31 December 2013	101,141	9,337	(196)	9,671	883	680	64,787	186,303	27,924	214,227

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 2014

(The figures have not been audited)

	CUMULATIVE QUARTER	
	Current Period To Date 31 Dec 2014 RM'000	Preceding Corresponding Period 31 Dec 2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	28,138	5,911
Adjustments for:		
Depreciation of property, plant and equipment	18,423	18,744
Interest expense	1,227	1,451
Unrealised (gain)/loss on foreign exchange	(1,216)	389
Interest income	(322)	(170)
Loss on disposal of asset held for sale	-	134
Loss/(Gain) on disposal of property, plant and equipment	757	(56)
Writeback of allowance for impairment losses on trade receivables	(138)	(361)
Plant and equipment written off	326	150
Impairment loss on plant and equipment	964	-
Allowance for impairment losses on receivables	824	1,200
Bad debt written off	427	1,421
Gain on dilution of investment in subsidiary	(65)	-
Gain on disposal of investment in associates	(2,945)	-
Share of results of associates	(23)	1,303
Operating profit before working capital changes	46,377	30,116
Inventories	3,492	(2,221)
Amount due from contract customers	(754)	(1,629)
Trade receivables	(28,817)	(2,981)
Other receivables, deposits and prepaid expenses	(599)	818
Amount owing by associates	189	848
Trade payables	15,072	6,232
Other payables and accrued expenses	10,384	7,088
Cash generated from operations	45,344	38,271
Taxes paid	(4,566)	(1,590)
Net cash from operating activities	40,778	36,681
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	322	170
Acquisition of subsidiary	(7,397)	(3,742)
Purchase of property, plant and equipment	(8,470)	(5,337)
Loss on winding up of a subsidiary	-	(171)
Proceeds from disposal of associates	4,415	-
Proceeds from disposal of asset held for sale	-	985
Proceeds from disposal of property, plant and equipment	539	111
Net cash for investing activities	(10,591)	(7,984)



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	CUMULATIVE QUARTER	
	Current Period To Date 31 Dec 2014 RM'000	Preceding Corresponding Period 31 Dec 2013 RM'000
CASH FLOWS FOR FINANCING ACTIVITIES		
Interest paid	(1,227)	(1,451)
Issue of shares by subsidiary to non-controlling interests	530	-
Drawdown of term loans	11,571	-
Repayment of term loans	(9,233)	(28,781)
Payment of hire purchase payables	(2,486)	(3,463)
Treasury shares acquired	(369)	(1)
Dividend paid by subsidiaries to non-controlling interests	(3,212)	(409)
Net cash for financing activities	(4,426)	(34,105)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	25,761	(5,408)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	37,112	41,458
EFFECT OF EXCHANGE DIFFERENCES	1,071	1,062
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	63,944	37,112
THE CASH AND CASH EQUIVALENTS COMPRISE:		
CASH AND BANK BALANCES	51,575	35,464
SHORT-TERM DEPOSITS WITH LICENSED BANKS	12,369	1,648
	63,944	37,112

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 2013.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 31 Dec 2014	As at 31 Dec 2013
	RM'000	RM'000
Total retained profits of FCB and its subsidiaries		
- Realised	98,392	81,055
- Unrealised	(1,534)	(4,140)
	<hr/> 96,858	<hr/> 76,915
Total share of retained profits from associated companies		
- Realised	338	65
- Unrealised	-	22
	<hr/> 338	<hr/> 87
Less: Consolidation adjustments	(14,516)	(12,215)
Total Group retained profits	<hr/> <hr/> 82,680	<hr/> <hr/> 64,787

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 3,000,000 of its own shares of RM0.10 each on the market of Bursa Securities at an average buy-back price of RM0.122 per share. The total consideration paid for the acquisition of the shares was RM366,535 and was financed by internally generated funds.

As at 31 December 2014, the Company held 4,866,600 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 RM564,995.

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

**Current Quarter
31 December 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	18,679	52,120	2,774	-	433	31,046	105,052
Inter-segment sales	2,987	500	254	-	-	149	3,890
Total revenue	<u>21,666</u>	<u>52,620</u>	<u>3,028</u>	<u>-</u>	<u>433</u>	<u>31,195</u>	<u>108,942</u>

Segment Results

Operating profit/(loss)	2,361	4,709	317	(1,519)	(181)	4,395	10,082
Interest income							153
Finance cost							(346)
Share of results in associates							25
Profit before taxation							<u>9,914</u>

**Current Year-to-date
31 December 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	58,626	147,124	10,289	217	1,968	91,621	309,845
Inter-segment sales	8,372	821	1,256	-	118	646	11,213
Total revenue	<u>66,998</u>	<u>147,945</u>	<u>11,545</u>	<u>217</u>	<u>2,086</u>	<u>92,267</u>	<u>321,058</u>



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**Current Year-to-date
31 December 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)	1,223	12,483	1,617	(2,883)	(418)	14,053	26,075
Interest income							322
Finance cost							(1,227)
Share of results in associates							23
Gain on disposal of investment in associate							2,945
Profit before taxation							<u>28,138</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 2014	Current Year-to-date 31 Dec 2014
	RM'000	RM'000
Interest income	153	322
Writeback of allowance for impairment losses	1	138
Gain on disposal of investment in associate	-	2,945
Loss on disposal of property, plant and equipment	(750)	(757)
Allowance for impairment losses	(548)	(824)
Bad debt written off	-	(427)
Interest expense	(346)	(1,227)
Depreciation of property, plant and equipment	(4,654)	(18,423)
Property, plant and equipment written off	(173)	(326)
Impairment loss on plant and equipment	-	(964)
Foreign exchange gain	2,269	2,007

A11. Valuation of property, plant and equipment

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

A12. Material events subsequent to the end of the quarter

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

A13. Changes in the composition of the Group

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

A14. Contingent liabilities

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

A15. Cash and cash equivalents

	As at 31 Dec 2014
	RM'000
Cash at bank	51,505
Cash on hand	70
Fixed deposits	12,369
	63,944



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A16. Significant related party transactions

	Current Quarter 31 Dec 2014	Current Year-to-date 31 Dec 2014
	RM'000	RM'000
Sales to AMT	8	76
Sales to A&I	1	3
Sales to Cleanpart Group	111	111
Purchase from AMT	14	22
Purchase from TTM	226	609
Purchases from FT	-	142
Rental payable to MIC-W	206	338
Rental payable to AMT	36	144
Rental payable to TTM	24	57

Name of Related Parties	Relationship
AMT	Sia Chiok Meng, a Director of FEM, is also a director and substantial shareholder of AMT.
A&I	Sia Chiok Meng, a director of FEM, is also a director and substantial shareholder of A&I.
FT	An associate of Frontken (Singapore) Pte Ltd which in turn is a wholly owned subsidiary of the Company.
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.
Cleanpart	Jorg Helmut Hohnloser, a director and shareholders of the Company, is also a director and shareholder of Cleanpart.

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
TTM	Tenaga-Tech (M) Sdn Bhd	FEM	Frontken (East Malaysia) Sdn Bhd
TTES	TTES Frontken Integrated Services Sdn. Bhd. (formerly known as TTES Team & Specialist Sdn Bhd	Cleanpart	Cleanpart GmbH
		FT	Frontken (Thailand) Co. Ltd

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 2014 RM'000
Acquisition of machinery and equipment	<u>837</u>



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B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Analysis of performance

The Group's revenue for the current quarter and 12 months ended 31 December 2014 ("FY2014") saw a significant increase of approximately RM50.7 million (93.1%) and RM119.2 million (62.6%) 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 both our oil and gas and semi-conductor division.

Against the same period last year, the profit before tax ("PBT") for the current quarter and 12 months ended 31 December 2014 increased by approximately RM7.4 million and RM22.2 million respectively as a result of improved business. The disposal of investment in an associate company also contributed to the improved results in 2014 in view of the Group share of losses of RM1.3 million in the last corresponding period.

B2. Comparison with immediate preceding quarter

	4th Quarter 31 Dec 2014	3rd Quarter 30 Sept 2014
	RM'000	RM'000
Revenue	105,052	83,554
Profit before tax	9,914	8,816

The Group's revenue increased by 25.7% or approximately RM21.5 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 and semi-conductor division and subsidiary in Taiwan in the semi-conductor business.

The Group's unaudited PBT increased from RM8.8 million in the immediate preceding quarter to RM9.9 million in the current quarter, in line with the improved performance of the Group during the quarter.

B3. Prospects for the next year

The Group continued with an improved Q4 results and saw its 12 months profit surged to RM23.2 million compared to RM0.5 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.

In 2014, our effort in focusing on the quality of our services and efficiencies so as to maintain our competitiveness for enhancing business performance has been rewarded and this was reflected in the significant improvement in profit compared to 2013. The Group's acquisition of 45% stake in TTES Frontken Integrated Service Sdn Bhd (formally known as TTES Team & Specialist Sdn Bhd)("TTES")) is also starting to show the desired synergized effects to the Group and contributed positively to the Group's result since its acquisition. The Group is confident that TTES will continue to improve its overall performance in 2015.

With the encouraging outlook in Taiwan's semi-conductor sector, the Group is also confident that its Taiwan subsidiary will continue to deliver positive result to the Group.



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The Group anticipates that the overall business conditions next year will continue to be challenging amidst global economic conditions uncertainty and slower growth in the regional economies. The Group's ATB project in Tanjung Bin is expected to be completed and delivered to customer in 2015. Nevertheless, the Group believes with the right marketing approach, the Group business prospect in 2015 remains positive and encouraging barring unforeseen circumstances.

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 2014	Current Year-to-date 31 Dec 2014
	RM'000	RM'000
Income tax	3,004	6,486
Deferred tax	(1,261)	(1,534)
	<u>1,743</u>	<u>4,952</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 31 December 2014 are as follows:

	Short-term	Long-term	Total
	RM'000	RM'000	RM'000
<u>Secured</u>			
Hire purchase creditors	1,377	1,039	2,416
Term loans	10,775	24,347	35,122
	<u>12,152</u>	<u>25,386</u>	<u>37,538</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	8,857	7,187	16,044
New Taiwan Dollar	-	7,748	7,748
	<u>8,857</u>	<u>14,935</u>	<u>23,792</u>



FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)

(Incorporated in Malaysia)

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 16 February 2015:

(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 Horwarth.

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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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)	7,155	(2,447)	18,773	(2,320)
Number of shares in issue ('000)	1,011,408	1,011,408	1,011,408	1,011,408
Effects of treasury shares acquired ('000)	(4,388)	(1,847)	(2,494)	(1,840)
Weighted average number of shares in issue ('000)	1,007,020	1,009,561	1,008,914	1,009,568
Basic EPS (sen)	0.71	(0.24)	1.86	(0.23)

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 December 2014.

By Order of the Board
Frontken Corporation Berhad

Ng Wai Pin
Chairman / Managing Director
27 February 2015