



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 2015

(The figures have not been audited)

| | Individual Quarter | | Cumulative Quarter | |
|--|--|---|--|--|
| | Current Year Quarter 30 Sept 2015 RM '000 | Preceding Year Corresponding Quarter 30 Sept 2014 RM '000 | Current Year To-date 30 Sept 2015 RM '000 | Preceding Year Corresponding Period 30 Sept 2014 RM '000 |
| Revenue | 68,855 | 83,554 | 212,716 | 204,793 |
| Operating expenses | (69,018) | (71,497) | (196,200) | (176,932) |
| Profit before depreciation and finance costs | (163) | 12,057 | 16,516 | 27,861 |
| Depreciation | (4,474) | (4,589) | (13,691) | (13,769) |
| Finance costs | (364) | (293) | (1,110) | (881) |
| Other operating income | 6,695 | 1,657 | 12,350 | 5,015 |
| Share of results of associated companies | 70 | (16) | 15 | (2) |
| Profit before tax | 1,764 | 8,816 | 14,080 | 18,224 |
| Taxation | (1,382) | (1,775) | (4,281) | (3,209) |
| Profit after tax | 382 | 7,041 | 9,799 | 15,015 |
| Other comprehensive expenses: | | | | |
| Foreign currency translation | 17,019 | (353) | 28,313 | (1,981) |
| Actuarial losses | (973) | - | (973) | - |
| Total comprehensive income for the period | 16,428 | 6,688 | 37,139 | 13,034 |
| (Loss)/profit after tax attributable to: | | | | |
| Owners of the Company | (1,890) | 5,258 | 4,206 | 11,618 |
| Non-controlling interests | 2,272 | 1,783 | 5,593 | 3,397 |
| Profit for the period | 382 | 7,041 | 9,799 | 15,015 |
| Total comprehensive income attributable to: | | | | |
| Owners of the Company | 12,163 | 4,885 | 25,996 | 10,334 |
| Non-controlling interests | 4,265 | 1,803 | 11,143 | 2,700 |
| Total comprehensive income for the period | 16,428 | 6,688 | 37,139 | 13,034 |
| Earnings/(Loss) per share attributable to equity holders of the company: | | | | |
| Basic (sen) | (0.18) | 0.52 | 0.41 | 1.15 |

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 2014.



FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2015

(The figures have not been audited)

| | Unaudited 30 Sept 2015 RM'000 | Audited 31 Dec 2014 RM'000 |
|--|--|---|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 141,034 | 135,551 |
| Investment in associated companies | 2,050 | 1,733 |
| Goodwill on consolidation | 33,761 | 33,761 |
| Deferred tax assets | 1,353 | 1,063 |
| Fixed deposits with licensed banks | 1,156 | 911 |
| Total non-current assets | <u>179,354</u> | <u>173,019</u> |
| Current assets | | |
| Inventories | 10,802 | 10,272 |
| Amount owing by contract customer | 7,555 | 1,837 |
| Trade receivables | 85,422 | 101,842 |
| Other receivables, deposits and prepaid expenses | 7,277 | 5,284 |
| Amount owing by associates | 1,367 | 1,184 |
| Fixed deposits with licensed banks | 14,585 | 11,369 |
| Cash and bank balances | 81,602 | 51,575 |
| Total current assets | <u>208,610</u> | <u>183,363</u> |
| Total assets | <u>387,964</u> | <u>356,382</u> |
| EQUITY AND LIABILITIES | | |
| Capital and reserve | | |
| Issued capital | 105,344 | 101,141 |
| Reserves | 49,868 | 22,980 |
| Retained earnings | 86,046 | 82,683 |
| Equity attributable to owners of the Company | <u>241,258</u> | <u>206,804</u> |
| Non-controlling interests | 36,306 | 32,913 |
| Total equity | <u>277,564</u> | <u>239,717</u> |
| Non-current liabilities | | |
| Bank borrowings | 23,775 | 24,347 |
| Hire-purchase payables | 539 | 1,039 |
| Deferred tax liabilities | 2,283 | 2,572 |
| Total non-current liabilities | <u>26,597</u> | <u>27,958</u> |
| Current liabilities | | |
| Trade payables | 30,543 | 36,836 |
| Other payables and accrued expenses | 36,175 | 35,976 |
| Bank borrowings | 14,061 | 10,775 |
| Hire purchase payable | 920 | 1,377 |
| Tax liabilities | 2,104 | 3,743 |
| Total current liabilities | <u>83,803</u> | <u>88,707</u> |
| Total liabilities | <u>110,400</u> | <u>116,665</u> |
| Total equity and liabilities | <u>387,964</u> | <u>356,382</u> |
| Net assets per share (RM) | 0.26 | 0.24 |

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 2014.



FRONTKEN CORPORATION BERHAD

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

(The figures have not been audited)

| | Non-distributable | | | | | Distributable | | | | |
|--|-------------------|---------------|-----------------|--------------------------|-----------------|-------------------|-------------------|---------------------------------------|---------------------------|----------------|
| | Share capital | Share premium | Treasury shares | Foreign currency 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 2015 | 101,141 | 9,337 | (565) | 12,034 | 883 | 1,291 | 82,683 | 206,804 | 32,913 | 239,717 |
| Other comprehensive income recognised for the period: | | | | | | | | | | |
| Defined benefit plan actuarial loss | - | - | - | - | - | - | (627) | (627) | (346) | (973) |
| Foreign currency translation | - | - | - | 22,417 | - | - | - | 22,417 | 5,896 | 28,313 |
| Profit for the period | - | - | - | - | - | - | 4,206 | 4,206 | 5,593 | 9,799 |
| Total comprehensive income for the period | - | - | - | 22,417 | - | - | 3,579 | 25,996 | 11,143 | 37,139 |
| Warrants | | | | | | | | | | |
| - exercise of warrants | 4,203 | 3,490 | - | - | (128) | - | - | 7,565 | - | 7,565 |
| - lapse of unexercised warrants | - | 755 | - | - | (755) | - | - | - | - | - |
| Dividend paid by subsidiary to non-controlling interests | - | - | - | - | - | - | - | - | (550) | (550) |
| Transfer to statutory reserve | - | - | - | - | - | 1,143 | (1,143) | - | - | - |
| Purchase of treasury shares | - | - | (34) | - | - | - | - | (34) | - | (34) |
| Changes in ownership interests in a subsidiary | - | - | - | - | - | - | 927 | 927 | (7,200) | (6,273) |
| Balance as of 30 September 2015 | 105,344 | 13,582 | (599) | 34,451 | - | 2,434 | 86,046 | 241,258 | 36,306 | 277,564 |

CORRESPONDING PERIOD CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014

| | Non-distributable | | | | | Distributable | | | | |
|--|-------------------|---------------|-----------------|--------------------------|-----------------|-------------------|-------------------|---------------------------------------|---------------------------|----------------|
| | Share capital | Share premium | Treasury shares | Foreign currency 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 |

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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(Incorporated in Malaysia)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

(The figures have not been audited)

| | CUMULATIVE QUARTER | |
|---|---|---|
| | Current Period To Date 30 Sept 2015 RM'000 | Preceding Corresponding Period 30 Sept 2014 RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 14,080 | 18,224 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 13,691 | 13,769 |
| Interest expense | 1,110 | 881 |
| Unrealised gain on foreign exchange | (4,378) | (14) |
| Interest income | (561) | (169) |
| (Gain)/Loss on disposal of property, plant and equipment | (12) | 7 |
| Writeback of allowance for impairment losses on trade receivables | (572) | (137) |
| Plant and equipment written off | 1,348 | 153 |
| Impairment loss on plant and equipment | 1,250 | - |
| Allowance for impairment losses on receivables | 56 | 276 |
| Loss on disposal of investment in a subsidiary | 374 | - |
| Gain on dilution of investment in a subsidiary | - | (65) |
| Gain on disposal of investment in associates | - | (2,945) |
| Share of results of associates | (15) | 2 |
| Operating profit before working capital changes | 26,371 | 29,982 |
| Inventories | 391 | 257 |
| Amount due from contract customers | (5,718) | 9 |
| Trade receivables | 32,563 | (17,156) |
| Other receivables, deposits and prepaid expenses | (2,290) | (3,518) |
| Amount owing by associates | 29 | 184 |
| Trade payables | (9,207) | 13,465 |
| Other payables and accrued expenses | 216 | 5,656 |
| Cash generated from operations | 42,355 | 28,879 |
| Taxes paid | (7,737) | (2,177) |
| Net cash from operating activities | 34,618 | 26,702 |
| CASH FLOWS FOR INVESTING ACTIVITIES | | |
| Interest received | 561 | 169 |
| Acquisition of subsidiary | - | (7,397) |
| Acquisition of additional interest in subsidiaries | (6,862) | - |
| Purchase of property, plant and equipment | (2,774) | (3,888) |
| Net cash outflow for disposal of a subsidiary | (785) | - |
| Proceeds from disposal of associates | - | 4,415 |
| Proceeds from disposal of property, plant and equipment | 15 | 27 |
| Net withdrawal/(placement) of fixed deposits with licensed banks | 6,607 | (2,703) |
| Net cash for investing activities | (3,238) | (9,377) |



FRONTKEN CORPORATION BERHAD

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

| | CUMULATIVE QUARTER | |
|---|-----------------------------------|---|
| | Current Period To Date | Preceding Corresponding Period |
| | 30 Sept 2015 RM'000 | 30 Sept 2014 RM'000 |
| CASH FLOWS FOR FINANCING ACTIVITIES | | |
| Interest paid | (1,110) | (881) |
| Proceeds from issuance of shares | 7,565 | - |
| Issue of shares by subsidiary to non-controlling interests | - | 530 |
| Drawdown of term loans | 2,027 | 3,470 |
| Repayment of term loans | (3,641) | (8,646) |
| Payment of hire purchase payables | (1,219) | (1,981) |
| Treasury shares acquired | (34) | (3) |
| Dividend paid by subsidiaries to non-controlling interests | (550) | (1,890) |
| Net cash from/(for) financing activities | 3,038 | (9,401) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 34,418 | 7,924 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD | 52,575 | 36,414 |
| EFFECT OF EXCHANGE DIFFERENCES | 5,676 | (611) |
| CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD | 92,669 | 43,727 |
| THE CASH AND CASH EQUIVALENTS COMPRISE: | | |
| Cash and bank balances | 81,602 | 41,727 |
| Fixed deposits with licensed banks | 15,741 | 5,401 |
| | 97,343 | 47,128 |
| Less: Fixed deposits pledged with banks | (4,674) | (3,401) |
| Cash and cash equivalents | 92,669 | 43,727 |

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 2014.



FRONTKEN CORPORATION BERHAD

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

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 2014.

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 2014.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2014 except for those standards, amendments and interpretations which are effective from the annual period beginning 1 January 2015. 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 2015 | As at 30 Sept 2014 |
|---|-------------------------------|-------------------------------|
| | RM'000 | RM'000 |
| Total retained profits of FCB and its subsidiaries | | |
| - Realised | 102,952 | 92,847 |
| - Unrealised | 4,101 | (3,670) |
| | <hr/> 107,053 | <hr/> 89,177 |
| Total share of retained profits from associated companies | | |
| - Realised | 356 | 314 |
| - Unrealised | - | - |
| | <hr/> 356 | <hr/> 314 |
| Less: Consolidation adjustments | (21,363) | (13,696) |
| Total Group retained profits | <hr/> <hr/> 86,046 | <hr/> <hr/> 75,795 |

A3. Audit qualification

The auditors' report in respect of the audited consolidated financial statements of FCB for the financial year ended 31 December 2014 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

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 100,000 of its own shares of RM0.10 each on the market of Bursa Securities at an average buy-back price of RM0.16 per share. The total consideration paid for the acquisition of the shares was RM16,123 and was financed by internally generated funds.

As at 30 September 2015, the Company held 5,066,600 repurchased shares as treasury shares out of its total issued and paid-up share capital of 1,053,435,130 ordinary shares of RM0.10 each. Such treasury shares are held at a carrying amount of RM598,746.

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 30 September 2015 are set out below. Revenue and results by geographical sales were based on the location of the Group's subsidiaries.

**Current Quarter
30 September 2015**

| | <u>Singapore</u> | <u>Malaysia</u> | <u>Philippines</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>Segment Revenue</u> | | | | | | |
| External sales | 13,208 | 22,104 | 3,556 | 671 | 29,316 | 68,855 |
| Inter-segment sales | 1,669 | 117 | 374 | 74 | 101 | 2,335 |
| Total revenue | <u>14,877</u> | <u>22,221</u> | <u>3,930</u> | <u>745</u> | <u>29,417</u> | <u>71,190</u> |

Segment Results

| | | | | | | |
|----------------------------------|-------|---------|-----|-------|-------|--------------|
| Operating profit/(loss) | 1,043 | (6,415) | 690 | (160) | 7,069 | 2,227 |
| Interest income | | | | | | 205 |
| Finance cost | | | | | | (364) |
| Loss on disposal of a subsidiary | | | | | | (374) |
| Share of results in associates | | | | | | 70 |
| Profit before taxation | | | | | | <u>1,764</u> |

**Current Year-to-date
30 September 2015**

| | | | | | | |
|------------------------|---------------|---------------|---------------|--------------|---------------|----------------|
| <u>Segment Revenue</u> | | | | | | |
| External sales | 36,478 | 84,882 | 10,825 | 1,935 | 78,596 | 212,716 |
| Inter-segment sales | 4,922 | 417 | 731 | 177 | 200 | 6,447 |
| Total revenue | <u>41,400</u> | <u>85,299</u> | <u>11,556</u> | <u>2,112</u> | <u>78,796</u> | <u>219,163</u> |



FRONTKEN CORPORATION BERHAD

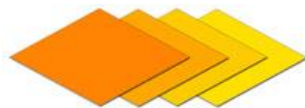
(Co. No. 651020-T)

(Incorporated in Malaysia)

**Current Year-to-date
30 September 2015**

| | <u>Singapore</u> | <u>Malaysia</u> | <u>Philippines</u> | <u>Indonesia</u> | <u>Taiwan</u> | <u>Total</u> |
|----------------------------------|------------------|-----------------|--------------------|------------------|---------------|---------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Segment Results</u> | | | | | | |
| Operating profit/(loss) | (1,035) | (3,776) | 2,235 | (366) | 17,930 | 14,988 |
| Interest income | | | | | | 561 |
| Finance cost | | | | | | (1,110) |
| Loss on disposal of a subsidiary | | | | | | (374) |
| Share of results in associates | | | | | | 15 |
| Profit before taxation | | | | | | <u>14,080</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.



FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)

(Incorporated in Malaysia)

A10. Profit before tax

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

| | Current Quarter 30 Sept 2015 | Current Year-to-date 30 Sept 2015 |
|--|---|--|
| | RM'000 | RM'000 |
| Interest income | 205 | 561 |
| Gain on disposal of property, plant and equipment | 5 | 12 |
| Writeback of allowance for impairment losses | - | 572 |
| Foreign exchange (loss)/gain | 3,325 | 5,751 |
| Allowance for impairment losses on receivables | (1) | (56) |
| Allowance for impairment losses on plant and equipment | (769) | (1,250) |
| Interest expense | (364) | (1,110) |
| Depreciation of property, plant and equipment | (4,474) | (13,691) |
| Property, plant and equipment written off | (1,163) | (1,348) |
| Loss on disposal of a subsidiary | (374) | (374) |

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

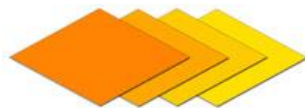
There were no material events subsequent to the end of the current quarter under review up to the date of this report.

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.

The Company and its subsidiary, Ares Green International Corporation had on 19 August 2015 entered into a Sale and Purchase Agreement with MIC-Tech Ventures Asia Pacific Inc. to dispose to the latter 60% of the issued and paid-up share capital of Frontken MIC Co. Limited ("FMIC") comprising 10,903,805 ordinary shares of HKD1.00 each for a cash consideration of USD90,000. The disposal was completed on 30 September 2015, whereupon FMIC ceased to be a subsidiary of the Group.

The Company's wholly-owned subsidiary, Frontken (Singapore) Pte Ltd ("FSPL"), had on 25 August 2015 entered into a Sale and Purchase Agreement with Giga Group Pte Ltd, to acquire the remaining 49% of the entire issued and paid-up share capital in Frontken Projects Pte Ltd ("FPPL") for a cash consideration of S\$585,060. Following the completion of the acquisition on 28 August 2015, FPPL became a wholly-owned subsidiary of FSPL.



FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)

(Incorporated in Malaysia)

The Company acquired 2,135,610 ordinary shares of NT\$10 each representing 6.46% of the issued and paid-up share capital of Ares Green Technology Corporation ("AGTC") for a total cash consideration of NT\$42,192,117 (including incidental costs) (equivalent to RM5,103,100). Following the acquisition, the Group's interest in AGTC increased from 57.92% to 64.38%.

A14. Contingent liabilities

As at 30 September 2015, 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 30 Sept 2015 RM'000 |
|---|--|
| Cash at bank | 81,517 |
| Cash on hand | 85 |
| Fixed deposits | 15,741 |
| | <u>97,343</u> |
| Less: Fixed deposits pledged with banks | (4,674) |
| | <u>92,669</u> |

A16. Significant related party transactions

| | Current Quarter 30 Sept 2015 RM'000 | Current Year-to-date 30 Sept 2015 RM'000 |
|--------------------------|--|---|
| Sales to AMT | 11 | 35 |
| Sales to Cleanpart Group | 3 | 115 |
| Purchase from TTM | 85 | 463 |
| Purchases from FT | - | 1 |
| Rental payable to AMT | 36 | 108 |
| Rental payable to TTM | 27 | 80 |

| 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. |
| Cleanpart | Jorg Helmut Hohnloser, a director and shareholders of the Company, is also a board member and shareholder of Cleanpart. |



FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)

(Incorporated in Malaysia)

Abbreviations:

| | | | |
|----------------|--|------------------|---|
| <i>AMT</i> | <i>AMT Engineering Sdn Bhd</i> | <i>FEM</i> | <i>Frontken (East Malaysia) Sdn Bhd</i> |
| <i>A&I</i> | <i>A&I Engine Rebuilders Sdn Bhd</i> | <i>FT</i> | <i>Frontken (Thailand) Co. Ltd</i> |
| <i>TTES</i> | <i>TTES Frontken Integrated Services Sdn. Bhd. (formerly known as TTES Team & Specialist Sdn Bhd</i> | <i>Cleanpart</i> | <i>Cleanpart GmbH</i> |
| | | <i>TTM</i> | <i>Tenaga-Tech (M) Sdn Bhd</i> |

A17. Capital commitments

Capital expenditure of the Group approved by the Directors but not provided for in the condensed financial statements are as follows:

| | As at 30 Sept 2015 RM'000 |
|--|--|
| Acquisition of machinery and equipment | <u>665</u> |

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Analysis of performance

The Group's revenue for the current quarter ended 30 September 2015 decreased by approximately RM14.7 million (17.6%) compared to the corresponding period of the preceding year, mainly attributable to the lower revenue recognition from the ATB project as the same is at its completion stage. Despite that, the Group's revenue for 9 months ended 30 September 2015 saw an increase of approximately RM7.9 million (3.9%) compared to the preceding year due to better business performance from the Group's subsidiaries in Taiwan and Philippines.

The better performance in Taiwan was mainly due to positive growth of the semi-conductor business. The Group's subsidiary in the Philippines also achieved a better performance due to the improvement of its clientele coverage. The Group's subsidiary in Singapore achieved a better performance in the current quarter compared to the preceding quarter as the drop in business in the preceding quarter was caused by the slowdown in our customers' business due to the declining market condition.

Against the same period last year, the profit before tax ("PBT") for the 9 months ended 30 September 2015 decreased by approximately RM4.1 million and the PBT for the current quarter decreased by approximately RM7.1 million due to the higher expenses from the ATB project in the current quarter.



FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)

(Incorporated in Malaysia)

B2. Comparison with immediate preceding quarter

| | 3rd Quarter 30 Sept 2015 | 2nd Quarter 30 Jun 2015 |
|-------------------|-------------------------------------|------------------------------------|
| | RM'000 | RM'000 |
| Revenue | 68,855 | 66,643 |
| Profit before tax | 1,764 | 1,555 |

The Group's revenue was 3.3% or approximately RM2.2 million higher during the current quarter as compared to the immediate preceding quarter mainly due to higher revenue by its subsidiaries in Taiwan and Singapore.

The Group's higher PBT during the current quarter as compared to the immediate preceding quarter was primarily due to higher foreign exchange gain in the current quarter.

B3. Prospects for the year

The Group anticipates that the overall business conditions this year will continue to be challenging amidst subdued and uncertain global economic conditions and slower growth in the regional economies as can be seen in the Group's current quarter performance as compared to the same period last year and the immediate preceding quarter. The Group is cognizance of the potential increase in pressure from customers for price reduction and will strive to remain competitive.

In the remaining quarter in 2015, the Group will continue to focus on the quality of services and efficiencies so as to maintain its competitiveness. Over the years the Group has embarked on a series of improvement measures including cutting its cost base, improving cross selling for greater operational synergies and implementing best practice margin management and sourcing strategy to deliver better value propositions to customers.

The Group is pleased with the improved performance of its subsidiaries in Taiwan and Philippines and continues to be optimistic that they will contribute positively to the Group for the remainder of this year. However, the business in Singapore will continue to be challenging in light of the higher operating costs and business slow down in that market. The Group is also cautious of the higher expenses from the ATB project in the current quarter and will endeavor to keep the cost in check in the next quarter.

Amidst the encouraging business developments in some of the markets it operates in, the Group is cautious of year 2015 as the uncertainties of the domestic and overseas markets could continue to run through the rest of the year. The Group remains positive of its 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.



FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)

(Incorporated in Malaysia)

B5. Taxation

| | Current Quarter 30 Sept 2015 | Current Year-to-date 30 Sept 2015 |
|--------------|---|--|
| | RM'000 | RM'000 |
| Income tax | 1,650 | 4,976 |
| Deferred tax | (268) | (695) |
| | <u>1,382</u> | <u>4,281</u> |

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

B6. Status of corporate proposals

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

B7. Group borrowings

The Group's borrowings as at 30 September 2015 are as follows:

| | Short-term | Long-term | Total |
|-------------------------|-------------------|------------------|---------------|
| | RM'000 | RM'000 | RM'000 |
| <u>Secured</u> | | | |
| Hire purchase creditors | 920 | 539 | 1,459 |
| Term loans | 14,061 | 23,775 | 37,836 |
| | <u>14,981</u> | <u>24,314</u> | <u>39,295</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 | 11,815 | 6,752 | 18,567 |
| New Taiwan Dollar | - | 9,461 | 9,461 |
| | <u>11,815</u> | <u>16,213</u> | <u>28,028</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 November 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 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 21 July 2015. On 4 November 2015, the Company’s solicitors informed that the trial dates fixed on 16 to 18 November 2015 previously have been vacated and the new trial dates will be fixed in due course due to the retirement of the trial judge.

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.



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.

| | Current Quarter | Preceding Corres- ponding Quarter | Current Year-to- date | Preceding Corres- ponding Year-to- date |
|--|----------------------------|--|--------------------------------------|--|
| (Loss)/Profit attributable to owners of the Company (RM'000) | (1,890) | 5,258 | 4,206 | 11,618 |
| Number of shares in issue ('000) | 1,011,408 | 1,011,408 | 1,011,408 | 1,011,408 |
| Effects of: | | | | |
| Exercise of warrants ('000) | 42,027 | - | 31,679 | - |
| Treasury shares acquired ('000) | (5,005) | (1,860) | (4,956) | (1,856) |
| Weighted average number of shares in issue ('000) | 1,048,430 | 1,009,548 | 1,038,131 | 1,009,552 |
| Basic EPS (sen) | (0.18) | 0.52 | 0.41 | 1.15 |

b) Diluted EPS

No diluted EPS has been presented as the Group does not have any dilutive potential ordinary shares in issue as at the Balance Sheet date.

B10. Dividends

No dividend has been declared for the current quarter ended 30 September 2015.

By Order of the Board
Frontken Corporation Berhad

Ng Wai Pin
Chairman / Managing Director
24 November 2015