



**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 2015**

(The figures have not been audited)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31 Dec 2015 RM '000	Preceding Year Corresponding Quarter 31 Dec 2014 RM '000	Current Year To-date 31 Dec 2015 RM '000	Preceding Year Corresponding Period 31 Dec 2014 RM '000
Revenue	67,857	105,052	280,573	309,845
Operating expenses	<u>(59,922)</u>	<u>(92,619)</u>	<u>(256,122)</u>	<u>(269,551)</u>
Profit before depreciation and finance costs	7,935	12,433	24,451	40,294
Depreciation	(4,442)	(4,654)	(18,133)	(18,423)
Finance costs	(384)	(346)	(1,494)	(1,227)
Other operating income	295	2,456	12,645	7,471
Share of results of associated companies	<u>48</u>	<u>27</u>	<u>63</u>	<u>25</u>
Profit before tax	3,452	9,916	17,532	28,140
Taxation	<u>(2,209)</u>	<u>(1,743)</u>	<u>(6,490)</u>	<u>(4,952)</u>
Profit after tax	1,243	8,173	11,042	23,188
Other comprehensive expenses:				
Foreign currency translation	(6,219)	4,605	22,094	2,624
Actuarial losses	<u>486</u>	<u>(464)</u>	<u>(487)</u>	<u>(464)</u>
Total comprehensive income for the period	<u>(4,490)</u>	<u>12,314</u>	<u>32,649</u>	<u>25,348</u>
(Loss)/profit after tax attributable to :				
Owners of the Company	(161)	7,157	4,045	18,775
Non-controlling interests	<u>1,404</u>	<u>1,016</u>	<u>6,997</u>	<u>4,413</u>
Profit for the period	<u>1,243</u>	<u>8,173</u>	<u>11,042</u>	<u>23,188</u>
Total comprehensive income attributable to:				
Owners of the Company	(4,675)	10,536	21,321	20,870
Non-controlling interests	<u>185</u>	<u>1,778</u>	<u>11,328</u>	<u>4,478</u>
Total comprehensive income for the period	<u>(4,490)</u>	<u>12,314</u>	<u>32,649</u>	<u>25,348</u>
Earnings/(Loss) per share attributable to equity holders of the company :				
Basic (sen)	<b>(0.02)</b>	<b>0.71</b>	<b>0.39</b>	<b>1.86</b>

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 2014.



**FRONTKEN CORPORATION BERHAD**

(Co. No. 651020-T)  
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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015**

(The figures have not been audited)

	<b>Unaudited 31 Dec 2015 RM'000</b>	<b>Audited 31 Dec 2014 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	135,667	135,551
Investment in associated companies	2,049	1,733
Goodwill on consolidation	33,761	33,761
Deferred tax assets	1,406	1,063
Fixed deposits with licensed banks	1,197	911
<b>Total non-current assets</b>	<u>174,080</u>	<u>173,019</u>
<b>Current assets</b>		
Inventories	11,793	10,272
Amount owing by contract customer	7,300	1,837
Trade receivables	79,730	101,842
Other receivables, deposits and prepaid expenses	6,124	5,284
Amount owing by associates	1,330	1,184
Fixed deposits with licensed banks	14,113	11,369
Cash and bank balances	94,487	51,575
<b>Total current assets</b>	<u>214,877</u>	<u>183,363</u>
<b>Total assets</b>	<u>388,957</u>	<u>356,382</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserve</b>		
Issued capital	105,344	101,141
Reserves	45,066	22,980
Retained earnings	86,173	82,683
Equity attributable to owners of the Company	<u>236,583</u>	<u>206,804</u>
Non-controlling interests	34,684	32,913
<b>Total equity</b>	<u>271,267</u>	<u>239,717</u>
<b>Non-current liabilities</b>		
Bank borrowings	26,013	24,347
Hire-purchase payables	439	1,039
Deferred tax liabilities	3,446	2,572
<b>Total non-current liabilities</b>	<u>29,898</u>	<u>27,958</u>
<b>Current liabilities</b>		
Trade payables	31,136	36,836
Other payables and accrued expenses	37,451	35,976
Bank borrowings	16,177	10,775
Hire purchase payable	687	1,377
Tax liabilities	2,341	3,743
<b>Total current liabilities</b>	<u>87,792</u>	<u>88,707</u>
<b>Total liabilities</b>	<u>117,690</u>	<u>116,665</u>
<b>Total equity and liabilities</b>	<u>388,957</u>	<u>356,382</u>
<b>Net assets per share (RM)</b>	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**

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015**

(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 2015	101,141	9,337	(565)	12,035	883	1,290	82,683	206,804	32,913	239,717
Other comprehensive income recognised for the period:										
Defined benefit plan actuarial loss	-	-	-	-	-	-	(306)	(306)	(181)	(487)
Foreign currency translation	-	-	-	17,582	-	-	-	17,582	4,512	22,094
Profit for the period	-	-	-	-	-	-	4,045	4,045	6,997	11,042
Total comprehensive income for the period	-	-	-	17,582	-	-	3,739	21,321	11,328	32,649
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	-	-	-	-	-	-	-	-	(2,357)	(2,357)
Transfer to statutory reserve	-	-	-	-	-	1,176	(1,176)	-	-	-
Purchase of treasury shares	-	-	(34)	-	-	-	-	(34)	-	(34)
Changes in ownership interests in a subsidiary	-	-	-	-	-	-	927	927	(7,200)	(6,273)
<b>Balance as of 31 December 2015</b>	<b>105,344</b>	<b>13,582</b>	<b>(599)</b>	<b>29,617</b>	<b>-</b>	<b>2,466</b>	<b>86,173</b>	<b>236,583</b>	<b>34,684</b>	<b>271,267</b>

**CORRESPONDING PERIOD CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2014**

	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:										
Defined benefit plan actuarial loss	-	-	-	-	-	-	(269)	(269)	(195)	(464)
Foreign currency translation	-	-	-	2,364	-	-	-	2,364	260	2,624
Profit for the period	-	-	-	-	-	-	18,775	18,775	4,413	23,188
Total comprehensive income for the period	-	-	-	2,364	-	-	18,506	20,870	4,478	25,348
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	-	-	-	-	-	610	(610)	-	-	-
Purchase of treasury shares	-	-	(369)	-	-	-	-	(369)	-	(369)
<b>Balance as of 31 December 2014</b>	<b>101,141</b>	<b>9,337</b>	<b>(565)</b>	<b>12,035</b>	<b>883</b>	<b>1,290</b>	<b>82,683</b>	<b>206,804</b>	<b>32,913</b>	<b>239,717</b>

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



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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015**

(The figures have not been audited)

	<b>CUMULATIVE QUARTER</b>	
	<b>Current Period To Date</b>	<b>Preceding Corresponding Period</b>
	<b>31 Dec 2015 RM'000</b>	<b>31 Dec 2014 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	17,532	28,140
Adjustments for:		
Depreciation of property, plant and equipment	18,133	18,423
Impairment loss on fair value adjustment	-	-
Interest expense	1,494	1,227
Unrealised gain on foreign exchange	(2,918)	(1,216)
Interest income	(780)	(322)
Loss on disposal of property, plant and equipment	31	757
Writeback of allowance for impairment losses on trade receivables	(717)	(148)
Plant and equipment written off	2,920	325
Impairment loss on plant and equipment	1,713	964
Allowance for impairment losses on receivables	295	823
Bad debt written off	-	427
Allowance for impairment of inventories	52	938
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	(63)	(25)
Operating profit before working capital changes	38,066	47,303
Inventories	(1,573)	2,576
Amount due from contract customers	(5,463)	(1,837)
Trade receivables	34,482	(28,237)
Other receivables, deposits and prepaid expenses	(1,402)	(225)
Amount owing by associates	28	189
Trade payables	(8,018)	14,961
Other payables and accrued expenses	942	10,508
Cash generated from operations	57,062	45,238
Taxes paid	(8,355)	(4,566)
Net cash from operating activities	48,707	40,672
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>		
Interest received	780	322
Net cash outflow on acquisition of a subsidiary	-	(7,397)
Acquisition of additional interest in subsidiaries	(6,862)	-
Purchase of property, plant and equipment	(7,197)	(8,470)
Net cash outflow for disposal of a subsidiary	(785)	-
Proceeds from disposal of associates	-	4,415
Proceeds from disposal of property, plant and equipment	41	539
Net withdrawal/(placement) of fixed deposits with licensed banks	6,600	(10,573)
Net cash for investing activities	(7,423)	(21,164)



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	<b>CUMULATIVE QUARTER</b>	
	<b>Current Period To Date</b>	<b>Preceding Corresponding Period</b>
	<b>31 Dec 2015 RM'000</b>	<b>31 Dec 2014 RM'000</b>
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>		
Interest paid	(1,494)	(1,227)
Proceeds from issuance of shares	7,565	-
Issue of shares by a subsidiary to non-controlling interests	-	530
Drawdown of term loans	4,402	11,570
Repayment of term loans	(880)	(9,233)
Payment of hire purchase payables	(1,506)	(2,485)
Treasury shares acquired	(34)	(369)
Dividend paid by subsidiaries to non-controlling interests	(1,807)	(3,212)
Net cash from/(for) financing activities	6,246	(4,426)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	47,530	15,082
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>	52,575	36,414
<b>EFFECT OF EXCHANGE DIFFERENCES</b>	5,012	1,079
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	105,117	52,575
<b>THE CASH AND CASH EQUIVALENTS COMPRISE:</b>		
Cash and bank balances	94,487	51,575
Fixed deposits with licensed banks	15,310	12,280
Bank overdraft	-	-
	109,797	63,855
Less: Fixed deposits pledged with banks	(4,680)	(4,240)
Less: Fixed deposits with maturity more than 3 months	-	(7,040)
Cash and cash equivalents	105,117	52,575

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 2014.



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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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**

	<b>As at 31 Dec 2015</b>	<b>As at 31 Dec 2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Total retained profits of FCB and its subsidiaries		
- Realised	105,592	97,042
- Unrealised	2,628	(184)
	<hr/> 108,220	<hr/> 96,858
Total share of retained profits from associated companies		
- Realised	404	341
- Unrealised	-	-
	<hr/> 404	<hr/> 341
Less: Consolidation adjustments	(22,451)	(14,516)
Total Group retained profits	<hr/> <hr/> 86,173	<hr/> <hr/> 82,683

**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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**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**

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.

As at 31 December 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.



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

**Current Quarter  
31 December 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	11,572	21,374	4,301	471	30,139	67,857
Inter-segment sales	838	174	(12)	-	115	1,115
Total revenue	<u>12,410</u>	<u>21,548</u>	<u>4,289</u>	<u>471</u>	<u>30,254</u>	<u>68,972</u>

Segment Results

Operating profit/(loss)	255	229	824	(391)	2,652	3,569
Interest income						219
Finance cost						(384)
Loss on disposal of a subsidiary						-
Share of results in associates						48
Profit before taxation						<u>3,452</u>

**Current Year-to-date  
31 December 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	48,050	106,256	15,126	2,406	108,735	280,573
Inter-segment sales	5,760	591	719	177	315	7,562
Total revenue	<u>53,810</u>	<u>106,847</u>	<u>15,845</u>	<u>2,583</u>	<u>109,050</u>	<u>288,135</u>





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**Current Year-to-date  
31 December 2015**

	<u>Singapore</u>	<u>Malaysia</u>	<u>Philippines</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>
<u>Segment Results</u>						
Operating profit/(loss)	(780)	(3,547)	3,059	(757)	20,582	18,557
Interest income						780
Finance cost						(1,494)
Loss on disposal of a subsidiary						(374)
Share of results in associates						63
Profit before taxation						<u>17,532</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 Dec 2015 RM'000</b>	<b>Current Year-to-date 31 Dec 2015 RM'000</b>
Interest income	219	780
Writeback of allowance for impairment losses	145	717
Foreign exchange gain	58	5,809
Allowance for impairment losses on receivables	(239)	(295)
Allowance for impairment losses on plant and equipment	(463)	(1,713)
Interest expense	(384)	(1,494)
Loss on disposal of property, plant and equipment	(43)	(31)
Depreciation of property, plant and equipment	(4,442)	(18,133)
Property, plant and equipment written off	(1,572)	(2,920)
Loss on disposal of a subsidiary	-	(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**

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

**A14. Contingent liabilities**

As at 31 December 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**

	<b>As at 31 Dec 2015 RM'000</b>
Cash at bank	94,399
Cash on hand	88
Fixed deposits	15,310
	<u>109,797</u>
Less: Fixed deposits pledged with banks	(4,680)
	<u>105,117</u>



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**A16. Significant related party transactions**

	<b>Current Quarter 31 Dec 2015</b>	<b>Current Year-to-date 31 Dec 2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Sales to AMT	9	44
Sales to A&I	1	1
Sales to Cleanpart Group	3	118
Purchase from AMT	1	1
Purchase from TTM	146	609
Purchases from FT	27	28
Rental payable to AMT	36	144
Rental payable to TTM	37	117

<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.
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.

Abbreviations:

<i>AMT</i>	<i>AMT Engineering Sdn Bhd</i>	<i>FEM</i>	<i>Frontken (East Malaysia) Sdn Bhd</i>
<i>A&amp;I</i>	<i>A&amp;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 &amp; 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:

	<b>As at 31 Dec 2015</b>
	<b>RM'000</b>
Acquisition of machinery and equipment	<u>5,089</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 year ended 31 December 2015 decreased by approximately RM37.2 million (35.4%) and RM29.3 million (9.4%) respectively compared to the corresponding period of the preceding year. The decrease was mainly attributable to the lower revenue recognition from the ATB project as the same was completed in the beginning of the third quarter of FY2015. In addition, the revenue generated by our Singapore unit was lower caused mainly by the slowdown in our customers' business due to the declining market condition.

In FY2015, the Group's subsidiary in Taiwan contributed a significant share of the Group's profit due to the positive growth of the semi-conductor business. The Group's subsidiary in the Philippines achieved a better performance in FY2015 attributable to improved clientele coverage. However, the Group's Malaysia business performance was adversely affected by higher expenses from the ATB project. Excluding the losses suffered in the ATB project, FY2015 performance would have been comparable to that of 2014. The lower profit was also partly attributed to the writing off and impairment of assets coupled with loss of disposal of our subsidiary in China. .

Against the same period last year, the profit before tax ("PBT") for the current quarter and year ended 31 December 2015 decreased by approximately RM6.5 million and RM12.1 million respectively.

**B2. Comparison with immediate preceding quarter**

	<b>4th Quarter 31 Dec 2015</b>	<b>3rd Quarter 30 Sept 2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	67,857	68,855
Profit before tax	3,452	1,764

The Group's revenue was 1.4% or approximately RM1.0 million lower during the current quarter as compared to the immediate preceding quarter mainly due to lower revenue generated by its subsidiaries in Singapore and Malaysia.

The Group's higher PBT during the current quarter as compared to the immediate preceding quarter was primarily due to lower ATB projects costs recognized in the current quarter.

**B3. Prospects**

In 2015, higher expenses from the ATB project adversely affected the overall Group's performance notwithstanding that some of its other operating units delivered better results... In view of the completion of the ATB project, the Group is cautiously optimistic that its performance for the next financial year will be satisfactory.

The Group is pleased with the improved performance of its subsidiaries in Taiwan and the Philippines in 2015 and continues to be optimistic that they will contribute positively to the Group's results in 2016. The Group expects the business in Singapore to continue to be



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challenging in 2016 in light of the higher operating costs and business slow down in that market.

Amidst the encouraging business developments in some of the markets it operates in, the Group is cautious of year 2016 as the uncertainties of the domestic and overseas markets as could be seen towards the second half of 2015 to continue in 2016. However, the Group remains cautiously 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.

**B5. Taxation**

	<b>Current Quarter 31 Dec 2015</b>	<b>Current Year-to-date 31 Dec 2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Income tax	1,170	6,146
Deferred tax	1,039	344
	<u>2,209</u>	<u>6,490</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 31 December 2015 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>Secured</u>			
Hire purchase creditors	687	439	1,126
Term loans	16,177	26,013	42,190
	<u>16,864</u>	<u>26,452</u>	<u>43,316</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	13,676	6,108	19,784
New Taiwan Dollar	-	13,055	13,055
	<u>13,676</u>	<u>19,163</u>	<u>32,839</u>



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**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 17 February 2016:

**(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 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 due to the retirement of the trial judge. The new trial dates have been fixed from 18 to 20 April 2016.

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.



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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.

	<b>Current Quarter</b>	<b>Preceding Corres- ponding Quarter</b>	<b>Current Year-to- date</b>	<b>Preceding Corres- ponding Year-to- date</b>
(Loss)/Profit attributable to owners of the Company (RM'000)	(161)	7,157	4,045	18,775
Number of shares in issue ('000)	1,053,435	1,011,408	1,053,435	1,011,408
Effects of: Treasury shares acquired ('000)	(5,067)	(4,388)	(4,984)	(2,494)
Weighted average number of shares in issue ('000)	1,048,368	1,007,020	1,048,451	1,008,914
Basic EPS (sen)	(0.02)	0.71	0.39	1.86

**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 31 December 2015.

By Order of the Board  
Frontken Corporation Berhad

Ng Wai Pin  
Chairman / Managing Director  
24 February 2016