



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 2016
(The figures have not been audited)

| | Individual Quarter | | Cumulative Quarter | |
|---------------------------------------------------------------------------|----------------------------------------------------|-----------------------------------------------------------------------|----------------------------------------------------|----------------------------------------------------------------------|
| | Current Year Quarter 30 Sept 2016 RM '000 | Preceding Year Corresponding Quarter 30 Sept 2015 RM '000 | Current Year To-date 30 Sept 2016 RM '000 | Preceding Year Corresponding Period 30 Sept 2015 RM '000 |
| Revenue | 64,592 | 68,855 | 186,228 | 212,716 |
| Operating expenses | <u>(51,572)</u> | <u>(69,018)</u> | <u>(157,037)</u> | <u>(196,200)</u> |
| Profit before depreciation and finance costs | 13,020 | (163) | 29,191 | 16,516 |
| Depreciation | (4,306) | (4,474) | (12,743) | (13,691) |
| Finance costs | (289) | (364) | (889) | (1,110) |
| Other operating income | 616 | 6,695 | 3,819 | 12,350 |
| Share of results of associated companies | <u>(56)</u> | <u>70</u> | <u>(84)</u> | <u>15</u> |
| Profit before tax | 8,985 | 1,764 | 19,294 | 14,080 |
| Taxation | <u>(1,628)</u> | <u>(1,382)</u> | <u>(4,871)</u> | <u>(4,281)</u> |
| Profit after tax | 7,357 | 382 | 14,423 | 9,799 |
| Other comprehensive expenses: | | | | |
| Foreign currency translation | 5,949 | 17,019 | 589 | 28,313 |
| Actuarial losses | - | (973) | - | (973) |
| Total comprehensive income for the period | <u>13,306</u> | <u>16,428</u> | <u>15,012</u> | <u>37,139</u> |
| Profit/(loss) after tax attributable to : | | | | |
| Owners of the Company | 5,420 | (1,890) | 9,172 | 4,206 |
| Non-controlling interests | <u>1,937</u> | <u>2,272</u> | <u>5,251</u> | <u>5,593</u> |
| Profit for the period | <u>7,357</u> | <u>382</u> | <u>14,423</u> | <u>9,799</u> |
| Total comprehensive income attributable to: | | | | |
| Owners of the Company | 9,785 | 12,163 | 9,571 | 25,996 |
| Non-controlling interests | <u>3,521</u> | <u>4,265</u> | <u>5,441</u> | <u>11,143</u> |
| Total comprehensive income for the period | <u>13,306</u> | <u>16,428</u> | <u>15,012</u> | <u>37,139</u> |
| Earnings/(loss) per share attributable to equity holders of the company : | | | | |
| Basic (sen) | 0.52 | (0.18) | 0.88 | 0.41 |

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 2015.



FRONTKEN CORPORATION BERHAD

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016

(The figures have not been audited)

| | Unaudited 30 Sept 2016 RM'000 | Audited 31 Dec 2015 RM'000 |
|------------------------------------------------------------------------|----------------------------------------------|-------------------------------------------|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 144,766 | 135,667 |
| Investment in associated companies | 1,969 | 2,009 |
| Goodwill on consolidation | 33,761 | 33,761 |
| Deferred tax assets | 1,425 | 1,406 |
| Total non-current assets | <u>181,921</u> | <u>172,843</u> |
| Current assets | | |
| Inventories | 10,785 | 11,793 |
| Trade receivables | 81,157 | 87,030 |
| Other receivables, deposits and prepaid expenses | 7,635 | 6,124 |
| Amount owing by associates | 1,332 | 1,330 |
| Tax recoverable | 1,258 | 965 |
| Investment | 4,710 | - |
| Fixed deposits with licensed banks | 33,929 | 15,311 |
| Cash and bank balances | 67,255 | 94,487 |
| Total current assets | <u>208,061</u> | <u>217,040</u> |
| Total assets | <u>389,982</u> | <u>389,883</u> |
| EQUITY AND LIABILITIES | | |
| Capital and reserve | | |
| Issued capital | 105,344 | 105,344 |
| Reserves | 46,825 | 45,076 |
| Retained earnings | 94,190 | 86,135 |
| Equity attributable to owners of the Company | <u>246,359</u> | <u>236,555</u> |
| Non-controlling interests | 30,880 | 34,684 |
| Total equity | <u>277,239</u> | <u>271,239</u> |
| Non-current liabilities | | |
| Bank borrowings | 20,468 | 26,013 |
| Hire-purchase payables | 412 | 439 |
| Other payables | 2,373 | 2,433 |
| Deferred tax liabilities | 3,172 | 3,446 |
| Total non-current liabilities | <u>26,425</u> | <u>32,331</u> |
| Current liabilities | | |
| Trade payables | 17,636 | 31,125 |
| Other payables and accrued expenses | 42,431 | 35,018 |
| Bank borrowings | 21,741 | 16,177 |
| Hire purchase payable | 262 | 687 |
| Tax liabilities | 4,248 | 3,306 |
| Total current liabilities | <u>86,318</u> | <u>86,313</u> |
| Total liabilities | <u>112,743</u> | <u>118,644</u> |
| Total equity and liabilities | <u>389,982</u> | <u>389,883</u> |
| Net assets per share attributable to owners of the parents (RM) | 0.24 | 0.23 |

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 2015.



FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016
(The figures have not been audited)

| | Non-distributable | | | | | Distributable | | | | Total RM'000 |
|----------------------------------------------------------|----------------------------|----------------------------|------------------------------|------------------------------------------------------|------------------------------|--------------------------------|--------------------------------|-------------------------------------------------------|----------------------------------------|-----------------|
| | Share capital RM'000 | Share premium RM'000 | Treasury shares RM'000 | Foreign currency translation reserve RM'000 | Warrant reserve RM'000 | Statutory reserve RM'000 | Retained earnings RM'000 | Attributable to owners of the Company RM'000 | Non-controlling interests RM'000 | |
| Balance as of 1 January 2016 | 105,344 | 13,582 | (599) | 29,626 | - | 2,467 | 86,135 | 236,555 | 34,684 | 271,239 |
| Other comprehensive income recognised for the period: | | | | | | | | | | |
| Foreign currency translation | - | - | - | 399 | - | - | - | 399 | 190 | 589 |
| Profit for the period | - | - | - | - | - | - | 9,172 | 9,172 | 5,251 | 14,423 |
| Total comprehensive income for the period | - | - | - | 399 | - | - | 9,172 | 9,571 | 5,441 | 15,012 |
| Dividend paid by subsidiary to non-controlling interests | - | - | - | - | - | - | - | - | (1,582) | (1,582) |
| Transfer to statutory reserve | - | - | - | - | - | 1,414 | (1,414) | - | - | - |
| Purchase of treasury shares | - | - | (64) | - | - | - | - | (64) | - | (64) |
| Changes in ownership interests in subsidiaries | - | - | - | - | - | - | 297 | 297 | (7,663) | (7,366) |
| Balance as of 30 September 2016 | 105,344 | 13,582 | (663) | 30,025 | - | 3,881 | 94,190 | 246,359 | 30,880 | 277,239 |

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

| | Non-distributable | | | | | Distributable | | | | Total RM'000 |
|----------------------------------------------------------|----------------------------|----------------------------|------------------------------|------------------------------------------------------|------------------------------|--------------------------------|--------------------------------|-------------------------------------------------------|----------------------------------------|-----------------|
| | Share capital RM'000 | Share premium RM'000 | Treasury shares RM'000 | Foreign currency translation reserve RM'000 | Warrant reserve RM'000 | Statutory reserve RM'000 | Retained earnings RM'000 | Attributable to owners of the Company RM'000 | Non-controlling interests RM'000 | |
| 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 |

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



FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

(The figures have not been audited)

| | CUMULATIVE QUARTER | |
|-------------------------------------------------------------------|-----------------------------------|-----------------------------------------------|
| | Current Period To Date | Preceding Corresponding Period |
| | 30 Sept 2016 RM'000 | 30 Sept 2015 RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 19,294 | 14,080 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 12,743 | 13,691 |
| Interest expense | 889 | 1,110 |
| Unrealised loss/(gain) on foreign exchange | 527 | (4,378) |
| Interest income | (513) | (561) |
| Loss/(Gain) on disposal of property, plant and equipment | 138 | (12) |
| Writeback of allowance for impairment losses on trade receivables | (41) | (572) |
| Plant and equipment written off | 437 | 1,348 |
| Impairment loss on plant and equipment | - | 1,250 |
| Impairment loss on plant and equipment no longer required | (334) | - |
| Allowance for impairment losses on receivables | 45 | 56 |
| Inventories written off | 104 | - |
| Loss on disposal of investment in a subsidiary | - | 374 |
| Share of results of associates | 84 | (15) |
| Operating profit before working capital changes | 33,373 | 26,371 |
| Inventories | 855 | 391 |
| Amount due from contract customers | - | (5,718) |
| Trade receivables | 6,405 | 32,563 |
| Other receivables, deposits and prepaid expenses | (1,474) | (2,290) |
| Amount owing by associates | (2) | 29 |
| Trade payables | (13,532) | (9,207) |
| Other payables and accrued expenses | 6,615 | 216 |
| Cash generated from operations | 32,240 | 42,355 |
| Taxes paid | (4,595) | (7,737) |
| Net cash from operating activities | 27,645 | 34,618 |
| CASH FLOWS FOR INVESTING ACTIVITIES | | |
| Interest received | 501 | 561 |
| Acquisition of additional interest in subsidiaries | (7,366) | (6,862) |
| Purchase of property, plant and equipment | (20,675) | (2,774) |
| Investment | (4,699) | - |
| Net cash outflow for disposal of a subsidiary | - | (785) |
| Proceeds from disposal of property, plant and equipment | 77 | 15 |
| Net withdrawal of fixed deposits with licensed banks | 220 | 6,607 |
| Net cash for investing activities | (31,942) | (3,238) |



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| | CUMULATIVE QUARTER | |
|-------------------------------------------------------------------|-----------------------------------|-----------------------------------------------|
| | Current Period To Date | Preceding Corresponding Period |
| | 30 Sept 2016 RM'000 | 30 Sept 2015 RM'000 |
| CASH FLOWS FOR FINANCING ACTIVITIES | | |
| Interest paid | (889) | (1,110) |
| Proceeds from issuance of shares | - | 7,565 |
| Drawdown of term loans | 10,380 | 2,027 |
| Repayment of term loans | (10,702) | (3,641) |
| Payment of hire purchase payables | (612) | (1,219) |
| Treasury shares acquired | (64) | (34) |
| Dividend paid by subsidiaries to non-controlling interests | (1,582) | (550) |
| Net cash (for)/from financing activities | <u>(3,469)</u> | <u>3,038</u> |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | (7,766) | 34,418 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD | 105,117 | 52,575 |
| EFFECT OF EXCHANGE DIFFERENCES | (628) | 5,676 |
| CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD | <u>96,723</u> | <u>92,669</u> |
| THE CASH AND CASH EQUIVALENTS COMPRISE: | | |
| Cash and bank balances | 67,255 | 81,602 |
| Fixed deposits with licensed banks | 33,929 | 15,741 |
| | <u>101,184</u> | <u>97,343</u> |
| Less: Fixed deposits pledged with banks | (4,461) | (4,674) |
| Cash and cash equivalents | <u>96,723</u> | <u>92,669</u> |

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

The comparative figures are based on unaudited financial statements of the Company for the financial period ended 30 September 2015.



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(Co. No. 651020-T)

(Incorporated in Malaysia)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

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 2015.

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 2015.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2015 except for those standards, amendments and interpretations which are effective from the annual period beginning 1 January 2016. 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 2016 | As at 30 Sept 2015 |
|-----------------------------------------------------------|-------------------------------|-------------------------------|
| | RM'000 | RM'000 |
| Total retained profits of FCB and its subsidiaries | | |
| - Realised | 117,997 | 102,952 |
| - Unrealised | 4,033 | 4,101 |
| | <hr/> 122,030 | <hr/> 107,053 |
| Total share of retained profits from associated companies | | |
| - Realised | 282 | 356 |
| Less: Consolidation adjustments | (28,122) | (21,363) |
| Total Group retained profits | <hr/> 94,190 | <hr/> 86,046 |

A3. Audit qualification

The auditors' report in respect of the audited consolidated financial statements of FCB for the financial year ended 31 December 2015 was not subjected to any qualification.

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.



FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)

(Incorporated in Malaysia)

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 200,000 of its own shares of RM0.10 each on the market of Bursa Securities at an average buy-back price of RM0.15 per share. The total consideration paid for the acquisition of the shares was RM30,230 and was financed by internally generated funds.

As at 30 September 2016, the Company held 5,466,600 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 RM663,237.

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 2016 are set out below. Revenue and results by geographical sales were based on the location of the Group's subsidiaries.

**Current Quarter
30 September 2016**

| | <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 | 9,419 | 16,264 | 4,328 | 796 | 33,785 | 64,592 |
| Inter-segment sales | 512 | 86 | - | - | - | 598 |
| Total revenue | <u>9,931</u> | <u>16,350</u> | <u>4,328</u> | <u>796</u> | <u>33,785</u> | <u>65,190</u> |

Segment Results

| | | | | | | |
|--------------------------------|---------|-------|-----|----|-------|--------------|
| Operating profit/(loss) | (1,265) | 1,213 | 796 | 59 | 8,363 | 9,166 |
| Interest income | | | | | | 164 |
| Finance cost | | | | | | (289) |
| Share of results in associates | | | | | | (56) |
| Profit before taxation | | | | | | <u>8,985</u> |

**Current Year-to-date
30 September 2016**

| | | | | | | |
|------------------------|---------------|---------------|---------------|--------------|---------------|----------------|
| <u>Segment Revenue</u> | | | | | | |
| External sales | 29,206 | 50,607 | 12,861 | 2,262 | 91,292 | 186,228 |
| Inter-segment sales | 1,796 | 394 | 45 | - | 55 | 2,290 |
| Total revenue | <u>31,002</u> | <u>51,001</u> | <u>12,906</u> | <u>2,262</u> | <u>91,347</u> | <u>188,518</u> |



FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)

(Incorporated in Malaysia)

**Current Year-to-date
30 September 2016**

| | <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) | (6,338) | 6,119 | 2,348 | (85) | 17,710 | 19,754 |
| Interest income | | | | | | 513 |
| Finance cost | | | | | | (889) |
| Share of results in associates | | | | | | (84) |
| Profit before taxation | | | | | | <u>19,294</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 2016 | Current Year-to-date 30 Sept 2016 |
|-----------------------------------------------------------|---------------------------------------------|--------------------------------------------------|
| | RM'000 | RM'000 |
| Interest income | 164 | 513 |
| Writeback of allowance for impairment losses | 30 | 41 |
| Impairment loss on plant and equipment no longer required | 1 | 334 |
| Foreign exchange gain/(loss) | 1,776 | (790) |
| Allowance for impairment losses on receivables | - | (45) |
| Interest expense | (289) | (889) |
| Loss on disposal of property, plant and equipment | (13) | (138) |
| Plant and equipment written off | (13) | (437) |
| Depreciation of property, plant and equipment | (4,306) | (12,743) |

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.

On 26 July 2016, the Company acquired 615,314 ordinary shares of NT\$10 each representing 1.81% of the issued and paid-up share capital of Ares Green Technology Corporation ("AGTC") for a total cash consideration of NT\$11,937,092 (equivalent to RM1,493,567). Following the acquisition, the Group's interest in AGTC increased to 73.19%.

A14. Contingent liabilities

As at 30 September 2016, the Group has no contingent liabilities which, upon crystallisation would have a material impact on the financial position of the Group.



FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)

(Incorporated in Malaysia)

A15. Cash and cash equivalents

| | As at 30 Sept 2016 |
|-----------------------------------------|-------------------------------|
| | RM'000 |
| Cash at bank | 67,168 |
| Cash on hand | 87 |
| Fixed deposits | 33,929 |
| | <u>101,184</u> |
| Less: Fixed deposits pledged with banks | (4,461) |
| | <u>96,723</u> |

A16. Significant related party transactions

| | Current Quarter 30 Sept 2016 | Current Year-to-date 30 Sept 2016 |
|-----------------------|---------------------------------------------|--------------------------------------------------|
| | RM'000 | RM'000 |
| Sales to AMT | 5 | 12 |
| Sales to A&I | - | 1 |
| Sales to TTM | 12 | 12 |
| Purchase from AMT | 1 | 1 |
| Purchase from TTM | 62 | 135 |
| Rental payable to AMT | 36 | 108 |

| 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. |
| TTM | Mohd Shukri Bin Hitam and Fauziah Binti Hamlawi, directors and shareholders of TTES, are also directors and shareholders of TTM. |

Abbreviations:

| | | | |
|------|---------------------------------------------|-----|----------------------------------|
| AMT | AMT Engineering Sdn Bhd | FEM | Frontken (East Malaysia) Sdn Bhd |
| A&I | A&I Engine Rebuilders Sdn Bhd | TTM | Tenaga-Tech (M) Sdn Bhd |
| TTES | TTES Frontken Integrated Services Sdn. Bhd. | | |

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 2016 |
|---------------------------------|-------------------------------|
| | RM'000 |
| Plant improvement and equipment | <u>13,970</u> |



FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)

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B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Analysis of performance

Current quarter's performance against the quarter ended 30 September 2015

The Group's revenue of RM64.6 million for the current quarter was 6.2% lower compared to the RM68.9 million achieved in the corresponding quarter ended 30 September 2015. This was mainly due to completion of the ATB project in the beginning of the third quarter of financial year 2015. Excluding the revenue derived from the ATB Project the current quarter's revenue would have been 1.1% lower compared to the corresponding quarter in 2015. Slowdown in our customers' business and cut in operating and capital expenditures by our customers had resulted in a drop of business for the Group's subsidiaries in Malaysia and Singapore. However, the Group's subsidiaries in Taiwan, Philippines and Indonesia performed much better particularly in Taiwan due to the continual growth in the semi-conductor industry.

The Group's profit before tax of RM9.0 million for the current quarter was RM7.2 million or 409.7% higher than the corresponding quarter's RM1.8 million. The higher profit was mainly due to improved performance by our subsidiaries in Taiwan, Philippines, Indonesia and Malaysia.

Current 9 months period's performance against the 9 months period ended 30 September 2015

The Group's revenue of RM186.2 million for the current period ended 30 September 2016 ("FY2016") was RM26.5 million lower than that achieved in the preceding year corresponding period. The lower revenue was mainly attributable to the cessation of revenue recognition from the ATB project in FY2016. However, if we were to exclude the revenue from the ATB Project, the revenue would have been 1.3% higher compared to the corresponding period.

The domestic economic situation remains challenging during the relevant period and slowdown in our customers' business and cut in operating and capital expenditures by our customers had resulted in a drop in business for the Group's subsidiaries in Singapore and Malaysia. Our subsidiary in Taiwan however continue to enjoy better business performance due to the positive growth of the semi-conductor business. The Group's subsidiaries in the Philippines and Indonesia have also achieved higher revenue in FY2016 attributable to the growing portfolio of our sales network.

Against the same period last year, the profit before tax ("PBT") for the 9 months ended 30 September 2016 increased by approximately 37.0% mainly because our unit in Taiwan performed better this year and also in 2015 we incurred losses in the ATB project.



FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)

(Incorporated in Malaysia)

B2. Comparison with immediate preceding quarter

| | 3rd Quarter 30 Sept 2016 | 2nd Quarter 30 Jun 2016 |
|-------------------|-------------------------------------|------------------------------------|
| | RM'000 | RM'000 |
| Revenue | 64,592 | 62,848 |
| Profit before tax | 8,985 | 8,426 |

The Group's revenue was 2.8% or approximately RM1.7 million higher during the current quarter as compared to the immediate preceding quarter. This was mainly due to improved business performance by our subsidiaries in Taiwan and Philippines.

The Group's improved unaudited profit before tax for the current quarter was mainly attributable to higher revenue and higher foreign exchange gain as compared to the immediate preceding quarter.

B3. Prospects for the year

The Group anticipates the overall business conditions in the remaining 3 months of the current financial year to remain challenging amidst uncertain global economic conditions in the region. We will continue to focus our attention on the quality of our services and efficiencies so as to maintain our competitiveness and is therefore cautiously optimistic that our performance for the remaining months will be satisfactory.

Accepting that the Group's overall margin will continue to be thinner as a result of cost-down by our customers for the months to come, we will continue to be vigilant in our cost management and continually explore ways to improve on our efficiency to enhance our profitability.

We are pleased with the performance of our Malaysian, Taiwanese and Philippines subsidiaries during this period and continue to be optimistic that they will contribute positively to the Group in 2016. We are also encouraged by the improved business performance of our Indonesia subsidiary and will continue to strive for the turn-around of this business unit. However, the business in Singapore will continue to be challenging in light of the higher operating costs and significant business slowdown in that market.

Overall, 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 2016 | Current Year-to-date 30 Sept 2016 |
|--------------|---------------------------------------------|--------------------------------------------------|
| | RM'000 | RM'000 |
| Income tax | 1,609 | 5,152 |
| Deferred tax | 19 | (281) |
| | <u>1,628</u> | <u>4,871</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 2016 are as follows:

| | Short-term | Long-term | Total |
|-------------------------|-------------------|------------------|---------------|
| | RM'000 | RM'000 | RM'000 |
| <u>Secured</u> | | | |
| Hire purchase creditors | 262 | 412 | 674 |
| Term loans | 21,741 | 20,468 | 42,209 |
| | <u>22,003</u> | <u>20,880</u> | <u>42,883</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 | 18,521 | 4,748 | 23,269 |
| New Taiwan Dollar | 1,324 | 13,236 | 14,560 |
| | <u>19,845</u> | <u>17,984</u> | <u>37,829</u> |

B8. Material litigations

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, which might materially affect the financial position or business of the Group as at 18 November 2016.



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 |
|--------------------------------------------------------------|----------------------------|------------------------------------------------------|--------------------------------------|----------------------------------------------------------------|
| Profit/(Loss) attributable to owners of the Company (RM'000) | 5,420 | (1,890) | 9,172 | 4,206 |
| Number of shares in issue ('000) | 1,053,435 | 1,011,408 | 1,053,435 | 1,011,408 |
| Effects of: | | | | |
| Exercise of warrants ('000) | - | 42,027 | - | 31,679 |
| Treasury shares acquired ('000) | (5,332) | (5,005) | (5,245) | (4,956) |
| Weighted average number of shares in issue ('000) | 1,048,103 | 1,048,430 | 1,048,190 | 1,038,131 |
| Basic EPS (sen) | 0.52 | (0.18) | 0.88 | 0.41 |

b) Diluted EPS

No disclosure on diluted earnings per share as there were no dilutive potential ordinary shares outstanding at the end of the reporting period.

B10. Dividends

No dividend has been declared for the current quarter ended 30 September 2016.

By Order of the Board
Frontken Corporation Berhad

Ng Wai Pin
Chairman / Managing Director
25 November 2016