



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 2017
(The figures have not been audited)

	Individual Quarter				Cumulative Quarter			
	Current Year Quarter 31 Dec 2017 RM '000	Preceding Year Corresponding Quarter 31 Dec 2016 RM '000	Changes RM'000 (%)		Current Year To-date 31 Dec 2017 RM '000	Preceding Year Corresponding Period 31 Dec 2016 RM '000	Changes RM'000 (%)	
Revenue	80,376	75,616	4,760	6	296,580	261,844	34,736	13
Operating expenses	(62,766)	(60,521)	(2,245)	4	(235,197)	(217,558)	(17,639)	8
Profit before depreciation and finance costs	17,610	15,095	2,515	17	61,383	44,286	17,097	39
Depreciation	(4,699)	(4,450)			(18,471)	(17,193)		
Finance costs	(243)	(258)			(931)	(1,147)		
Other operating income	957	3,689			4,218	7,508		
Share of results of associated companies	12	(25)			(51)	(109)		
Profit before tax	13,637	14,051	(414)	(3)	46,148	33,345	12,803	38
Taxation	(2,375)	(1,188)	(1,187)	100	(9,739)	(6,059)	(3,680)	61
Profit after tax	11,262	12,863	(1,601)	(12)	36,409	27,286	9,123	33
Other comprehensive expenses:								
Actuarial losses	(142)	(417)			(142)	(417)		
Foreign currency translation	(4,729)	6,134			(5,562)	6,723		
Total comprehensive income for the period	6,391	18,580			30,705	33,592		
Profit after tax attributable to :								
Owners of the Company	9,827	10,868	(1,041)	(10)	29,858	20,040	9,818	49
Non-controlling interests	1,435	1,995			6,551	7,246		
Profit for the period	11,262	12,863			36,409	27,286		
Total comprehensive income attributable to:								
Owners of the Company	4,999	15,252			24,042	24,823		
Non-controlling interests	1,392	3,328			6,663	8,769		
Total comprehensive income for the period	6,391	18,580			30,705	33,592		
Earnings per share attributable to equity holders of the company :								
Basic (sen)	0.94	1.04			2.85	1.91		

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 2016.



FRONTKEN CORPORATION BERHAD

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

(The figures have not been audited)

	Unaudited 31 Dec 2017 RM'000	Audited 31 Dec 2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	150,046	152,066
Investment in an associate	1,963	1,999
Goodwill on consolidation	33,761	33,761
Deferred tax assets	1,681	1,603
Fixed deposits with licensed banks	1,256	1,146
Total non-current assets	<u>188,707</u>	<u>190,575</u>
Current assets		
Inventories	13,475	10,976
Trade receivables	91,715	96,146
Other receivables, deposits and prepaid expenses	5,303	5,052
Amount owing by an associate	1,334	1,363
Current tax assets	1,243	1,182
Short-term investments	3,508	8,996
Fixed deposits with licensed banks	6,493	4,726
Cash and bank balances	119,314	88,746
Total current assets	<u>242,385</u>	<u>217,187</u>
Total assets	<u>431,092</u>	<u>407,762</u>
EQUITY AND LIABILITIES		
Capital and reserve		
Issued capital	118,925	105,343
Reserves	34,367	51,531
Retained earnings	128,308	104,736
Equity attributable to owners of the Company	<u>281,600</u>	<u>261,610</u>
Non-controlling interests	24,373	33,799
Total equity	<u>305,973</u>	<u>295,409</u>
Non-current liabilities		
Bank borrowings	11,547	20,260
Hire-purchase payables	166	354
Other payables	3,225	3,134
Deferred tax liabilities	1,123	1,672
Total non-current liabilities	<u>16,061</u>	<u>25,420</u>
Current liabilities		
Trade payables	19,110	20,827
Other payables and accrued expenses	60,527	52,427
Bank overdrafts	5,182	-
Bank borrowings	16,751	8,466
Hire purchase payable	182	249
Current tax liabilities	7,306	4,964
Total current liabilities	<u>109,058</u>	<u>86,933</u>
Total liabilities	<u>125,119</u>	<u>112,353</u>
Total equity and liabilities	<u>431,092</u>	<u>407,762</u>
Net assets per share attributable to owners of the parents (RM)	0.27	0.25

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 2016.



FRONTKEN CORPORATION BERHAD

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017

(The figures have not been audited)

	<----- Non-distributable ----->					Distributable			
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Statutory reserve RM'000	Retained earnings RM'000	Attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total RM'000
Balance as of 1 January 2017	105,343	13,582	(663)	34,704	3,908	104,736	261,610	33,799	295,409
Other comprehensive income recognised for the period:									
Defined benefit plan actuarial loss	-	-	-	-	-	(95)	(95)	(47)	(142)
Foreign currency translation	-	-	-	(5,721)	-	-	(5,721)	159	(5,562)
Profit for the period	-	-	-	-	-	29,858	29,858	6,551	36,409
Total comprehensive income for the period	-	-	-	(5,721)	-	29,763	24,042	6,663	30,705
Dividend paid by subsidiary to non-controlling interests	-	-	-	-	-	-	-	(1,627)	(1,627)
Transfer pursuant to Companies Act 2016	13,582	(13,582)	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	2,139	(2,139)	-	-	-
Dividend on ordinary shares	-	-	-	-	-	(5,240)	(5,240)	-	(5,240)
Changes in ownership interests in subsidiary that do not result in loss of control	-	-	-	-	-	1,188	1,188	(14,462)	(13,274)
Balance as of 31 December 2017	118,925	-	(663)	28,983	6,047	128,308	281,600	24,373	305,973

CORRESPONDING PERIOD CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

	<----- Non-distributable ----->					Distributable			
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Statutory reserve RM'000	Retained earnings RM'000	Attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total RM'000
Balance as of 1 January 2016	105,343	13,582	(599)	29,627	2,467	86,135	236,555	34,684	271,239
Other comprehensive income recognised for the period:									
Defined benefit plan actuarial loss	-	-	-	-	-	(294)	(294)	(123)	(417)
Foreign currency translation	-	-	-	5,077	-	-	5,077	1,646	6,723
Profit for the period	-	-	-	-	-	20,040	20,040	7,246	27,286
Total comprehensive income for the period	-	-	-	5,077	-	19,746	24,823	8,769	33,592
Dividend paid by subsidiary to non-controlling interests	-	-	-	-	-	-	-	(1,959)	(1,959)
Transfer to statutory reserve	-	-	-	-	1,441	(1,441)	-	-	-
Purchase of treasury shares	-	-	(64)	-	-	-	(64)	-	(64)
Changes in ownership interests in subsidiary that do not result in loss of control	-	-	-	-	-	296	296	(7,695)	(7,399)
Balance as of 31 December 2016	105,343	13,582	(663)	34,704	3,908	104,736	261,610	33,799	295,409

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 FOURTH QUARTER ENDED 31 DECEMBER 2017

(The figures have not been audited)

	CUMULATIVE QUARTER	
	Current Period To Date	Preceding Corresponding Period
	31 Dec 2017 RM'000	31 Dec 2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	46,148	33,345
Adjustments for:		
Depreciation of property, plant and equipment	18,471	17,193
Interest expense	931	1,147
Unrealised loss/(gain) on foreign exchange	4,532	(1,429)
Interest income	(845)	(770)
(Gain)/Loss on disposal of property, plant and equipment	(11)	68
Writeback of allowance for impairment losses on trade receivables	(60)	(1)
Plant and equipment written off	507	411
Allowance for impairment loss on plant and equipment	50	52
Allowance for impairment losses on receivables	71	133
Gain on dissolution of a subsidiary	-	(719)
Inventories written off	137	493
Share of results of associates	51	109
Operating profit before working capital changes	69,982	50,032
Inventories	(2,955)	753
Trade receivables	2,262	(5,098)
Other receivables, deposits and prepaid expenses	(424)	1,173
Amount owing by an associate	2	(4)
Trade payables	(1,355)	(11,075)
Other payables and accrued expenses	9,419	15,324
Cash generated from operations	76,931	51,105
Taxes paid	(7,902)	(6,681)
Net cash from operating activities	69,029	44,424
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	845	770
Additional investment/acquisition of subsidiaries	(13,274)	(7,399)
Purchase of property, plant and equipment	(20,152)	(27,731)
Short-term investment	2,198	(2,243)
Proceeds from disposal of property, plant and equipment	139	189
Net (placement)/withdrawal of fixed deposits with licensed banks	(1,834)	1,377
Net cash for investing activities	(32,078)	(35,037)



FRONTKEN CORPORATION BERHAD

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

	CUMULATIVE QUARTER	
	Current Period To Date	Preceding Corresponding Period
	31 Dec 2017 RM'000	31 Dec 2016 RM'000
CASH FLOWS FOR FINANCING ACTIVITIES		
Interest paid	(931)	(1,147)
Dividend paid	(5,240)	-
Dividend paid by a subsidiary to non-controlling interests	(1,985)	(2,151)
Drawdown of term loans	7,902	16,146
Repayment of term loans	(7,884)	(30,567)
Payment of hire purchase payables	(251)	(690)
Treasury shares acquired	-	(64)
Net cash for financing activities	(8,389)	(18,473)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	28,562	(9,086)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	98,068	105,117
EFFECT OF EXCHANGE DIFFERENCES	(6,377)	2,037
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	120,253	98,068
THE CASH AND CASH EQUIVALENTS COMPRISE:		
Cash and bank balances	119,314	88,746
Fixed deposits with licensed banks	7,749	5,872
Short-term investments	3,508	6,753
Bank overdraft	(5,182)	-
	125,389	101,371
Less: Fixed deposits pledged with banks	(3,136)	(3,205)
Less: Fixed deposits with maturity more than 3 months	(2,000)	(98)
Cash and cash equivalents	120,253	98,068

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 2016.



FRONTKEN CORPORATION BERHAD

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017

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 2016.

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 2016.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2016 except for those standards, amendments and interpretations which are effective from the annual period beginning 1 January 2017. The adoption of the MFRSs and Amendments do not have significant impact on the financial statements of the Group.

A2. Audit qualification

The auditors' report in respect of the audited consolidated financial statements of FCB for the financial year ended 31 December 2016 was not subjected to any qualification.

A3. 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.

A4. 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.

A5. Material changes in estimates

There were no changes in estimates that had a material effect on the current quarter's results.



FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)

(Incorporated in Malaysia)

A6. 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 2017, 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. Such treasury shares are held at a carrying amount of RM663,237.

A7. Dividends

During the financial year ended 31 December 2017, the Company paid the following dividend:

Interim single tier dividend on 4 October 2017, in respect of the financial year ending 31 December 2017, of 0.5 sen per share on 1,047,968,530 ordinary shares amounting to RM5,239,842.56.



FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)

(Incorporated in Malaysia)

A8. Segmental information

The breakdown of the Group's revenue and results by geographical regions for the quarter ended 31 December 2017 are set out below. Revenue and results by geographical sales were based on the location of the Group's subsidiaries.

**Current Quarter
31 December 2017**

	<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	15,513	11,931	4,248	809	47,875	80,376
Inter-segment sales	883	80	58	-	60	1,081
Total revenue	<u>16,396</u>	<u>12,011</u>	<u>4,306</u>	<u>809</u>	<u>47,935</u>	<u>81,457</u>

Segment Results

Operating profit/(loss)	2,360	94	341	(162)	11,064	13,697
Interest income						171
Finance cost						(243)
Share of results in associates						12
Profit before taxation						<u>13,637</u>

**Current Year-to-date
31 December 2017**

<u>Segment Revenue</u>						
External sales	55,646	50,276	17,494	1,732	171,432	296,580
Inter-segment sales	1,820	152	58	-	257	2,287
Total revenue	<u>57,466</u>	<u>50,428</u>	<u>17,552</u>	<u>1,732</u>	<u>171,689</u>	<u>298,867</u>



FRONTKEN CORPORATION BERHAD

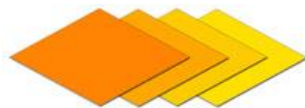
(Co. No. 651020-T)

(Incorporated in Malaysia)

**Current Year-to-date
31 December 2017**

	Singapore	Malaysia	Philippines	Indonesia	Taiwan	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Segment Results</u>							
Operating profit/(loss)	4,402	638	2,575	(1,399)	40,069	-	46,285
Interest income							845
Finance cost							(931)
Share of results in associates							(51)
Profit before taxation							<u>46,148</u>
<u>Assets</u>							
Non-current assets							
- Property, plant and equipment	31,319	22,568	3,074	2,877	90,208	-	150,046
- Investment in an associate	1,963	-	-	-	-	-	1,963
- Deferred tax assets	-	-	-	-	1,681	-	1,681
- Goodwill	-	33,761	-	-	-	-	33,761
- Others	-	1,256	-	-	-	-	1,256
Current assets	90,709	13,829	16,695	1,279	120,280	(407)	<u>242,385</u>
Consolidated total assets							<u>431,092</u>
<u>Liabilities</u>							
Tax liabilities	2,061	519	14	-	5,834	-	8,428
Segment liabilities	30,110	36,042	6,624	9,922	74,107	(40,114)	<u>116,691</u>
Consolidated total liabilities							<u>125,119</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)

A9. Profit before tax

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

	Current Quarter 31 Dec 2017 RM'000	Current Year-to-date 31 Dec 2017 RM'000
Interest income	171	845
Gain on disposal of property, plant and equipment	1	11
Writeback of allowance for impairment losses	56	60
Foreign exchange loss	(735)	(3,705)
Allowance for impairment losses on receivables	(8)	(71)
Allowance for impairment loss on plant and equipment	(50)	(50)
Interest expense	(243)	(931)
Inventories written off	(82)	(137)
Plant and equipment written off	(63)	(507)
Depreciation of property, plant and equipment	<u>(4,699)</u>	<u>(18,471)</u>

A10. Valuation of property, plant and equipment

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

A11. Material events subsequent to the end of the quarter

Saved as disclosed below, there were no material events subsequent to the end of the current quarter under review up to the date of this report.

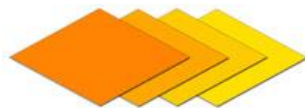
In the month of January and February 2018, the Company acquired 1,313,116 ordinary shares of NT\$10 each representing 3.85% of the issued and paid-up share capital of Ares Green Technology Corporation ("AGTC") for a total cash consideration of NT\$39,393,480 (equivalent to RM5,490,244). Following the acquisition, the Group's interest in AGTC increased to 88.50%.

A12. Changes in the composition of the Group

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

A13. Contingent liabilities

As at 31 December 2017, 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)

A14. Cash and cash equivalents

	As at 31 Dec 2017
	RM'000
Cash at bank	119,238
Cash on hand	76
Fixed deposits	7,749
Short-term investments	3,508
Bank overdraft	(5,182)
	<hr/> 125,389
Less: Fixed deposits pledged with banks	(3,136)
Less: Fixed deposits with maturity period more than 3 months	(2,000)
	<hr/> <hr/> 120,253

A15. Significant related party transactions

	Current Quarter 31 Dec 2017	Current Year-to-date 31 Dec 2017
	RM'000	RM'000
Sales to AMT	16	51
Sales to TTM	18	47
Purchase from AMT	-	2
Purchase from TTM	13	75
Rental payable to AMT	36	144

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	TTES	TTES Frontken Integrated Services Sdn. Bhd.
TTM	Tenaga-Tech (M) Sdn Bhd		

A16. Capital commitments

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

	As at 31 Dec 2017
	RM'000
Plant and equipment	<hr/> 694 <hr/>



FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)

(Incorporated in Malaysia)

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Analysis of performance

Current quarter's performance against the quarter ended 31 December 2016

The Group's revenue for the current quarter ended 31 December 2017 increased by approximately RM4.8 million (6.3%) compared to the preceding year corresponding quarter.

The semi-conductor industry continued to see sustained growth in the current quarter based on the recent worldwide sales report of semi-conductors released by Semiconductor Industry Association (SIA). The global semiconductor industry reached another key milestone in November 2017, notching its highest-ever monthly sales, and appears poised to reach USD400billion in annual sales for the first time, according to SIA.

As a result of the growth momentum of the semi-conductor business, the Group's subsidiaries in Taiwan and Singapore achieved an improved business performance of 30.1% and 0.6% respectively compared to the preceding year corresponding quarter. However, continued slowdown in the oil and gas sector resulted in a drop in business for the Group's subsidiaries engaged in that industry in Malaysia, Singapore and Indonesia. Slowdown in our customers' business in solar industry also resulted in a drop of business for the Group's subsidiary in the Philippines.

The Group's profit before tax of RM13.6 million for the current quarter was RM0.4 million or 3.0% lower than the corresponding quarter's RM14.1 million. The lower profit was mainly due to foreign currency exchange loss of RM0.7 million in current quarter as compared to foreign exchange gain of RM3.5 million in the preceding year corresponding quarter despite improved performances by the Group's subsidiaries in Taiwan and Singapore. If we were to exclude the foreign exchange impact, the current quarter's performance would have been 36% better than the preceding quarter.

Current 12 months period's performance against the 12 months period ended 31 December 2016

The Group's revenue of RM296.6 million for the current year ended 31 December 2017 ("FY2017") was RM34.7 million (13.3%) higher than that achieved in the preceding year corresponding period. The improvement was mainly due to better performances from the Group's subsidiaries in Taiwan and Singapore due to the positive growth of the semi-conductor business. Year-to-date revenue for 12 months ended 31 December 2017 from our subsidiaries in Taiwan and Singapore rose 33.8% and 24.7% respectively compared to the preceding year corresponding period.

Against the same period last year, the profit before tax for the Group increased by approximately RM12.8 million (38.4%) as a result of improved revenue and profit margin. Vigilance in our cost management and continual efforts to explore ways to improve our efficiency drove the Group to achieve a better profit margin despite a lower percentage of revenue growth achieved.



FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)

(Incorporated in Malaysia)

B2. Comparison with immediate preceding quarter

	4th Quarter 31 Dec 2017	3rd Quarter 30 Sept 2017	Changes
	RM'000	RM'000	RM'000 (%)
Revenue	80,376	78,617	1,759 (2%)
Profit before tax	13,637	12,921	716 (6%)
Profit after tax	11,262	10,789	473 (4%)
Profit attributable to owners of the Company	9,827	9,185	642 (7%)

The Group's revenue was 2.2% or approximately RM1.8 million higher during the current quarter as compared to the immediate preceding quarter. This was mainly due to improved business performance for the Group's subsidiaries in Taiwan and Singapore.

The Group's improved unaudited profit before tax for the current quarter was mainly attributable to higher revenue in view of the continued growth in the Semiconductor Industry.

B3. Prospects

The World Bank estimated that the global economy growth reached 3% in 2017, the strongest pace since 2011 and a notable recovery from a post-crisis low of 2.4% in 2016. While global upswing in economic activity is strengthening, growth remains weak in many countries, and inflation is below target in most advanced economies. The World Bank forecasts global economic growth to edge up to 3.1% in 2018 after a much stronger-than-expected 2017, as the recovery in investment, manufacturing, and trade continues, and as commodity-exporting developing economies benefit from firming commodity prices.

In 2017, the Group achieved a remarkable performance with a historical high profit after tax of RM36.2 million, mainly attributable to the strong performance from the Group's subsidiaries in Taiwan and Singapore engaged in the Semiconductor industry.

The improvement in business and operating performance augur well with us as the global economy is expected to fare better in 2018 compared to 2017, particularly for the semiconductor industry where its growth in 2017 were driven by increasing memory chips prices, a boost in cryptocurrency, increasing adoption of GPUs (graphics processing units) by data centers and cloud companies for AI (artificial intelligence) tasks, and the growing popularity of e-sports. World Semiconductor Trade Statistic (WSTS) expects that the Semiconductor industry may not be able to replicate the double-digit growth it saw in 2017 but it could continue to grow with a global semiconductor revenue to rise 7% year-over-year in 2018. The Group therefore anticipates that the overall business conditions in 2018 will continue to be challenging amidst uncertainties such as the future trade policy of the United States as well as the economic performance of Europe and China.

Overall, the Group is pleased with the performances of its subsidiaries in Taiwan, Singapore and Philippines during this year and continue to be optimistic that they will contribute positively to the Group's earnings in 2018.



FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)

(Incorporated in Malaysia)

However, our non-semiconductor services business in Malaysia and Singapore will continue to be challenging in light of the higher operating costs and business slowdown in those markets. We remain concerned that the overall operations in Indonesia will continue to be impacted by the oil and gas downturn, coupled with lower than expected GDP growth and weakened consumer spending. However, barring any unforeseen circumstances, we are cautiously optimistic that our oil and gas divisions will fare better in 2018.

B4. Variance in profit forecast

Not applicable as no profit forecast or profit guarantee has been announced or disclosed in a public document previously.

B5. Taxation

	Current Quarter 31 Dec 2017	Current Year-to-date 31 Dec 2017
	RM'000	RM'000
Income tax	2,630	10,349
Deferred tax	(255)	(610)
	<u>2,375</u>	<u>9,739</u>

The Group's effective tax rate for the period under review is lower than the statutory tax rate principally due to relatively lower statutory tax rate of overseas subsidiaries.

B6. Status of corporate proposals

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



FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)

(Incorporated in Malaysia)

B7. Group borrowings

As at 31 December 2017, the Group's borrowings were denominated in the following currencies:

	As at 31 Dec 2017		As at 31 Dec 2016	
	Foreign currencies RM'000	RM'000	Foreign currencies RM'000	RM'000
Short term				
<u>Secured</u>				
Bank overdrafts				
- Singapore Dollar	5,182	5,182	-	-
Hire purchase creditors				
- Singapore Dollar	74	74	130	130
- Ringgit Malaysia	-	108	-	119
Term loans				
- Singapore Dollar	1,689	1,689	1,723	1,723
- New Taiwan Dollar	563	563	-	-
- Ringgit Malaysia	-	2,038	-	2,091
Money market security				
- Singapore Dollar	12,461	12,461	4,652	4,652
		<u>22,115</u>		<u>8,715</u>
Long term				
<u>Secured</u>				
Hire purchase creditors				
- Singapore Dollar	-	-	80	80
- Ringgit Malaysia	-	166	-	274
Term loans				
- Singapore Dollar	2,532	2,532	4,308	4,308
- New Taiwan Dollar	9,015	9,015	13,915	13,915
- Ringgit Malaysia	-	-	-	2,038
		<u>33,828</u>		<u>29,330</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
As at 31 Dec 2017			
<u>Currency</u>			
Singapore Dollar	19,406	2,532	21,938
New Taiwan Dollar	563	9,015	9,578
	<u>19,969</u>	<u>11,547</u>	<u>31,516</u>
As at 31 Dec 2016			
<u>Currency</u>			
Singapore Dollar	6,505	4,388	10,893
New Taiwan Dollar	-	13,915	13,915
	<u>6,505</u>	<u>18,303</u>	<u>24,808</u>



FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)

(Incorporated in Malaysia)

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 19 February 2018.

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 in issue.

	Current Quarter	Preceding Corres- ponding Quarter	Current Year-to- date	Preceding Corres- ponding Year-to- date
Profit attributable to owners of the Company (RM'000)	9,827	10,868	29,858	20,040
Number of shares in issue ('000)	1,053,435	1,053,435	1,053,435	1,053,435
Effects of: Treasury shares acquired ('000)	(5,467)	(5,532)	(5,467)	(5,301)
Weighted average number of shares in issue ('000)	1,047,968	1,047,903	1,047,968	1,048,134
Basic EPS (sen)	0.94	1.04	2.85	1.91

b) Diluted EPS

The Group has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

B10. Dividends

During the financial year ended 31 December 2017, the Company paid the following dividend:

Interim single tier dividend on 4 October 2017, in respect of the financial year ending 31 December 2017, of 0.5 sen per share on 1,047,968,530 ordinary shares amounting to RM5,239,843.



FRONTKEN CORPORATION BERHAD
(Co. No. 651020-T)
(Incorporated in Malaysia)

By Order of the Board
Frontken Corporation Berhad

Ng Wai Pin
Chairman / Managing Director
26 February 2018