



FRONTKEN CORPORATION BERHAD

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2017 (The figures have not been audited)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31 Mar 2017 RM '000	Preceding Year Corresponding Quarter 31 Mar 2016 RM '000	Current Year To-date 31 Mar 2017 RM '000	Preceding Year Corresponding Period 31 Mar 2016 RM '000
Revenue	67,057	58,788	67,057	58,788
Operating expenses	(54,302)	(54,348)	(54,302)	(54,348)
Profit before depreciation and finance costs	12,755	4,440	12,755	4,440
Depreciation	(4,445)	(4,266)	(4,445)	(4,266)
Finance costs	(205)	(325)	(205)	(325)
Other operating income	1,232	2,040	1,232	2,040
Share of results of associated companies	(14)	(6)	(14)	(6)
Profit before tax	9,323	1,883	9,323	1,883
Taxation	(2,851)	(1,824)	(2,851)	(1,824)
Profit after tax	6,472	59	6,472	59
Other comprehensive expenses:				
Foreign currency translation	7,042	(9,196)	7,042	(9,196)
Total comprehensive income for the period	13,514	(9,137)	13,514	(9,137)
Profit/(loss) after tax attributable to :				
Owners of the Company	5,022	(1,239)	5,022	(1,239)
Non-controlling interests	1,450	1,298	1,450	1,298
Profit for the period	6,472	59	6,472	59
Total comprehensive income attributable to:				
Owners of the Company	10,621	(8,368)	10,621	(8,368)
Non-controlling interests	2,893	(769)	2,893	(769)
Total comprehensive income for the period	13,514	(9,137)	13,514	(9,137)
Earnings/(loss) per share attributable to equity holders of the company :				
Basic (sen)	0.48	(0.12)	0.48	(0.12)

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 31 March 2016.



FRONTKEN CORPORATION BERHAD

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017 (The figures have not been audited)

	Unaudited 31 Mar 2017 RM'000	Audited 31 Dec 2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	158,194	152,066
Investment in an associate	2,072	1,999
Goodwill on consolidation	33,761	33,761
Deferred tax assets	1,678	1,603
Fixed deposits with licensed banks	2,164	1,146
Total non-current assets	<u>197,869</u>	<u>190,575</u>
Current assets		
Inventories	12,797	10,976
Trade receivables	89,962	96,146
Other receivables, deposits and prepaid expenses	7,081	5,052
Amount owing by an associate	1,391	1,363
Current tax assets	1,125	1,182
Short-term investments	6,805	8,996
Fixed deposits with licensed banks	8,974	4,726
Cash and bank balances	98,802	88,746
Total current assets	<u>226,937</u>	<u>217,187</u>
Total assets	<u>424,806</u>	<u>407,762</u>
EQUITY AND LIABILITIES		
Capital and reserve		
Issued capital	118,925	105,344
Reserves	43,548	51,530
Retained earnings	109,758	104,736
Equity attributable to owners of the Company	<u>272,231</u>	<u>261,610</u>
Non-controlling interests	36,692	33,799
Total equity	<u>308,923</u>	<u>295,409</u>
Non-current liabilities		
Bank borrowings	20,018	20,260
Hire-purchase payables	306	354
Other payables	3,248	3,134
Deferred tax liabilities	1,666	1,672
Total non-current liabilities	<u>25,238</u>	<u>25,420</u>
Current liabilities		
Trade payables	18,437	20,827
Other payables and accrued expenses	51,030	52,427
Bank overdrafts	755	-
Bank borrowings	13,067	8,466
Hire purchase payable	236	249
Current tax liabilities	7,120	4,964
Total current liabilities	<u>90,645</u>	<u>86,933</u>
Total liabilities	<u>115,883</u>	<u>112,353</u>
Total equity and liabilities	<u>424,806</u>	<u>407,762</u>
Net assets per share attributable to owners of the parents (RM)	0.26	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 FIRST QUARTER ENDED 31 MARCH 2017

(The figures have not been audited)

	Non-distributable					Distributable			
	Share capital	Share premium	Treasury shares	Foreign currency translation 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
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:									
Foreign currency translation	-	-	-	5,599	-	-	5,599	1,443	7,042
Profit for the period	-	-	-	-	-	5,022	5,022	1,450	6,472
Total comprehensive income for the period	-	-	-	5,599	-	5,022	10,621	2,893	13,514
Effect from adoption of Companies Act 2016	13,582	(13,582)	-	-	-	-	-	-	-
Balance as of 31 March 2017	118,925	-	(663)	40,303	3,908	109,758	272,231	36,692	308,923

CORRESPONDING PERIOD CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2016

	Non-distributable					Distributable			
	Share capital	Share premium	Treasury shares	Foreign currency translation 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
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:									
Foreign currency translation	-	-	-	(7,129)	-	-	(7,129)	(2,067)	(9,196)
Profit for the period	-	-	-	-	-	(1,239)	(1,239)	1,298	59
Total comprehensive income for the period	-	-	-	(7,129)	-	(1,239)	(8,368)	(769)	(9,137)
Purchase of treasury shares	-	-	(34)	-	-	-	(34)	-	(34)
Changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	-	-	17	17	(2,456)	(2,439)
Balance as of 31 March 2016	105,343	13,582	(633)	22,498	2,467	84,913	228,170	31,459	259,629

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 FIRST QUARTER ENDED 31 MARCH 2017

(The figures have not been audited)

	CUMULATIVE QUARTER	
	Current Period To Date	Preceding Corresponding Period
	31 Mar 2017	31 Mar 2016
	RM'000	RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES		
Profit before tax	9,323	1,883
Adjustments for:		
Depreciation of property, plant and equipment	4,445	4,266
Interest expense	205	325
Unrealised loss on foreign exchange	1,969	2,860
Interest income	(216)	(159)
Loss on disposal of property, plant and equipment	-	45
Writeback of allowance for impairment losses on trade receivables	-	(1)
Allowance for impairment losses on receivables	10	25
Share of results of associates	14	6
Operating profit before working capital changes	15,750	9,250
Inventories	(1,584)	197
Trade receivables	8,368	2,076
Other receivables, deposits and prepaid expenses	(1,980)	62
Amount owing by an associate	-	(1)
Trade payables	(2,957)	(10,272)
Other payables and accrued expenses	(3,070)	(3,206)
Cash generated from operations	14,527	(1,894)
Taxes paid	(927)	(796)
Net cash from/(for) operating activities	13,600	(2,690)
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	216	159
Additional investment/acquisition of subsidiaries	-	(2,439)
Purchase of property, plant and equipment	(5,917)	(5,264)
Short-term investment	2,290	-
Proceeds from disposal of property, plant and equipment	-	1
Net placement of fixed deposits with licensed banks	(829)	(23)
Net cash for investing activities	(4,240)	(7,566)



FRONTKEN CORPORATION BERHAD

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

	CUMULATIVE QUARTER	
	Current Period To Date	Preceding Corresponding Period
	31 Mar 2017 RM'000	31 Mar 2016 RM'000
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES		
Interest paid	(205)	(325)
Dividend paid by a subsidiary to non-controlling interests	(358)	-
Drawdown of term loans	4,434	2,234
Repayment of term loans	(951)	(6,501)
Payment of hire purchase payables	(67)	(295)
Treasury shares acquired	-	(34)
Net cash from/(for) financing activities	2,853	(4,921)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	12,213	(15,177)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	98,068	105,117
EFFECT OF EXCHANGE DIFFERENCES	1,577	(5,013)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u>111,858</u>	<u>84,927</u>
THE CASH AND CASH EQUIVALENTS COMPRISE:		
Cash and bank balances	98,802	76,253
Fixed deposits with licensed banks	11,138	13,357
Short-term investments	6,805	-
Bank overdraft	(755)	-
	<u>115,990</u>	<u>89,610</u>
Less: Fixed deposits pledged with banks	(4,034)	(4,683)
Less: Fixed deposits with maturity more than 3 months	(98)	-
Cash and cash equivalents	<u>111,858</u>	<u>84,927</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 31 March 2016.



FRONTKEN CORPORATION BERHAD

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 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. Realised and Unrealised Profits or Losses

	As at 31 Mar 2017 RM'000	As at 31 Mar 2016 RM'000
Total retained profits of FCB and its subsidiaries		
- Realised	133,772	108,649
- Unrealised	963	177
	134,735	108,826
Total share of retained profits from associated company		
- Realised	243	360
Less: Consolidation adjustments	(25,220)	(24,273)
Total Group retained profits	109,758	84,913

A3. 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.

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

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 March 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.

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 31 March 2017 are set out below. Revenue and results by geographical sales were based on the location of the Group's subsidiaries.

**Current Quarter
31 March 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	13,263	13,441	4,796	168	35,389	67,057
Inter-segment sales	426	3	-	-	55	484
Total revenue	<u>13,689</u>	<u>13,444</u>	<u>4,796</u>	<u>168</u>	<u>35,444</u>	<u>67,541</u>

Segment Results

Operating profit/(loss)	221	1,530	889	(478)	7,164	9,326
Interest income						216
Finance cost						(205)
Share of results in associates						(14)
Profit before taxation						<u>9,323</u>

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

<u>Segment Revenue</u>						
External sales	13,263	13,441	4,796	168	35,389	67,057
Inter-segment sales	426	3	-	-	55	484
Total revenue	<u>13,689</u>	<u>13,444</u>	<u>4,796</u>	<u>168</u>	<u>35,444</u>	<u>67,541</u>



FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)

(Incorporated in Malaysia)

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

	Singapore	Malaysia	Philippines	Indonesia	Taiwan	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Segment Results</u>						
Operating profit/(loss)	221	1,530	889	(478)	7,164	9,326
Interest income						216
Finance cost						(205)
Share of results in associates						(14)
Profit before taxation						<u>9,323</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 31 Mar 2017 RM'000	Current Year-to-date 31 Mar 2017 RM'000
Interest income	216	216
Foreign exchange loss	(1,712)	(1,712)
Allowance for impairment losses on receivables	(10)	(10)
Interest expense	(205)	(205)
Depreciation of property, plant and equipment	<u>(4,445)</u>	<u>(4,445)</u>

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 March 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)

A15. Cash and cash equivalents

	As at 31 Mar 2017 RM'000
Cash at bank	98,714
Cash on hand	88
Fixed deposits	11,138
Short-term investments	6,805
Bank overdraft	(755)
	<u>115,990</u>
Less: Fixed deposits pledged with banks	(4,034)
Less: Fixed deposits with maturity more than 3 months	(98)
	<u><u>111,858</u></u>

A16. Significant related party transactions

	Current Quarter 31 Mar 2017 RM'000	Current Year-to-date 31 Mar 2017 RM'000
Sales to AMT	9	9
Sales to TTM	4	4
Purchase from TTM	19	19
Rental payable to AMT	36	36

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		

A17. Capital commitments

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

	As at 31 Mar 2017 RM'000
Plant and equipment	<u>5,687</u>



FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)

(Incorporated in Malaysia)

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Analysis of performance

The Group's revenue for the current quarter ended 31 March 2017 increased by approximately RM8.3 million (14.1%) compared to the preceding year corresponding period. The Group's subsidiary in Taiwan and Singapore achieved an improved business performance largely due to the positive growth of the semi-conductor business in the current quarter. The subsidiary in the Philippines also recorded a better performance mainly due to our expanding business portfolio. However, slowdown in our customers' business 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.

Against the same period last year, the profit before tax increased by approximately RM7.4 million (395.1%) as a result of improved revenue and lower operating expenses.

B2. Comparison with immediate preceding quarter

	1st Quarter 31 Mar 2017	4th Quarter 31 Dec 2016
	RM'000	RM'000
Revenue	67,057	75,616
Profit before tax	9,323	14,051

The Group's revenue was 11.3% or approximately RM8.6 million lower during the current quarter as compared to the immediate preceding quarter. Historically, the Group's Q1 revenue was always lower due to the shorter business period as a result of holidays and Q4 tend to be our busier quarter due to ramp up in our customers' business.

Lower Group's unaudited profit before tax for the current quarter was mainly due to lower revenue and foreign exchange loss of RM1.7 million compared to a foreign exchange gain of RM3.4 million during the immediate preceding quarter. If we were to remove the foreign exchange losses and gains from the respective results, Q1 would have been better than Q4 of 2016.

B3. Prospects

The Group recorded an improved first quarter results compared to the preceding year corresponding period. The improvement in business and operating performance augur well with us as the global economy is expected to fare better in 2017 compared to 2016, particularly for the semi-conductor industry. The Group anticipates that the overall business conditions this year 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.

While the Group anticipates that the overall business conditions in the remaining three quarters of the current financial year to remain challenging, the Group is cautiously optimistic that its performance for the remaining months will be satisfactory.

The Group will also continue to be vigilant in its cost management and continually explore ways to improve on its efficiency. The Group's priority will be to continue to focus its attention on the quality of its services and efficiencies so as to maintain its competitiveness.



FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)

(Incorporated in Malaysia)

We are pleased with the performance of our Malaysia, Taiwan and Philippines subsidiaries during the quarter and continue to be optimistic that they will contribute positively to the Group's earnings in 2017. However, the engineering services business in Singapore will continue to be challenging in light of the higher operating costs and business slowdown in that market.

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 Mar 2017	Current Year-to-date 31 Mar 2017
	RM'000	RM'000
Income tax	2,886	2,886
Deferred tax	(35)	(35)
	<u>2,851</u>	<u>2,851</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 March 2017 are as follows:

	Short-term	Long-term	Total
	RM'000	RM'000	RM'000
<u>Secured</u>			
Bank overdrafts	755	-	755
Hire purchase creditors	236	306	542
Term loans	13,067	20,018	33,085
	<u>14,058</u>	<u>20,324</u>	<u>34,382</u>

The Group's borrowings that are not denominated in functional currency are as follows:

	Short-term	Long-term	Total
	RM'000	RM'000	RM'000
<u>Currency</u>			
Singapore Dollar	11,821	4,016	15,837
New Taiwan Dollar	-	14,566	14,566
	<u>11,821</u>	<u>18,582</u>	<u>30,403</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 16 May 2017.

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/(Loss) attributable to owners of the Company (RM'000)	5,022	(1,239)	5,022	(1,239)
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)	(5,137)	(5,467)	(5,137)
Weighted average number of shares in issue ('000)	1,047,968	1,048,298	1,047,968	1,048,298
Basic EPS (sen)	0.48	(0.12)	0.48	(0.12)

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.



FRONTKEN CORPORATION BERHAD

(Co. No. 651020-T)

(Incorporated in Malaysia)

B10. Dividends

No dividend has been declared for the current quarter ended 31 March 2017.

By Order of the Board
Frontken Corporation Berhad

Ng Wai Pin
Chairman / Managing Director
23 May 2017