www.frontken.com

Frontken Corporation Berhad (651020-T)

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Singapore | Malaysia | Indonesia | Philippines | Thailand | China | Taiwan

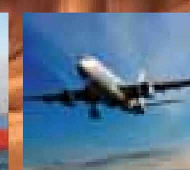
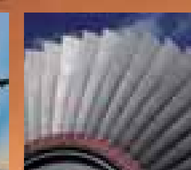
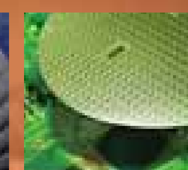
Oil & Gas | Marine | Power Generation | Semiconductors | Display & Storage Media | Aerospace & Others

Frontken Corporation Berhad (651020-T)

Annual Report 2010 | Gaining New Grounds - Raising Boundaries

Annual Report 2010



Gaining New Grounds

Transcending Boundaries

Frontken Corporation Berhad
(651020-T)

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Cover Rationale

Having set the stage for reinforcing and expanding our leading position in the region, we are now taking the next step to synergise our various business units and harness our regional platform. With a strong base of resources, a pipeline of growth businesses and a reputation for innovative applications of technology, we will continue to pursue avenues for gaining new grounds in our business, and focus our Group around its core competitive strengths.

Corporate Information

BOARD OF DIRECTORS

Wong Hua Choon
Executive Chairman / Managing Director

Dr Tay Kiang Meng
Executive Director / Chief Scientist

Ng Wai Pin
Senior Independent Non-Executive Director

Dato' Ibrahim Bin Mahmud
Non-Independent Non-Executive Director

Dato' Haji Johar Bin Murat @ Murad
Independent Non-Executive Director

Aaron Sim Kwee Lein
Independent Non-Executive Director

AUDIT COMMITTEE
Ng Wai Pin (Chairman)
Dato' Haji Johar Bin Murat @ Murad
Aaron Sim Kwee Lein

NOMINATION COMMITTEE
Ng Wai Pin (Chairman)
Dato' Haji Johar Bin Murat @ Murad
Aaron Sim Kwee Lein

REMUNERATION COMMITTEE
Ng Wai Pin (Chairman)
Dato' Haji Johar Bin Murat @ Murad
Wong Hua Choon

COMPANY SECRETARIES
Mah Li Chen (MAICSA 7022751)
Cynthia Gloria Louis (MAICSA 7008306)
Chew Mei Ling (MAICSA 7019175)

REGISTERED OFFICE
17-2, Jalan Solaris 3
Solaris Mont' Kiara
50480 Kuala Lumpur
Tel: (03) 7880 9699
Fax: (03) 7880 8699

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46350 Petaling Jaya, Selangor
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Email: fcb@frontken.com
Website: www.frontken.com

SHARE REGISTRAR
Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Tel: (03) 2264 3883
Fax: (03) 2282 1886

AUDITORS
Crowe Horwath (AF 1018)
Chartered Accountants
Level 16 Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel: (03) 2166 0000
Fax: (03) 2166 1000

STOCK EXCHANGE LISTING
Main Market of Bursa Malaysia Securities Berhad
Stock Code: FRONTKN
Stock No: 0128
Reuters Code: 0128.KL
Bloomberg Code: FRCB MK

Corporate Structure (as at 24 May 2011)

Frontken Corporation Berhad
(651020-T)

- 100% Frontken Malaysia Sdn Bhd
  - 100% Frontken (East Malaysia) Sdn Bhd
  - 100% Frontken (Johor) Sdn Bhd
  - 60.1% Frontken Petroleum Sdn Bhd
  - 30% Frontken BumiMaju Sdn Bhd
- 100% Frontken (Singapore) Pte Ltd
  - 100% Metall-Treat Industries Pte Ltd
  - 100% Frontship Pte Ltd
  - 51% Frontken Projects Pte Ltd *(formerly known as Giga Projects Pte Ltd)*
  - 99.9% Frontken Philippines Inc
  - 49% Frontken (Thailand) Co. Ltd
  - 20% Chinyee Engineering & Machinery Pte Ltd
- 95% PT Frontken Indonesia
- 50% Frontken MIC Co. Limited
  - 100% Frontken-MIC (Wuxi) Co., Ltd
- 100% Frontken Technology Corporation
  - 23.1% Ares Green Technology Corporation
- 27.5% Ares Green Technology Corporation
  - 100% Ares Green International Corporation

Our Vision

To be a continuing improving leader in performance excellence in advanced surface metamorphosis engineering and technology.

Our Mission

To delight our customers with complete satisfaction which includes not only the most competitive price and fastest delivery time but also the highest technical performance and reliability for all our services and products.

OUR PROFILE

Frontken Corporation Berhad, listed on the Main Market of Bursa Malaysia Securities Berhad, has since inception in 1996, established itself as a leading service provider of surface metamorphosis engineering in the Asia Pacific region. The Group's comprehensive range of services increases the efficiency and extends the lifespan of machinery and equipment, therefore improving the customer's cost effectiveness in machinery operation and maintenance.

The Group utilises numerous thermal spray coating methods to improve the operational efficiency of various turnkey industries, including the oil and gas, power generation, semiconductor and electronics manufacturing sectors. The Group also undertakes research and development in advanced materials and surface engineering technology to produce new and improved coatings for use in the protection against material degradation and to improve the productivity of industrial processes.

To date, the Group's customer portfolio comprises key players in the oil and gas, power generation, petrochemical and semiconductor industries in Singapore, Malaysia and other countries such as the Philippines, Indonesia, China, Thailand, Myanmar, Vietnam, Taiwan, Japan and Germany.

The Group, together with its associates, has established a significant presence in Singapore, Malaysia, Taiwan, China, Thailand, Philippines and Indonesia. Furthermore, over the years, the Group has established an international network of representatives – spanning from Brunei, Myanmar to Nigeria and Pakistan – to market the Group's specialized services worldwide.

Our Services

Mechanical Restoration & Overhaul

Assessment, assembly, balancing, recovery and upgrading works on industrial rotating/non-rotating equipment such as pumps, valves, turbines and compressors, diesel engines and generators, motors and more.

Coating, Hardfacing & Plating

Protection, lifetime extension, performance and efficiency improvements via advanced surface engineering technologies such as thermal spray coating, PTA overlay, electroless plating and dry-film lubrication.

Precision Manufacturing

Quality fabrication and mass-production via aerospace standard manufacturing facility. Complementary activities include re-engineering, prototyping, assembly and integration.

Machining & Grinding

Comprehensive range of large capacity machining lathes for turning, boring and grinding of huge cylindrical components such as crankshafts and piston rods.

Plant Engineering & Construction

Structural, mechanical and piping, electrical, instrumentation and control, equipment maintenance and overhaul, testing and commissioning for process and chemical facilities.

Precision Cleaning

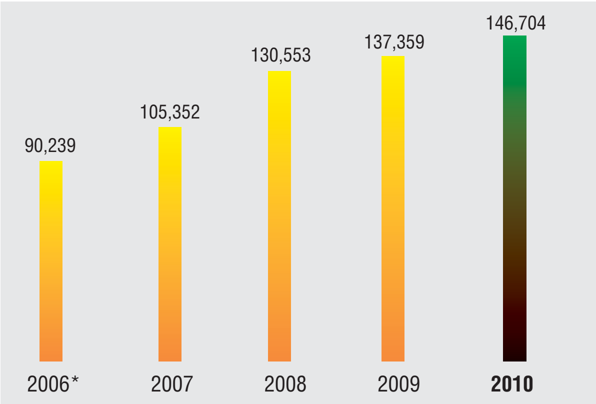
Decontamination of newly manufactured parts, routine recycling and kit management of semiconductor manufacturing components.

Green Technology & Outdoor Media

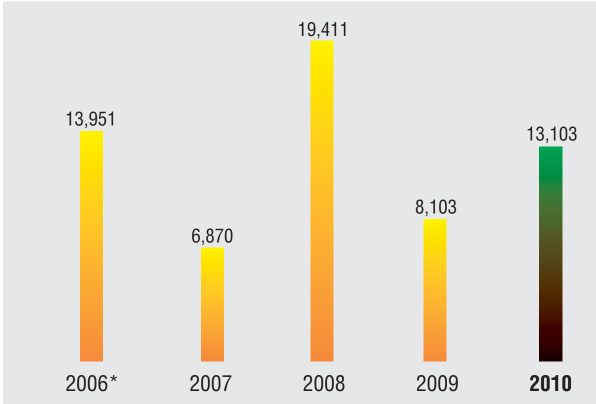
Energy sustenance and conservation technologies such as LED lightings, displays panels, solar panels and outdoor media.

Financial Highlights

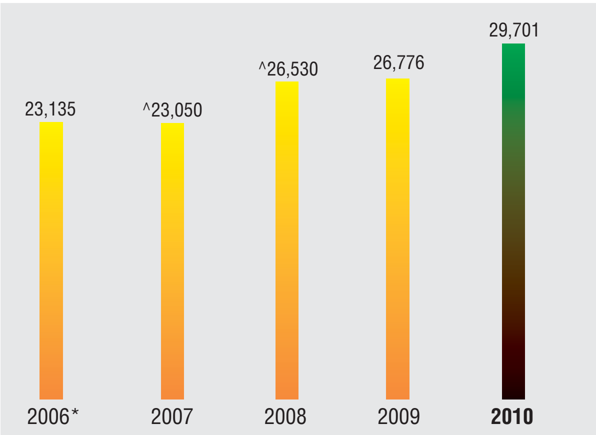
Revenue (RM'000)



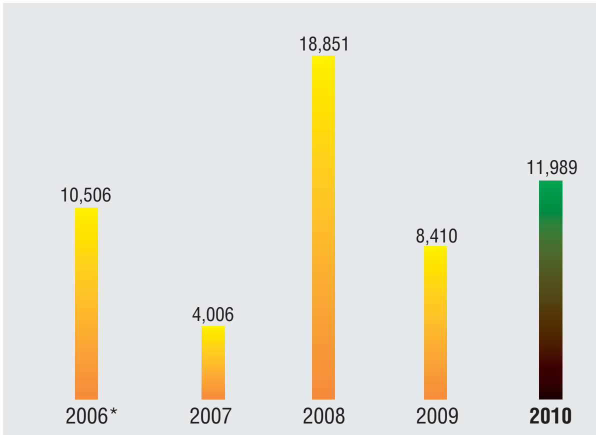
PBT (RM'000)



EBITDA# (RM'000)



Net Profit (RM'000)



* Proforma
\# EBITDA: Earnings before interest, tax, depreciation and amortisation
^ EBITDA for FY2007 and FY2008 had been adjusted for one-off income / expenses from fire and flood incidents in 2007

Segmental Revenue – By Customer Location (RM'000)

	Proforma 2006	Audited 2007	Audited 2008	Audited 2009	Audited 2010
Singapore	56,084	49,966	59,409	56,494	66,501
Malaysia	33,167	52,010	61,293	74,532	68,966
Others	988	3,376	9,851	6,333	11,237
	90,239	105,352	130,553	137,359	146,704

Segmental Revenue – By Industry (RM'000)

	Proforma 2006	Audited 2007	Audited 2008	Audited 2009	Audited 2010
Oil & Gas	21,109	32,092	48,686	43,639	39,336
Power Generation	13,455	20,104	15,533	22,208	33,528
Semiconductor	31,002	35,437	42,819	45,426	38,887
General*	24,673	17,719	23,515	26,086	34,953
	90,239	105,352	130,553	137,359	146,704

* Comprises aerospace, marine, steel, cement, wood processing, pulp & paper, printing, agriculture, industrial manufacturing, food, construction and other sectors

Financial Highlights (cont'd)

Summarised Group Balance Sheets

As at 31 Dec (RM'000)	2009	2010
Non-Current Assets	168,234	211,563
Current Assets	66,762	121,628
Total Assets	234,996	333,191
Share Capital	72,243	101,141
Reserves	63,105	75,102
Shareholders' Equity	135,348	176,243
Minority Interests	182	25,902
Total Equity	135,530	202,145
Non-Current Liabilities	43,651	62,572
Current Liabilities	55,815	68,474
Total Liabilities	99,466	131,046
Total Equity and Liabilities	234,996	333,191

Summarised Group Cash Flows

As at 31 Dec (RM'000)	2009	2010
Net Cash Flows From Operating Activities	23,278	20,919
Net Cash Flows Used in Investing Activities	(2,085)	(23,487)
Net Cash Flows (Used in)/From Financing Activities	(16,869)	25,217
Net Increase in Cash and Cash Equivalents	4,324	22,649
Effect of exchange differences	282	134
Cash and Cash Equivalents at Beginning of Year	5,581	10,187
Cash and Cash Equivalents at End of Year	10,187	32,970

Financial Analysis

(RM'000)	2006	2007	2008	2009	2010
Turnover growth	41.3%	16.7%	23.9%	5.2%	6.8%
Profit Before Tax Growth	39.0%	-50.8%	182.6%	-58.3%	61.7%
Net Profit Growth	32.8%	-61.9%	370.6%	-55.4%	42.6%
Operating Profit Margin	21.2%	18.4%	22.1%	12.8%	16.9%
Pre-tax Profit Margin	15.5%	6.5%	14.9%	5.9%	8.9%
Net Profit Margin	11.6%	3.8%	14.4%	6.1%	8.2%
Gearing Ratio (Net of cash) (times)	0.1	0.6	0.5	0.4	0.3
Return on Average Shareholders' Equity	16.5%	4.5%	17.2%	6.5%	7.7%
Return on Average Total Assets	9.1%	2.3%	8.4%	3.5%	4.2%
Earnings Per Share (Sen)					
- Basic	*3.2	#0.6	#2.7	1.2	^1.3
- Diluted	n/a	n/a	n/a	n/a	1.0

* Computed based on proforma earnings

\# Computed based on weighted average number of shares which had been adjusted to incorporate the effect of the bonus issue implemented in 2008

^ Computed based on weighted average number of shares which had been adjusted to incorporate the effect of the rights issue implemented in 2010

A Word from the Chairman

Dear Shareholders,

Fiscal 2010 was an outstanding year for Frontken. With the world economy recovering from the financial crisis, all our business divisions made commendable contributions to our sales and profits. The basis for the success over this past year, I am pleased to say, was the consistent application of our focused strategy and affirmation of our business approach, coupled with the tremendous expertise and enduring strengths of our employees, demonstrating amply our ability to remain resilient in trying times. Looking back, our financial vigilance and decisive response to the global downturn enabled us to weather the economic storm, and we emerged from the crisis an even stronger company.

Looking forward, key priorities in the coming years will be to accelerate our growth. Our focus is on leveraging organic growth in rapidly expanding markets, supplemented with selective acquisitions to boost organic growth. Equally important on our agenda is expansion with maintained profitability and attractive returns, regardless of whether it is generated organically or through acquisitions.

Our revenue reached a new high in 2010, our earnings rebounded and our financial performance is accelerating. In terms of overall strategy, we fortified our competitive strengths, renewed our regional strategies to make our balanced service offerings more robust, and established our priorities in an improving global economy.

Backed by a healthy balance sheet, we continued to assess acquisition opportunities to strengthen our diverse offerings and expand our regional network in 2010. Notable highlight was our acquisition, shortly before year's end, of an additional 8.5% stake in Ares Green Technology Corporation, making it our 50.6% subsidiary and consolidating two organisations with proud histories of leading complementary technologies. I am confident that our combined global presence, technologies, services, brands, and expertise will benefit our customers worldwide.

MARKETS IMPROVED

At the macro level, economic activity in most developing countries has, or is close to having, recovered, and developing countries have regained trend growth rates close to those observed in the pre-crisis period.

Upturn prevailed in the two traditional geographic markets of Frontken, namely Singapore and Malaysia, with particularly strong growth in Singapore. We saw Singapore economy reverse from the contraction of 0.8% in 2009 to record a growth of 14.5% in 2010, driven largely by the rebound in manufacturing sector stemming from a surge in electronics and biomedical manufacturing output. Following the sharp rebound in 2010, the Singapore economy is expected to grow at 4% to 6% in 2011, supported by strong domestic demand and regional growth.

Back in our home country, the economy experienced a strong resumption of growth in 2010 with an expansion of 7.2%, driven mainly by robust domestic demand and strong private sector activity. Capital spending expanded across all sectors, particularly in the manufacturing, mining and services sectors, following improvement in external demand. Malaysia projects to grow at 5% to 6% in 2011 underpinned by strong domestic demand emanating primarily from private sector activity.

A Word from the Chairman (cont'd)

WE FARED WELL IN 2010

In 2010, we turned in a solid financial performance, with revenue growing 6.8% year-on-year to RM146.7 million and earnings before interest, tax, depreciation and amortisation (EBITDA) rising 10.9% to RM29.7 million. As a percentage of sales, EBITDA also improved to 20.2% from 19.5% in 2009 primarily due to operational improvements and the favourable macroeconomic environment. Reported net profit increased 42.6% to RM12.0 million compared with 2009 net profit of RM8.4 million, notwithstanding a one-off goodwill impairment charges of RM0.9 million, as well as higher debt provision of RM2.9 million compared to RM0.1 million a year ago. Excluding the goodwill impairment charges, net profit attributable to shareholders grew by 53.7% in 2010.

Revenue in our core market segments kept almost level with prior year, except for power generation which leaped 51.0% to RM33.5 million from RM22.2 million in 2009 and contributing 22.9% to sector revenue in 2010, due mainly to higher outages in Singapore, Malaysia and the Philippines. Meanwhile, oil and gas remained a key revenue driver accounting for 26.8% or RM39.3 million of overall revenue, but this represented a 9.9% decline from RM43.6 million in 2009. Semiconductor performed robustly with strong momentum particularly in the second half of 2010, chalking up RM38.9 million in sales for the whole year. Equally pleasing is our general sector, which turned in a stellar performance with revenue growing 34.0% to RM35.0 million, driven mainly by engineering and marine industries.

On a geographic basis, the impact of recovery was most keenly felt by our Singapore operations. Our customers in Singapore led all our major markets with revenue soaring 17.7% to RM66.5 million and accounting for 45.3% of the Group's overall revenue in 2010. Our Philippines subsidiary also executed well, growing revenue by 71.1% to RM5.9 million, and benefiting from greater activities particularly in the renewable energy sector. Growth of these markets more than offset much of the softening in revenue from our customers in Malaysia, which fell 7.5% year-on-year to RM69.0 million, due in part to a slower pace of recovery from the downturn in 2009, notably in the semiconductor market. Nevertheless, Malaysia continues to be our biggest market, with revenue from our Malaysia-based customers remaining strong at 47.0% of overall revenue in 2010. We remain bullish of the long term prospects of our Malaysia market, given the various positive developments in the country.

Our improved operating performance, along with prudent management of working capital, generated some RM20.9 million of cash flow from operations. We raised RM31.8 million equity funds through a rights issue in March 2010 and invested RM23.9 million in capital expenditure on property, plant and equipment. Net gearing at year's end of 0.3 times remained within the range that we consider to be appropriate. We ended the year with a healthy cash and cash equivalents of RM33.0 million and increased our shareholders' equity by RM40.9 million to RM176.2 million. Simply put, we have improved our financial flexibility.

The results we achieved in 2010 enabled us to pay an interim dividend in September 2010 of 1% per share, our first ever cash dividend, to reward shareholders who had remained with the Company through difficult times.

Whilst we view the improved results for 2010 as an important step forward and a glimpse of what we believe is achievable in the years ahead, the success we achieved in the past year gives us no reason to rest on our laurels. A wealth of growth opportunities awaits in a fiercely competitive market and against this backdrop, our focus continues to be on growth, with each of our business units positioned to make a contribution to both our top and bottom lines. To achieve this, we will continue to enhance our efforts strengthening our technologies, tapping growth markets and exploiting our core expertise.





A Word from the Chairman (cont'd)

INNOVATION REMAINS PARAMOUNT

Succeeding in today's global economy is no simple feat. Even though we believe that the strength of our business, as well as our ability to deliver our integrated expertise to customers, are creating compelling opportunities in this competitive landscape, we will strive to focus even more on addressing the needs and aspirations of our customers around the globe.

Our unflinching commitment to technology excellence, the very foundation that propelled our Group to where it is today, continues to receive our prioritised attention. In fiscal 2010, we invested RM2.4 million (including depreciation) on our research and development (R&D) activities to keep our solutions and services relevant, vibrant and valuable.

We expanded our broad array of service offerings during the year to include SIFCO Applied Surface Concepts' selective plating, a portable method of selective brush electroplating to precise engineering tolerances and finishes without using an immersion tank. This technique overcomes the challenges of plating only small areas of large or complex machines, or items having parts that may be damaged by immersion. It also helps reduce complex masking and the risk of plating surrounding surfaces, and improves our agility in on-site repair and coating services.

Another milestone on our R&D front is our newly acquired skills in Electromagnetic Core Imperfection Detection (ELCID) to test the condition of stator core lamination insulation in large turbo and hydro generators by using a low core excitation level to establish a magnetic field within the core. This technique brings the benefits of ease of use, safety for both machine and personnel and, more importantly, reduced downtime as it can be carried out without having to remove the rotor. ELCID, together with our range of electrical equipment and instrument testing capabilities, further extends our integrated expertise for mechanical and electrical equipment in the geothermal energy sector and puts us in a position of strength to take advantage of the growing service opportunities for power plants in the Philippines.

Our dedication to R&D has allowed us to offer customers an unrivalled mix of service offerings and is what makes us different from our competitors. Our journey of technology development, therefore, will not stop here. We will continue to develop practical and effective solutions, products and services, while building distinctive capabilities for our customers.

EXPANDING REGIONAL LEADERSHIP

In a successful fiscal 2010, we set the stage for reinforcing and expanding our leading position in the region. We invested RM2 million to extend our service plant in the Philippines by 1,000 square metres to include a full fledge precision cleaning engineering facility to serve the solar and semiconductor industry, and are now in the midst of qualification by our solar products and services customer. We are encouraged by the fact that the semiconductor and electronics industry in the Philippines reached a staggering $2.3 billion in 2010, posting the highest record so far in the history of the industry. Looking ahead, the semiconductor and electronics industry in the Philippines is bullish for 2011, according to Semiconductor and Electronics Industries in the Philippines Inc (SEIPI), and expects to be the driver of growth for Philippines' export.

Last year, we made great strides unveiling our new green technology division – GreenFront. GreenFront is an extension of our energy efficiency imperative, focusing on green energy product line and covering light emitting diode (LED) lightings, solar energy products as well as waste-to-energy solutions. GreenFront clinched its first project, shortly after inauguration, to deploy its green technology lighting at Selangor's Mines 2 shopping mall, making the latter a first commercial building in Malaysia which is fully installed with Frontken's LED. With increasing awareness and growing demand for energy-efficient products and solutions, there can surely be no doubt we are excited about the prospects for GreenFront and we remain positive that this division will emerge as an engine of growth for the Group in the years ahead.

A particular highlight deserving special mention is the significant accomplishment by our dedicated team of people in an overhaul project for the energy sector jointly undertaken with our customer in Bangladesh. The project, I am proud to say, was successfully completed within a short span of time with our people remaining undistracted by the extremely challenging working environment - yet another shining example of our capabilities and commitment to deliver our best.

In addition to pursuing organic growth, we also made good progress in targeted acquisitions to lay the foundation that shapes the future direction of our Group. A major milestone in 2010 was the acquisition of an additional 8.5% stake in Ares Green Technology Corporation, which we expect will provide a solid platform for accelerated expansion in Taiwan and China. We view the acquisition as timely to position the Group in seizing the rebound in Taiwan's

A Word from the Chairman (cont'd)

precision cleaning industry emanating from significant hike in the utilisation rate of semiconductor and TFT-LCD fabs as well as pricing stabilisation in a more orderly market. Further, with the improving cross-straits cooperation following the signing of trade pact between Taiwan and China last year, companies in the technology industries such as AGTC stand to benefit hugely from the growth potential of the Chinese semiconductor industry, for which investments of USD40 billion have been projected to fuel industry growth during the 5-year development period from 2011 to 2015.

We also invested in a 51% subsidiary in turnkey project-based engineering, construction and maintenance works to enable us to serve our customers with a more complete range of engineering solutions. Operating from one of our plants in Singapore, this new subsidiary will be serving mainly the oil and gas, petrochemical and chemical plants at Singapore's Jurong Island. The anticipated increase in investments in the process industries, coupled with the government's drive to build an oil and gas and petrochemical hub in the Asia Pacific region, spells opportunities for players in the engineering, procurement and construction industry.

Increasing our presence in growth markets has long been, and will continue to be, one of our strategic priorities. Our proximity to customers in the region plays an important part for what proved to be a year of resiliency across our businesses. We want to continue pursuing business opportunities in markets with exceptional growth potential. To that end, we announced our foray into Qatar in April 2011 following the resolution by our Board to incorporate a 49% subsidiary to provide surface engineering services to the oil and gas industry in the State of Qatar. While we have been closely watching events unfold in parts of the Middle East and North Africa, and paying careful attention to political risk, we are comforted that Qatar appears relatively stable with economic outlook for the next 5 years appearing broadly favourable and total gross domestic investment expecting to reach QR820 billion under its National Development Strategy 2011-2016. The country presents a good entry point into the Middle East.

We are now taking the next step with the focus of synergising our various business units and harnessing our regional platform by capitalising on the expanse of our markets and our diverse capabilities.

CORPORATE RESPONSIBILITY

In addition to our priority of operating profitably and successfully in even the most challenging market environments, we are also acutely aware of our responsibilities that go beyond our engineering business.

As well as meeting our customers' needs, our business activities are directed towards addressing environmental aspiration. We work alongside our customers to develop effective solutions that will help them address green issues by reducing the life-cycle impact of their equipment and improving processes through recycling, reusing, repairing, refurbishing and re-manufacturing their equipment. We also ensure all our operating units adhere strictly to environmental legislations governing treatment of plant effluents and waste water, and maintain strict control to minimise adverse impact on the environment.

The markets we compete in today are subject to constant change and it is therefore vital to retain the best talents and continually improve our people who are largely responsible for ensuring that we remain a market leader in all our business areas. More than ever, we are placing increasing emphasis to create a culture of lifelong learning, driven by training and development to give them the tools they need to set new market trends, master new market challenges confronting our businesses and help us remain successful in global competition over the long term.

We integrate health, safety and environment (HSE) considerations into all aspects of our business operations and processes as far and practicable, and provide constant training and monitoring to ensure the safety and overall well-being of our people. Measurable approach is applied to continually improve our HSE culture and performance.

From a community perspective, we continue to support and promote education and training in the regions where we operate, seeking to improve the prospects of both future leaders of the world and our workforces. Particularly noteworthy was the support we have extended to Singapore's Institute of Technical Education by providing its students with technical skills and knowledge, as well as exposure in global business trends and developments and different work practices and cultural environments at our service plant in Malaysia.

A Word from the Chairman (cont'd)

Nothing is more important in our business today than the confidence and trust our customers and business partners place in us. The competence of our people, their integrity, ethics and behaviour are vital to all aspects of our operations. Our aim is to ensure that we run our operations in line with our values, applicable laws and regulations and, most importantly, with integrity. We empower people close to the actions to take ownership and responsibility, and instill a culture that values honesty, integrity and transparency. With this in mind, we launched our whistle-blowing policy this year to strengthen our corporate governance practices and provide employees with accessible avenue to report in good faith suspected fraud, corruption, dishonest practices or other similar matters.

AWARDS AND RECOGNITION

I take great pride in the fact that Frontken has been recognised repeatedly by its customers for service excellence. Last year, we won an On-site Service Suppliers Quality Performance Award from Infineon Technologies (Kulim) Sdn Bhd and this year, we received a certificate of appreciation from VDL Enabling Technologies Group (Singapore) Pte Ltd. Equally gratifying was The BrandLaureate Award 2010 – 2011 we received recently for being the best brand in Engineering – Industrial and Surface Metamorphosis Solutions.

Every award and recognition helps reaffirm that we are on the right course, and with it comes the responsibility to preserve our extraordinary values and uphold the exemplary standards established by our people.

FISCAL 2011 PRIORITIES

Pleased as we are with the results for the fiscal year that just ended, what we really want with this foundation is to create sustainable value for the long term. To achieve this, we will stay anchored in what we do best and focus our Group around its core competitive strengths. Emphasis will be placed on leveraging our strong regional network and differentiated service offerings even more intensively as we chart our path to grow our businesses. We will also continue to pursue avenues for developing our business in attractive growth markets.

The unpredictable and volatile macro environment in recent years has shown how important it is to respond quickly, flexibly and decisively to change. Even though the economic situation has stabilised in most markets, the necessity remains to continuously adapt and optimize existing structures so we can stay ahead of the curve.

We have entered 2011 with the same tenacity, commitment and enthusiasm that drove our operations last year, but with more optimism. We have a strong base of resources, a pipeline of growth businesses and a reputation for innovative applications of technology. Despite continuing risks, we are convinced of our ability to master the challenges of increasingly volatile markets and intensifying competition.

The future is looking brighter. We are getting stronger every year, and will continue to do so. Rest assured that the global Frontken team is primed to do even better to increase shareholders' value, regardless of whatever challenges that global conditions may spring on us.

AND FINALLY…

I would like to thank our people, who showed in the past year that they can rise to the sternest challenge, and our Board of Directors for their invaluable stewardship. I also express my appreciation to our customers, bankers and business partners for their confidence and trust in Frontken.

And lastly, I want to thank you, my fellow shareholders, for your support and ask that you accompany us on this journey as we look to 2011 and beyond with confidence.

Sincerely,

WONG HUA CHOON
Executive Chairman / Managing Director

Calendar of Events

2010

2 June 2010
SIFCO Applied Surface Concepts appointed Frontken (Singapore) Pte Ltd (FS) as an exclusive partner to sell and practise the SIFCO process

22 June 2010
Frontken Corporation Berhad (FCB) held its 6th Annual General Meeting which saw an active participation by shareholders on relevant matters

13-16 June 2010
Frontken (East Malaysia) Sdn Bhd (FEM) participated in the 7th International Materials Technology Conference & Exhibition

8 July 2010
FCB received the 2010 Southeast Asia Frost & Sullivan Technology Innovation Award in the Semiconductor Services Market at a ceremony held in Singapore, recognising the Group's ability to successfully develop and introduce new technology, and formulate significant product performance contributions to the industry

Calendar of Events (cont'd)

2010

14 July 2010
Frontken Malaysia Sdn Bhd (FM), in supporting education and human capital development, signed a Memorandum of Understanding with Singapore's Institute of Technical Education (ITE) to provide education and training to ITE students at its engineering plant

6 August 2010
Friendly soccer match between Frontken's Football Club and Lam Research's Lam United to foster good relationship with our customer

22-24 July 2010
FEM participated in the 2010 Asean Oil & Gas Expo in Kota Kinabalu, Sabah

23 July 2010
FS completed and handed over the design, supply, supervision, testing and commissioning of Impressed Current Cathodic Protection System for 135km Yadana – Tangon 24" domestic gas pipeline

10 August 2010
FEM hosted a visit by Kuching's Institute Latihan Perindustrian to share with its students and lecturers the diverse engineering capabilities of the Group, as part of the Group's education outreach initiatives

Calendar of Events (cont'd)

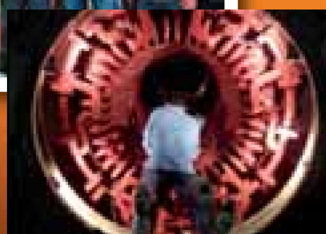
2010

12 August 2010
FM received the Infineon On-Site Service Suppliers Quality Performance Award 2010 for improvement in process control as a result of improvement initiatives by FM and its customer, Infineon

21-22 August 2010
FCB participated in Invest Fair 2010 in Singapore to promote the Company within the investment community, during which the Chairman gave a presentation on 'Why Niche Companies Deserve a Place in Your Portfolio'

7 September 2010
Frontship Pte Ltd participated in Shipbuilding Machinery & Marine Technology 2010 in Hamburg, Germany to promote its service capabilities in the marine sector

17 September 2010
FM and Mines Resort City announced a joint green initiative to test, deploy and validate Frontken LED technology in Mines 2 Shopping Mall



14-16 September 2010
Employees of Frontken Philippines Inc received Electromagnetic Core Imperfection Detection Training at Iris Power in Canada to enable the Group to provide full testing capability on generators

Calendar of Events (cont'd)

2010

24 September 2010
In-house training by FCB on Budgetary Control to support the continuous self-improvement of the Group's staff

24-26 November 2010
FCB held its year-end meeting with the senior management team of the Group to discuss business strategies, operating plans and financial performance

14-17 October 2010
FM's GreenFront showcased its green technology products at the 2010 International Greentech & Eco Products Exhibition & Conference Malaysia

4 December 2010
FEM sponsored MLNG Rugby Club in the inaugural Bintulu 10's, a rugby tournament organized by Bintulu Rugby Club together with Ministry of Youth and Sports and University Putra Malaysia

10 December 2010
FCB acquired an additional 8.5% equity stake in Ares Green Technology Corporation (AGTC), making it a 50.6% subsidiary of FCB

Calendar of Events (cont'd)

2011

4 January 2011
Elliot Company appointed FS as the sole authorized service provider in Singapore and Malaysia for rotating machinery services

15 March 2011
FS signed shareholders' and subscription agreements to subscribe for 51% equity interest in Frontken Projects Pte Ltd (formerly known as Giga Projects Pte Ltd)

23 March 2011
FCB received the 2010-2011 Brandlaureate Award for Best Brand in Engineering – Industrial and Surface Metamorphosis Solutions

18 March 2011
FS received a Certificate of Appreciate from its customer, VDL Enabling Technologies Group (Singapore) Pte Ltd, in recognition of strong support and professional service rendered in 2010

23-26 March 2011
FS, Metall-Treat Industries Pte Ltd and Chinyee Engineering & Machinery Pte Ltd jointly participated in the MTA 2011, a precision engineering industry event

14 April 2011
Meeting with senior management at AGTC, presided by its Chairman, to discuss operational and financial matters, and monitoring of business development

Directors' Profile

Wong Hua Choon
Executive Chairman / Managing Director

- **Aged 47, Malaysian**
- **Appointed to the Board on 10 April 2006**
- **Member of Remuneration Committee**

Wong Hua Choon is the co-founder of Frontken Corporation Berhad ("FCB") and its subsidiaries ("FCB Group" or "Group") and holds a Bachelor of Science in Mechanical Engineering from the University of Idaho, USA. He also holds an Executive Master of Business Administration from Nanyang Technological University, Singapore and was the sole recipient of the 2009 Furama Ltd Endowed Book Prize. He is responsible for leading the Group's corporate mission, direction and business performance with a strong breakthrough strategy, by growing market share and offering an integrated products and services. He has more than 20 years of experience in the business of surface technology, including setting up of research and development ("R&D") and engineering application in thermal coating processes.

Prior to starting Frontken (Singapore) Pte Ltd in 1996, he was with Sulzer Metco (Singapore) Pte Ltd, one of the largest thermal spray equipment and material manufacturing company in the world, during which time he has been at the forefront of many of the industry's most significant technology innovations. An engineer by training, Mr Wong began his career at Horiguchi Engineering Co., Ltd in the firm's thermal spray department. During his 5 years' tenure there, he was instrumental in setting up the marketing, R&D and engineering applications in thermal spray technology. He has been instrumental in steering the FCB Group to its present stature.

He also sits on the board of the Company's subsidiary, Ares Green Technology Corporation, Taiwan. He has no family relationship with any other Directors or major shareholders of the Company. He has not been convicted of any offences within the past ten years. He has no conflict of interest other than disclosed under Section 11 in the Additional Disclosure section which appears on page 29 in this Annual Report.

Dr Tay Kiang Meng
Executive Director / Chief Scientist

- **Aged 46, Singaporean**
- **Appointed to the Board on 10 April 2006**

Dr Tay Kiang Meng holds a Bachelor of Engineering (First Class Honours) in Manufacturing Systems Engineering from University of Portsmouth, and a Master of Science in Advanced Manufacturing Systems and a PhD in Engineering from Brunel University, United Kingdom.

He is is responsible for leading the Group's technology roadmap, spearheading R&D activities, formalising the Group's quality systems, developing critical manufacturing technologies for FCB's semiconductor technology and advanced materials engineering, and exploring new technology opportunities for the Group. He is responsible for the commercialisation and breakthrough of the Group's R&D activities from a regional to a global scale. He has 20 years of professional experiences in technology development, R&D, and has led some of the most significant technology innovations in semiconductor-related manufacturing technology and advanced materials engineering. Dr Tay has been instrumental in pioneering the semiconductor 300mm copper technology together with the global partners and in achieving the Group's R&D critical milestones. Prior to joining Frontken (Singapore) Pte Ltd in 2003, he was with Eng Tic Lee Engineering Pte Ltd.

An engineer and scientist by training, Dr Tay began his professional R&D experience with research think tank, Gintic Institute of Manufacturing Technology, Singapore. Dr Tay has received honours and awards in many of his academic, research and technology development work. Dr Tay has numerous inventions on his research work and has published in many international journals, books and encyclopedia in the areas of semiconductor manufacturing technology, advanced quality engineering, statistics, as well as advanced manufacturing engineering. His work has also been presented in many international conferences, seminars and workshops.

Dr Tay also sits on the board of the Company's subsidiary, Ares Green Technology Corporation, Taiwan as its Chairman. He has no family relationship with any other Directors or major shareholders of the Company. He has not been convicted of any offences within the past ten years. He has no conflict of interest other than disclosed under Section 11 in the Additional Disclosure section which appears on page 29 in this Annual Report.

Ng Wai Pin
Senior Independent Non-Executive Director

- **Aged 45, Malaysian**
- **Appointed to the Board on 10 April 2006**
- **Chairman of Audit Committee, Nomination Committee and Remuneration Committee**

Ng Wai Pin was identified as the Senior Independent Non-Executive Director of FCB in November 2010. He graduated with a Bachelor of Laws degree from the University of Auckland in 1988 and was practising as a barrister and solicitor in a leading legal firm in New Zealand for a number of years before returning to Malaysia where he joined Shook Lin & Bok, a legal firm in Kuala Lumpur. He was admitted as an Advocate and Solicitor of the High Court of Malaya in 1993 and later became a Director and Chief Executive Officer of a company listed on Bursa Malaysia Securities Berhad with regional operations, before returning to private practice in law. From September 2005 to February 2009, he was the Chief Operating Officer of a company listed on Singapore Exchange Limited and was seconded as the Chief Executive Officer of a company listed on the Australian Stock Exchange. Currently, he sits on the board of Euro Holdings Berhad and BSL Corporation Berhad.

He has no family relationship with any other Directors or major shareholders of the Company. He has not been convicted of any offences within the past ten years. He has no conflict of interest with the Company.

Directors' Profile (cont'd)

Dato' Ibrahim Bin Mahmud

Non-Independent Non-Executive Director

- **Aged 68, Malaysian**
- **Appointed to the Board on 10 April 2006**

Dato' Ibrahim Bin Mahmud joined the Sarawak Constabulary on 12 March 1964 as Constable and was promoted to the rank of Inspector in 1966 and thereafter rose through the gazette rank to full superintendent before his retirement as Divisional Superintendent on 1 March 1998. During his service in the Royal Malaysia Police, he had served as Staff Officer Narcotic, Criminal Investigation Department at the Headquarters, Sarawak and Officer in Charge of Police District. He was also seconded to the Anti-Corruption Agency, Kuching as Senior Investigation Officer. Currently, he sits on the board of Kim Hin Industry Berhad and several other private companies.

He has no family relationship with any other Directors or major shareholders of the Company. He has not been convicted of any offences within the past ten years. He has no conflict of interest with the Company.

Dato' Haji Johar Bin Murat @ Murad

Independent Non-Executive Director

- **Aged 64, Malaysian**
- **Appointed to the Board on 10 April 2006**
- **Member of Audit Committee, Nomination Committee and Remuneration Committee**

Dato' Haji Johar Bin Murat @ Murad graduated with a Bachelor degree in Malay Studies from Universiti Malaya in 1971. He has worked in various government agencies, such as the Ministry of Science, Technology & Environment, the Ministry of Finance, the Ministry of Public Enterprises (now known as Ministry of Entrepreneur and Co-operative Development) and Economic Planning Unit of Prime Minister Department. During his tenure of service in the Ministry of Finance (1996-2000), he was a director of the following organisations:

- Yayasan Tun Razak (Tun Razak Foundation)
- Perbadanan Kemajuan Negeri Selangor (Selangor State Economic Development Corporation)
- Majlis Sukan Negara Malaysia (National Sports Council)
- Lembaga Pembangunan Labuan (Labuan Development Authority)
- Syarikat MKIC Malaysia (Malaysia Equity Investment of Malaysia)
- Jawatankuasa Pengurusan Hutan Serantau (Regional Forestry Management Committee)
- Majlis Penyelidikan dan Kemajuan Sains Negara (National Council of Science and Research Development)

When he was the Deputy Secretary General (Operations) of the Ministry of Science, Technology & Environment from 2000 to 2003, Dato' Johar was also an Alternate Director of Lembaga Pengarah Technology Park Malaysia, MIMOS Berhad, SIRIM Berhad, Malaysian Agriculture Research and Development Institute, Malaysia Technology Development Corporation, Composite Technology Research Malaysia Sdn Bhd, Malaysia Design Council and National Science Centre. He was also the Chairman of Audit Committee of MIMOS Berhad and a member of the Board of Tender for MIMOS Berhad and SIRIM Berhad. Currently, he sits on the board of Furniweb Industrial Products Berhad and several other private companies.

He has no family relationship with any other Directors or major shareholders of the Company. He has not been convicted of any offences within the past ten years. He has no conflict of interest with the Company.

Aaron Sim Kwee Lein

Independent Non-Executive Director

- **Aged 45, Malaysian**
- **Appointed to the Board on 27 August 2009**
- **Member of Audit Committee and Nomination Committee**

Aaron Sim Kwee Lein is a Fellow member of the Chartered Association of Certified Accountants (UK), a Chartered Accountant of the Malaysian Institute of Accountant, a member of CPA Australia and a Chartered Member of the Institute of Internal Auditors Malaysia. He commenced his career with an international accounting firm and gained professional exposure in stock-broking, trading, manufacturing and construction concerns. Thereafter, he joined a listed company on the Main Board of Bursa Malaysia Securities Berhad as an Internal Auditor where he was engaged in audit work of stock-broking, manufacturing, retail and distribution concerns. In addition, he was also involved in due diligence, operational rationalisation and strategic planning work of corporate acquisitions. Subsequently, he joined a food retail franchise chain company as the Finance & Administrative Manager before becoming the Deputy General Manager of Corporate Strategies and Affairs of a glove manufacturing company. Thereafter, he has been involved in providing business and financial advisory services. Mr Sim also sits on the board of Freight Management Holdings Bhd and Excel Force MSC Berhad.

He has no family relationship with any other Directors or major shareholders of the Company. He has not been convicted of any offences within the past ten years. He has no conflict of interest with the Company.

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors of FCB recognises the importance of maintaining good corporate governance as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value. The Board has therefore taken steps, as far as practical, towards compliance with the principles and best practices as set out in the Malaysian Code on Corporate Governance ("Code") and Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Listing Requirements").

The following statement describes how the Company has applied the Principles of Corporate Governance and the extent of compliance with the best practices. Save for the dual role held by the Chairman and the details of the remuneration of each director, the Company has complied with the best practices of the Code.

(A) BOARD OF DIRECTORS

Board Responsibilities

The Group is led and directed by an effective Board consisting of competent individuals with appropriate specialised skills and knowledge to ensure capable management of the Group. The Board is primarily entrusted with the responsibility of charting the direction of the Group and has taken steps to adopt the following specific responsibilities listed by the Code which facilitates the discharge of the Board's stewardship responsibilities.

- Review and adopt strategic plans for the FCB Group;
- Oversee the conduct of the Group's business operations and performance;
- Identify and effectively manage the principal risks affecting the Group;
- Implement succession planning for business continuity;
- Review the adequacy and the integrity of the Group's internal control systems;
- Maintain effective communication with stakeholders and the general public.

Board Balance and Independence

The Board currently has six (6) members, comprising two (2) executive members and four (4) non-executive members. The composition of the independent non-executive directors is higher than the minimum prescribed in the Code and the Listing Requirements. A brief profile of each Director is presented on pages 18 to 19 in this Annual Report.

The Board has identified Ng Wai Pin as the Senior Independent Non-Executive Director, to whom shareholders may raise their concerns. The Senior Independent Non-Executive Director serves as the point of contact between the independent directors and the Chairman on sensitive issues and acts as a designated contact to whom shareholders' concerns or queries may be raised, as an alternative to the formal channel of communication with shareholders. All correspondence to the Senior Independent Non-Executive Director can be directed to the following address:

Suite 301, Block F, Pusat Dagangan Phileo Damansara I
No. 9, Jalan 16/11, Off Jalan Damansara
46350 Petaling Jaya, Selangor
Malaysia

The Board remains mindful of the dual role held by the Chairman. However, the Board is of the view that there is no concentration of power and authority, and that no one individual has unfettered powers of decision. Furthermore, there are sufficient independent directors on the Board who are individuals of calibre, credibility and are free from any business or other relationship which could materially interfere with the exercise of their independent judgment. These independent directors are capable of exercising independent judgment to ensure fair and objective deliberations at Board meetings.

The Board is satisfied with its existing number and composition, and is of the view that the current Board composition fairly reflects the interests of minority shareholders in the Company. It is also of the view that it has the right mix of skills, experience and strength in qualities which enable the Board to discharge its responsibilities in an effective and competent manner.

To assist in the execution of its responsibilities, the Board has established a number of Board committees, which include the Audit Committee, Nomination Committee and Remuneration Committee. These committees function within clearly defined terms of references and operating procedures which are reviewed on a regular basis.

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

(A) BOARD OF DIRECTORS (cont'd)

Board Meetings and Supply of Information

The Board meets at least once every quarter, with additional meetings to be held if there are matters requiring the Board's attention and decision at the relevant times. Directors who are unable to attend the Board meeting physically are allowed to participate in the deliberations and discussions via telephone-conferencing facility. All proceedings of the Board meetings are minuted which are then circulated to all directors for their perusal prior to confirmation of the minutes at the following Board meeting.

Meeting materials and agenda are delivered to the directors prior to the Board meetings, giving directors sufficient time to evaluate the proposals and if necessary, to request additional information necessary in discharging their duties effectively. The Board has a formal schedule of matters specifically reserved to it for decision, and has clearly defined delegation of responsibilities to committees of the Board and to management including appropriate limits of authority.

All directors have unrestricted access to the Group or to obtain independent professional advice at the Company's expense, whether as a full Board or in their individual capacity, in furtherance of their duties. The directors also have access to the advice and services of the Company Secretaries who are responsible for ensuring that established procedures and relevant statutes and regulations are complied with.

For the financial year ended 31 December 2010, seven (7) Board meetings were held and the summary of attendance of each director at the Board meetings held during the financial year under review is as follows:

	Number of Board Meetings	
Directors	**Held**	**Attended**
Wong Hua Choon	7	7
Dr Tay Kiang Meng	7	6
Ng Wai Pin	7	7
Dato' Ibrahim Bin Mahmud	7	4
Dato' Haji Johar Bin Murat @ Murad	7	7
Aaron Sim Kwee Lein	7	6

Directors' Training

All directors have attended and completed the Mandatory Accreditation Programme in compliance with the Listing Requirements.

The directors were updated on an ongoing basis by way of circulars on matters relating to changes to the Listing Requirements. Courses and forums attended by the directors during the year are as follows:

Wong Hua Choon	• Business Leaders Forum 2010 – Sustainable Growth Strategies and The War for Talent • An Overview of FRS 139, Financial Instruments: Recognition and Measurement
Dr Tay Kiang Meng	• Technical conferences at Semicon West 2010
Ng Wai Pin	• An Overview of FRS 139, Financial Instruments: Recognition and Measurement • Training – Getting up to Speed with Governance – Is Your Board Equipped?
Dato' Ibrahim Bin Mahmud	• An Overview of FRS 139, Financial Instruments: Recognition and Measurement • Training programme covering The Competition Act 2010, Goods & Services Tax, Macroeconomic Outlook, Sustainable Palm Oil and Protocol in the Business World
Dato' Haji Johar Bin Murat @ Murad	• An Overview of FRS 139, Financial Instruments: Recognition and Measurement
Aaron Sim Kwee Lein	• A Comprehensive Workshop on Deferred Taxation • Fundamentals of Accounting for Financial Instruments • An Overview of FRS 139, Financial Instruments: Recognition and Measurement • Updates on Accounting Standards and Listing Requirements

The directors are encouraged to update themselves with changes in guidelines issued by the relevant authorities and to attend such programmes which can complement their services to the Group. In addition, the Company Secretaries also update the Directors on the latest relevant regulatory requirements.

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

(A) BOARD OF DIRECTORS (cont'd)

Appointment to the Board

The Nomination Committee ("NC") comprises three (3) members, all of whom are independent non-executive directors. The members of the NC and their attendance at the meetings held in 2010 are as follows:

		Number of Meetings Attended
Ng Wai Pin	*Chairman / Senior Independent Non-Executive Director*	5/5
Dato' Haji Johar Bin Murat @ Murad	*Member / Independent Non-Executive Director*	5/5
Dr Tay Kiang Meng *(resigned as a member of NC on 24 August 2010)*	*Member / Executive Director*	3/4
Aaron Sim Kwee Lein *(appointed as a member of NC on 24 August 2010)*	*Member / Independent Non-Executive Director*	1/1

The NC is responsible for reviewing the proposed candidate based on the selection criteria expected of a director and makes recommendation to the Board if the proposed candidate is found to be suitable. The decision on new appointment of directors rests with the Board after considering the recommendation of the NC. The NC also reviews the composition of the Board to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making.

The Board has also entrusted the NC with the responsibility for carrying out evaluation of board effectiveness in the areas of composition, roles and responsibilities, and whether the respective Board Committees effectively discharge their functions and duties in accordance with their terms of reference. The assessment of Board members takes into account the ability of each member to give material input at meetings and demonstrate high level of professionalism and integrity in decision making process.

The Board through the delegation of its authority to the NC, has used its best efforts to ensure that directors appointed to the board possess the background, experience, knowledge and skills critical to the Group's business and that each director with his special contributions brings to the board an independent and objective perspective to enable balanced and well-considered decisions to be made. The Board is of the view that the current mix of skills and competency of its members are sufficient for the discharge of its responsibilities in an effective manner.

Re-election

The Articles of Association of the Company require that all directors who are appointed by the Board shall retire from office and be subject to re-election by shareholders at the Annual General Meeting after their appointment. Furthermore, at least one-third (1/3) of the Board is subject to retirement and re-election by rotation at least once in every three (3) years. Accordingly, the directors will submit themselves for re-nomination and re-election at regular intervals of at least once every three (3) years.

Directors' Remuneration

The Remuneration Committee ("RC"), consisting mainly of non-executive directors, comprises the following members:

		Number of Meetings Attended
Ng Wai Pin	*Chairman / Senior Independent Non-Executive Director*	3/3
Dato' Haji Johar Bin Murat @ Murad	*Member / Independent Non-Executive Director*	3/3
Wong Hua Choon	*Member / Executive Chairman / Managing Director*	3/3

The RC is responsible for reviewing the remuneration of directors and senior management to ensure that they are at sufficiently competitive levels, and recommending to the Board the remuneration of the directors and senior management. The Company has adopted the objectives as recommended by the Code to determine the remuneration of the directors so as to ensure that the Company attracts and retains directors of the quality needed to manage the business of the Group effectively.

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

(A) BOARD OF DIRECTORS (cont'd)

Directors' Remuneration (cont'd)

The remuneration packages of all directors are devised to attract, retain and motivate them, and is reflective of the individual director's experience and responsibilities. The remuneration for executive directors is structured to link rewards to performance and responsibility level. In setting remuneration packages, the RC takes into consideration the pay and employment conditions within the industry and in comparable companies. As for non-executive directors, remuneration is determined by the Board as a whole and the level of remuneration is linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board. The remuneration of each Board member may differ based on their level of expertise, knowledge and experience. None of the directors participates in any way in determining their individual remuneration packages.

The aggregate remuneration of the directors for the financial year ended 31 December 2010 is as follows:

	Executive Directors RM'000	Non-Executive Directors RM'000
Salaries	1,502	4
Fees	-	150
Bonuses	624	-
Other emoluments	53	-
	2,179	154

The number of directors whose remuneration falls within the respective bands is as follows:

	Number of Executive Directors	Number of Non-Executive Directors
Below RM50,000	-	3
RM50,001 to RM100,000	-	1
RM600,001 to RM650,000	1	-
RM1,500,001 to RM1,550,000	1	-
	2	4

The Code recommends detailed disclosure to be made for each director's remuneration. The Board has chosen to disclose the remuneration in bands pursuant to the Listing Requirements, as separate and detailed disclosure of individual director's remuneration will not add significantly to the understanding and evaluation of the Company's governance.

(B) ACCOUNTABILITY AND AUDIT

Audit Committee

The Audit Committee ("AC") currently comprises three (3) members, all of whom are independent non-executive directors.

The AC has full access to and co-operation of the management and has full discretion to invite any director or executive officer to attend its meetings. To create an environment for open discussion on audit matters, the AC meets with the external auditors without the presence of the management twice a year.

To eliminate duplication of efforts and ensure clear accountabilities, the respective heads of business units are responsible to identify, monitor and manage risks as an integral part of business planning and performance management. The more significant risks (from a probability and impact perspective) are reserved for the AC's and the Board's review and discussion.

Further information on the AC is set out in the Audit Committee Report on pages 25 to 26 in this Annual Report.

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

(B) ACCOUNTABILITY AND AUDIT (cont'd)

Financial Reporting

The Board endeavours to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects to shareholders, primarily through the annual reports, quarterly announcements of the Group's results and other price-sensitive public reports. The Board is assisted by the AC in overseeing the Group's financial reporting processes and the accuracy, consistency and appropriateness of the use and application of accounting policies and standards, as well as the reasonableness and prudence in making estimates, statements and explanations.

Internal Control

The Board has overall responsibility of maintaining a system of internal control, which provides reasonable assurance of effective and efficient operations and compliance with laws and regulations, as well as internal policies and procedures.

The Board recognises that a system of internal control is designed to manage rather than to eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss and therefore no internal control system will preclude all errors and irregularities.

With the assistance of the internal audit function, the AC and the Board review the effectiveness of key internal controls on an ongoing basis, provides its perspective on management control and ensures that the necessary corrective actions are taken within an appropriate timeframe.

The Statement on Internal Control of the Group set out on page 27 in this Annual Report provides an overview of the Group's approach in maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets.

To strengthen corporate governance practices across the Group, the Group has adopted a whistle-blowing policy to provide employees with accessible avenue to report on suspected fraud, corruption, dishonest practices or other similar matters. The aim of this policy is to encourage the reporting of such matters in good faith, with the confidence that employees making such reports will, to the extent possible, be protected from reprisal.

Relationship with Auditors

The Board on its own and through the AC maintains a formal and transparent professional relationship with the Group's auditors. For the year under review, the AC had two (2) meetings with the external auditors without the presence of the management, to encourage a greater exchange of independent, frank views and opinions/dialogue between both parties. The roles of the AC in relation to the auditors are described in the AC Report set out on pages 25 to 26 in this Annual Report.

Directors' Responsibilities in Respect of Financial Statements

The directors are required by the Companies Act, 1965 to prepare financial statements which give a true and fair view of the state of affairs of the Group and of the Company as at the end of each financial year and of the results and cash flows of the Group and of the Company for the financial year then ended. The directors ensure that suitable accounting policies have been used and applied consistently, and that reasonable and prudent judgments and estimates have been made, in the preparation of the financial statements. The directors also ensure that applicable approved accounting standards have been followed. The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy the financial position of the Group and of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1965.

(C) COMMUNICATION WITH SHAREHOLDERS

The Group communicates with its shareholders and investors primarily through timely release of financial results on a quarterly basis and announcements which gives the shareholders an overview of the Group's performance and operations. The Company's Annual General Meeting is the principal forum for dialogue with shareholders. The Board provides opportunities for shareholders to raise questions pertaining to issues in the Annual Report, corporate developments in the Group, the resolutions being proposed and the business of the Group in general at every General Meeting of the Company. The Company maintains dialogues with analysts and fund managers as a means of maintaining and improving investor relations.

Shareholders and members of the public can also obtain information on the Company through the Company's website at *www.frontken.com.*

AUDIT COMMITTEE REPORT

(A) COMPOSITION

The Audit Committee ("AC") comprises the following members:

Ng Wai Pin (Senior Independent Non-Executive Director)	Chairman
Dato' Haji Johar Bin Murat @ Murad (Independent Non-Executive Director)	Member
Aaron Sim Kwee Lein (Independent Non-Executive Director)	Member

(B) TERMS OF REFERENCE

Composition

The AC shall be appointed by the Board from amongst its members and shall comprise no fewer than three (3) members, all of whom should be non-executive directors with a majority being independent directors. At least one (1) member must be a member of the Malaysian Institute of Accountants or possess such other qualifications and/or experience as approved by Bursa Malaysia Securities Berhad.

In the event of any vacancy in the AC resulting in the non-compliance with Paragraph 15.09 of the Listing Requirements, the Board shall appoint a new member within three (3) months. The Board will review the term of office and the performance of the AC and each of its members at least once every three (3) years.

Meetings

The AC shall meet at least four (4) times in each financial year and may regulate its own procedure in lieu of convening a formal meeting by means of video or teleconference. The quorum for a meeting shall be the majority of members present, who shall be independent directors. The Company Secretary shall act as secretary of the AC.

The AC may invite any board member or any member of management or any employee of the Company whom the AC thinks fit to attend its meetings, assist and provide pertinent information as necessary. The internal and external auditors have the right to appear at any meetings of the AC and shall appear before the AC when required to do so by the AC.

Functions and Duties

The functions and duties of the AC are as follows:-

1. To review the following and report the same to the Board:
   (a) the nomination of external auditors;
   (b) the adequacy of existing external auditors audit arrangements, with particular emphasis on the scope and quality of the audit;
   (c) the effectiveness and adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
   (d) the internal audit programme and the results of the internal audit processes, and where necessary, ensure that appropriate actions are taken on the recommendations of the internal auditors;
   (e) any appraisal or assessment of the performance of members of the internal audit function and approve any appointment or termination of internal auditors;
   (f) the effectiveness of the internal control and management information systems;
   (g) the financial statements of the Company with both the external auditors and management;
   (h) the external auditors' audit report;
   (i) any management letter sent by the external auditors to the Company and the management's response to such letter;
   (j) any letter of resignation from the Company's external auditors;
   (k) the quarterly and year end financial statements of the Group;
   (l) the assistance given by the employees of the Company to the external auditors;
   (m) to discuss problems and reservations arising from the interim and final audits, and any matter the external auditors may wish to discuss (in the absence of management where necessary);
   (n) all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels; and
   (o) all related party transactions and potential conflict of interests situations that may arise within the Company/Group.

2. To consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal and on whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment.

3. To carry out any other function that may be mutually agreed upon by the Committee and the Board, which would be beneficial to the Company and ensure the effective discharge of the Committee's duties and responsibilities.

4. The Committee's actions shall be reported to the Board with such recommendations as the Committee deems appropriate.

5. To report to Bursa Malaysia Securities Berhad on any matter reported by it to the Board of the Company which has not been satisfactorily resolved resulting in a breach of the Listing Requirements.

AUDIT COMMITTEE REPORT (cont'd)

(B) TERMS OF REFERENCE (cont'd)

Authority

The AC shall have the authority to:-

(a) investigate any matter within its terms of reference;
(b) have the resources which are required to perform its duties;
(c) have full and unrestricted access to any information which it requires in the course of performing its duties;
(d) have direct communication channels with the internal and external auditors;
(e) obtain independent/external professional or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and
(f) convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

(C) SUMMARY OF THE ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year under review, the AC had five (5) meetings. The details of their attendance at meetings are as follows:

	Number of Meetings Attended
Ng Wai Pin	5/5
Dato' Haji Johar Bin Murat @ Murad	5/5
Aaron Sim Kwee Lein	5/5

The AC carried out its duties as set out in the terms of reference, including:

(a) review of quarterly and year-end financial statements prior to recommending the same for the Board's approval, focusing particularly on significant and unusual events and compliance with accounting standards and other legal requirements;

(b) review of the appointment of the external and internal auditors, their independence and effectiveness, and their fees;

(c) review of the external auditors' Audit Planning Memorandum comprising their scope of audit, key audit areas, audit approach and timetable;

(d) met with the external auditors twice during the year without the presence of the executive directors and management and to review the audit report and discuss relevant issues and obtain feedbacks;

(e) review of the external auditors' management letter and recommendations regarding opportunities for improvement to internal controls based on observations made in the course of the audit;

(f) review of the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its works;

(g) review of the scope and results of the internal audit procedures as well as management's response to recommendations for improvement, and evaluation of the adequacy of the internal control system based on the reports from the internal auditors;

(h) review of the related party transactions within the Group;

(i) review of the Group's financial and accounting policies and practices; and

(j) evaluation of the performance of the external auditors' function based on timeliness, competency, adequacy of resources to achieve the agreed scope of audit, and assistance given by the employees of the Group to the external auditors before recommending the re-appointment of external auditors to the Board.

(D) INTERNAL AUDIT FUNCTION

The Group outsourced its internal audit function to an independent internal audit service provider. The principal role of the internal audit is to undertake such systematic reviews of the internal control systems within the Group in accordance with internal audit plan, so as to provide reasonable assurance that such systems are adequate and functioning as intended. Its responsibilities include provision of independent and objective reports on the state of internal control of the various operating units within the Group to the AC and provide recommendations for the improvement of the control procedures, so that remedial actions can be taken in relation to weaknesses noted in the systems and controls of the respective operating units.

During the financial year, the internal auditors carried out review of selected key processes of the Company and certain subsidiaries, covering high-level internal control frameworks, financial management, risk management, procurement and inventory management. The internal audit was based on scope of work which was approved by the AC. The total costs incurred by the Company for the internal audit function of the Group in 2010 amounted to approximately RM77,000.

STATEMENT ON INTERNAL CONTROL

Responsibility

The Board recognises the importance of a sound system of internal control in the Group and is pleased to present below a status review of the Group's state of internal control. The related principal responsibilities of the Board in relation to internal control as outlined in the Malaysian Code on Corporate Governance include:

- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board affirms its overall responsibility and reviews the adequacy and integrity of the system of internal control to safeguard shareholders' investment and the Group's assets. However, due to the inherent limitations of any system of internal control, this system is designed to manage, rather than eliminate the risk of failure to achieve the Group's objectives. Accordingly, the system can only provide reasonable but not absolute assurance against material misstatement, loss and fraud.

Internal Control

The Group has an established organisational structure with clearly defined lines of responsibilities and appropriate levels of delegation and authority. It maintains a clear reporting lines and segregation of duties for major operational functions such as purchasing, payment and capital expenditures and investments. These procedures are subject to review and improvements to reflect the changing risks or resolve operational deficiencies. A process of hierarchical reporting is established which provides a documented and auditable trail of accountability.

Annual budgetary exercise is undertaken requiring all business units within the Group to prepare financial budgets for the forthcoming year. The Group budget is then deliberated upon and approved by the Board. Quarterly review of the Group's performance against budgets with any major variances are deliberated by the Board.

The Group conducts management meetings to monitor business developments, discuss and resolve operational and management issues, review financial performance against business plans and monitor the respective business unit's performance against budgets. During these meetings, the Group's business objectives, strengths, weaknesses, opportunities, threats and key business risks are identified and action plans are formulated thereon. The Executive Directors undertake regular site visits to production and operating units and communicate with various levels of staff to gauge first-hand the effectiveness of strategies discussed and implemented.

Significant changes in the business development are reported to the Board during the Board meetings. This oversight review enables the Board to control and evaluate the business performance so as to ensure that the Group is achieving its corporate objectives.

Internal policies and procedures of business processes are in place for application across the Group. These policies and procedures serve as a guide to ensure compliance with internal control and applicable laws and regulations.

Risk Management

The Board and the management regard risk management as an integral part of the business operations and are continuously identifying, evaluating and managing significant business risks affecting the day-to-day operations of the Group. To further strengthen its risk management practices, the Group will be building on existing processes and putting in place formal enterprise risk management policies and procedures to facilitate continuous monitoring and reporting of risk information and action plans. Where there are any areas of concern on the reliability and integrity of financial information of any business unit, special audits are commissioned to assist the Board in fulfilling its oversight responsibilities.

The internal audit function is outsourced to a professional service provider firm. The Audit Committee reviews the work of the internal and external auditors, their findings and recommendations to ensure that it obtains the necessary level of assurance with respect to the adequacy of internal controls. The internal auditors review the Group's system of internal controls and report the internal audit activities conducted within the year to the Audit Committee. The Group's external auditors, in the course of their statutory audit, carry out a review of the Company's system of internal control to the extent of their planned reliance as laid out in their audit plan. Any significant weaknesses identified during the reviews together with the improvement measures to strengthen the internal controls are reported to the Audit Committee. The Audit Committee reviews the internal control issues identified by the internal and external auditors, as well as the actions taken to rectify the findings, and evaluates the adequacy and effectiveness of the Group's internal control system.

Conclusion

The Board has reviewed the effectiveness of the system of internal control and that any necessary actions have been or are being taken to remedy the internal control weaknesses identified from the review. The Board is of the view that the system of internal control in place for the year under review is sound and sufficient to safeguard the shareholders' investment and the Group's assets. No material losses, contingencies or uncertainties have arisen from any inadequacy or failure of the Group's system of internal control that would require separate disclosure in the Company's Annual Report.

The Board is also cognizant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the system of internal controls.

Pursuant to paragraph 15.23 of the Listing Requirements, the external auditors have reviewed this Statement for inclusion in the Annual Report for the year ended 31 December 2010 and reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

This Statement is made in accordance with the resolution of the Board of Directors dated 24 May 2011.

ADDITIONAL DISCLOSURE

1. Share Buy-back

At the Sixth Annual General Meeting held on 22 June 2010, the shareholders of the Company granted authority to the Company to purchase its own shares provided that the aggregate number of shares purchased shall not exceed 10% of the total issued and paid-up share capital of the Company at the time of purchase. However, the Company did not enter into any share buy-back transaction during the financial year.

2. Options, Warrants or Convertible Securities

On 11 March 2010, the Company issued 288,973,760 warrants pursuant to the renounceable rights issue of up to 288,973,760 new ordinary shares of RM0.10 each in the Company ("FCB Shares") ("Rights Shares") together with up to 288,973,760 free new detachable Warrants ("Warrants") at an issue price of RM0.11 per Rights Share on the basis of two (2) Rights Shares together with two (2) Warrants for every five (5) existing FCB Shares held on 11 February 2010.

Save as disclosed, the Company has not issued any options, warrants or convertible securities during the financial year.

3. Depository Receipt

During the financial year, the Company did not sponsor any Depository Receipt.

4. Sanctions and/or Penalties

There were no sanctions or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year.

5. Non-Audit Fees

During the financial year, the non-audit fees paid to our external auditors, or a firm or company affiliated to the external auditors for the financial year ended 31 December 2010 amounted to RM26,290.

6. Variation in Results

There was no deviation of 10% or more between the audited results for the financial year ended 31 December 2010 and the unaudited results announced by the Company on 22 February 2011.

7. Profit Guarantee

During the financial year, there was no profit guarantee given by the Company.

8. Material Contract

There were no material contracts entered into by the Company and its subsidiaries involving the Directors' and/or major shareholders' interest, which were still subsisting at the end of the financial year, or which were entered into since the end of the previous financial year.

9. Revaluation Policy on Landed Properties

The Group did not adopt any revaluation policy on landed properties during the financial year.

10. Corporate Social Responsibility

The Group acknowledges the importance of Corporate Social Responsibility (CSR) in our business practices. Our CSR platform touches upon responsible business practices, environmental stewardship and education stewardship.

We run our operations in line with our values, applicable laws and regulations and with integrity. We believe in empowering people close to the actions to take ownership and responsibility, and instil a culture that values honesty, integrity and transparency alongside innovation and continuous improvement.

ADDITIONAL DISCLOSURE (cont'd)

10. Corporate Social Responsibility (cont'd)

We integrate health, safety and environment (HSE) considerations into all aspects of our business operations and processes as far as practicable and provide constant training and monitoring to ensure the safety and overall well-being of our people. We implement an Occupational Safety and Health Management System in accordance with OHSAS 18001:2007 with the aim of preventing accidents, injuries, occupational illness and pollution, and conserving natural resources.

In line with the increasing global awareness for environmental protection, we require all our businesses to operate in an environmentally responsible manner. Our approach is to ensure strict adherence to environmental legislation governing treatment of plant effluents and waste water, and maintain strict control to minimise the adverse impact on the environment. Our facilities are accorded ISO 14001:2004 certification and we encourage all our operating subsidiaries to adopt an environmental management system to manage their environmental performance.

Delivering outstanding performance requires exceptional people. At Frontken, we aim to create a culture of lifelong learning, driven by a training and development programme to support continual self-improvement and help our people achieve their potential. We sponsor students to compete in events to create a culture where students not only emulate leaders in science, technology and engineering, but also realize the potential within them to someday be one of those pioneers.

We undertake various initiatives in contributing to the community, including supporting education by providing job opportunities to students from institutes of technical education who wish to undergo industrial/practical training. We also encourage employees' involvement in efforts to help local communities.

11. Recurrent Related Party Transactions ("RRPT")

Details of the RRPT during the financial year ended 31 December 2010 are as follows:

Companies within the Group	Transacting parties	Interested parties/relationship	Nature of transactions	RM'000
Frontken (East Malaysia) Sdn Bhd ("FEM")	AMT Engineering Sdn Bhd ("AMT")	Sia Chiok Meng,a Director of FEM, is also a Director and major shareholder of AMT.	Sales to and purchases from AMT, and rental payable to AMT	79
Frontken (Singapore) Pte Ltd ("FS"), Metall-Treat Industries Pte Ltd, and FEM	Chinyee Engineering & Machinery Pte Ltd ("Chinyee")	Wong Hua Choon, a Director and major shareholder of FCB, is also a Director and substantial shareholder of Chinyee. Dr Tay Kiang Meng is a Director and shareholder of both FCB and Chinyee.	Sales to and purchases from Chinyee	5,276
Frontken-MIC (Wuxi) Co. Ltd ("FMIC-W")	MIC-Tech (Wuxi) Co., Ltd ("MIC-Tech")	Marketech International Corporation, the ultimate holding company of MIC-Tech, is a deemed substantial shareholder of FMIC-W	Sales by FMIC-W to MIC-Tech, and rental payable to MIC-Tech	2,748

12. Utilisation of Proceeds

The Company raised approximately RM31.8 million from its rights issue of shares with warrant which was completed on 16 March 2010. As at 30 April 2011, the status of the utilisation of proceeds from the rights issue is as follows:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000
Repayment of Group's borrowings	15,000	15,000	-
To finance future investments	8,000	7,272	728
Working capital	7,787	*8,025	-
Defraying estimated expenses	1,000	*762	-
	31,787	31,059	728

* The balance of the proceeds allocated for defraying estimated expenses of RM238,000 had been fully utilised for working capital purposes.

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DIRECTORS' REPORT

The directors of **FRONTKEN CORPORATION BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding and provision of management services to its subsidiaries.

The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

SIGNIFICANT EVENTS

The significant events during the financial year are disclosed in Note 32 to the financial statements.

FINANCIAL RESULTS

	The Group RM	The Company RM
Profit after taxation for the financial year	12,102,850	1,627,056
Attributable to:		
Owners of the Company	11,989,111	1,627,056
Minority interests	113,739	-
	12,102,850	1,627,056

DIVIDENDS

Since the end of the previous financial year, the Company paid an interim single tier dividend of 1% per ordinary share of 10 sen each on 1,011,408,160 shares amounting to RM1,011,410 in respect of the financial year ended 31 December 2010 on 28 September 2010.

The directors do not recommend the payment of further dividends in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the year, the Company increased its:

(a) authorised share capital from RM100,000,000 to RM500,000,000 through the creation of 4,000,000,000 shares of RM0.10 each; and

(b) issued and paid-up share capital through the renounceable rights issue of up to 288,973,760 new ordinary shares of RM0.10 each ("Rights Shares") together with up to 288,973,760 free new detachable warrants ("Warrants") at an issue price of RM0.11 per Rights Share on the basis of two Rights Shares together with two Warrants for every five existing ordinary shares held in the Company.

The shares were issued for cash consideration. The new shares issued rank pari passu in all material respects with the existing shares of the Company.

There were no debentures issued during the financial year.

DIRECTORS' REPORT (CONT'D)

OPTIONS GRANTED OVER UNISSUED SHARES

Warrants

The Company had issued 288,973,760 Warrants which were listed on Bursa Malaysia Securities Berhad on 16 March 2010 pursuant to the rights issue on the basis of two Warrants for every two Rights Shares subscribed.

The Warrants are constituted by a Deed Poll dated 22 January 2010 executed by the Company. Each Warrant entitles the registered holder during the exercise period to subscribe for one new ordinary share at the exercise price of RM0.18 per Warrant, subject to adjustment in accordance with the provisions of the Deed Poll. The warrants not exercised at the date of maturity will thereafter lapse and cease to be valid for any purpose.

The summary of the movements of warrants is as follows:

		Number of Warrants			
Issue date	**Expiry date**	**Balance as of 1.1.2010**	**Granted**	**Exercised**	**Balance as of 31.12.2010**
11.3.2010	10.3.2015	-	288,973,760	-	288,973,760

The ordinary shares issued from the exercise of Warrants shall rank pari passu in all respects with existing issued ordinary shares of the Company except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of the new shares arising from the exercise of warrants.

OTHER FINANCIAL INFORMATION

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and had satisfied themselves that all known bad debts had been written off and adequate allowance had been made for impairment losses on receivables; and

(b) to ensure that any current assets other than debts which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances:

(a) which would cause the amount written off for bad debts or the amount of allowance for impairment losses on receivables in the financial statements of the Group and of the Company to be inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

Other than the contingent liabilities as disclosed in Note 30 to the financial statements, at the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the succeeding financial year other than those mentioned in Note 33 to the financial statements.

DIRECTORS' REPORT (CONT'D)

DIRECTORS

The following directors served on the Board of the Company since the date of the last report:

Wong Hua Choon
Dr. Tay Kiang Meng
Dato' Ibrahim Bin Mahmud
Dato' Haji Johar Bin Murat @ Murad
Ng Wai Pin
Aaron Sim Kwee Lein

In accordance with Article 74 of the Company's Articles of Association, Wong Hua Choon and Dr. Tay Kiang Meng retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

The shareholdings in the Company of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

	Number of ordinary shares of RM0.10 each			
	Balance as of 1.1.2010	Bought	Sold	Balance as of 31.12.2010
Shares in the Company				
Direct Interests				
Wong Hua Choon	143,604,092	71,056,809	-	214,660,901
Dr. Tay Kiang Meng	2,722,000	6,682,808	-	9,404,808
Indirect Interest				
Wong Hua Choon [1]	16,852,123	6,740,849	-	23,592,972

	Number of warrants 2010/2015			
	Balance as of 1.1.2010	Bought	Sold	Balance as of 31.12.2010
Warrant in the Company				
Direct Interests				
Wong Hua Choon	-	57,617,409	-	57,617,409
Dr. Tay Kiang Meng	-	6,682,808	-	6,682,808
Indirect Interest				
Wong Hua Choon [1]	-	6,740,849	-	6,740,849

Note:

[1] Deemed interest by virtue of Section 6A(4) of the Companies Act, 1965 through his interest in Frontken Holdings Pte. Ltd..

By virtue of the above directors' interests in the shares of the Company, they are deemed to have interests in the shares of the subsidiaries to the extent the directors have their interests.

The other directors did not hold any shares or have any beneficial interests in the shares of the Company or of its related companies during and at the end of the financial year.

DIRECTORS' REPORT (CONT'D)

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by directors as disclosed in the Financial Statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the transactions as disclosed in Note 18 to the financial statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

WONG HUA CHOON

DR. TAY KIANG MENG

Kuala Lumpur,

19 April 2011

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF FRONTKEN CORPORATION BERHAD

We have audited the financial statements of Frontken Corporation Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 37 to 86.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2010 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of the subsidiaries of which we have not acted as auditors, which are indicated in Note 12 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

The supplementary information set out in Note 35 on page 87 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF FRONTKEN CORPORATION BERHAD (CONT'D)

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm No : AF 1018
Chartered Accountants

Lee Kok Wai
Approval No : 2760/06/12 (J)
Chartered Accountant

Kuala Lumpur

19 April 2011

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	The Group 2010 RM	The Group 2009 RM	The Company 2010 RM	The Company 2009 RM
Revenue	5	146,703,790	137,358,860	4,503,492	231,555
Cost of sales		(98,609,401)	(101,663,796)	-	-
Gross profit		48,094,389	35,695,064	4,503,492	231,555
Other income		1,032,371	2,946,493	1,902,824	978,661
Administrative expenses		(26,980,709)	(22,081,728)	(4,249,451)	(1,734,588)
Other expenses		(6,656,469)	(3,325,932)	(286,734)	(87,806)
Finance costs	6	(3,027,312)	(3,879,051)	(243,075)	(269,864)
Share of results in associates		641,118	(1,251,668)	-	-
Profit/(Loss) before tax	7	13,103,388	8,103,178	1,627,056	(882,042)
Income tax expense	8	(1,000,538)	(259,284)	-	-
Profit/(Loss) after tax		12,102,850	7,843,894	1,627,056	(882,042)
Other comprehensive income					
Foreign currency translation		(1,227,181)	986,873	-	-
Total comprehensive income/(expenses)		10,875,669	8,830,767	1,627,056	(882,042)
Profit/(Loss) after tax attributable to:					
Owners of the Company		11,989,111	8,409,575		
Minority interests		113,739	(565,681)		
		12,102,850	7,843,894		
Total comprehensive income/(expenses) attributable to:					
Owners of the Company		10,786,876	9,352,369		
Minority interests		88,793	(521,602)		
		10,875,669	8,830,767		
Earnings per ordinary share attributable to owners of the Company					
Basic	9	1.3	1.2		
Diluted	9	1.0	Not applicable		

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF FINANCIAL POSITION
AS OF 31 DECEMBER 2010

		The Group			The Company	
			Restated	Restated		
	Note	31.12.2010	31.12.2009	1.1.2009	31.12.2010	31.12.2009
		RM	RM	RM	RM	RM
ASSETS						
Non-Current Assets						
Property, plant and equipment	10	178,405,029	116,971,685	112,532,450	190,014	100,755
Prepaid lease payments	11	-	-	-	-	-
Investment in subsidiaries	12	-	-	-	68,192,335	30,903,191
Investment in associates	13	4,494,255	46,538,503	48,192,140	-	22,955,162
Goodwill on consolidation	14	28,311,674	4,724,073	3,749,020	-	-
Intangible assets	15	-	-	-	-	-
Deferred tax assets	16	352,360	-	-	-	-
Total Non-Current Assets		211,563,318	168,234,261	164,473,610	68,382,349	53,959,108
Current Assets						
Inventories	17	10,431,408	8,925,542	9,044,623	-	-
Amount due from contract customers		-	-	668,875	-	-
Trade receivables	18	67,337,237	36,900,201	41,323,668	-	-
Other receivables and prepaid expenses	18	5,125,566	5,285,410	10,169,824	27,841	43,427
Amount owing by subsidiaries	19	-	-	-	45,680,029	43,607,599
Amount owing by associates	13	4,534,039	2,098,465	3,500,059	-	-
Fixed deposits with licensed banks		12,684,190	781,627	758,232	12,000,000	-
Cash and bank balances		21,515,759	12,770,709	10,440,412	1,474,363	200,943
Total Current Assets		121,628,199	66,761,954	75,905,693	59,182,233	43,851,969
Total Assets		333,191,517	234,996,215	240,379,303	127,564,582	97,811,077
EQUITY AND LIABILITIES						
Equity						
Share capital	20	101,140,816	72,243,440	69,977,040	101,140,816	72,243,440
Reserves	21	75,102,500	63,104,940	51,689,521	9,444,784	6,607,044
Equity attributable to owners of the parent		176,243,316	135,348,380	121,666,561	110,585,600	78,850,484
Minority interests		25,901,844	182,232	651,874	-	-
Total Equity		202,145,160	135,530,612	122,318,435	110,585,600	78,850,484
Non-Current Liabilities						
Term loans	22	48,314,340	25,265,019	33,200,474	-	-
Hire purchase payables	23	9,867,784	14,596,712	12,091,335	-	-
Deferred tax liabilities	16	4,389,835	3,789,267	3,466,075	-	-
Total Non-Current Liabilities		62,571,959	43,650,998	48,757,884	-	-

STATEMENTS OF FINANCIAL POSITION
AS OF 31 DECEMBER 2010 (CONT'D)

	Note	The Group 31.12.2010 RM	Restated 31.12.2009 RM	Restated 1.1.2009 RM	The Company 31.12.2010 RM	31.12.2009 RM
Current Liabilities						
Amount due to contract customers	24	-	47,202	-	-	-
Trade payables	25	20,502,454	12,556,468	19,452,763	-	-
Other payables and accrued expenses	25	16,264,903	12,506,798	18,195,181	310,144	253,253
Amount owing to subsidiaries	19	-	-	-	16,668,838	18,707,340
Amount owing to associates	13	-	117,594	300,858	-	-
Bank overdrafts	26	1,230,283	3,365,362	5,617,839	-	-
Bank borrowings	26	22,132,228	18,367,015	18,471,490	-	-
Deferred income		-	-	19,248	-	-
Hire purchase payables	23	7,249,505	8,223,614	5,906,750	-	-
Tax liabilities		1,095,025	630,552	1,338,855	-	-
Total Current Liabilities		68,474,398	55,814,605	69,302,984	16,978,982	18,960,593
Total Liabilities		131,046,357	99,465,603	118,060,868	16,978,982	18,960,593
Total Equity and Liabilities		333,191,517	234,996,215	240,379,303	127,564,582	97,811,077

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

The Group	Share capital RM	Non-distributable Share premium RM	Foreign currency translation reserve RM	Distributable Retained earnings RM	Attributable to equity holders of the Company RM	Minority interests RM	Total RM
Balance as of 1 January 2009	69,977,040	5,934,537	2,745,468	43,009,516	121,666,561	651,874	122,318,435
Net income recognised directly in equity:							
Exchange differences arising from translation of foreign operations	-	-	942,794	-	942,794	44,079	986,873
Profit for the year	-	-	-	8,409,575	8,409,575	(565,681)	7,843,894
Total comprehensive income/(expenses) for the financial year	-	-	942,794	8,409,575	9,352,369	(521,602)	8,830,767
Issue of shares by subsidiary	-	-	-	-	-	51,960	51,960
Share issue expenses	-	(99,990)	-	-	(99,990)	-	(99,990)
Issue of ordinary shares (Note 20):							
Private placement	2,266,400	2,163,040	-	-	4,429,440	-	4,429,440
Balance as of 31 December 2009	72,243,440	7,997,587	3,688,262	51,419,091	135,348,380	182,232	135,530,612

The Group	Share capital RM	Non-distributable Share premium RM	Foreign currency translation reserve RM	Warrant reserve RM	Distributable Retained earnings RM	Attributable to equity holders of the Company RM	Minority interests RM	Total RM
Balance as of 1 January 2010	72,243,440	7,997,587	3,688,262	-	51,419,091	135,348,380	182,232	135,530,612
Net income recognised directly in equity:								
Exchange differences arising from translation of foreign operations	-	-	(1,202,235)	-	-	(1,202,235)	(24,946)	(1,227,181)
Profit for the year	-	-	-	-	11,989,111	11,989,111	113,739	12,102,850
Total comprehensive (expenses)/ income for the financial year	-	-	(1,202,235)	-	11,989,111	10,786,876	88,793	10,875,669
Arising from acquisition of subsidiary	-	-	-	-	-	-	25,448,223	25,448,223
Dividend paid (Note 28)	-	-	-	-	(1,011,410)	(1,011,410)	-	(1,011,410)
Issue of shares by subsidiary	-	-	-	-	-	-	182,596	182,596
Share issue expenses	-	(667,644)	-	-	-	(667,644)	-	(667,644)
Issue of ordinary shares (Note 20):								
Rights issue	28,897,376	2,006,762	-	882,976	-	31,787,114	-	31,787,114
Balance as of 31 December 2010	101,140,816	9,336,705	2,486,027	882,976	62,396,792	176,243,316	25,901,844	202,145,160

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

The Company	Share capital RM	Non-distributable Share premium RM	Non-distributable Warrant reserve RM	Distributable Accumulated losses RM	Total RM
Balance as of 1 January 2009	69,977,040	5,934,537	-	(508,501)	75,403,076
Net expense recognised directly in equity:					
Loss for the year	-	-	-	(882,042)	(882,042)
Total comprehensive expense for the financial year	-	-	-	(882,042)	(882,042)
Share issue expenses	-	(99,990)	-	-	(99,990)
Issue of ordinary shares (Note 20):					
Private placement	2,266,400	2,163,040	-	-	4,429,440
Balance as of 31 December 2009	72,243,440	7,997,587	-	(1,390,543)	78,850,484
Balance as of 1 January 2010	72,243,440	7,997,587	-	(1,390,543)	78,850,484
Net expense recognised directly in equity:					
Profit for the year	-	-	-	1,627,056	1,627,056
Total comprehensive income for the financial year	-	-	-	1,627,056	1,627,056
Dividend paid (Note 28)	-	-	-	(1,011,410)	(1,011,410)
Share issue expenses	-	(667,644)	-	-	(667,644)
Issue of ordinary shares (Note 20):					
Rights issue	28,897,376	2,006,762	882,976	-	31,787,114
Balance as of 31 December 2010	101,140,816	9,336,705	882,976	(774,897)	110,585,600

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES				
Profit/(Loss) before taxation	13,103,388	8,103,178	1,627,056	(882,042)
Adjustments for:				
Depreciation of property, plant and equipment	14,211,559	13,541,951	47,222	26,622
Interest expense	3,027,312	3,879,051	243,075	269,864
Unrealised loss/(gain) on foreign exchange	125,995	(837,117)	(434,345)	(370,494)
Allowance for impairment losses	2,875,742	100,920	1,512,994	-
Bad debts written off	540	522,290	-	-
Property, plant and equipment written off	24,196	70,677	-	30,370
Impairment loss on investments in subsidiaries	-	-	982,665	-
Impairment of goodwill	934,579	-	-	-
Share of results in associates	(641,118)	1,251,668	-	-
Interest income	(456,563)	(65,606)	(1,398,510)	(966,428)
Gain on disposal of property, plant and equipment	(76,736)	(100,740)	-	-
Government grants	-	(19,383)	-	-
Writeback of allowance for impairment losses	-	(49,454)	-	-
Dividend income from subsidiaries	-	-	(4,397,990)	-
Dividend income from associate	-	-	(105,502)	(231,555)
Operating Profit/(Loss) Before Working Capital Changes	33,128,894	26,397,435	(1,923,335)	(2,123,663)
(Increase)/Decrease in:				
Inventories	(437,697)	(2,618,208)	-	-
Amount due from contract customers	-	668,875	-	-
Trade receivables	(9,294,872)	5,347,129	-	-
Other receivables and prepaid expenses	357,806	8,555,772	15,586	(14,332)
Amount owing by associates	(2,454,733)	(1,152,773)	-	-
Increase/(Decrease) in:				
Amount due to contract customers	(47,202)	47,202	-	-
Trade payables	1,874,864	(7,080,926)	-	-
Other payables and accrued expenses	(1,038,321)	(6,023,929)	56,891	(90,842)
Amount owing to associates	(117,515)	(185,519)	-	-
Amount owing to a director	29,018	21,214	-	-
Cash Generated From/ (Used in) Operations	22,000,242	23,976,272	(1,850,858)	(2,228,837)
Taxes paid	(1,080,946)	(698,369)	-	-
Net Cash From/(Used In) Operating Activities	20,919,296	23,277,903	(1,850,858)	(2,228,837)
CASH FLOWS (USED IN)/ FROM INVESTING ACTIVITIES				
(Increase)/Decrease in amount owing by subsidiaries	-	-	(3,585,424)	17,108
Purchase of property, plant and equipment	(23,903,130)	(3,391,952)	(136,481)	(92,155)
Dividend received from subsidiaries	-	-	4,397,990	-
Dividend received from associates	259,202	600,891	105,502	231,555
Acquisition of subsidiaries (Note 12)	1,898,636	354,446	(15,134,319)	-
Acquisition of minority interest	182,596	-	-	-
Additional investment in subsidiaries	-	-	(182,328)	-
Acquisition of associates	(3,504,418)	-	-	-
Proceeds from disposal of property, plant and equipment	1,123,160	285,779	-	-
Interest received	456,563	65,606	1,398,510	966,428
Net Cash (Used In)/From Investing Activities	(23,487,391)	(2,085,230)	(13,136,550)	1,122,936

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONT'D)

	Note	The Group 2010 RM	The Group 2009 RM	The Company 2010 RM	The Company 2009 RM
CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES					
Decrease in amount owing to subsidiaries		-	-	(1,604,982)	(3,069,239)
Proceeds from issuance of shares		31,787,114	4,429,440	31,787,114	4,429,440
Share issue expenses		(667,644)	(99,990)	(667,644)	(99,990)
Repayment of term loans		(15,372,804)	(8,618,237)	-	-
Interest paid		(3,027,312)	(3,879,051)	(243,075)	(269,864)
Dividend paid		(1,011,410)	-	(1,011,410)	-
Drawdown of term loans		21,854,844	-	-	-
Payment of hire purchase payables		(8,346,045)	(8,701,131)	-	-
Net Cash From/(Used In) Financing Activities		25,216,743	(16,868,969)	28,260,003	990,347
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		22,648,648	4,323,704	13,272,595	(115,554)
Effect of exchange rate changes		134,044	282,465	825	(5,761)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		10,186,974	5,580,805	200,943	322,258
CASH AND CASH EQUIVALENTS AT END OF YEAR	27	32,969,666	10,186,974	13,474,363	200,943

Note : During the financial year, the Group and the Company acquired property, plant and equipment at an aggregate cost of RM26,937,087 and RM136,481 (2009 : RM16,562,501 and RM92,155), respectively, of which RM3,033,957 and NIL (2009 : RM13,170,549 and NIL), respectively, was acquired under hire-purchase arrangements. Cash payments for the acquisition of property, plant and equipment amounted to RM23,903,130 and RM136,481 (2009 : RM3,391,952 and RM92,155) respectively.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of Bursa Malaysia Securities Berhad.

The principal activity of the Company is that of an investment holding and provision of management services to its subsidiaries.

The principal activities of the subsidiaries are disclosed in Note 12.

There have been no significant changes in the nature of the activities of the Company and of its subsidiaries during the financial year.

The registered office of the Company is located at 17-2, Jalan Solaris 3, Solaris Mont' Kiara, 50480 Kuala Lumpur, Malaysia.

The principal place of business of the Company is located at Suite 301, Block F, Pusat Dagangan Phileo Damansara 1, No. 9, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 19 April 2011.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Financial Reporting Standards ("FRS") and the Companies Act 1965 in Malaysia.

(a) During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments):-

FRSs and IC Interpretations (including the Consequential Amendments)

FRS 4 Insurance Contracts

FRS 7 Financial Instruments: Disclosures

FRS 8 Operating Segments

FRS 101 (Revised) Presentation of Financial Statements

FRS 123 (Revised) Borrowing Costs

FRS 139 Financial Instruments: Recognition and Measurement

Amendments to FRS 1 and FRS 127: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Amendments to FRS 2: Vesting Conditions and Cancellations

Amendments to FRS 7, FRS 139 and IC Interpretation 9

Amendments to FRS 101 and FRS 132: Puttable Financial Instruments and Obligations Arising on Liquidation

Amendments to FRS 132: Classification of Rights Issues and the Transitional Provision in Relation to Compound Instruments

IC Interpretation 9 Reassessment of Embedded Derivatives

IC Interpretation 10 Interim Financial Reporting and Impairment

IC Interpretation 11: FRS 2 - Group and Treasury Share Transactions

IC Interpretation 13 Customer Loyalty Programmes

IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

(a) During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments):- (CONT'D)

Annual Improvements to FRSs (2009)

The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Group's financial statements, other than the following:-

(i) FRS 7 requires additional disclosures about the financial instruments of the Group. Prior to 1 January 2010, information about financial statements was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosures and Presentation. FRS 7 requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group has applied FRS 7 prospectively in accordance with the transitional provisions. Accordingly, the new disclosures have not been applied to the comparatives and are included throughout the financial statements for the current financial year.

(ii) FRS 101 (Revised) introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present this statement as one single statement.

The revised standard also separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of comprehensive income as other comprehensive income.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the statement.

FRS 101 (Revised) also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. This new disclosure is made in Note 29(b) to the financial statements.

Comparative information has been re-presented so that it is in conformity with the requirements of this revised standard.

(iii) The adoption of FRS 139 (including the consequential amendments) has resulted in several changes to accounting policies relating to recognition and measurements of financial instruments.

(aa) Prior to 1 January 2010, allowance for doubtful debts was recognised when it was considered uncollectable. With the adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

(bb) Prior to 1 January 2010, inter-company loans or advances were recorded at cost. With the adoption of FRS 139, inter-company loans and advances are now recognised initially at their fair values, which are estimated by discounting the expected cash flows using the current market interest rate of a loan with similar risk and tenure. Subsequent to initial recognition, the loans and advances are measured at amortised cost.

All these financial impacts are recognised as an adjustment to the opening balance of the retained profits or another appropriate reserve upon the adoption of FRS 139. Comparatives are not adjusted/represented by virtue of the exemption given in this standard.

(iv) The Group has adopted the amendments made to FRS 117 Leases pursuant to the Annual Improvements to FRSs (2009). The Group has reassessed and determined that the leasehold land of the Group is in substance a finance lease and has been reclassified as property, plant and equipment. This change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendments.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

(b) The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

FRSs and IC Interpretations (including the Consequential Amendments)	Effective date
FRS 1 (Revised) First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3 (Revised) Business Combinations	1 July 2010
FRS 124 (Revised) Related Party Disclosures	1 January 2012
FRS 127 (Revised) Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 1 (Revised): Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 1: Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 2: Scope of FRS 2 and FRS 3 (Revised)	1 July 2010
IC Interpretation 12 Service Concession Arrangements	1 July 2010
Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 5: Plan to Sell the Controlling Interest in a Subsidiary	1 July 2010
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 138: Consequential Amendments Arising from FRS 3 (Revised)	1 July 2010
Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement	1 July 2011
Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and FRS 3 (Revised)	1 July 2010
IC Interpretation 4 Determining Whether An Arrangement Contains a Lease	1 January 2011
IC Interpretation 15 Agreements for the Construction of Real Estate	1 January 2012
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
IC Interpretation 18 Transfers of Assets from Customers	1 January 2011
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Annual Improvements to FRSs (2010)	1 January 2011

The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Group's operations except as follows:-

(i) FRS 3 (Revised) introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. In addition, all transaction costs, other than share and debt issue costs, will be expensed as incurred. This revised standard will be applied prospectively and therefore there will not have any financial impact on the financial statements of the Group for the current financial year but may impact the accounting for future transactions or arrangements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

(b) (ii) FRS 127 (Revised) requires accounting for changes in ownership interests by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the minority interest to be absorbed by the minority interest instead of by the parent. The Group will apply the major changes of FRS 127 (Revised) prospectively and therefore there will not have any financial impact on the financial statements of the Group for the current financial year but may impact the accounting its future transactions or arrangements.

3. SIGNIFICANT ACCOUNTING POLICIES

Critical Accounting Estimates And Judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:

(i) Impairment of Goodwill

Goodwill is tested for impairment annually and at other times when such indicators exists. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

(ii) Contract Customers

The Group recognises contract customers in the income statements by using the stage of percentage-of-completion method, which is the standard for similar industries.

The stage of completion is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Estimated losses are recognised in full when determined. Contract costs estimates are reviewed and revised periodically as work progresses and as variation orders are approved.

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs as well as the recoverability of the project undertaken. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists. If the Group is unable to make reasonably dependable estimates, the Group would not recognise any profit before a contract is completed, but would recognise a loss as soon as the loss becomes evident.

Adjustments based on the percentage-of-completion method are reflected in contract revenue in the reporting period. To the extent that these adjustments result in a reduction or elimination of previously reported amount due from contract customers and contract revenue and costs, the Group recognises a charge or credit against current earnings and amounts in prior periods, if any, are not restated.

(iii) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Critical Accounting Estimates And Judgements (CONT'D)

(iv) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

(v) Impairment of Non-financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(vi) Impairment of Trade and Other Receivables

The policy for allowance for impairment losses of the Group and of the Company is based on the evaluation of collectibility and aging analysis of accounts and on management's estimate. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of the customers with which the Group and the Company deal with were to deteriorate, resulting in an impairment of their ability to make payments, an additional allowance may be required.

(vii) Classification of Leasehold Land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

(viii) Fair Value Estimates for Certain Financial Assets and Liabilities

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

Operating Segments

Operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Revenue Recognition

(i) Services

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(ii) Sale of goods

Revenue from the sale of goods is recognised upon delivery of products and when the risks and rewards of ownership have passed to the customers.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Operating Segments (CONT'D)

(iii) Contracts

Revenue relating to contracts are accounted for under the percentage of completion method.

(iv) Management fee and interest income

Management fee and interest income are recognised on an accrual basis.

(v) Dividend income

Dividend income from investment is recognised when the right to receive dividend payment is established.

Income Taxes

Income tax for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statements of financial position and transferred to statements of comprehensive income on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the period necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group which no future related costs are recognised in the profit or loss in the period in which they become receivable.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Borrowing Costs

Borrowing costs, directly attributable to the acquisition and construction of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are charged to the income statement as expenses in the period in which they are incurred.

Contract Customers

When the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Employee Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and of the Company.

The Group and the Company make statutory contributions to approved provident funds and contributions are recognised in profit or loss. Once the contributions have been paid, there are no further payment obligations. The approved provident funds are defined contribution plans.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December 2010.

A subsidiary is defined as a company in which the parent company has the power, directly or indirectly, to exercise control over its financial and operating policies so as to obtain benefits from its activities.

All subsidiaries are consolidated using the purchase method. Under the purchase method, the results of the subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Minority interests in the consolidated statement of financial position consist of the minorities' share of fair values of the identifiable assets and liabilities of the acquiree as at the date of acquisition and the minorities' share of movements in the acquiree's equity.

Minority interests are presented within equity in the consolidated statement of financial position, separately from the Company's shareholders' equity, and are separately disclosed in the consolidated statement of comprehensive income. Transactions with minority interests are accounted for as transactions with owners. Gain or loss on disposal to minority interests in recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Goodwill

Goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable net assets of the subsidiaries at the date of acquisition.

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

If, after reassessment, the Group's interest in the fair values of the identifiable net assets of the subsidiaries exceeds the cost of the business combinations, the excess is recognised as income immediately in profit or loss.

Functional and Foreign Currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(iii) Foreign operations

Assets and liabilities of foreign operations are translated to RM at the rates of exchange ruling at the end of the reporting period. Revenues and expenses of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising on translation are taken directly to other comprehensive income and accumulated in equity under translation reserve. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

Financial Instruments

Financial instruments are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (CONT'D)

(i) Financial assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate.

- Financial assets at fair value through profit or loss

  Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

  Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Company's right to receive payment is established.

- Held-to-maturity investments

  As at the end of the reporting period, there were no financial assets classified under this category.

- Loans and receivables financial assets

  Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

- Available-for-sale financial assets

  As at the end of the reporting period, there were no financial assets classified under this category.

(ii) Financial liabilities

All financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

(iii) Equity instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Group or to the Company and the cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, Plant and Equipment (CONT'D)

Freehold land and capital work-in-progress are not depreciated. Freehold buildings are depreciated on a straight-line basis over 50 years whilst the long leasehold buildings are depreciated over the remaining terms of the lease of 50 years. Depreciation of other property, plant and equipment is computed on the straight-line basis to their residual values at rates based on the estimated useful lives. The principal annual rates used are as follows:

Leasehold land	60 years
Factory and office renovation	10%
Plant and machinery	10% - 20%
Workshop tools	20%
Office equipment	33 1/3%
Furniture and fittings	20% - 33 1/3
Motor vehicles	14%
Computers	33%

At the end of each reporting period, the property, plant and equipment's residual values, useful lives and depreciation methods are reviewed, and the effect of any changes are recognised prospectively.

Gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in the profit or loss.

In the previous financial year, leasehold land that normally had an indefinite economic life and title was not expected to pass to the lessee by the end of the lease term was treated as an operating lease. The payment made on entering into or acquiring leasehold land that was accounted for as an operating lease represents prepaid lease payments.

During the financial year, the Group adopted the amendments made to FRS 117 Leases in relation to the classification of lease of land. The Group's leasehold land which in substance is a finance lease has been reclassified as property and equipment and measured as such retrospectively.

Investments in Subsidiaries

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

Investment in an Associate

An associate is an entity in which the Group has a long term equity interest and where it exercises significant influence over the financial and operating policies.

The investment in an associate is accounted for under the equity method, based on the financial statements of the associate made up to 31 December 2010. The Group's share of the post-acquisition profits of the associate is included in the consolidated statement of comprehensive income and the Group's interest in the associate is carried in the consolidated statement of financial position at cost plus the Group's share of the post-acquisition retained profits and reserves.

Unrealised gains on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered.

Impairment

(i) Impairment of financial assets

All financial assets (other than those categorised at fair value through profit or loss) are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment (CONT'D)

(i) Impairment of financial assets (CONT'D)

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

(ii) Impairment of non-financial assets

The carrying values of assets, other than those to which FRS 136 Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' net selling price and their value in use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited to other comprehensive income. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the statements of comprehensive income, a reversal of that impairment loss is recognised as income in the statements of comprehensive income.

Assets Under Finance Leases and Hire Purchase

Leases of plant and equipment where substantially all the benefits and risks of ownership are transferred to the Group are classified as finance leases. Plant and equipment acquired under finance lease and hire purchase are capitalised in the financial statements.

Each lease and hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding outstanding obligations due under the finance lease and hire purchase after deducting finance charges are included as liabilities in the financial statements.

Finance charges are recognised in profit or loss over the period of the respective lease and hire purchase agreements.

Plant and equipment acquired under finance leases and hire purchase are depreciated over the useful lives of the assets. If there is no reasonable certainty that the ownership will be transferred to the Group, the assets are depreciated over the shorter of the lease terms and their useful lives.

Inventories

Inventories are stated at the lower of cost (determined on the first-in, first-out basis) and net realisable value. The cost of raw materials comprises the original cost of purchase plus the cost of bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods include the cost of raw materials, direct labour, other direct cost and appropriate production overheads. Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged with financial institutions, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Related Parties

A party is related to an entity if:-

(i) directly, or indirectly through one or more intermediaries, the party:-
- controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
- has an interest in the entity that gives it significant influence over the entity; or
- has joint control over the entity;

(ii) the party is an associate of the entity;
(iii) the party is a joint venture in which the entity is a venturer;
(iv) the party is a member of the key management personnel of the entity or its parent;
(v) the party is a close member of the family of any individual referred to in (i) or (iv);
(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
(vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation, and when a reliable estimate of the amount can be made. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

At end of each reporting period, the provisions are reviewed by the directors and adjusted to reflect the current best estimate. The provisions are reversed if it is no longer probable that the Group and the Company will be required to settle the obligation.

Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

4. OPERATING SEGMENTS

For management purposes, the Group is organised based on the Group's business and geographical segments. The primary format, geographical segments, is based on the Group management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

The Group is principally engaged in one business segment which is the provision of engineering services.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

The Group is organised into the following geographical segments:
- Malaysia
- Singapore
- Philippines
- Taiwan
- China
- Hong Kong
- Indonesia

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. OPERATING SEGMENTS (CONT'D)

The Group 2010	Malaysia RM	Singapore RM	Philippines RM	Taiwan RM	China RM	Hong Kong RM	Indonesia RM	Elimination RM	Total RM
Revenue									
External sales	46,540,539	91,401,207	5,859,162	-	2,290,080	-	612,802	-	146,703,790
Inter-segment sales	2,190,974	7,723,044	2,826,762	-	-	-	-	(12,740,780)	-
Total revenue	48,731,513	99,124,251	8,685,924	-	2,290,080	-	612,802	(12,740,780)	146,703,790
Results									
Segment results	3,114,791	12,670,530	2,171,757	36,973	285,821	(15,047)	(419,862)	(2,811,944)	15,033,019
Share of results in associates									641,118
Interest income									456,563
Finance costs									(3,027,312)
Profit before tax									13,103,388
Income tax expense									(1,000,538)
Profit for the year									12,102,850
Assets									
Investment in associates	52,938	4,441,317	-	-	-	-	-	-	4,494,255
Segmental assets	130,586,678	151,988,650	11,839,162	109,754,580	1,606,058	195,270	1,643,134	(78,916,270)	328,697,262
Consolidated total assets									333,191,517
Liabilities									
Tax liabilities	124,820	3,877,053	190,865	1,292,122	-	-	-	-	5,484,860
Segment liabilities	64,493,503	77,518,389	7,832,561	56,969,766	745,194	195,455	1,178,430	(83,371,801)	125,561,497
Consolidated total liabilities									131,046,357
Other Information									
Capital expenditure	5,485,025	17,078,652	4,311,268	-	60,594	-	1,548	-	26,937,087
Depreciation	4,746,485	9,068,934	358,140	-	28,210	-	9,790	-	14,211,559

2009	Malaysia RM	Singapore RM	Philippines RM	Taiwan RM	China RM	Hong Kong RM	Indonesia RM	Elimination RM	Total RM
Revenue									
External sales	53,209,665	80,819,411	3,082,486	-	247,298	-	-	-	137,358,860
Inter-segment sales	116,264	11,339,248	818,000	-	-	-	317,533	(12,591,045)	-
Total revenue	53,325,929	92,158,659	3,900,486	-	247,298	-	317,533	(12,591,045)	137,358,860
Results									
Segment results	3,138,257	12,603,916	(1,110,942)	514,219	(1,094,089)	(12,136)	(270,044)	(600,890)	13,168,291
Share of results in associates									(1,251,668)
Interest income									65,606
Finance costs									(3,879,051)
Profit before tax									8,103,178
Income tax expense									(259,284)
Profit for the year									7,843,894
Assets									
Investment in associates	21,389,406	1,274,280	-	23,874,817	-	-	-	-	46,538,503
Segmental assets	115,792,797	132,745,004	4,312,932	231,166	967,808	623	1,569,290	(67,161,908)	188,457,712
Consolidated total assets									234,996,215
Liabilities									
Tax liabilities	693,905	3,615,630	6,585	103,699	-	-	-	-	4,419,819
Segment liabilities	65,976,153	71,169,799	2,317,480	24,337,959	682,395	8,904	698,690	(70,145,596)	95,045,784
Consolidated total liabilities									99,465,603
Other Information									
Capital expenditure	2,861,838	13,152,251	167,919	-	207,354	-	173,139	-	16,562,501
Depreciation	4,624,456	8,596,513	277,535	-	17,108	-	26,339	-	13,541,951

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. REVENUE

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Provision of services	125,519,500	123,693,688	-	-
Contract customers	-	4,249,534	-	-
Sale of goods	21,184,290	9,415,638	-	-
Dividend income from subsidiaries	-	-	4,397,990	-
Dividend income from associates	-	-	105,502	231,555
	146,703,790	137,358,860	4,503,492	231,555

6. FINANCE COSTS

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Interest expense on:				
Term loans	1,318,780	1,611,168	-	-
Hire purchase	1,550,712	1,575,632	-	-
Short-term borrowings	40,275	246,330	-	-
Bank overdrafts	117,545	445,921	-	842
Amount owing to subsidiaries	-	-	243,075	269,022
	3,027,312	3,879,051	243,075	269,864

7. PROFIT/(LOSS) BEFORE TAX

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

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Insurance compensation received	216,612	1,013,353	-	-
Interest income from:				
Subsidiaries	-	-	990,209	953,023
Third parties	456,563	65,606	408,301	13,405
Gain on disposal of property, plant and equipment	76,736	100,740	-	-
Dividend income from:				
Subsidiaries	-	-	4,397,990	-
Associate	-	-	105,502	231,555
Government grants	-	19,383	-	-
Writeback of allowance for impairment losses	-	49,454	-	-
Staff costs	(43,722,128)	(35,131,526)	(836,989)	(460,585)
Depreciation of property, plant and equipment	(14,211,559)	(13,541,951)	(47,222)	(26,622)
Research and development expenditure	(2,416,111)	(2,885,599)	-	-
Directors' remuneration:				
Fees:				
Executive Director	-	(24,000)	-	(24,000)
Non-executive Directors	(149,600)	(148,600)	(149,600)	(148,600)
Salaries and other emoluments:				
Executive Directors	(2,179,283)	(1,474,201)	(72,000)	-
Non-Executive Directors	(4,240)	(28,440)	-	-
Gain/(Loss) on foreign exchange - net:				
Unrealised	(125,995)	837,117	434,345	370,494
Realised	(194,893)	(383,802)	68,553	(13,723)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. PROFIT/(LOSS) BEFORE TAX (CONT'D)

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

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Auditors' remuneration				
- current year	(260,535)	(228,862)	(54,000)	(43,000)
- underprovision in the previous financial year	(21,110)	(32,525)	-	(10,000)
Property, plant and equipment written off	(24,196)	(70,677)	-	(30,370)
Impairment of goodwill	(934,579)	-	-	-
Impairment loss on investments in subsidiaries	-	-	(982,665)	-
Allowance for impairment losses	(2,875,742)	(100,920)	(1,512,994)	-
Bad debts written off	(540)	(522,290)	-	-

(a) Staff costs

Staff costs include salaries, bonuses, contributions to statutory defined contribution plans and all other staff related expenses. Contributions to statutory defined contribution plans, included in staff costs, made by the Group and by the Company during the financial year amounted to RM2,919,779 (2009: RM2,362,510) and RM83,382 (2009: RM50,703) respectively.

(b) Key management personnel compensation

The remuneration of the members of key management included in staff costs are as follows:

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Short-term employee benefits	5,797,148	4,098,126	435,050	212,492

(c) Directors' remuneration

Contributions to provident fund, included in directors' remuneration, made by the Group during the current financial year amounted to RM53,708 (2009: RM59,406).

8. INCOME TAX EXPENSE

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Estimated tax payable:				
Malaysian:				
- Current year	315,000	600,000	-	-
- Overprovision in prior years	(32,450)	(5,951)	-	-
	282,550	594,049	-	-
Foreign:				
- Current year	317,061	570,112	-	-
- Overprovision in prior years	(114,807)	(1,097,074)	-	-
	202,254	(526,962)	-	-
	484,804	67,087	-	-
Deferred tax (Note 16):				
- Current year	555,514	92,041	-	-
- (Over)/Underprovision in prior years	(39,780)	100,156	-	-
	515,734	192,197	-	-
	1,000,538	259,284	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. INCOME TAX EXPENSE (CONT'D)

A reconciliation of income tax expense at the applicable statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Profit/(Loss) before tax	13,103,388	8,103,178	1,627,056	(882,042)
Tax at the applicable tax rate of 25% (2009 : 25%)	3,275,847	2,025,794	406,764	(220,510)
Effect of different tax rates of other tax jurisdictions	(1,293,589)	(588,357)	-	-
Tax effects of:				
Non-deductible expenses	1,213,092	785,008	719,539	278,399
Income not subject to tax	(206,702)	(220,994)	(1,126,303)	(57,889)
Utilisation of deferred tax asset previously not recognised	(320,355)	(586,434)	-	-
Utilisation of unabsorbed reinvestment allowances	(315,425)	-	-	-
Double tax deduction	-	(234,830)	-	-
Tax incentives	(1,286,886)	-	-	-
Income tax exemption	(57,872)	(62,837)	-	-
Deferred tax asset not recognised	243,760	-	-	-
Over/(Under)provision in prior years				
- Income tax	(147,257)	(1,103,025)	-	-
- Deferred tax	(39,780)	100,156	-	-
Effect of share of results in associates	(64,295)	144,803	-	-
	1,000,538	259,284	-	-

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	The Group	
	2010 RM	2009 RM
Profit for the year attributable to owners of the Company	11,989,111	8,409,575
Number of shares in issue as of January 1	722,434,400	699,770,400
Effects of:		
Private placement	-	13,978,718
Rights issue	234,345,844	-
Weighted average number of ordinary shares for basic earnings per share computation	956,780,244	713,749,118
Effects of dilution - warrants	234,345,844	-
Weighted average number of ordinary shares for diluted earnings per share computation	1,191,126,088	713,749,118
Basic earnings per ordinary share attributable to equity holders of the Company (sen)	1.3	1.2
Diluted earnings per ordinary share attributable to equity holders of the Company (sen)	1.0	Not applicable

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. PROPERTY, PLANT AND EQUIPMENT

The Group	COST: As previously reported at 1 January 2009 RM	Effects of FRS 117 RM	As restated at 1 January 2009 RM	Arising from acquisition of subsidiary RM	Foreign currency translation differences RM	Transfer to stock and Reclassi-fications RM	Additions RM	Write-offs RM	Disposals RM	Restated at 31 December 2009 RM
Freehold land	3,052,875	-	3,052,875	-	-	-	-	-	-	3,052,875
Freehold buildings	1,160,451	-	1,160,451	-	-	-	-	-	-	1,160,451
Long leasehold land	-	3,664,274	3,664,274	-	-	-	-	-	-	3,664,274
Long leasehold buildings	30,209,581	-	30,209,581	-	325,412	-	-	-	-	30,534,993
Factory and office renovation	17,197,601	-	17,197,601	-	169,016	(395,125)	616,192	(58,886)	-	17,528,798
Plant and machinery	90,231,858	-	90,231,858	83,424	849,579	(2,336,806)	11,105,094	(31,813)	(327,068)	99,574,268
Workshop tools	1,398,225	-	1,398,225	531,952	-	-	140,466	(13,516)	-	2,057,127
Office equipment	4,780,376	-	4,780,376	-	55,523	396,410	847,067	(10,329)	-	6,069,047
Furniture and fittings	481,038	-	481,038	14,300	(193)	-	19,631	-	-	514,776
Motor vehicles	4,350,398	-	4,350,398	299,170	44,758	-	273,230	-	(285,256)	4,682,300
Computers	527,936	-	527,936	5,548	284	-	109,989	(14,461)	-	629,296
Capital work-in-progress	73,355	-	73,355	-	15,839	2,310,990	3,450,832	-	-	5,851,016
Total	153,463,694	3,664,274	157,127,968	934,394	1,460,218	(24,531)	16,562,501	(129,005)	(612,324)	175,319,221

The Group	COST: As previously reported at 1 January 2010 RM	Effects of FRS 117 RM	As restated at 1 January 2010 RM	Arising from acquisition of subsidiary RM	Foreign currency translation differences RM	Transfer to stock and Reclassi-fications RM	Additions RM	Write-offs RM	Disposals RM	Restated at 31 December 2010 RM
Freehold land	3,052,875	-	3,052,875	13,543,348	-	-	-	-	-	16,596,223
Freehold buildings	1,160,451	-	1,160,451	34,790,204	-	-	-	-	-	35,950,655
Long leasehold land	-	3,664,274	3,664,274	-	-	-	-	-	-	3,664,274
Long leasehold buildings	30,534,993	-	30,534,993	-	(532,849)	-	-	-	-	30,002,144
Factory and office renovation	17,528,798	-	17,528,798	-	(271,485)	293,002	280,784	-	(160,515)	17,670,584
Plant and machinery	99,574,268	-	99,574,268	31,006,450	(1,593,199)	4,817,247	8,107,808	(32,739)	(1,633,983)	140,245,852
Workshop tools	2,057,127	-	2,057,127	-	-	37,687	680,228	(580)	(554,003)	2,220,459
Office equipment	6,069,047	-	6,069,047	1,305,062	(122,777)	265,768	403,425	(5,715)	(10,453)	7,904,357
Furniture and fittings	514,776	-	514,776	-	(230)	1,590	135,736	(1,928)	-	649,944
Motor vehicles	4,682,300	-	4,682,300	2,152,706	(73,936)	23,620	312,211	-	(123,147)	6,973,754
Computers	629,296	-	629,296	1,770,479	(1,823)	-	95,071	(19,240)	(7,834)	2,465,949
Capital work-in-progress	5,851,016	-	5,851,016	147,568	(122,997)	(5,288,490)	16,921,824	-	-	17,508,921
Total	171,654,947	3,664,274	175,319,221	84,715,817	(2,719,296)	150,424	26,937,087	(60,202)	(2,489,935)	281,853,116

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group	ACCUMULATED DEPRECIATION								
	As previously reported at 1 January 2009 RM	Effects of FRS 117 RM	As restated at 1 January 2009 RM	Arising from acquisition of subsidiary RM	Foreign currency translation differences RM	Charge for the year RM	Write-offs RM	Disposals RM	Restated at 31 December 2009 RM
Freehold land	-	-	-	-	-	-	-	-	-
Freehold buildings	136,150	-	136,150	-	-	23,209	-	-	159,359
Long leasehold land	-	111,536	111,536			61,966			173,502
Long leasehold buildings	4,647,770	-	4,647,770	-	66,965	946,045	-	-	5,660,780
Factory and office renovation	3,215,944	-	3,215,944	-	42,609	1,240,324	(17,345)	-	4,481,532
Plant and machinery	29,306,422	-	29,306,422	15,310	345,366	9,121,417	(8,777)	(142,029)	38,637,709
Workshop tools	661,925	-	661,925	62,405	-	311,451	(11,902)	-	1,023,879
Office equipment	2,970,922	-	2,970,922	-	38,743	1,067,753	(6,506)	-	4,070,912
Furniture and fittings	249,178	-	249,178	1,907	(191)	88,279	-	-	339,173
Motor vehicles	2,938,733	-	2,938,733	85,489	34,629	554,192	-	(285,256)	3,327,787
Computers	356,938	-	356,938	2,385	63	127,315	(13,798)	-	472,903
Capital work-in-progress	-	-	-	-	-	-	-	-	-
Total	44,483,982	111,536	44,595,518	167,496	528,184	13,541,951	(58,328)	(427,285)	58,347,536

The Group	ACCUMULATED DEPRECIATION									NET BOOK VALUE	
	As previously reported at 1 January 2010 RM	Effects of FRS 117	As restated at 1 January 2010	Arising from acquisition of subsidiary RM	Foreign currency translation differences RM	Charge for the year RM	Write-offs RM	Disposals RM	Restated at 31 December 2010 RM	Restated at 31 December 2010 RM	Restated at 31 December 2009 RM
Freehold land	-	-	-	-	-	-	-	-	-	16,596,223	3,052,875
Freehold buildings	159,359	-	159,359	9,226,892	-	23,209	-	-	9,409,460	26,541,195	1,001,092
Long leasehold land	-	173,502	173,502	-	-	61,967	-	-	235,469	3,428,805	3,490,772
Long leasehold buildings	5,660,780	-	5,660,780	-	(112,690)	861,529	-	-	6,409,619	23,592,525	24,874,213
Factory and office renovation	4,481,532	-	4,481,532	-	(64,684)	1,338,746	-	(34,655)	5,720,939	11,949,645	13,047,266
Plant and machinery	38,637,709	-	38,637,709	19,582,173	(599,630)	9,795,078	(9,246)	(1,058,718)	66,347,366	73,898,486	60,936,559
Workshop tools	1,023,879	-	1,023,879	-	-	368,390	(232)	(237,557)	1,154,480	1,065,979	1,033,248
Office equipment	4,070,912	-	4,070,912	1,180,688	(68,364)	984,026	(5,363)	(2,435)	6,159,464	1,744,893	1,998,135
Furniture and fittings	339,173	-	339,173	-	(87)	95,000	(1,928)	-	432,158	217,786	175,603
Motor vehicles	3,327,787	-	3,327,787	1,624,257	(55,114)	590,915	-	(107,464)	5,380,381	1,593,373	1,354,513
Computers	472,903	-	472,903	1,655,998	(930)	92,699	(19,237)	(2,682)	2,198,751	267,198	156,393
Capital work-in-progress	-	-	-	-	-	-	-	-	-	17,508,921	5,851,016
Total	58,174,034	173,502	58,347,536	33,270,008	(901,499)	14,211,559	(36,006)	(1,443,511)	103,448,087	178,405,029	116,971,685

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Company	Balance as of 1 January 2009 RM	Additions RM	Write-offs RM	Balance as of 31 December 2009 RM	Additions RM	Write-offs RM	Reclassi-fications RM	Balance as of 31 December 2010 RM
	COST							
Office renovation	47,329	-	(47,329)	-	81,775	-	70,000	151,775
Office equipment	31,588	6,647	-	38,235	6,289	-		44,524
Furniture and fittings	30,005	-	-	30,005	42,605	-		72,610
Computers	26,912	15,508	-	42,420	5,812	(2,155)		46,077
Capital work-in-progress	-	70,000	-	70,000	-	-	(70,000)	-
Total	135,834	92,155	(47,329)	180,660	136,481	(2,155)	-	314,986

The Company	Balance as of 1 January 2009 RM	Charge for the year RM	Write-offs RM	Balance as of 31 December 2009 RM	Charge for the year RM	Write-offs RM	Balance as of 31 December 2010 RM	Balance as of 31 December 2010 RM	Balance as of 31 December 2009 RM
	ACCUMULATED DEPRECIATION							NET BOOK VALUE	
Office renovation	12,621	4,338	(16,959)	-	15,225	-	15,225	136,550	-
Office equipment	23,846	7,247	-	31,093	5,054	-	36,147	8,377	7,142
Furniture and fittings	16,033	6,124	-	22,157	19,420	-	41,577	31,033	7,848
Computers	17,742	8,913	-	26,655	7,523	(2,155)	32,023	14,054	15,765
Capital work-in-progress	-	-	-	-	-	-	-	-	70,000
Total	70,242	26,622	(16,959)	79,905	47,222	(2,155)	124,972	190,014	100,755

As of 31 December 2010, freehold land and buildings, long leasehold land and buildings and plant and machinery of the Group with total net book value totalling RM68,138,947 (2009: RM28,928,181) have been charged as collateral to certain banks for term loans and bank borrowings granted to the Group as mentioned in Note 22.

Included in property, plant and equipment of the Group are property, plant and equipment acquired under hire purchase arrangements with net book value totalling RM28,376,700 (2009: RM31,466,853).

11. PREPAID LEASE PAYMENTS

	The Group 2010 RM	The Group 2009 RM
Leasehold land at cost:		
As previously reported	-	3,664,274
Effects of FRS 117	-	(3,664,274)
As restated	-	-
Cumulative amortisation:		
As previously reported	-	173,502
Effects of FRS 117	-	(173,502)
As restated	-	-
	-	-

The Group has adopted the amendments made to FRS 117 - Leases during the financial year. The Group has reassessed and determined that the leasehold land of the Group is in substance a finance lease and has been reclassified as property, plant and equipment. This change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendments.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12. INVESTMENT IN SUBSIDIARIES

	The Company 2010 RM	The Company 2009 RM
Quoted shares outside Malaysia- at cost	27,955,744	-
Unquoted shares - at cost	41,219,256	30,903,191
	69,175,000	30,903,191
Impairment of investment in subsidiaries	(982,665)	-
	68,192,335	30,903,191
Market value of quoted shares	26,297,545	-

Details of the subsidiaries are as follows:

Name of Companies	Country of Incorporation	Effective Equity Interest 2010 %	Effective Equity Interest 2009 %	Principal Activities
Direct Subsidiaries				
Frontken (Singapore) Pte. Ltd. [1]	Singapore	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Frontken Technology Corporation [2]	Taiwan	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
PT Frontken Indonesia [2]	Indonesia	95	95	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Frontken MIC Co. Limited [2]	Hong Kong	50	50	Investment holding and provision of management services.
Frontken Malaysia Sdn. Bhd.[3]	Malaysia	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Indirect Subsidiaries				
Metall-Treat Industries Pte. Ltd. [1]	Singapore	100	100	Electroplating and plating of metals and formed products.
Frontken Philippines Inc [2]	Philippines	99.99	99.99	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Frontken (East Malaysia) Sdn. Bhd. [3]	Malaysia	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of Companies	Country of Incorporation	Effective Equity Interest 2010 %	2009 %	Principal Activities
Indirect Subsidiaries (cont'd)				
Frontken (Johor) Sdn. Bhd. [3]	Malaysia	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes, including mechanical and chemical engineering services.
Frontken-MIC (Wuxi) Co. Ltd. [2]	China	50	50	Provision of cleaning of specialised equipment for semiconductor devices, integrated circuits and components, and research and development of semiconductor cleaning technology.
Frontken Petroleum Sdn. Bhd.[3]	Malaysia	60.07	60.07	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering services.
Frontship Pte. Ltd. [1]	Singapore	100	100	Procurement of materials, equipment consumable parts and engineering services.
Ares Green Technology Corporation [2]	Taiwan	50.58	-	Provision of surface treatment and advanced precision cleaning for the TFT - LCD (Thin Film Transistor - Liquid Crystal display) and semi-conductor industries.
Ares Green International Corporation[4]	Samoa	50.58	-	Dormant.

[1] The financial statements of the subsidiaries are examined by a member firm of Crowe Horwath International.

[2] The financial statements of the subsidiaries are examined by auditors other than the auditors of the Company.

[3] The financial statements of the subsidiaries are examined by Messrs Crowe Horwath.

[4] 2,000,000 ordinary shares of USD1 each had been allotted and issued to Ares Green Technology Corporation on 4 November 2010. The allotted shares will be paid up when calls are made by the Directors of Ares Green International Corporation.

(i) On 15 January 2010, Frontken (Singapore) Pte Ltd subscribed for an additional 499,998 ordinary shares in Frontship Pte Ltd for a cash consideration of SGD499,998.

(ii) On 8 March 2010, Frontken MIC Co. Limited ("FMIC"), a subsidiary of the Company, increased its issued and paid-up capital from HKD3,120,000 to HKD3,950,000 by the allotment and issuance of 830,000 new ordinary shares of HKD1.00 each at par value for cash to its existing shareholders.

Pursuant to the above increase in share capital, the Company subscribed for 415,000 new ordinary shares of HKD1.00 each for a cash consideration of HKD415,000. The shareholding of the Company in FMIC remained at approximately 50% after the increase in share capital.

(iii) On 10 December 2010, the Company acquired 2,802,500 ordinary shares of NT$10 each representing 8.5% of the issued and paid-up share capital of Ares Green Technology Corporation ("AGTC") for a cash consideration of NT$47,674,541 (including incidental costs). The shares were acquired over the counter on GreTai Securities Market in Taiwan. Following the acquisition, the Group's interest in AGTC increased from 42.11% to 50.58% and AGTC became a subsidiary of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12. INVESTMENT IN SUBSIDIARIES (CONT'D)

(iii) The acquisition, at the end of the year, has no impact to the Group's profit after tax for the year. If the combination had taken place at the beginning of the financial year, the Group's profit after tax for the year would have been RM13,022,140 and revenue would have been RM194,317,950.

In the current financial year, the additional interest acquired and the net cash flows arising from the acquisition of additional interest in the existing associate were as follows:-

	The Group 2010 RM
Property, plant and equipment	51,445,809
Deferred tax asset	202,312
Trade and other receivables	24,909,104
Inventories	1,429,038
Cash and cash equivalents	6,899,220
Trade and other payables	(12,279,709)
Term loans	(21,112,000)
Net assets previously held as investment in associates	(45,633,421)
Goodwill on investments in associates	23,950,939
Less : Minority interest	(25,448,223)
Group's interest in fair value of net identifiable assets	4,363,069
Goodwill on additional acquisition	637,515
Total cost of acquisition	5,000,584
Less: Cash and cash equivalents in subsidiary acquired	(6,899,220)
Net cash inflow on acquisition	(1,898,636)

13. INVESTMENT IN ASSOCIATES

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Quoted shares outside Malaysia- at cost	-	49,102,207	-	22,955,162
Unquoted shares				
- at cost	4,721,197	1,216,779	-	-
	4,721,197	50,318,986	-	22,955,162
Share of post-acquisition results	(178,817)	2,475,704	-	-
Dividend received	-	(7,404,114)	-	-
Foreign currency translation differences	(48,125)	1,147,927	-	-
	4,494,255	46,538,503	-	22,955,162
Market value of quoted shares	-	15,248,670	-	6,879,898

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. INVESTMENT IN ASSOCIATES (CONT'D)

The summarised financial information of the associates is as follows:

	The Group 2010 RM	The Group 2009 RM
Current assets	9,907,935	36,593,897
Non-current assets	21,684,497	59,232,376
Current liabilities	(12,069,391)	(21,274,337)
Non-current liabilities	(2,049,190)	(21,593,011)
Net Assets	17,473,851	52,958,925
Revenue	17,836,171	43,436,641
Loss for the year	(1,620,636)	(3,027,795)
Group's share of results for the year	(641,118)	(1,251,668)

In the previous financial year, the Group's share of the current year losses and accumulated losses of an associate amounting to RM7,018 had not been recognised in the Group's statement of comprehensive income as equity accounting ceased when the Group's share of losses of this associate exceeded the carrying amount of its investment in the associate.

Details of the associates are as follows:

Name of Companies	Country of Incorporation	Effective Equity Interest 2010 %	Effective Equity Interest 2009 %	Principal Activities
Frontken (Thailand) Co., Ltd	Thailand	49	49	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Ares Green Technology Corporation	Taiwan	-	42.11	Provision of surface treatment and advanced precision cleaning for the TFT - LCD (Thin Film Transistor - Liquid Crystal display) and semi-conductor industries.
Frontken BumiMaju Sdn. Bhd.	Malaysia	30	30	Trading in machineries, machine parts and equipment and providing engineering services.
Chinyee Engineering & Machinery Pte. Ltd.	Singapore	20	-	Provider of structural components, assemblies and kits to the aerospace and technology industries.

i) On 27 February 2009, Frontken (Singapore) Pte. Ltd. ("FS") entered into a conditional Share Purchase Agreement ('SPA") with Mr. Wong Hua Choon for the acquisition of 1,397,400 ordinary shares representing a 20% equity interest in Chinyee Engineering & Machinery Pte Ltd for a cash consideration of SGD820,000. On 19 January 2010, the Company announced that the purchase price for the acquisition was adjusted to SGD1,387,000 in accordance with the terms of the SPA. The acquisition was completed on 20 January 2010.

ii) On 2 April 2010, Frontken BumiMaju Sdn Bhd ("FBM"), a 30% associate of Frontken Malaysia Sdn Bhd ("FM"), which in turn is a wholly-owned subsidiary of FCB, increased its issued and paid-up share capital from RM100,000 to RM500,000 by the allotment and issuance of 400,000 new ordinary shares of RM1.00 each at par value for cash to its existing shareholders on a pro-rata basis.

Pursuant to the increase in share capital, FM had subscribed for 120,000 new ordinary shares of RM1.00 each for a cash consideration of RM120,000. The shareholding of FM in FBM remained at 30% after the increase in share capital.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. INVESTMENT IN ASSOCIATES (CONT'D)

iii) On 10 December 2010, the Company acquired 2,802,500 ordinary shares of NT$10 each representing 8.5% of the issued and paid-up share capital of Ares Green Technology Corporation ("AGTC") for a cash consideration of NT$47,674,541 (including incidental costs). The shares were acquired over the counter on GreTai Securities Market in Taiwan. Following the acquisition, the Group's interest in AGTC increased from 42.11% to 50.58% and AGTC became a subsidiary of the Company.

Amounts owing by/to associates

	The Group	
	2010	**2009**
	RM	**RM**
Amount owing by associates		
- Trade	4,090,004	1,753,915
- Non-trade	444,035	344,550
	4,534,039	2,098,465
Amount owing to associates		
- Trade	-	117,594

The normal trade credit terms granted to an associate ranged from 30 to 90 days.

Included in the non-trade amount owing by the associates in the previous financial year was a loan of RM153,850 which bore an effective interest rate of 3% per annum, was unsecured and fully settled during the financial year.

Significant transactions undertaken with associates during the financial year are as follows:

	The Group	
	2010	**2009**
	RM	**RM**
Chinyee Engineering & Machinery Pte. Ltd.		
Sales	1,521,598	-
Purchases	3,753,599	-

14. GOODWILL ON CONSOLIDATION

	The Group	
	2010	**2009**
	RM	**RM**
At beginning of year	4,724,073	3,749,020
Arising from acquisition of additional equity interest in a subsidiary		
- previously incorporated in investment in associated company	23,950,939	934,580
- additional acquisition	637,515	-
Written off	(934,579)	-
Foreign currency translation differences	(66,274)	40,473
At end of year	28,311,674	4,724,073

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating unit ("CGU") that is expected to benefit from that business combination. The carrying amount of the goodwill had been allocated as follows:

	The Group	
	2010	**2009**
	RM	**RM**
Metall-Treat Industries Pte. Ltd.	2,917,408	2,983,682
Frontken (East Malaysia) Sdn. Bhd.	805,812	805,812
Ares Green Technology Corporation	24,588,454	-
Frontken Petroleum Sdn. Bhd.	-	934,579
	28,311,674	4,724,073

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

14. GOODWILL ON CONSOLIDATION (CONT'D)

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGU is determined from value in use calculation. The key assumptions for the value in use calculation are those regarding the discount rates, growth rates and expected changes to pricing and direct costs during the period.

	Discount Rate	
	2010	2009
	%	%
Growth rate	5.0	10.0
Pre-tax discount rate	10.3	1.3

The calculation of value in use for CGU are most sensitive to the following assumption.

(i) Budgeted gross margin — Management determined budgeted gross margin based on past performance and its expectations of market development.

(ii) Growth rate — The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. These calculations use pre-tax cash flow projections based on financial budgets approved by management and extrapolated cash flows for a three year period based on growth rates consistent with the long-term average growth rate for the industry.

(iii) Discount rate — Management estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risk specific to the CGU. The rate used to discount the forecasted cash flows reflect specific risks and expected returns relating to the industry.

15. INTANGIBLE ASSETS

	The Group	
	2010	2009
	RM	RM
Licence fees - at cost:		
At beginning and end of year	781,935	781,935
Accumulated amortisation:		
At beginning and end of year	(788,551)	(788,551)
Foreign currency translation differences	6,616	6,616
Net	-	-

16. DEFERRED TAX ASSETS/LIABILITIES

	The Group	
	2010	2009
	RM	RM
Deferred tax assets		
At beginning of year	-	-
Transfer from profit or loss (Note 8)	1,967	-
Acquisition of subsidiary	350,668	-
Foreign currency translation differences	(275)	-
At end of year	352,360	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. DEFERRED TAX ASSETS/LIABILITIES (CONT'D)

	The Group 2010 RM	The Group 2009 RM
Deferred tax liabilities		
At beginning of year	3,789,267	3,466,075
Transfer from profit or loss (Note 8)	517,701	192,197
Acquisition of subsidiary	148,356	-
Foreign currency translation differences	(65,489)	130,995
At end of year	4,389,835	3,789,267

The net deferred tax liabilities and asset are in respect of the tax effects of the following:

	The Group Deferred Tax (Asset)/Liability 2010 RM	2009 RM
Temporary differences arising from property, plant and equipment	4,263,600	3,925,126
Others	(226,125)	(135,859)
	4,037,475	3,789,267

As mentioned in Note 3, the tax effects of deductible temporary differences, unused tax losses and unused tax credits which would give rise to deferred tax asset are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of 31 December 2010, the estimated amount of net deferred tax asset, calculated at the current tax rate which has not been recognised in the financial statements of the Group due to uncertainty of its realisation, is as follows:

	Deferred Tax Asset The Group 2010 RM	2009 RM
Unabsorbed tax losses	764,191	665,500
Unabsorbed capital allowances	289,500	209,500
Temporary differences arising from property, plant and equipment	1,879,000	3,080,750
	2,932,691	3,955,750

The unabsorbed tax losses and capital allowances are subject to the agreement of the tax authorities.

17. INVENTORIES

	The Group 2010 RM	The Group 2009 RM
Raw materials	3,792,263	4,015,529
Work-in-progress	4,939,845	4,432,845
Finished goods	1,699,300	477,168
	10,431,408	8,925,542

None of the inventories is carried at net realisable value.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

Trade receivables of the Group comprise amounts outstanding for the provision of services and sale of goods. The credit periods granted to the customers range from 30 to 120 days (2009: 30 to 120 days).

	The Group	
	2010 RM	2009 RM
Trade receivables	71,352,199	37,721,987
Allowance for impairment losses	(4,014,962)	(821,786)
	67,337,237	36,900,201

Movement in allowance for impairment losses on trade receivables are as follows:

	The Group	
	2010 RM	2009 RM
At 1 January	821,786	236,574
Allowance for impairment losses	1,869,297	100,920
Write-back of allowance for impairment losses	-	(49,454)
Written off as bad debts	-	(188,771)
Acquisition of subsidiary	1,317,339	720,866
Exchange difference	6,540	1,651
	4,014,962	821,786

Included in trade receivables of the Group are the following amounts owing to the related parties:

	The Group	
	2010 RM	2009 RM
Chinyee Engineering & Machinery Pte. Ltd.	-	439,216
A& I Engine Rebuilders Sdn. Bhd.	1,735	2,720
AMT Engineering Sdn. Bhd.	11,589	-
	13,324	441,936

The said amount, which arose mainly from trade transactions, is unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

The related parties and their relationships with the Group are as follows:

Name of related parties	Relationship
Chinyee Engineering & Machinery Pte. Ltd.	A company in which Wong Hua Choon and Dr. Tay Kiang Meng, directors of the Company, are also directors and have financial interests.
A& I Engine Rebuilders Sdn. Bhd.	A company in which Sia Chiok Meng, a director of a subsidiary, is a director and has financial interest.
AMT Engineering Sdn. Bhd.	A company in which Sia Chiok Meng, a director of a subsidiary, is a director and has financial interest.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONT'D)

Significant transactions undertaken with related parties during the financial year are as follows:

	The Group	
	2010	2009
	RM	RM
Chinyee Engineering & Machinery Pte. Ltd.		
Sales	-	1,552,712
Purchases	-	5,301,801
A& I Engine Rebuilders Sdn. Bhd.		
Sales	-	75,190
AMT Engineering Sdn. Bhd.		
Sales	30,933	29,100
Purchases	11,995	32,251
Rental expense	36,000	-

Other receivables, deposits and prepaid expenses consist of:

	The Group		The Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Other receivables	2,920,888	3,187,090	-	251
Allowance for impairment losses	(1,006,445)	-	-	-
	1,914,443	3,187,090	-	251
Deposits	1,600,708	1,246,881	1,344	28,496
Prepayments	1,610,415	851,439	26,497	14,680
	5,125,566	5,285,410	27,841	43,427

19. AMOUNTS OWING BY/TO SUBSIDIARIES

	The Company	
	2010	2009
	RM	RM
Amount owing by:-		
Advances	37,870,971	34,858,910
Non-trade balances	9,322,052	8,748,689
	47,193,023	43,607,599
Allowance for impairment losses	(1,512,994)	-
	45,680,029	43,607,599
Amount owing to:-		
Advances	10,087,810	11,324,351
Non-trade balances	6,581,028	7,382,989
	16,668,838	18,707,340

The amounts owing by/to the subsidiaries arose mainly from unsecured advances and payments made on behalf. The amount arising from unsecured advances bear interest at 3% (2009: 3%) per annum and is repayable on demand whilst the amount arising from payments made on behalf is interest-free.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20. SHARE CAPITAL

	The Group and The Company			
	2010	2009	2010	2009
	Number of shares		RM	RM
Ordinary shares of RM0.10 each :				
Authorised				
At beginning of year	1,000,000,000	1,000,000,000	100,000,000	100,000,000
Created during the year	4,000,000,000	-	400,000,000	-
At end of year	5,000,000,000	1,000,000,000	500,000,000	100,000,000
Issued and fully paid-up				
At beginning of year	722,434,400	699,770,400	72,243,440	69,977,040
Issued during the year:				
Private placement	-	22,664,000	-	2,266,400
Rights issue	288,973,760	-	28,897,376	-
	288,973,760	22,664,000	28,897,376	2,266,400
At end of year	1,011,408,160	722,434,400	101,140,816	72,243,440

During the financial year, the Company increased its:

(i) authorised share capital from RM100,000,000 to RM500,000,000 through the creation of 4,000,000,000 shares of RM0.10 each; and

(ii) issued and paid-up share capital through the renounceable rights issue of 288,973,760 new ordinary shares of RM0.10 each ("Rights Shares") together with 288,973,760 free new detachable warrants ("Warrants") at an issue price of RM0.11 per Rights Share on the basis of two Rights Shares together with two Warrants for every five existing ordinary shares held in the Company.

The resulting share premium of RM2,889,738 arising from the Rights Shares was credited to the share premium account and warrant reserve account of RM2,006,762 and RM882,976 respectively. The shares were issued for cash consideration. The new shares issued rank pari passu in all material respects with the existing shares of the Company.

21. RESERVES

	The Group		The Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Non-distributable:				
Share premium	9,336,705	7,997,587	9,336,705	7,997,587
Foreign currency translation reserve	2,486,027	3,688,262	-	-
Warrant reserve	882,976	-	882,976	-
Retained earnings/ (Accumulated losses)	62,396,792	51,419,091	(774,897)	(1,390,543)
	75,102,500	63,104,940	9,444,784	6,607,044

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. RESERVES

Share premium

Share premium arose from the following:

	The Group and The Company 2010 RM	2009 RM
At beginning of year	7,997,587	5,934,537
Private placement of 11,000,000 and 11,664,000 new ordinary shares at a premium of RM0.08 and RM0.11 per ordinary share, net of share issue expenses of RM99,990 in 2009	-	2,063,050
Rights issue of 288,973,760 new ordinary shares at a premium of RM0.01 per ordinary share, net of share issue expenses of RM667,644 and a portion of RM882,976 allocated to warrant reserve in 2010	1,339,118	-
At end of year	9,336,705	7,997,587

Foreign currency translation reserve

Foreign currency translation differences arising from the translation of the financial statements of foreign subsidiaries are taken to the foreign currency translation reserve as described in the significant accounting policies.

Warrant reserve

Warrant reserve arising from 288,973,760 free new detachable warrants ("Warrants") from the rights issue as disclosed in Note 20 (ii).

22. TERM LOANS

	The Group 2010 RM	2009 RM
Principal outstanding	56,131,168	33,871,634
Less: Portion due within one year (Note 26)	(7,816,828)	(8,606,615)
Non-current portion	48,314,340	25,265,019

The non-current portion is repayable as follows:

	The Group 2010 RM	2009 RM
Later than one year but not later than five years	42,762,840	18,560,984
Later than five years	5,551,500	6,704,035
	48,314,340	25,265,019

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

22. TERM LOANS (CONT'D)

As of 31 December 2010, the Group has the following term loan facilities:

(a) Three (2009 : Five) term loan facilities totalling RM5,288,953 (2009: RM7,662,098), obtained by a local incorporated subsidiary, which bear interest ranging from 6.30% to 7.30% (2009: 5.55% to 6.05%) per annum and are repayable in equal monthly instalments over 83 to 86 months (2009: 67 to 98 months) and 9 equal fortnightly instalments (2009 : 35);

(b) Four (2009 : Two) term loan facilities totalling RM23,025,300 (2009: RM17,234,155), obtained by a subsidiary incorporated in Singapore, which bear interest at rates ranging from 1.75% to 5.25% (2009: 3.91% to 5.25%) per annum and are repayable in equal monthly instalments over 15 to 109 (2009: 26 to 55) months;

(c) One (2009: One) term loan facility totalling RM6,704,915 (2009: RM7,483,877), obtained by another subsidiary incorporated in Singapore, which bears interest of 6.25% (2009: 5.25%) per annum and is repayable in 130 equal monthly instalments (2009: 142 months);

(d) In the previous financial year, the term loan amounting to RM1,491,504 obtained by a subsidiary incorporated in Taiwan, which bore interest at rates ranging from 2.50% to 3.00% (2009: 2.51%) per annum was fully repaid during the year; and

(e) One term loan facility totalling RM21,112,000 obtained by another subsidiary incorporated in Taiwan, which bears interest of 1.45% to 1.48% per annum and is repayable in 8 quarterly instalments.

The term loans and bank borrowings as mentioned in Note 26 are secured by:-

(a) legal charges over certain freehold land and buildings of the Group as disclosed in Note 10;

(b) legal charges over the long leasehold land and buildings of the Group as disclosed in Note 10;

(c) corporate guarantees of the Company.

23. HIRE PURCHASE PAYABLES

	The Group	
	2010 RM	2009 RM
Total outstanding	19,070,267	25,893,741
Less: Interest-in-suspense	(1,952,978)	(3,073,415)
Present value of payments	17,117,289	22,820,326
Less: Amount due within 12 months (included under current liabilities)	(7,249,505)	(8,223,614)
Non-current portion	9,867,784	14,596,712

The non-current portion is payable as follows:

	The Group	
	2010 RM	2009 RM
Later than one year but not later than five years	9,867,784	14,590,110
Later than five years	-	6,602
	9,867,784	14,596,712

It is the Group's policy to acquire certain of its plant and equipment under hire purchase arrangements. The average term of the hire purchase is about 2 to 10 years (2009: 3 to 10 years). The interest rates implicit in the hire purchase obligations range from 0.38% to 8.55% (2009: 0.38% to 6.54%) per annum.

The Group's hire purchase payables are secured by the financial institutions' charge over the assets under hire purchase as disclosed in Note 10.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. AMOUNTS DUE TO CONTRACT CUSTOMERS

	The Group 2010 RM	The Group 2009 RM
Contract costs incurred plus recognised profits	-	1,171,798
Less: Progress billings	-	(1,219,000)
	-	(47,202)
Represents:		
Amount due to contract customers	-	(47,202)

25. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade payables of the Group comprise amounts outstanding for trade purchases. The credit periods granted to the Group and the Company for trade purchases range from 30 to 90 days (2009: 30 to 90 days).

Other payables and accrued expenses consist of:

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Other payables	6,200,633	7,487,499	102,229	94,148
Accrued expenses	10,064,270	5,019,299	207,915	159,105
	16,264,903	12,506,798	310,144	253,253

Included in other payables of the Group was an amount owing to a director amounting to RM50,232 (2009 : RM21,214).

26. BANK BORROWINGS

	The Group 2010 RM	The Group 2009 RM
Short-term borrowing	14,315,400	9,760,400
Term loans - current portion (Note 22)	7,816,828	8,606,615
	22,132,228	18,367,015
Bank overdrafts (Note 27)	1,230,283	3,365,362
	23,362,511	21,732,377

As of 31 December 2010, the Group has bank overdrafts amounting to RM1,230,283 (2009: RM3,365,362) obtained from licensed banks which bear an effective interest rate of 7.55% (2009: 5.00% to 6.15%) per annum.

The short-term borrowing represents a money market loan facility obtained by a subsidiary incorporated in Singapore, which is rolled over every month and bears effective interest rates ranging from 2.07% to 2.57% (2009 : 2.48% to 5.04%) per annum.

The security for the bank borrowings are disclosed in Note 22.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following amounts:

	The Group		The Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Fixed deposits with licensed banks	12,684,190	781,627	12,000,000	-
Cash and bank balances	21,515,759	12,770,709	1,474,363	200,943
	34,199,949	13,552,336	13,474,363	200,943
Less: Bank overdrafts (Note 26)	(1,230,283)	(3,365,362)	-	-
	32,969,666	10,186,974	13,474,363	200,943

Fixed deposits with licensed banks earn an effective interest of 0.45% to 2.85% (2009: 2.5%) per annum and have an average maturity period of 365 (2009: 365) days.

The fixed deposits of the Group amounting to RM599,742 (2009: RM781,627) are pledged to licensed banks as security for banking facilities granted to the Group.

28. DIVIDEND PAID

	The Group/The Company	
	2010 RM	2009 RM
First interim single tier dividend of 1% per ordinary share in respect of the current financial year	1,011,410	-

The directors do not recommend the payment of any further dividends in respect of the current financial year.

29. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Financial Risk Management Policies

The Group's policies in respect of the major areas of treasury activity are as follows:-

(i) Foreign currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currency other than Ringgit Malaysia. The currencies giving rise to this risk are primarily United States Dollar and Singapore Dollar. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Group's exposure to foreign currency is as follows:-

The Group	Singapore Dollar RM	Ringgit Malaysia RM	United States Dollar RM	Philippines Peso RM	New Taiwan Dollar RM	Others* RM	Total RM
2010							
Financial assets							
Trade receivables	16,145,995	15,766,887	10,414,501	588,458	23,553,170	868,226	67,337,237
Other receivables and deposits	951,038	1,554,704	-	547,089	370,311	92,009	3,515,151
Amount owing by associates	1,423,757	3,110,282	-	-	-	-	4,534,039
Fixed deposits with licensed banks	357,885	12,241,857	-	-	84,448	-	12,684,190
Cash and bank balances	3,993,378	6,959,119	2,729,136	577,880	6,981,294	274,952	21,515,759
	22,872,053	39,632,849	13,143,637	1,713,427	30,989,223	1,235,187	109,586,376

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (cont'd)

(i) Foreign currency risk (cont'd)

The Group 2010	Singapore Dollar RM	Ringgit Malaysia RM	United States Dollar RM	Philippines Peso RM	New Taiwan Dollar RM	Others* RM	Total RM
Financial liabilities							
Trade payables	9,405,816	2,458,103	1,290,688	490,042	6,398,521	459,284	20,502,454
Other payables	7,257,364	3,102,073	29,706	435,993	4,780,276	659,491	16,264,903
Bank overdrafts	-	1,230,283	-	-	-	-	1,230,283
Bank borrowings	44,045,615	5,288,953	-	-	21,112,000	-	70,446,568
Hire purchase payables	14,122,610	2,994,679	-	-	-	-	17,117,289
	74,831,405	15,074,091	1,320,394	926,035	32,290,797	1,118,775	125,561,497
Net financial (liabilities)/assets	(51,959,352)	24,558,758	11,823,243	787,392	(1,301,574)	116,412	(15,975,121)
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	51,098,762	(25,493,062)	(187,253)	(787,392)	1,453,319	(476,406)	25,607,968
Currency exposure	(860,590)	(934,304)	11,635,990	-	151,745	(359,994)	9,632,847

* Denominated in Chinese Renminbi, Euro, Indonesian Rupiah and Thai Baht.

The Group 2009	Singapore Dollar RM	Ringgit Malaysia RM	United States Dollar RM	New Taiwan Dollar RM	Others* RM	Total RM
Financial assets						
Trade receivables	7,937,489	20,762,409	7,741,095	-	459,208	36,900,201
Other receivables and deposits	870,052	2,974,798	-	106,554	482,567	4,433,971
Amount owing by associates	902,912	1,195,553	-	-	-	2,098,465
Fixed deposits with licensed banks	-	781,627	-	-	-	781,627
Cash and bank balances	7,220,416	3,104,174	2,247,384	153,372	45,363	12,770,709
	16,930,869	28,818,561	9,988,479	259,926	987,138	56,984,973
Financial liabilities						
Trade payables	7,749,407	3,238,768	1,307,408	-	260,885	12,556,468
Other payables	7,280,291	4,159,382	256,394	107,048	703,683	12,506,798
Amount owing to associates	-	-	117,594	-	-	117,594
Bank overdrafts	2,520,121	845,241	-	-	-	3,365,362
Bank borrowings	34,478,432	7,662,098	-	1,491,504	-	43,632,034
Hire purchase payables	17,600,625	5,219,701	-	-	-	22,820,326
	69,628,876	21,125,190	1,681,396	1,598,552	964,568	94,998,582
Net financial (liabilities)/assets	(52,698,007)	7,693,371	8,307,083	(1,338,626)	22,570	(38,013,609)
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	54,705,744	(5,942,580)	(8,280)	1,390,671	(96,636)	50,048,919
Currency exposure	2,007,737	1,750,791	8,298,803	52,045	(74,066)	12,035,310

* Denominated in Philippines Peso, Chinese Renminbi, Euro, Indonesian Rupiah and Thai Baht.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (cont'd)

(i) Foreign currency risk (cont'd)

The Company 2010	Singapore Dollar RM	Ringgit Malaysia RM	Indonesian Rupiah RM	New Taiwan Dollar RM	Total RM
Financial assets					
Other receivables and deposits	-	1,344	-	-	1,344
Amount owing by subsidiaries	-	45,680,029	-	-	45,680,029
Fixed deposits with licensed banks	-	12,000,000	-	-	12,000,000
Cash and bank balances	-	1,417,117	-	57,246	1,474,363
	-	59,098,490	-	57,246	59,155,736
Financial liabilities					
Other payables	-	303,810	-	6,334	310,144
Amount owing to subsidiaries	15,533,144	38,123	1,074,717	22,854	16,668,838
	15,533,144	341,933	1,074,717	29,188	16,978,982
Net financial (liabilities)/assets	(15,533,144)	58,756,557	(1,074,717)	28,058	42,176,754
Less: Net financial assets denominated in the entity's functional currency	-	(58,756,557)	-	-	(58,756,557)
Currency exposure	(15,533,144)	-	(1,074,717)	28,058	(16,579,803)

The Company 2009	United States Dollar RM	Singapore Dollar RM	Ringgit Malaysia RM	Indonesian Rupiah RM	New Taiwan Dollar RM	Total RM
Financial assets						
Other receivables and deposits	-	-	28,747	-	-	28,747
Amount owing by subsidiaries	-	-	43,607,599	-	-	43,607,599
Cash and bank balances	-	-	148,897	-	52,046	200,943
	-	-	43,785,243	-	52,046	43,837,289
Financial liabilities						
Other payables	-	-	253,253	-	-	253,253
Amount owing to subsidiaries	1,435,713	16,072,528	38,833	1,137,201	23,065	18,707,340
	1,435,713	16,072,528	292,086	1,137,201	23,065	18,960,593
Net financial (liabilities)/assets	(1,435,713)	(16,072,528)	43,493,157	(1,137,201)	28,981	24,876,696
Less: Net financial assets denominated in the entity's functional currency	-	-	(43,493,157)	-	-	(43,493,157)
Currency exposure	(1,435,713)	(16,072,528)	-	(1,137,201)	28,981	(18,616,461)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (cont'd)

(i) Foreign currency risk (cont'd)

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis on profit after taxation to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

	The Group		The Company	
	2010 Increase/ (Decrease) RM	2009 Increase/ (Decrease) RM	2010 Increase/ (Decrease) RM	2009 Increase/ (Decrease) RM
Effects on profit after taxation/equity				
Singapore Dollars:-				
- strengthened by 5%	(43,030)	100,387	(776,657)	(803,626)
- weakened by 5%	43,030	(100,387)	776,657	803,626
United States Dollar				
- strengthened by 5%	(581,800)	414,940	-	(71,786)
- weakened by 5%	581,800	(414,940)	-	71,786
Indonesian Rupiah				
- strengthened by 5%	(1,013)	-	(53,736)	(56,860)
- weakened by 5%	1,013	-	53,736	56,860
New Taiwan Dollars				
- strengthened by 5%	7,587	2,602	1,403	1,449
- weakened by 5%	(7,587)	(2,602)	(1,403)	(1,449)
Euro				
- strengthened by 5%	(16,570)	(3,694)	-	-
- weakened by 5%	16,570	3,694	-	-
Thai Baht				
- strengthened by 5%	(416)	-	-	-
- weakened by 5%	416	-	-	-

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Information relating to the Company's exposure to the interest rate risk of the financial liabilities is disclosed in Note 29(a)(v) to the financial statements.

Interest rate risk sensitivity analysis

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, a 100 basis points strengthening in the interest rate as at the end of the reporting period would have decreased profit after taxation by RM550,876. A 100 basis points weakening would have had an equal but opposite effect on the profit after taxation. This assumes that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (cont'd)

(iii) Equity price risk

The Group's does not has any quoted investments held under available for sale and hence is not exposed to equity price risk.

(iv) Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by thirty one (31) customers which constituted approximately 72% of its trade receivables as at the end of the reporting period.

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

Ageing analysis

The ageing analysis of the Group's trade receivables as at 31 December 2010 is as follows:-

The Group	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Value RM
2010				
Not past due	52,268,692	-	-	52,268,692
Past due:-				
- Less than 1 month	5,043,772	-	-	5,043,772
- 1 to 9 months	9,579,356	(7,185)	(1,267,128)	8,305,043
- over 9 months	4,460,379	-	(2,740,649)	1,719,730
	71,352,199	(7,185)	(4,007,777)	67,337,237

At the end of the reporting period, trade receivables that are individually impaired are those which have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The collective impairment allowance is determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Trade receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

a) Financial Risk Management Policies (cont'd)

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables.

(v) Liquidity risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

The Group	Weighted average effective rate %	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1 – 5 years RM	Over 5 years RM
2010						
Hire purchase payables	0.38 - 8.55	17,117,289	19,070,267	8,053,208	11,017,059	-
Term loans	1.45 - 7.30	56,131,168	58,326,377	8,142,356	46,557,346	3,626,675
Short-term borrowings	2.07 - 2.57	14,315,400	14,315,400	14,315,400	-	-
Bank overdraft	7.55	1,230,283	1,230,283	1,230,283	-	-
Trade payables	-	20,502,454	20,502,454	20,502,454	-	-
Other payables	-	16,264,903	16,264,903	16,264,903	-	-
		125,561,497	129,709,684	68,508,604	57,574,405	3,626,675
2009						
Hire purchase payables	0.38 - 6.54	22,820,326	25,893,741	10,007,904	15,877,329	8,508
Term loans	2.51 - 6.05	33,871,634	37,426,261	9,810,296	23,280,256	4,335,709
Short-term borrowings	2.48 - 5.04	9,760,400	9,760,400	9,760,400	-	-
Bank overdraft	5.00 - 6.15	3,365,362	3,365,362	3,365,362	-	-
Amount due to contract customers	-	47,202	47,202	47,202	-	-
Trade payables	-	12,556,468	12,556,468	12,556,468	-	-
Other payables	-	12,506,798	12,506,798	12,506,798	-	-
		94,928,190	101,556,232	58,054,430	39,157,585	4,344,217
The Company						
2010						
Other payables	-	310,144	310,144	310,144	-	-
Amount owing to subsidiaries						
- interest bearing	3.00	10,087,810	11,167,819	331,760	10,836,059	-
- interest free	-	6,581,028	6,581,028	6,581,028	-	-
		16,978,982	18,058,991	7,222,932	10,836,059	-
2009						
Other payables	-	253,253	253,253	253,253	-	-
Amount owing to subsidiaries						
- interest bearing	3.00	11,324,351	12,403,256	1,241,298	11,161,958	-
- interest free	-	7,382,989	7,418,727	6,191,734	1,226,993	-
		18,960,593	20,075,236	7,686,285	12,388,951	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

(b) Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjust the amount of dividend payment, return of capital to shareholders or issue new shares.

The Group manages its capital based on debt-to-equity ratio. The Group's strategies are unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as external borrowings less cash and cash equivalents.

The debt-to-equity ratio of the Group as at the end of the reporting period was as follows:-

	The Group	
	2010 RM	2009 RM
Bank borrowings	70,446,568	43,632,034
Hire purchase payables	17,117,289	22,820,326
Bank overdraft	1,230,283	3,365,362
	88,794,140	69,817,722
Less : Fixed deposits with licensed banks	(12,684,190)	(781,627)
Less : Cash and bank balances	(21,515,759)	(12,770,709)
Net debt	54,594,191	56,265,386
Total equity	202,145,160	135,530,612
Debt-to-equity ratio	0.3	0.4

Under Practice Note No. 17 of Bursa Malaysia Securities Berhad Main Market Listing Requirements, the Company is required to maintain a consolidated shareholders' equity (total equity attributable to owners of the Company) equal to or not less than the 25% of the issued and paid-up share capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

(c) Classification of Financial Instruments

	The Group 2010 RM	The Company 2010 RM
Financial Assets		
Loans and receivables financial assets		
Trade receivables	67,337,237	-
Other receivables and deposits	3,515,151	1,344
Amount owing by subsidiaries	-	45,680,029
Amount owing by associates	4,534,039	-
Fixed deposits with licensed banks	12,684,190	12,000,000
Cash and bank balances	21,515,759	1,474,363
	109,586,376	59,155,736
Financial liabilities		
Other financial liabilities		
Trade payables	20,502,454	-
Other payables and accrued expenses	16,264,903	310,144
Amount owing to subsidiaries	-	16,668,838
Bank overdraft	1,230,283	-
Bank borrowings	70,446,568	-
Hire purchase payables	17,117,289	-
	125,561,497	16,978,982

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair Values of Financial Instruments

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values except for the following:-

The Group	2010 Carrying Amount RM	2010 Fair Value RM	2009 Carrying Amount RM	2009 Fair Value RM
Financial liabilities				
Hire purchase payables	17,117,289	17,045,040	22,820,326	25,433,963

The following summarised the methods used in determined the fair value of the financial instruments:-

(i) The financial assets and financial liabilities maturity within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.

(ii) The fair value of quoted investments is estimated based on their quoted market prices as at the end of the reporting period.

(iii) The fair value of hire purchase payables is determined by discounting the relevant cash flows using current interest rates for similar instruments as at the end of the reporting period.

(iv) The carrying amounts of term loans approximated their fair values as these instruments bear interest at variable rates.

30. CONTINGENT LIABILITIES

	The Group 2010 RM	The Group 2009 RM
Corporate guarantee issued in favour of a third party	1,499,000	-
Performance guarantees	724,622	-
	2,223,622	-

The Company provided corporate guarantee to banks and financial institutions to secure banking facilities and leasing of equipment provided to certain subsidiaries amounting to RM56,030,062 (2009 : RM53,984,114).

31. COMMITMENTS

(i) Operating lease commitments

	The Group 2010 RM	The Group 2009 RM
Non-cancellable future minimum lease payments		
Not later than one year	3,639,155	1,368,056
Between one year and five years	12,154,563	3,998,550
Later than five years	17,573,115	9,653,609
	33,366,833	15,020,215

The Group has various operating lease agreements for equipment, offices and other facilities. Most leases contain renewable options. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31. COMMITMENTS (CONT'D)

(ii) Capital commitments

As of 31 December 2010, the Group has the following capital commitments:

	The Group	
	2010	**2009**
	RM	**RM**
Approved and contracted for:		
Property, plant and equipment	4,406,069	6,954,512

32. SIGNIFICANT EVENTS

(i) On 15 January 2010, Frontken (Singapore) Pte. Ltd. ("FS") subscribed for an additional 499,998 ordinary shares in Frontship Pte. Ltd. ("FPL") for a cash consideration of SGD499,998. Following the subscription, FS equity interest in FPL remained at 100%.

(ii) On 27 February 2009, FS entered into a conditional Share Purchase Agreement ("SPA") with Mr. Wong Hua Choon for the acquisition of 1,397,400 ordinary shares representing a 20% equity interest in Chinyee Engineering & Machinery Pte Ltd for a cash consideration of SGD820,000. On 19 January 2010, the Company announced that the purchase price for the acquisition was adjusted to SGD1,387,000 in accordance with the terms of the SPA. The acquisition was completed on 20 January 2010.

(iii) On 8 March 2010, Frontken MIC Co. Limited ("FMIC"), a subsidiary of the Company, increased its issued and paid-up capital from HKD3,120,000 to HKD3,950,000 by the allotment and issuance of 830,000 new ordinary shares of HKD1.00 each at par value for cash to its existing shareholders.

Pursuant to the increase in share capital, the Company subscribed for 415,000 new ordinary shares of HKD1.00 each for a cash consideration of HKD415,000. The shareholding of the Company in FMIC remained at approximately 50% after the increase in share capital.

(iv) On 25 November 2009, Affin Investment Bank Berhad announced on behalf of the Company that the Company proposed to undertake a renounceable rights issue of up to 288,973,760 new ordinary shares of RM0.10 each in the Company ("Right Shares") together with up to 288,973,760 free new detachable warrants ("Warrants") at an issue price of RM0.11 per Rights Share on the basis of 2 Rights Shares together with 2 Warrants for every 5 existing shares held on the entitlement date ("Rights Issue").

On 11 March 2010, the Company allotted and issued 288,973,760 Rights Shares together with 288,973,760 Warrants pursuant to the Rights Issue. The Rights Issue was completed upon admission of the Warrants to the Official List of Bursa Malaysia Securities Berhad ("Bursa Securities") and the listing of and quotation for the Warrants and Rights Shares on Bursa Securities on 16 March 2010.

(v) On 3 February 2009, Frontken Malaysia Sdn. Bhd. ("FM") was served a Writ of Summons by IFC Engineering Sdn. Bhd. ("IFC"). The said Writ of Summons and Statement of Claim were filed at the High Court of Malaya at Alor Star. Under the said Writ of Summons, IFC claimed that it had successfully completed installation works for FM at its plant at Kulim Hi-Tech Park pursuant to its quotation furnished for the said installation, and that FM had partially satisfied the contract sum, leaving a balance of RM1,122,425. However, FM had denied any liability to IFC. IFC therefore claimed against FM for the above outstanding sum, interest thereon at 8%, costs and other relief that the Court deems fit.

FM disputed the legitimacy of the claim by IFC in view that FM had at all times contracted with the main contractor, and not IFC, for the performance of the installation works at its plant at Kulim Hi-Tech Park. Further, the installation works were either not performed or unsatisfactorily performed.

On 24 November 2009, the Court allowed IFC's application for summary judgment, thereby ordering FM to pay the amount claimed by IFC. On 21 December 2009, FM received a Notice for Payment pursuant to Section 218 of the Act from the solicitors of IFC requiring FM to pay, secure or compound to the reasonable satisfaction of IFC the sum of RM1,207,978 which was made up of the judgment sum of RM1,122,425 together with interest on the judgment sum at 8% per annum from 7 January 2009 to 16 December 2009 amounting to RM85,553. If FM shall fail, refuse or omit to make payment of the aforesaid judgment sum together with interest accrued thereon from the date of the notice within 21 days from the receipt of the same, action will be taken for FM to be compulsorily wound up by the Court.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. SIGNIFICANT EVENTS (CONT'D)

(v) On 17 December 2009, FM filed a Notice of Appeal against the summary judgment. Thereafter, on 10 January 2010, FM filed an application for injunction against further proceedings and for stay of the winding-up proceedings pending disposal of its appeal. On 14 January 2010, the solicitors of IFC served a Writ of Seizure and Sale ("Writ") on FM to seize some of the assets located on its premises at Kulim Hi-Tech Park. FM filed an application for, inter alia, a stay of the Writ pending disposal of FM's appeal. On 8 March 2010, FM received a copy of the notice from the High Court for the auction of the seized assets on 25 March 2010.

On 25 March 2010, the High Court dismissed the applications by FM for injunction against further proceedings, stay of execution of judgment and order, and stay of the Writ. Consequently, on the same day, FM paid IFC a sum of RM1,232,408 as full and final settlement of the judgment sum, interest thereon at 8% per annum and costs, and the notice of auction pursuant to the Writ received by FM on 8 March 2010 was withdrawn.

(vi) On 2 April 2010, Frontken BumiMaju Sdn Bhd ("FBM"), a 30% associate of Frontken Malaysia Sdn Bhd ("FM"), which in turn is a wholly-owned subsidiary of FCB, increased its issued and paid-up share capital from RM100,000 to RM500,000 by the allotment and issuance of 400,000 new ordinary shares of RM1.00 each at par value for cash to its existing shareholders on a pro-rata basis.

Pursuant to the increase in share capital, FM subscribed for 120,000 new ordinary shares of RM1.00 each for a cash consideration of RM120,000. The shareholding of FM in FBM remained at 30% after the increase in share capital.

(vii) On 12 April 2010, the Company announced an internal reorganisation of certain of its subsidiaries to streamline the corporate structure of FCB for improved efficiency ("Internal Reorganisation").

To formalise the Internal Reorganisation, the Company entered into a Share Purchase Agreement ("SPA") on 12 April 2010 with its wholly-owned subsidiary, FS to acquire from the latter 10,000,000 ordinary shares of RM1.00 each representing the entire equity interest in Frontken Malaysia Sdn Bhd ("FM"), another wholly-owned subsidiary, for a cash consideration of SGD4,348,123 which was determined based on FS's cost of investment in FM.

The Internal Reorganisation was completed on 4 June 2010.

(viii) On 25 August 2010, Frontken Petroleum Sdn. Bhd. ("FPSB"), a subsidiary of the Company, served, via its solicitors, a Writ of Summons together with a Statement of Claims on SGL Carbon Sdn. Bhd. ("SGL").

Under the said Writ of Summons, FPSB claimed for a sum of RM1,541,807, being revised outstanding debts due from SGL in relation to work performed by FPSB as set out in the ensuing paragraph. In addition, FPSB also claimed for interest, costs and such further or other reliefs or orders as the Court deems fit.

In February 2009, SGL awarded FPSB the order for busbar welding for an agreed contract sum of RM2.5 million and RM1.4 million for scope 1 and scope 2 respectively. FPSB duly completed a substantial part of the work and the remaining work was stopped in or around August 2009 upon mutual agreement/consent. Various invoices were issued for progress payments, with a sum of RM1,577,007 remaining due and owing from SGL. SGL refused to make payments and claimed for a set-off of the sum for delay or late completion of the contract and defective works. The outstanding sum was reduced by FPSB to RM1,541,807 out of goodwill after considering the allegations raised by SGL. However, SGL failed, refused and/or neglected to settle the revised outstanding sum.

On 4 October 2010, SGL filed a defence and counterclaim via its solicitors on FPSB. In the said defence, SGL denied the Statement of Claims and prayed that the claims be dismissed with costs. Further, SGL alleged that FPSB had breached the terms and conditions of the letter of award and its related agreements resulting in SGL suffering loss and damage, and therefore, counterclaimed against FPSB for special damages in the sum of RM1,617,633, general damages and/or liquidated damages in the sum of RM8,894,486 as at 6 September 2010 and still continuing, and interest at the rate of 8% per annum on daily rests from the date of filing of the counterclaim until full settlement.

The matter is now fixed for case management on 19 May 2011.

The solicitors of FPSB are of the opinion that SGL does not have a valid claim for set-off against the revised outstanding sum and FPSB has a good chance of successfully recovering the same from SGL.

(ix) On 10 December 2010, the Company acquired 2,802,500 ordinary shares of NT$10 each representing 8.5% of the issued and paid-up share capital of Ares Green Technology Corporation ("AGTC") for a cash consideration of NT$47,674,541 (including incidental costs). The shares were acquired over the counter on GreTai Securities Market in Taiwan. Following the acquisition, the Group's interest in AGTC increased from 42.11% to 50.58% and AGTC became a subsidiary of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

33. SUBSEQUENT EVENTS

(i) On 7 January 2011, Frontken MIC Co. Limited ("FMIC"), a subsidiary of the Company, increased its issued and paid-up capital from HKD3,950,000 to HKD4,882,772 by way of allotment and issuance of 932,772 new ordinary shares of HKD1.00 each at par value for cash to its existing shareholders ("Increase in Share Capital").

Pursuant to the Increase in Share Capital, the Company subscribed for 466,386 new ordinary shares of HKD1.00 each for a cash consideration of HKD466,386. The shareholding of the Company in FMIC remained unchanged at approximately 50% after the Increase in Share Capital.

(ii) On 15 March 2011, FS, a subsidiary of the Company, entered into the following agreements:

(a) Shareholders' Agreement with Giga Group Pte Ltd ("GGPL") and Frontken Projects Pte Ltd (formerly known as Giga Projects Pte Ltd) ("FPPL") to regulate their rights and obligations as shareholders of FPPL and the conduct of the business of FPPL in accordance with the terms and conditions of the agreement; and

(b) Subscription Agreement with FPPL, GGPL, Wong Ah Nei @ Wong Foo Chaw ("WAN") and Teo Keow Seng ("TKS"), whereby FS will subscribe for 306,000 new ordinary shares representing a 51% equity interest of the enlarged share capital of FPPL for a cash consideration of SGD306,000 ("Subscription").

The Subscription was completed on 15 March 2011 and FPPL became a subsidiary of FS.

34. COMPARATIVE FIGURES

The following figures have been reclassified to conform with the adoption of the amendments to FRS 117 – Leases as disclosed in Note 2 (a)(iv) to the financial statements:

	The Group		
	As previously reported RM	Adoption of FRS 117 RM	As restated RM
As of 31 December 2009			
Non-Current Assets			
Property, plant and equipment	113,480,913	3,490,772	116,971,685
Prepaid lease payments on leasehold land	3,490,772	(3,490,772)	-

35. RETAINED EARNINGS/(ACCUMULATED LOSSES)

	The Group 2010 RM	The Company 2010 RM
Total retained earnings/(accumulated losses) of Group and Company		
Realised	77,297,769	(1,209,242)
Unrealised	(4,163,470)	434,345
	73,134,299	(774,897)
Total share of retained earnings from associates		
Realised	2,152,290	-
Unrealised	89,360	-
	2,241,650	-
Less: Consolidation adjustments	(12,979,157)	-
Total retained earnings/(accumulated losses)	62,396,792	(774,897)

STATEMENT BY DIRECTORS

We, **WONG HUA CHOON** and **DR. TAY KIANG MENG,** being two of the directors of **FRONTKEN CORPORATION BERHAD** do hereby state that, in the opinion of the directors, the financial statements set out on pages 37 to 86 are drawn up in accordance with the provisions of the Companies Act, 1965 and the Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as of 31 December 2010 and of their results and the cash flows of the Group and of the Company for the year ended on that date.

The supplementary information set out in Note 35, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance
with a resolution of the directors,

WONG HUA CHOON

DR. TAY KIANG MENG

Kuala Lumpur
19 April 2011

DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **HEE KOK HIONG**, being the officer primarily responsible for the financial management of **FRONTKEN CORPORATION BERHAD**, do solemnly and sincerely declare that the financial statements of the Group and of the Company set out on pages 37 to 86 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

HEE KOK HIONG

Subscribed and solemnly declared by the
abovenamed **HEE KOK HIONG** at
KUALA LUMPUR this 19th day of April 2011

Before me,

Datin Hajah Raihela Wanchik (No. W275)
COMMISSIONER FOR OATHS

LIST OF PROPERTIES

Details of the landed properties owned and leased by the Company and its subsidiaries are set out below:

Address	Description/ Existing use	Land area/ Built-up area sq m	Approximate age of building	Tenure	Audited net book value as at 31.12.2010 RM'000	Date of acquisition
Frontken (Singapore) Pte Ltd (FS) Pte Lot A12843 (to be known as Pte Lot A21020) Bearing postal address: 156A Gul Circle Singapore 629614	2 factory buildings with mezzanine office to house production facilities	11,154/ 6,242	14 years & 24 years	Leasehold expiring on 20.01.2019	4,202	01.08.2001
FS Pte Lot A22490 (to be known as Pte Lot A1355601) Bearing postal address: 15 Gul Drive Singapore 629466	4-storey factory building to house production facilities and R&D activities	4,877/ 3,147	9 years	Leasehold expiring on 30.04.2026	3,807	18.03.2005
Frontken Malaysia Sdn Bhd (FM) H.S. (D) 79995 Lot P.T. 14308 Mukim Damansara Daerah Petaling Selangor Darul Ehsan Bearing postal address: Lot 2-46, Jalan Subang Utama 7 Taman Perindustrian Subang Utama Seksyen 22 40300 Shah Alam Selangor Darul Ehsan	1½ -storey detached factory building to house production facilities	2,023/ 1,006	14 years	Freehold	2,020	17.03.2003
FM H.S. (D) 79985 Lot P.T. 14298 Mukim Damansara Daerah Petaling Selangor Darul Ehsan Bearing postal address: Lot 2-47, Jalan Subang Utama 8 Taman Perindustrian Subang Utama Seksyen 22 40300 Shah Alam Selangor Darul Ehsan	Vacant industrial land	2,177/ -	N/A	Freehold	1,500	04.07.2007

LIST OF PROPERTIES (CONT'D)

Details of the landed properties owned and leased by the Company and its subsidiaries are set out below: (Cont'd)

Address	Description/ Existing use	Land area/ Built-up area sq m	Approximate age of building	Tenure	Audited net book value as at 31.12.2010 RM'000	Date of acquisition
FM H.S. (D) 40495 & 40609 Lots 12049 & 12063 Mukim 14, Daerah Seberang Perai Tengah Penang Bearing postal address: No. 18 Jalan Pala 12 Kawasan Industri Ringan Permatang Tinggi 14100 Bukit Mertajam Penang	1½ storey semi-detached factory to house production facilities and R&D activities	604/ 597	8 years	Freehold	511	07.07.2003
H.S. (D) 40496 & 40610 Lots 12050 & 12064 Mukim 14, Daerah Seberang Perai Tengah Penang Bearing postal address: No. 20 Jalan Pala 12 Kawasan Industri Ringan Permatang Tinggi 14100 Bukit Mertajam Penang	1½ storey semi-detached factory to house production facilities and R&D activities	603/ 541	8 years	Freehold		
FM H.S. (D) 1600 P.T. No. 1923 Mukim Padang Cina Daerah Kulim Kedah Darul Aman Bearing postal address: Jalan Hi Tech 2/3 Industrial Zone Phase I Kulim Hi-Tech Industrial Park, 09000 Kulim Kedah Darul Aman	Single-storey detached factory building to house production facilities and R&D activities	12,141/ 3,299	5 years	Leasehold expiring on 09.05.2066	7,585	23.12.2005

LIST OF PROPERTIES (CONT'D)

Details of the landed properties owned and leased by the Company and its subsidiaries are set out below: (Cont'd)

Address	Description/ Existing use	Land area/ Built-up area sq m	Approximate age of building	Tenure	Audited net book value as at 31.12.2010 RM'000	Date of acquisition
FM H.S. (D) 1600 P.T. No. 1923 Mukim Padang Cina Daerah Kulim Kedah Darul Aman Bearing postal address: Jalan Hi Tech 2/3 Industrial Zone Phase II Kulim Hi-Tech Industrial Park, 09000 Kulim Kedah Darul Aman	Vacant industrial land	15,419	N/A	Leasehold expiring on 09.05.2066	1,981	09.11.2007
Metall-Treat Industries Pte Ltd Lots No. MK7-502T (JTC Private Lots A0393400-0 & A0393401-0) Bearing postal address: No. 28 Gul Avenue Singapore 629668 & No. 30 Gul Avenue Singapore 629670	2 single-storey semi-detached factory with mezzanine office to house production facilities	8,620/ 5,607	32 years	Leasehold expiring on 30.06.2038	9,446	27.08.2007
Ares Green Technology Corporation 0273-0000, 0276-0000 & 0277-0000 Bearing postal address: 17 Pa Der Road Hsin Ying, Tainan Taiwan	A single-storey factory building and a 2-storey factory building to house production facilities and R&D activities and a 2-storey office building	16,966/ 14,190	12 years	Freehold	39,107	14.06.2004

SHAREHOLDING STATISTICS
AS AT 29 APRIL 2011

Authorised Share Capital:	5,000,000,000
Paid-up and Issued Capital:	1,011,408,160
Type of Shares:	Ordinary Shares of RM0.10 each
No. of Shareholders:	3,651
Voting Rights:	One vote per share

ANALYSIS OF SHAREHOLDINGS BY RANGE

Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Capital
Less than 100	110	3.0	5,021	~
100 to 1,000	138	3.8	43,429	~
1,001 to 10,000	889	24.3	5,579,719	0.5
10,001 to 100,000	1,976	54.1	80,473,674	8.0
100,001 to less than 5% of issued shares	536	14.7	704,180,892	69.6
5% and above of issued shares	2	0.1	221,125,425	21.9
Total	**3,651**	**100.0**	**1,011,408,160**	**100.0**

Note:
~ *Negligible*

SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of the Company and the number of shares held by them as recorded in the Register of Substantial Shareholders at the date of this statement are as follows:

	Direct		Indirect	
	No. of shares	%	No. of shares	%
Wong Hua Choon	214,660,901	21.2	23,592,972	*2.3
Lembaga Tabung Haji	63,464,524	6.3	-	-

Note:
* *Deemed interested by virtue of his interest in Frontken Holdings Pte Ltd*

DIRECTORS' SHAREHOLDINGS

The shareholdings of the directors of the Company and the number of shares held by them as recorded in the Register of Directors' Shareholdings at the date of this statement are as follows:

	Direct		Indirect	
	No. of shares	%	No. of shares	%
Wong Hua Choon	214,660,901	21.2	23,592,972	*2.3
Dr Tay Kiang Meng	9,404,808	0.9	-	-

Note:
* *Deemed interested by virtue of his interest in Frontken Holdings Pte Ltd*

SHAREHOLDING STATISTICS
AS AT 29 APRIL 2011 (CONT'D)

TOP 30 SHAREHOLDERS
(As extracted from the Record of Depositors as at 29 April 2011)

	Name of shareholders	No. of shares	% of issued capital
1	Wong Hua Choon	157,660,901	15.59
2	Lembaga Tabung Haji	63,464,524	6.27
3	CIMSEC Nominees (Asing) Sdn Bhd Exempt An For CIMB Securities (Singapore) Pte Ltd (Retail Clients)	47,901,626	4.74
4	Inter-Pacific Equity Nominees (Asing) Sdn Bhd Kim Eng Securities Pte Ltd For Jorg Helmut Hohnloser	46,020,600	4.55
5	HDM Nominees (Tempatan) Sdn Bhd UOB Kay Hian Pte Ltd For Chow Lai Yee	29,101,103	2.88
6	Ting Hin Ming	28,423,205	2.81
7	Malaysia Nominees (Asing) Sendirian Berhad OCBC Capital Investment (Asia) Limited (00-00215-000)	27,630,400	2.73
8	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Wong Hua Choon	27,000,000	2.67
9	Wong Mee Ngo	26,833,333	2.65
10	Frontken Holdings Pte Ltd	23,592,972	2.33
11	Fong Pik Na	22,542,730	2.23
12	Kho Chew Swan	17,075,552	1.69
13	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Wong Hua Choon	17,000,000	1.68
14	Chan Bee Lian	14,827,500	1.47
15	Public Invest Nominees (Asing) Sdn Bhd Exempt An For Phillip Securities Pte Ltd (Clients)	14,648,089	1.45
16	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank For Wong Hua Choon (M73030)	13,000,000	1.29
17	OSK Nominees (Asing) Sdn Berhad DMG & Partners Securities Pte Ltd For Melvin Ong Eng Hoe (8K/75712)	11,760,000	1.16
18	AMT Engineering Sdn. Bhd.	8,900,000	0.88
19	See Chuan Swee	6,697,697	0.66
20	Lau Chi Kiih	6,512,449	0.64
21	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Kho Chai Yam	6,174,000	0.61
22	AIBB Nominees (Asing) Sdn. Bhd. Pledged Securities Account For Yee Huang Khim	6,036,800	0.60
23	EB Nominees (Asing) Sendirian Berhad Pledged Securities Account For Tay Kiang Meng (SFC)	6,000,000	0.59
24	Chen Swee Ning	5,230,000	0.52
25	Mok Siew Wai	4,904,422	0.48
26	Lee Mee Huong	4,858,900	0.48
27	Yap Fui Ping	4,824,104	0.48
28	Oh Kim Sun	4,708,400	0.47
29	Nik Ismail B.Tengku Besar Indra Raja	4,202,660	0.42
30	HDM Nominees (Tempatan) Sdn Bhd UOB Kay Hian Pte Ltd For See Ann Seg	4,040,800	0.40
		661,572,767	65.41

WARRANT HOLDING STATISTICS
AS AT 29 APRIL 2011

Type of Securities:	Warrants
Total Warrants issued but not exercised:	288,973,760
Voting Rights:	One vote per warrant holder on show of hands or one vote per warrant on a poll in respect of a meeting of warrant holders

ANALYSIS OF WARRANT HOLDINGS BY RANGE

Holdings	No. of Warrant holders	% of Warrant holders	No. of Warrant	% of Warrant
Less than 100	86	5.0	4,288	~
100 to 1,000	91	5.2	50,385	~
1,001 to 10,000	547	31.2	2,920,951	1.0
10,001 to 100,000	745	42.5	31,366,412	10.9
100,001 to less than 5% of issued shares	281	16.0	189,189,657	65.5
5% and above of issued shares	2	0.1	65,442,067	22.6
Total	**1,752**	**100.0**	**288,973,760**	**100.0**

Note:
~ *Negligible*

TOP 30 WARRANT HOLDERS
(As extracted from the Record of Depositors as at 29 April 2011)

	Name of warrant holders	No. of warrants	% of warrants
1	Wong Hua Choon	49,617,409	17.17
2	Ting Hin Ming	15,824,658	5.48
3	CIMSEC Nominees (Asing) Sdn Bhd Exempt An For CIMB Securities (Singapore) Pte Ltd (Retail Clients)	13,221,636	4.58
4	Wong Mee Ngo	7,666,666	2.65
5	Frontken Holdings Pte Ltd	6,740,849	2.33
6	Affin Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Boon Pock (TAN6190M)	5,900,000	2.04
7	Ang Yook Chu @ Ang Yoke Fong	5,442,700	1.88
8	Lau Chi Kiih	5,205,624	1.80
9	Kho Chew Swan	4,878,729	1.69
10	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Wong Hua Choon (SFC)	4,000,000	1.38
11	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Wong Hua Choon	4,000,000	1.38
12	OSK Nominees (Asing) Sdn Berhad DMG & Partners Securities Pte Ltd For Melvin Ong Eng Hoe (8K/75712)	3,360,000	1.16
13	Tay Kiang Meng	2,687,088	0.93
14	AMT Engineering Sdn. Bhd.	2,609,252	0.90
15	Lee Mee Huong	2,496,400	0.86
16	Chan Bee Lian	2,407,937	0.83
17	Hew Moi Lan	2,300,000	0.80
18	Tiong Chai King	2,078,616	0.72
19	Herbalceutical (M) Sdn. Bhd.	2,000,000	0.69
20	Anthony Abang	1,933,600	0.67

WARRANT HOLDING STATISTICS

AS AT 29 APRIL 2011 (CONT'D)

TOP 30 WARRANT HOLDERS
(As extracted from the Record of Depositors as at 29 April 2011)

	Name of warrant holders	No. of warrants	% of warrants
21	Thong Chee Thim	1,900,000	0.66
22	Goh Ten Fook	1,804,200	0.62
23	TA Nominees (Tempatan) Sdn Bhd		
	Pledged Securities Account For Kho Chai Yam	1,764,000	0.61
24	AIBB Nominees (Asing) Sdn. Bhd.		
	Pledged Securities Account For Yee Huang Khim	1,724,800	0.60
25	Affin Nominees (Tempatan) Sdn Bhd		
	Pledged Securities Account For Chung Kin Chuan (CHU0226C)	1,724,200	0.60
26	Woon Khoon	1,665,000	0.58
27	Mohd Jamel Bin Abdul Munin	1,625,780	0.56
28	Thong Pek Wan	1,512,700	0.52
29	Lee Swong Koi	1,500,000	0.52
30	Moey Bee Kin	1,359,000	0.47
		160,950,844	55.70

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of the Company will be held at Suite 301, 3rd Floor, Block F, Pusat Dagangan Phileo Damansara I, No. 9, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor on Friday, 24 June 2011 at 11.00 a.m. for the transaction of the following business:-

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements for the year ended 31 December 2010 together with the Reports of the Directors and Auditors thereon.

2. To re-elect the following Directors who retire pursuant to Article 74 of the Company's Articles of Association:-

   Wong Hua Choon — Resolution 1
   Dr Tay Kiang Meng — Resolution 2

3. (i) To approve the payment of Directors' fees for the financial year ended 31 December 2010. — Resolution 3

   (ii) To approve the payment of Directors' fees of up to RM300,000 for the financial year ending 31 December 2011. — Resolution 4

4. To re-appoint Messrs Crowe Horwath as Auditors of the Company for the financial year ending 31 December 2011 and to authorise the Directors to fix their remuneration. — Resolution 5

Special Business

5. To consider and if thought fit, to pass the following Resolutions as:-

ORDINARY RESOLUTION 1
AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965 — Resolution 6

"THAT, subject always to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company and the approvals of Bursa Malaysia Securities Berhad ("Bursa Securities") and the relevant regulatory authorities where such approval is necessary, the Directors be and are hereby empowered, pursuant to Section 132D of the Act, to issue shares in the Company at any time until the conclusion of the next Annual General Meeting ("AGM") and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate numbers of shares to be issued does not exceed 10% of the total issued share capital of the Company for the time being."

ORDINARY RESOLUTION 2
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE AND PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE — Resolution 7

"THAT subject to the Main Market Listing Requirements of Bursa Securities ("Listing Requirements"), approval be and is hereby given to the Company and its subsidiaries to enter into the recurrent transactions of a revenue or trading nature as set out in Section 2.2 of the Circular to Shareholders dated 2 June 2011 with the related parties mentioned therein which are necessary for the Group's day to day operations.

THAT the Company and its subsidiaries be and are hereby authorised to enter into the recurrent transactions with the related parties mentioned therein provided that:
(a) the transactions are carried out in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company;
(b) the disclosure of the aggregate value of the transactions conducted pursuant to the shareholders' mandate during the financial year will be made in the Annual Report for the said financial year.

THAT such approval shall commence immediately upon passing of the resolution and remain in force until:-
(a) the conclusion of the next AGM of the Company following the general meeting at which the mandate is passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
(b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the Act); or
(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to this resolution."

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

6. **ORDINARY RESOLUTION 3**
   PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES ("PROPOSED RENEWAL OF SHARE BUY-BACK MANDATE") Resolution 8

   "THAT subject to the provisions under the Act, the Memorandum and Articles of Association of the Company, the Listing Requirements and any other applicable laws, rules, regulations and guidelines for the time being in force, the Company be and is hereby authorised to purchase such number of ordinary shares of RM0.10 each in the Company ("Shares") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased pursuant to this resolution shall not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company.

   THAT the maximum amount of funds to be allocated for the purpose of purchasing the Shares shall not exceed the aggregate of the retained profits and share premium account of the Company.

   THAT authority be and is hereby given to the Directors of the Company to decide at their discretion, as may be permitted and prescribed by the Act and/or any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities for the time being in force to deal with any of the Shares so purchased by the Company in the following manner:

   (i) the Shares so purchased could be cancelled; or

   (ii) the Shares so purchased could be retained as treasury shares for distribution as dividends to the shareholders of the Company and/or be resold through Bursa Securities in accordance with the relevant rules of Bursa Securities and/or be cancelled subsequently; or

   (iii) combination of (i) and (ii) above.

   THAT the authority conferred by this resolution will be effective immediately from the passing of this ordinary resolution and shall continue to be in force until:

   (i) the conclusion of the next AGM of the Company, at which time the said authority would lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

   (ii) the expiration of the period within which the next AGM is required by law to be held; or

   (iii) the authority is revoked or varied by an ordinary resolution of the shareholders of the Company in a general meeting,

   whichever occurs first.

   AND THAT the Directors of the Company be and are hereby authorised to take such steps as are necessary or expedient to implement or to effect the purchase(s) of the Shares with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities and to take such steps as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto."

7. To transact any other business of which due notice shall have been given.

BY ORDER OF THE BOARD

Mah Li Chen (MAICSA 7022751)
Cynthia Gloria Louis (MAICSA 7008306)
Chew Mei Ling (MAICSA 7019175)
Company Secretaries

Kuala Lumpur
2 June 2011

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Notes:

1. The Agenda No.1 is meant for discussion only as the provision of Section 169(1) of the Act does not require a formal approval of shareholders. It is, therefore, not put forward for voting.

2. A member entitled to attend and vote at this Meeting is entitled to appoint a proxy/proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

4. Where the appointer is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.

5. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 17-2, Jalan Solaris 3, Solaris Mont' Kiara, 50480 Kuala Lumpur not less than forty-eight (48) hours before the time fixed for convening the Meeting or any adjournment thereof.

6. Explanatory Notes on Special Business:-

   a. The proposed Resolution 6, if passed, will empower the Directors from the conclusion of this AGM, to allot and issue up to a maximum of 10% of the issued share capital of the Company (excluding treasury shares) at the time of issue (other than bonus or rights issue) for such purposes as they consider would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next AGM of the Company. This mandate will provide flexibility to the Company for the allotment of shares for the purpose of funding working capital, future expansion and investment / acquisition(s). At this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares after the general mandate is sought, the Company will make an announcement in respect thereof.

      The proposed Resolution 6 is a renewal of the general mandate for issuance of shares pursuant to Section 132D of the Act. The Company had, at the Sixth AGM held on 22 June 2010, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 132D of the Act. As at the date of this notice, the Company did not issue any shares pursuant to this mandate obtained.

   b. The proposed Resolution 7, if passed, will empower the Company and its subsidiaries ("Group") to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company. Please refer to the Circular to Shareholders dated 2 June 2011 which is despatched together with this Annual Report for more information.

   c. The proposed Resolution 8, if passed, will give the Directors of the Company the authority to take all such steps as are necessary or expedient to implement, finalise, complete and/or effect the purchase(s) of Shares by the Company as the Directors may deem fit and expedient in the best interest of the Company. This authority will, unless renewed or revoked or varied by the Company at a general meeting, continue to be in force until the conclusion of the next AGM of the Company or the expiry of the period within which the next AGM of the Company following the Seventh AGM is required by the law to be held. Please refer to the Circular to Shareholders dated 2 June 2011 which is despatched together with this Annual Report for more information.

FRONTKEN CORPORATION BERHAD

(Company No.: 651020-T)
(Incorporated in Malaysia under the Companies Act, 1965)

PROXY FORM

Number of shares held

I/We, ... I.C. or Company No……………………………………........
(FULL NAME IN CAPITAL LETTERS)

CDS Account No..of...
(ADDRESS IN FULL)

being a member/members of FRONTKEN CORPORATION BERHAD (“Company”), hereby appoint ....

................................……………......………..I.C. or Company No……………………………………........
(FULL NAME IN CAPITAL LETTERS) (NEW AND OLD I.C. NO.)

of ....
(ADDRESS IN FULL)

or failing him/her,... I.C. or Company No……………………………………........
(FULL NAME IN CAPITAL LETTERS) (NEW AND OLD I.C. NO.)

of ....
(ADDRESS IN FULL)

or the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Seventh Annual General Meeting of the Company to be held at Suite 301, 3rd Floor, Block F, Pusat Dagangan Phileo Damansara I, No. 9, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor on Friday, 24 June 2011 at 11.00 a.m., or at any adjournment thereof.

My/our proxy is to vote on the Resolutions set out in the Notice of the Meeting as indicated with an “X” in the appropriate space. If no specific direction as to the voting is given, my/our proxy will vote or abstain from voting at his/her discretion.

	Ordinary Resolutions	**For**	**Against**
1	Re-election of Wong Hua Choon		
2	Re-election of Dr Tay Kiang Meng		
3	Payment of Directors’ fees for the financial year ended 31 December 2010		
4	Payment of Directors’ fees for the financial year ending 31 December 2011		
5	Re-appointment of Messrs Crowe Horwath as Auditors of the Company		
6	Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965		
7	Proposed Renewal of Shareholders’ Mandate and Proposed New Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
8	Proposed Renewal of Authority for the Company to Purchase its Own Shares		

Dated this…………………..day of………………………………………2011

…………………………………………………………………
Signature/Common Seal of Appointer

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy/proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. Where the member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. Where the appointer is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney to be duly authorised.
4. The instrument appointing a proxy shall be deposited at the Registered Office of the Company at 17-2, Jalan Solaris 3, Solaris Mont’ Kiara, 50480 Kuala Lumpur, not less than forty-eight (48) hours before the time fixed for convening the meeting or any adjournment thereof.

FOLD THIS FLAP FOR SEALING

FOLD HERE

STAMP

The Company Secretary
FRONTKEN CORPORATION BERHAD (651020-T)
17-2, Jalan Solaris 3
Solaris Mont' Kiara
50480 Kuala Lumpur

FOLD HERE