



www.frontken.com

Frontken Corporation Berhad
(651020-T)

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Frontken Corporation Berhad (651020-T)

Annual Report 2008



Annual Report **2008**

PROGRESS
IN
DIVERSITY



Cover Rationale

A leading provider in surface metamorphosis engineering, Frontken continues to build our strengths by remaining true to our focus on nurturing all aspects of our business to deliver a broad spectrum of integrated and differentiated technology solutions to give our customers a unique competitive edge to face today's dynamic marketplace.



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Corporate Information

BOARD OF DIRECTORS

Wong Hua Choon

Executive Chairman / Managing Director

Dr Tay Kiang Meng

Executive Director / Chief Scientist

See Chuan Swee

Executive Director / Chief Financial Officer

Dato' Ibrahim Bin Mahmud

Non-Independent Non-Executive Director

Dato' Haji Johar Bin Murat @ Murad

Independent Non-Executive Director

Ng Wai Pin

Independent Non-Executive Director

Kek Chin Wu

Independent Non-Executive Director

AUDIT COMMITTEE

Ng Wai Pin (Chairman)

Dato' Haji Johar Bin Murat @ Murad

Kek Chin Wu

NOMINATION COMMITTEE

Ng Wai Pin (Chairman)

Dato' Haji Johar Bin Murat @ Murad

Dr Tay Kiang Meng

REMUNERATION COMMITTEE

Ng Wai Pin (Chairman)

Dato' Haji Johar Bin Murat @ Murad

Wong Hua Choon

RISK MANAGEMENT COMMITTEE

Kek Chin Wu (Chairman)

Dato' Haji Johar Bin Murat @ Murad

See Chuan Swee

REGISTERED OFFICE

Suite 1603, 16th Floor

Wisma Lim Foo Yong

86 Jalan Raja Chulan

50200 Kuala Lumpur

Tel: +603 2732 1377

Fax: +603 2732 0338

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Suite 516, Block E

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46350 Petaling Jaya, Selangor

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Fax: +603 7968 3316

Email: fcb@frontken.com

Website: www.frontken.com

SHARE REGISTRAR

Epsilon Registration Services Sdn Bhd

Level 17, The Gardens North Tower

Mid Valley City, Lingkaran Syed Putra

59200 Kuala Lumpur

Tel: +603 2264 3883

Fax: +603 2282 1886

COMPANY SECRETARIES

Tai Keat Chai (MIA 1688)

Lim Hooi Chin (MAICSA 7025949)

AUDITORS

Deloitte & Touche (AF 0834)

Chartered Accountants

STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities Berhad

Stock Code: FRONTKN

Stock No: 0128

Reuters Code: 0128.KL

Bloomberg Code: FRCB MK

Corporate Profile

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

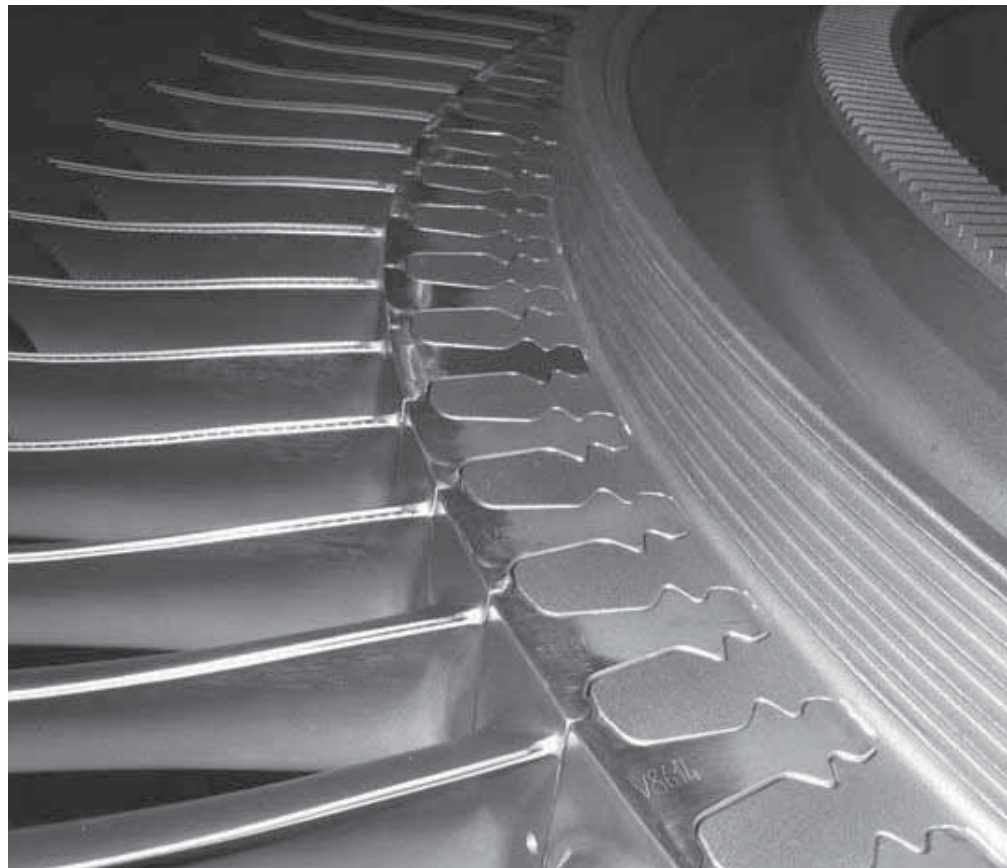
THE FRONTKEN GROUP

Frontken Corporation Berhad, listed on the Main Board of Bursa Malaysia Securities Berhad, has since its inception in 1996, established itself as a leading service provider of surface metamorphosis engineering in the South East Asian 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 operations efficiency of various turnkey industries, including the oil and gas, petrochemical, power generation, semiconductor and electronics manufacturing sectors. The Group also undertakes Research & 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 mainly Singapore, Malaysia and other countries such as Philippines, Indonesia, Thailand, Myanmar, Vietnam, Taiwan, Japan and Germany.

The Group has established a significant presence across the Asian region, with three plants in Singapore, seven facilities and a sales office in Malaysia, one plant each in Thailand and Philippines, and an office each in Taiwan, China and Indonesia. Furthermore, over the years, the Group has established an international network of representatives – spanning from Brunei, Myanmar and Indonesia to Nigeria and Pakistan – to market the Group's specialized services worldwide.



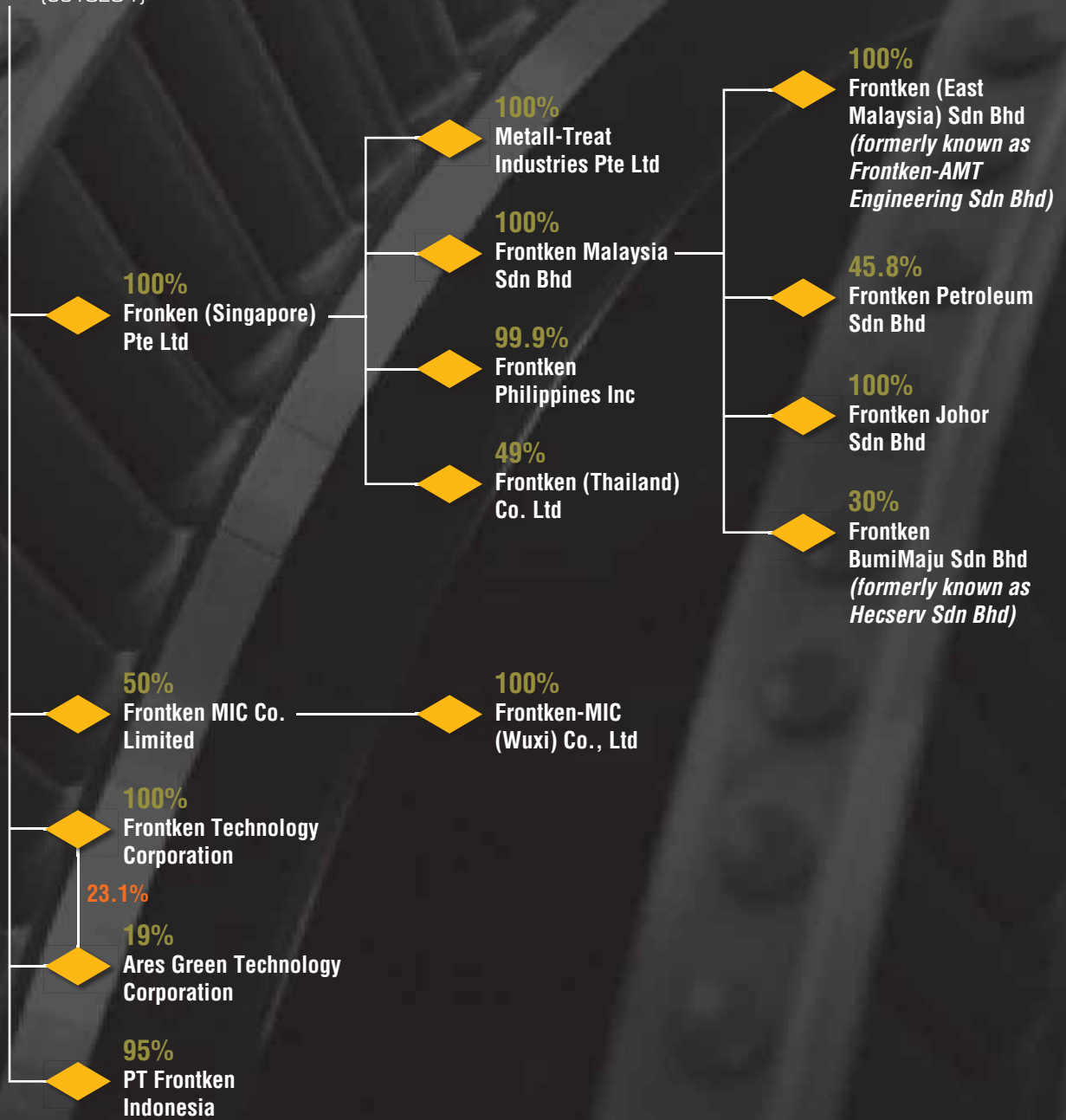
Corporate Structure

(as at 6 May 2009)



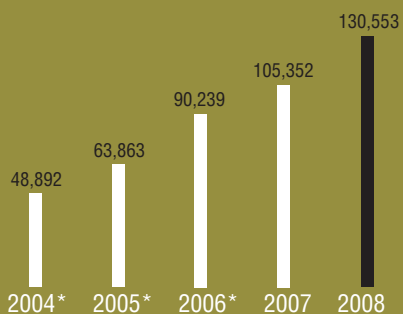
FRONTKEN

Frontken Corporation Berhad
(651020-T)

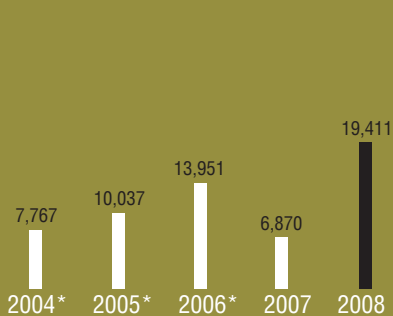


Financial Highlights

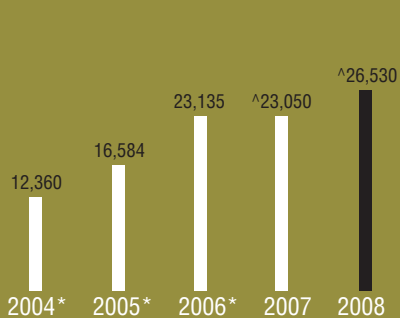
Revenue (RM'000)



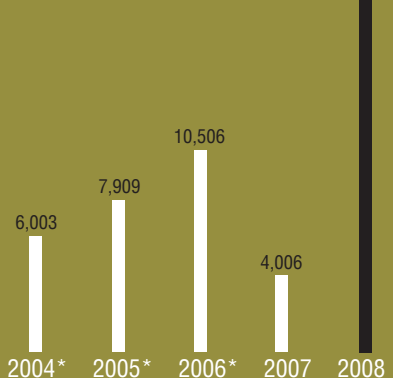
PBT (RM'000)



EBIDTA# (RM'000)



Net Profit (RM'000)



Summarised Group Balance Sheets As at 31 Dec (RM'000)

	2007	2008
Non-Current Assets	148,577	164,473
Current Assets	59,992	75,906
Total Assets	208,569	240,379
Share Capital	49,474	69,977
Reserves	48,520	51,689
Shareholders' Equity	97,994	121,666
Minority Interests	1,670	652
Total Equity	99,664	122,318
Non-Current Liabilities	49,532	48,758
Current Liabilities	59,373	69,303
Total Liabilities	108,905	118,061
Total Equity and Liabilities	208,569	240,379

Summarised Group Cash Flows As at 31 Dec (RM'000)

	2007	2008
Net Cash Flows From Operating Activities	17,332	25,769
Net Cash Flows Used in Investing Activities	(75,316)	(15,288)
Net Cash Flows (Used in)/From Financing Activities	54,331	(18,890)
Net Decrease in Cash and Cash Equivalents	(3,653)	(8,409)
Cash and Cash Equivalents at Beginning of Year	17,530	13,917
Effect of exchange differences	40	73
Cash and Cash Equivalents at End of Year	13,917	5,581

* 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.

Financial Highlights (cont'd)

Segmental Revenue – By Customer Location (RM'000)

	← Proforma →			← Audited →	
	2004	2005	2006	2007	2008
Singapore	31,802	39,328	56,084	49,966	59,409
Malaysia	14,128	22,740	33,167	52,010	61,293
Others	32	1,795	988	3,376	9,851
	48,892	63,863	90,239	105,352	130,553

Segmental Revenue – By Industry (RM'000)

	← Proforma →			← Audited →	
	2004	2005	2006	2007	2008
Oil & Gas [#]	13,946	14,721	21,109	32,092	48,686
Power Generation	8,038	15,388	13,455	20,104	15,533
Semiconductor	11,668	20,352	31,002	35,437	42,819
General*	4,129	13,402	24,674	17,719	23,515
	48,892	63,863	90,239	105,352	130,553

Includes the upstream petrochemical sector

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

Financial Analysis (RM'000)

	2004	2005	2006	2007	2008
Turnover growth	71.5%	30.6%	41.3%	16.7%	23.9%
Profit Before Tax Growth	59.7%	29.2%	39.0%	-50.8%	182.6%
Net Profit Growth	52.5%	31.7%	32.8%	-61.9%	370.6%
Operating Profit Margin	16.8%	17.3%	21.2%	18.4%	22.1%
Pre-tax Profit Margin	15.9%	15.7%	15.5%	6.5%	14.9%
Net Profit Margin	12.3%	12.4%	11.6%	3.8%	14.4%
Gearing Ratio (Net of cash) (times)			0.1	0.6	0.5
Return on Average Shareholders' Equity			16.5%	4.5%	17.2%
Return on Average Total Assets			9.1%	2.3%	8.4%
Earnings Per Share (Sen)			*3.2	#0.6	#2.7

* 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

A Word from the Chairman



Dear Shareholders,

We are pleased to register another profitable year despite the global economic downturn in the financial year ended 31 December 2008 (“FY2008”). Our Group achieved RM18.9 million in net profit on steady revenue of RM130.6 million.

The year marked our initial foray into the solar and photovoltaic arena prompted by growing worldwide demand for ‘green’ energy sources.

2008 saw a world in unprecedented turmoil with the surge and relapse of crude oil affecting a large and diverse set of countries in the East Asia and the Pacific region. What began as financial difficulties in the United States tied to subprime mortgage-based securities turned into a global financial crisis raising risk perceptions for several economies in East Asia. Adding to the gloom, global Gross Domestic Product (“GDP”) growth is now predicted to slip from 2.5% in 2008 to 0.9% in 2009 with developing country growth expecting to decline to 4.5% in 2009, more than 3% below the average of the past five years.

The continuing and profound escalation in the global financial crisis that characterized the latter part of 2008 significantly reduced the flow of credit, eroding consumer and corporate spending and confidence, and ultimately resulted in significantly reduced economic and industrial activities. Every industry and company was somehow impacted by this unexpected economic storm.

On the local scene, economic growth moderated to 4.6% in 2008, from 6.3% the previous year, as the effects of the global financial crisis hit our shores in the final quarter of the year, with domestic demand remaining the principal driver. Export and import activities (in terms of volume) decelerated sharply in the fourth quarter of 2008, falling considerably below trend growth following a plunge in exports and weakening domestic demand. Taking into account the expectation of a deepening global downturn as well as the support provided by the policy measures such as the economic stimulus packages, real GDP performance in 2009 is projected to be between -1% to 1%.

A Word from the Chairman (cont'd)

2008 in review

Amidst these challenges, the Frontken Group was able to deliver a commendable set of results in the FY2008. The Group achieved 23.9% higher revenue of RM130.6 million, compared with RM105.4 million previously. Operating performance remained resilient with EBITDA at a healthy RM26.5 million, a 15.1% increase compared to FY2007. Underlying net profit grew from RM4.0 million in FY2007 to RM18.9 million in FY2008.

Excluding total compensation of RM7.3 million in FY2008 from insurance companies for claims on losses arising from the fire incidents in the previous year, net profit attributable to shareholders in FY2008 is RM11.8 million, an increase of 14.2% compared to RM10.3 million in the financial year ended 31 December 2007 ("FY2007"), excluding the financial effects of the one-off insurance compensation and losses arising from the fire incidents.

For the majority of FY2008, the relevant markets in which Frontken operates were strong. In terms of industries, the oil and gas sector once again chartered the fastest sector growth by contributing RM48.7 million or 37.3% to Group's revenue in FY2008, compared with RM32.1 million or 30.5% previously. The semiconductor industry continued to perform well and remained a key revenue driver, improving 20.8% from RM35.4 million in FY2007 to RM42.8 million in FY2008. Nonetheless, this represents a slight decline in overall contribution to Group's revenue from 33.6% to 32.8%.

The activities in the power generation market remained largely stable contributing 11.9% or RM15.5 million to Group's revenue. However, the sector saw a decline in revenue of 22.9% from RM20.1 million recorded in the previous year, due to lower scheduled maintenance during the year.

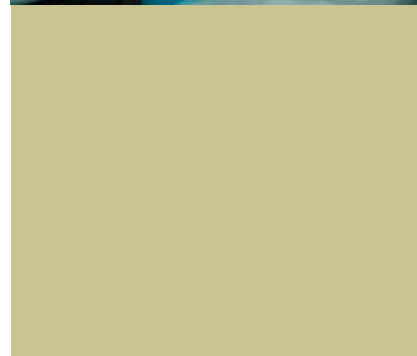
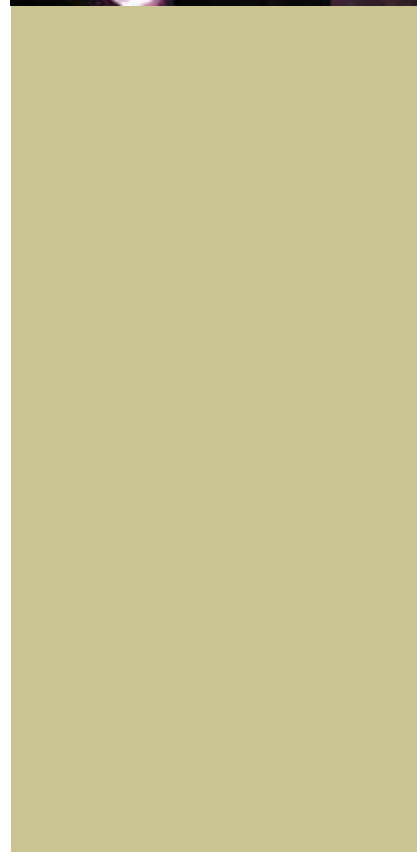
The higher revenue recorded was mainly due to higher demand for the Group's surface metamorphosis services in tandem with increased awareness of the benefits of surface metamorphosis technology to wide-ranging industries. The Group's diverse customer base also helps spread the business risk across key sectors. I attribute our 2008 performance to the strength of our core business fundamentals, our unique and diversified business model, which combines our niches and capabilities across varied market segments, and our untiring efforts in developing longer term relationships with global manufacturers.

Geographically, Malaysia remained the biggest market for the Group during the year under review. Revenue contribution from the Group's local customers improved by 17.8% to RM61.3 million in FY2008 from RM52.0 million in the preceding year. Nonetheless, this represents a slight decline in overall contribution to Group's revenue from 49.4% to 47.0%. The Group's Singapore-based customers contributed 45.5% or RM59.4 million to total revenue in FY2008, compared to 47.4% or RM50.0 million in the previous year.

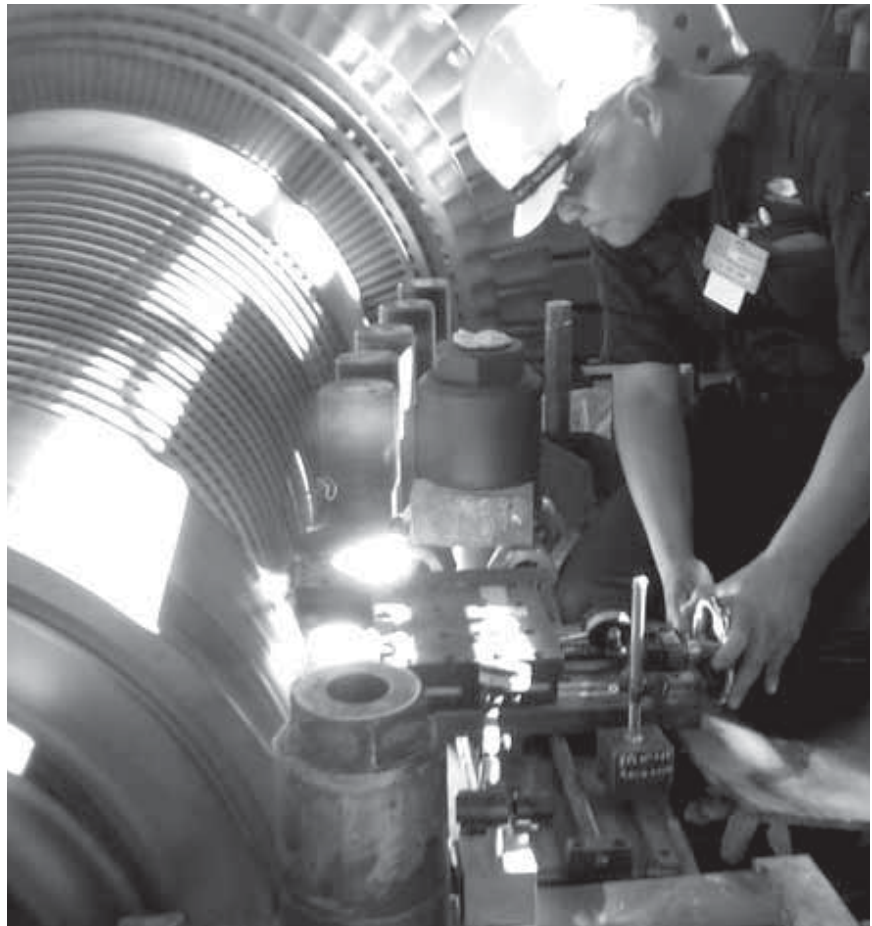
Towards the end of the year, however, demand somewhat softened in almost all relevant Frontken markets. Generally, customers became more cautious with their investment and spending decisions due to uncertainties in the economic environment. Higher operating expenses led by business expansion tempered profit margin in FY2008.

Our balance sheet remained stable and we continued to generate strong and predictable cash flows. Shareholders' equity stood at RM121.7 million as at 31 December 2008, compared with RM98.0 million a year ago while share capital increased to RM70.0 million from RM49.5 million as a result of issuance of new placement shares and a 2-for-5 bonus issue implemented during the year.

18 November 2008 will go down as another memorable day in the corporate history of the Frontken Group with the successful transfer of the Company from the MESDAQ Market to the Main Board of Bursa Malaysia Securities Berhad. The transfer of the listing to the Main Board will help to enhance the profile of the Group and its attractiveness to institutional and retail investors.



A Word from the **Chairman** (cont'd)



Strengthening technology focus

Technology innovation has been pivotal in positioning us as the preferred solutions provider in our targeted business segments. Through the years, we have kept an unwavering commitment on innovation and a relentless pursuit of excellence through research and development (“R&D”) with specific focus on solutions for performance-critical applications that combine products, services and customer application know-how, to help our customers benefit from improved productivity, longer equipment life and lower maintenance costs.

During the year, the Group invested approximately RM2.3 million (including depreciation) in enhancing our R&D capabilities and strengthening our platform for growth. Among the Group’s notable R&D projects completed during the year included the development of plasma doping process kits used in semiconductor fabrication for the protection of the interior surface of chamber from deterioration and unwanted contaminants. With this process, engineers can increase recycle cleaning process yields, improve process quality and performance and achieve faster time-to-delivery. A patent has been filed for this invention.

The year saw us moving up the value chain with the launch of our very own chemical delivery system for the semiconductor industry. The same technology could be applied to renewable energy and hard disk industries. These milestone wins are significant in positioning the Frontken Group in the marketplace and they further augment our reputation and credibility as a key surface metamorphosis technology player in the region.

Moving forward, the Group will continue to orient its R&D activities around concrete customer problems. Among the R&D priorities for the year includes the development of application capabilities of solvent-free anti-corrosion coating suited for the lining of oil and gas and chemical tankage. This new coating eliminates the risks of lining failure due to solvent retention and cuts health and safety hazards from volatile organic compounds, and is fast becoming the preferred option in today’s oil and gas industry.

A Word from the Chairman (cont'd)

Expanding our markets

There are few players in the region that can provide the scope, scale and depth of capabilities required by large global companies looking for consistently high service standards across their entire business and to achieve the economies of outsourcing to a single provider. I take great pride in the reputation we have for the quality of the service we deliver and the loyalty that this inspires in our clients, as evidenced in our high retention rate and the growth in extending our services to existing customers.

Frontken continues to be guided by our three-pronged strategy, which places unwavering focus on expansion into existing and potentially high-growth catchment markets to be closer to our customers, developing flexibility in our service offerings to further align with future market needs and making strategic investment that will allow us to offer the best opportunities for differentiation, growth and profitability.

In 2008, we made initial foray into the solar and photovoltaic arena prompted by growing worldwide demand for 'green' energy sources. We are excited about the long term prospects of the global renewable energy market and remain positive that this will emerge as a significant revenue generator to the Group in the years ahead. To this end, we are focused in enhancing our capability building in cleaning technologies as renewable energy initiatives worldwide are anticipated to spur the market.

Our venture into China with our joint venture partner to meet the local demand is taking shape slowly but surely. Our 50% subsidiary in Wuxi was incorporated in October 2008 with a registered capital of USD500,000 to develop, market and implement surface metamorphosis engineering business in China with an initial focus on the local semiconductor market. Although industry experts forecast a lower 5.8% revenue for China's semiconductor industry in 2009 at \$72 billion, growth is predicted to return in 2010 with a revenue climb of 9%, followed by an 11% increase in 2011. It is therefore an opportune time to lay the foundation so that we are able to ride the uptrend when business conditions improve.

Closer to home, our service plant in Iskandar Malaysia, Johor, operating under Frontken (Johor) Sdn Bhd and occupying an area of 28,162 square feet, was opened in November 2008 to cater to the oil and gas majors in the vicinity. Our network of plants in this region allows us flexibility, agility and responsiveness in project execution. While each of our plants is specialised to serve its niche target markets, they also complement and support one another in the regional market place.

We also made inroads into the Indonesia market with the incorporation of a 95%-owned subsidiary, PT Frontken Indonesia in November 2008. The progress has been encouraging with increasing enquiries from our customers to help them overcome the pressing needs of lowering their cost structures amidst their declining sales and growth.

Apart from organic growth, we mine opportunities that will help us gain entry into new markets, create new business alliances or bring new capabilities and technologies to propel the Group upwards in the value chain. Our desire to increase our foothold in our present market is, however, balanced with a cautious approach.

To this end, we acquired 30,000 ordinary shares of RM1.00 each representing 30% equity interest in Frontken BumiMaju Sdn Bhd (formerly known as Hecserv Sdn Bhd) in September 2008 for a cash consideration of RM23,500 to enable it to capture a larger market share in the oil and gas market.

In addition, we announced the acquisition of a 20% stake comprising 1,397,400 ordinary shares in Chinyee Engineering and Machinery Pte Ltd in February 2009 for a cash consideration of SGD820,000 to enable the Group to compete more effectively by offering a higher value service proposition and distancing itself from competition. This should place us in a better stead to capitalise on opportunities that may arise from both new and existing customers looking to either further outsource or consolidate suppliers, as they review their own cost base in response to changes in the economic outlook.



A Word from the Chairman (cont'd)



Social responsibility

Frontken tries in every way possible to act as a responsible company and be accountable to all of its stakeholders. As a technology solutions provider, we work alongside our customers to develop effective solutions and strategies to help them address green issues by recovering, recycling and reusing their critical parts and equipments not only for economic and environmental benefits, but also to achieve sustainable business growth.

We take responsibility for our actions and conduct our business with honesty and integrity, and we expect our business partners' values and business practices to mirror ours. As the Group grows and further regionalises its operations, it becomes increasingly important to be more vigilant about environmental, health and safety issues. We support the growth and development of our people and communities and strive to develop and market our products in an environmentally responsible manner.

Opportunity in adversity

As the breadth and severity of the global financial crisis began to take hold towards the latter part of 2008, Frontken reacted swiftly and decisively to ensure that we continue to run a cost-efficient business, with sufficient borrowing capacity under our credit facilities to conduct our planned operations, as well as take advantage of strategic opportunities.

We now have some breathing space and the opportunity to concentrate on our core business, and we are seizing that opportunity. Across the Group, we are conscientiously identifying and realizing improvements in every aspect of our business. We believe the efficiencies we build into our operations will help us weather the current market storm and give us a clear competitive advantage when the time comes to resume major growth projects.

The path forward

The Group anticipates the challenging business climate to persist into 2009. While the strength of the Group's diversified business model does not insulate the Group from the global broad based economic downturn, it should help to soften the impact of an overall slowdown in the broader economy, and position the Group to capture market growth opportunities when the macro economic environment improves.

We will continue to fortify our core base and stay on course with a disciplined execution of our strategies for long term business growth. We will continue to concentrate on investment in the areas of businesses which we believe will deliver long term growth and value. With the unsettling reports concerning the global financial crisis, it goes without saying that 2009 will be marked by more volatile quarterly readings than in previous years. Nevertheless, with our clear strategy and a strong sense of determination and drive, I am confident we will ride out the storm and ultimately thrive over the long term.

In appreciation

All that the Group achieved in 2008 would not have been possible without the commitment, passion and teamwork of our employees, which will also be key for the continued success of our Group in a more difficult environment. I would like to take this opportunity to thank everyone at Frontken for their steadfast dedication and hard work to keep us always ahead of the curve.

I wish to put on record my sincere gratitude to my fellow Directors for their wise counsel and invaluable contributions throughout the year. I also welcome Mr Kek Chin Wu who joined the board in November 2008 as an Independent Non-Executive Director.

May I also express my heartfelt appreciation to our shareholders, customers, bankers and business partners for your confidence and trust in Frontken. I look forward to your continued support.

WONG HUA CHOON

Executive Chairman / Managing Director



Corporate Milestones



23 May 2008



19 June 2008



12 ~ 28 July 2008



12 ~ 28 July 2008



2 August 2008



2 August 2008



20 October 2008



27 October 2008



9 June 2008

23 May 2008

Signing of Business Alliance Agreement with Carboline Group to jointly undertake joint customer servicing and development efforts

9 June 2008

Received appreciation letter from satisfied client conveying gratitude for the commitment and support rendered by the Frontken team. Frontken was able to respond to equipment failure in time, restoring operations and halting potentially great production losses.

19 June 2008

The Company held its **4th Annual General Meeting** at Bukit Kiara, Kuala Lumpur.

12 ~ 28 July 2008

Frontken carried out on-site surface texturing works on steam turbine installation.

2 August 2008

Getting together at the Group's **Annual Dinner & Dance 2008**

20 October 2008

Promoting a culture of continuous learning – Management staff of Frontken attended **Leadership and Teamwork Workshop**

27 October 2008

Metall-Treat Industries Pte Ltd was accredited by National Aerospace and Defense Contractors Accreditation Program (NADCAP) for chemical processing services.

Corporate Milestones

(cont'd)



18 November 2008

30 October 2008

Shareholders approved the proposed 2-for-5 bonus issue and amendments to the Articles of Association of the Company at an **Extraordinary General Meeting**

1 November 2008

Opening of the Group's service plant in Iskandar Malaysia, Johor

3 ~ 6 November 2008

Joint participation with our agent, Emirates Link Technology, at **Abu Dhabi International Petroleum Exhibition & Conference (ADIPEC)**

18 November 2008

Transfer of the listing of our shares to the Main Board of Bursa Malaysia Securities Berhad

December 2008

Certification of Frontken (Johor) Sdn Bhd by FMC Technologies as Approved Coating Vendor for Shell Gumusut – Kakap Project

15 ~ 19 December 2008

Regional Sales Training to continuously equip front line personnel with sales and marketing skills

10 January 2009

Friendly soccer match between Frontken and Transnational Group in Singapore



30 October 2008



1 November 2008



3 ~ 6 November 2008



3 ~ 6 November 2008



December 2008



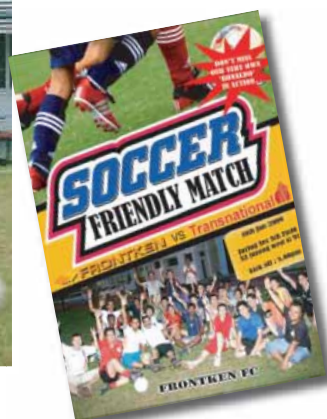
15 ~ 19 December 2008



15 ~ 19 December 2008



10 January 2009



Directors' Profile

Wong Hua Choon, a Malaysian aged 45, was appointed as the Executive Chairman / Managing Director of Frontken Corporation Berhad ("FCB") on 10 April 2006. He is a member of the Remuneration Committee. He is the co-founder of FCB and its subsidiaries ("FCB Group" or "Group") and holds a Bachelor of Science in Mechanical Engineering from the University of Idaho, USA. 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 19 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 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 Sections 8 and 11 in the Additional Disclosure section which appear on pages 23 and 24 in this Annual Report.

Dr Tay Kiang Meng, a Singaporean aged 44, was appointed as the Executive Director of FCB on 10 April 2006. He is a member of the Nomination Committee. Dr Tay 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 also the Chief Scientist of the FCB Group and 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 19 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 FS 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.

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 24 in this Annual Report.

Directors' Profile (cont'd)

See Chuan Swee, a Malaysian aged 44, was appointed as the Executive Director of FCB on 10 April 2006. He is a member of the Risk Management Committee. He holds a Master in Business Administration specialised in Finance & Investment Management and a Bachelor of Business Administration in Accounting from Baruch College of City University of New York. He is a non-practising member of Institute of Certified Public Accountant of Singapore and is also the Chief Financial Officer of the FCB Group.

He is responsible for the Group's accounting, tax as well as treasury functions. Together with the other members of the senior management team, he is involved in formulating corporate and regional expansion plans and strategies. Mr See also oversees the Human Resource Department and charts the Group's overall Human Resource development plan. He has 17 years of financial and management experience, in the area of planning, finance, accounting and equity market. Prior to joining the FCB Group in 2001, he was with Affin-UOB Securities Sdn Bhd.

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 24 in this Annual Report.

Dato' Ibrahim Bin Mahmud, a Malaysian aged 66, was appointed as the Non-Independent Non-Executive Director of FCB on 10 April 2006. He 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, a Malaysian aged 62, was appointed as the Independent Non-Executive Director of FCB on 10 April 2006. He is a member of the Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee. He 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.

Directors' Profile (cont'd)

Ng Wai Pin, a Malaysian aged 44, was appointed as Independent Non-Executive Director of FCB on 10 April 2006. He is the Chairman of the Audit Committee, Nomination Committee and Remuneration Committee. 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.

Kek Chin Wu, a Malaysian aged 38, was appointed as Independent Non-Executive Director of FCB on 4 November 2008. He is the Chairman of the Risk Management Committee and a member of the Audit Committee. He is a member of the Malaysian Institute of Accountants and a Fellow Member of The Chartered Association of Certified Accountants, UK. He started his auditing career and professional training with BDO Binder, an international accounting firm in 1993 where he gained experience in auditing companies in various industries. He then joined Bumiputra Merchant Bankers Berhad in 1997 where he served in the Corporate Finance Department and was responsible for providing corporate advisory services to public listed companies. He later served as the Corporate Finance Manager of Paracorp Berhad, a company listed on the Main Board of Bursa Malaysia Securities Berhad, from 1998 to 1999 where he was involved in the planning and execution of corporate exercises. Over the span of sixteen (16) years, he has gained extensive knowledge, skills and experience in auditing and corporate finance. He is currently a director of Paragon Advisory Sdn Bhd, a consulting firm which offers business advisory services.

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 the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements").

The following statement describes how the Group has applied the Principles of Corporate Governance and the extent of compliance with the best practices.

(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

The Board currently has seven (7) members, comprising three (3) 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 13 to 15 of this Annual Report.

The Board has not nominated a senior independent non-executive director to whom concerns may be conveyed as the Chairman of the Board encourages active participation of each and every Board member in the decision making process. Any concern regarding the Company may be conveyed by shareholders or investors to any of the independent directors and such concerns will be reviewed and addressed by the Board accordingly.

The Board remained 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 capable of exercising independent judgment to ensure fair and objective deliberations at Board meetings.

The Board is satisfied that the current Board composition fairly reflects the interests of minority shareholders in the Company.

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

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 decision at the relevant times. 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.

Directors receive a set of Board papers prior to each Board meeting. This is to enable the Directors to study matters to be discussed and obtain further explanations, where necessary, before the meeting. All Directors have unrestricted access to the Group or to obtain independent 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.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

(A) BOARD OF DIRECTORS (CONT'D)

For the financial year ended 31 December 2008, four (4) 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:

Directors	Number of Board Meetings	
	Held	Attended
Wong Hua Choon	4	4
Dr Tay Kiang Meng	4	4
See Chuan Swee	4	4
Dato' Ibrahim Bin Mahmud	4	3
Dato' Haji Johar Bin Murat @ Murad	4	4
Ng Wai Pin	4	4
Kek Chin Wu (appointed on 4 November 2008)	1	1

Directors' Training

All Directors have attended and completed the Mandatory Accreditation Programme ("MAP") 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 attended by the Directors during the year include Audit Committee Roles and Internal Audit Challenges, Leadership and Teamwork, Code of Corporate Compliance and Ethical Conduct, Crisis Management and Gaining Competitive Edge and Charnexus National Investors Symposium 2008.

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 Secretary also updates the Directors on the latest relevant regulatory requirements.

Appointment to the Board

The Nomination Committee ("NC") comprises three (3) members, majority of whom are independent non-executive directors, and they are:

Ng Wai Pin (Independent Non-Executive Director)	Chairman
Dato' Haji Johar Bin Murat @ Murad (Independent Non-Executive Director)	Member
Dr Tay Kiang Meng (Executive Director)	Member

For the year under review, the NC held one (1) meeting which was attended by all members of the Committee.

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 are 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:

Ng Wai Pin (Independent Non-Executive Director)	Chairman
Dato' Haji Johar Bin Murat @ Murad (Independent Non-Executive Director)	Member
Wong Hua Choon (Executive Chairman / Managing Director)	Member

The RC is responsible for recommending to the Board the remuneration of the Executive Directors. 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)

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. The remuneration of Non-Executive Directors is determined by the Board as a whole. None of the Directors participates in any way in determining their individual remuneration packages.

The RC met once during the financial year under review to deliberate on key remuneration matters.

The aggregate remuneration of the Directors for the financial year ended 31 December 2008 is as follows:

	Executive Directors RM	Non-Executive Directors RM
Salaries	1,659,265	-
Fees	-	144,000
Bonuses	134,892	-
Other emoluments	-	31,880
	1,794,157	175,880

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

	Number of Executive Directors	Non-Executive Directors
Below RM50,000	-	3
RM50,001 to RM100,000	-	1
RM300,001 to RM350,000	1	-
RM550,001 to RM600,000	1	-
RM850,001 to RM900,000	1	-
	3	4

The Code recommends detailed disclosure to be made for each Director's remuneration. The Board is of the opinion that the transparency and accountability aspects of corporate governance as applicable to Directors' remuneration are appropriately served by the disclosures made above.

Risk Management

During the year, the Company has set up a Risk Management Committee ("RMC") to assist the Board in exercising oversight of the risk management activities of the Group, approving appropriate risk management procedures and measurement methodologies across the organisation as well as identification and management of strategic business risks of the Group.

The RMC comprises three (3) members, majority of whom are independent non-executive directors, and they are:

Kek Chin Wu (Independent Non-Executive Director)	Chairman
Dato' Haji Johar Bin Murat @ Murad (Independent Non-Executive Director)	Member
See Chuan Swee (Executive Director)	Member

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

(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 internal and external auditors without the presence of the management at least once a year.

Further information on the Audit Committee is set out in the Audit Committee Report on pages 20 and 21 of this Annual Report.

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 Audit Committee 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 Controls

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

The Board recognises that a system of internal controls 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 on a timely basis.

The Statement on Internal Control of the Group set out on page 22 of 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.

Relationship with Auditors

The Board on its own and through the Audit Committee maintains a formal and transparent professional relationship with the Group's auditors. The roles of the Audit Committee in relation to the auditors are described in the Audit Committee Report set out on pages 20 and 21 of 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, press releases 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 who are encouraged to enquire about the Group's activities and prospects. The Group maintains regular dialogues with financial analysts and fund managers as a means of maintaining and improving investors relation.

Shareholders and members of the public can obtain information on the Company through the Company's website at www.frontken.com or Bursa Malaysia Securities Berhad's website at www.bursamalaysia.com.

AUDIT COMMITTEE REPORT

(A) COMPOSITION

The Audit Committee (“AC”) comprises the following members:

Ng Wai Pin (Independent Non-Executive Director)	Chairman
Dato’ Haji Johar Bin Murat @ Murad (Independent Non-Executive Director)	Member
See Chuan Swee (Executive Director) *	Member
Kek Chin Wu (Independent Non-Executive Director) **	Member

* resigned as member of the AC on 10 November 2008

** appointed as director on 4 November 2008 and subsequently as member of AC on 10 November 2008

(B) TERMS OF REFERENCE

Composition

The AC shall be appointed by the Board of Directors 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 Audit Committee resulting in the non-compliance with Paragraph 15.10 of the Listing Requirements of Bursa Malaysia Securities Berhad, 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 Committee 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 Committee when required to do so by the Committee.

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 of Directors:-
 - (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) all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels; and
 - (n) 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 is not suitable for re-appointment.

AUDIT COMMITTEE REPORT (CONT'D)

(B) TERMS OF REFERENCE (CONT'D)

Functions and Duties (cont'd)

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 of Directors 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 of Bursa Malaysia Securities Berhad.

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 external auditors and person(s) carrying out the internal audit function;
- (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 four (4) meetings. The details of their attendance at meetings are as follows:

	Number of Meetings Attended
Ng Wai Pin	4/4
Dato' Haji Johar Bin Murat @ Murat	4/4
See Chuan Swee (resigned as member of AC on 10 November 2008)	3/3
Kek Chin Wu (appointed as member of AC on 10 November 2008)	1/1

The AC carried out its duties as set out in the terms of reference. These include:

- (a) Reviewed 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) Reviewed the external auditors' Audit Planning Memorandum comprising their scope of audit, key audit areas, audit approach and timetable.
- (c) Reviewed the external auditors' report and recommendations regarding opportunities for improvement to internal controls based on observations made in the course of the audit.
- (d) Reviewed the scope and results of the internal audit procedures and evaluated the adequacy of the internal control systems based on the reports from the internal auditors.
- (e) Reviewed the related party transactions and to ensure that they are not more favourable to the related parties than those generally available to the public and comply with the Listing Requirements of Bursa Malaysia Securities Berhad.
- (f) Evaluated the performance of the external auditors' function based on timeliness, competency and adequacy of resources to achieve the agreed scope of audit before recommending the re-appointment of external auditors to the Board.

(D) INTERNAL AUDIT FUNCTION

The Company has 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.

STATEMENT ON INTERNAL CONTROL

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 controls, which has been prepared in accordance with the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

Acknowledgement of Responsibility

The Board recognises the importance of a sound system of internal control to cover the financial, compliance and operational controls and effective risk management practices in the Group. The Board and the Audit Committee are informed of all control issues pertaining to internal controls and regulatory compliance. 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 or loss.

System of 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.

The Group conducts regular management meetings to monitor business developments, discuss and resolve operational and management issues, and to review financial performance against business plans. 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.

Risk Management Framework

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. The key risks relating to the Group's operations and strategic and business plans are addressed at management's periodic meetings. Risks identified were prioritised in terms of likelihood of their occurrence and the impact on the achievement of the Group's business objectives/goals.

The outsourced Internal Auditors had reviewed the Group's system of internal controls and had reported the internal audit activities conducted within the year to the Audit Committee on a regular basis. The Internal Audit team independently reviews the risk identification procedures and control processes implemented by the management. Any significant weaknesses identified during the reviews together with the improvement measures to strengthen the internal controls were reported to the Audit Committee. Reports on internal audit findings, together with recommendations for management's actions, are reviewed by the Audit Committee.

To better define and manage uncertainties and threats to the Group's businesses, the Company has set up a Risk Management Committee. A formal risk management framework is currently being implemented to provide a structured process for identifying, measuring, monitoring and managing principal business risks.

Conclusion

The Board confirms that it 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. 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 15.24 of the Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed in accordance with Auditing Technical Release 5, Guidance for Auditors on the Review of Directors' Statement on Internal Control this Statement for inclusion in the Annual Report for the year ended 31 December 2008 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.

ADDITIONAL DISCLOSURE

1. Share Buyback

During the financial year, the Company did not enter into any share buyback transactions.

2. Options, Warrants or Convertible Securities

The Company has not issued any options, warrants or convertible securities.

3. Depository Receipts ("DR")

During the financial year, the Company did not sponsor any DR.

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 year.

5. Non-Audit Fees

During the 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 2008 amounted to RM39,565.

6. Variation in Results

There was no deviation of 10% or more between the audited results for the financial year ended 31 December 2008 and the unaudited results previously announced.

7. Profit Guarantee

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

8. Material Contract

Save as disclosed below and other than those in the ordinary course of business entered into by the Company and/or its subsidiaries during the financial year, there were no material contracts entered into by the Company and its subsidiaries involving the interests of Directors and/or major shareholders of the Company.

On 27 February 2009, the Company announced that its wholly-owned subsidiary, Frontken (Singapore) Pte Ltd, had agreed to the terms and entered into a conditional Share Purchase Agreement with Wong Hua Choon for the acquisition of 1,397,400 ordinary shares representing 20% of the issued and paid-up share capital of Chinyee Engineering & Machinery Pte Ltd ("Chinyee") for a cash consideration of SGD820,000 (equivalent to approximately RM1,963,000 based on the exchange rate of SGD1.00 : RM2.3937 as at 26 February 2009).

Wong Hua Choon, a Director and major shareholder of the Company, is also a director and substantial shareholder of Chinyee. Yeo Lay Poh, a substantial shareholder of the Company, is also a director and substantial shareholder of Chinyee.

9. Revaluation Policy

The Group's property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. At each balance sheet date, the Group reviews its assets to determine whether there is any indication that those assets have suffered an impairment loss.

As part of the review, the Group will conduct yearly review of the fair values of its landed properties. The Group will also procure a formal valuation from independent professional valuers on its landed properties at least once every five years or any point of time at the request of the banks under the mortgaging agreements.

ADDITIONAL DISCLOSURE (CONT'D)

10. Corporate Social Responsibility

The Group acknowledges the importance of Corporate Social Responsibility (“CSR”) in our business practices. Our CSR framework focuses on community, workplace and environment.

We undertake various initiatives in contributing to the community, including supporting education by providing job opportunities to students from various polytechnics and institutes of technical education who wish to undergo industrial/practical training. Besides hands-on technical exposure, trainees are also provided management development training during the attachment period.

Investment in employee development and training is key to the success of the Group. 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 promote equal opportunity in employment and aim to ensure that no discrimination in any form is practised within our business.

As an engineering technology solutions provider, we work alongside our customers to develop effective solutions and strategies to help them address green issues by recovering, recycling, reusing and refurbishing their critical parts and equipments not only for economic and environmental benefits, but also to achieve sustainable business growth.

We ensure that in the course of our business activities, we protect the health, safety and welfare of all our employees by implementing an Occupational Safety and Health Management System in accordance with OHSAS 18001:2007. Health, safety and environmental considerations are integrated into all aspects of our business operations with the aim of preventing accidents, injuries, occupational illness and pollution, and conserving natural resources. We take measures to protect the well-being of our workforce by improving the awareness and training of our employees in health and safety best practices.

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.

11. Recurrent Related Party Transactions (“RRPT”)

Details of the RRPT during the financial year ended 31 December 2008 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	68
FEM	A&I Engine Rebuilders Sdn Bhd (“A&I”)	Sia Chiok Meng, a Director of FEM, is also a Director and major shareholder of A&I.	Sales to and purchases from A&I	1
Frontken (Singapore) Pte Ltd (“FS”)	Chinyee Engineering & Machinery Pte Ltd (“Chinyee”)	Wong Hua Choon, a Director and major shareholder of FCB, and Yeo Lay Poh, a substantial shareholder of FCB, are also Directors and major shareholders of Chinyee. Dr Tay Kiang Meng, a Director of FCB, is also a Director and shareholder of Chinyee	Sales to and purchases from Chinyee	4,504

The Directors are of the opinion that the above transactions entered into in the ordinary course of the business have been established on terms and conditions that are not materially different from those transactions with unrelated parties.

ADDITIONAL DISCLOSURE (CONT'D)

12. Utilisation of Proceeds

The Company raised approximately RM31.4 million from its initial public offerings (IPO) and approximately RM19.5 million from the private placement.

The gross listing proceeds received by the Company from the IPO were fully utilised by 10 July 2008 as follows:

Purpose	RM'000
Construction of plant	6,600
Purchase of machinery and equipment	9,757
R&D expenditure	2,300
Repayment of bank borrowings	3,000
Working capital	8,082
Estimated share issue and listing expenses	1,700
	<u>31,439</u>

As at 6 May 2009, the status of the utilisation of proceeds from the private placement exercise is as follows:

Purpose	Proposed Utilisation	Actual Utilisation	Intended Timeframe for Utilisation	Deviation	
	RM'000	RM'000		RM'000	%
Viable future investments	26,000	18,491	Note (a)	7,509	28.9
Working capital	5,075	-	Note (a)	5,075	-
Estimated share issue and related expenses	750	200	Note (a)	550	73.3
	^(b) 31,825	18,691		13,134	41.3

(a) Within 18 months from the date of listing of the final tranche of placement shares.

(b) Computed based on 47,500,000 placement shares and an indicative issue price of RM0.67 per share representing a discount of approximately 9.5% to the 5-day weighted average market price up to 30 March 2007 of RM0.74, being a market day prior to the announcement of the private placement. As at 6 May 2009, FCB has placed out a total of 35,836,000 placement shares, at issue prices of RM0.18, RM0.50 and RM0.76 per share, raising aggregate gross proceeds of RM19,529,360.

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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 December 31, 2008.

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 13 to the Financial Statements.

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

SIGNIFICANT CORPORATE EVENTS

During the financial year, the Company announced certain corporate proposals, the details of which are disclosed in Note 31 to the Financial Statements.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	The Group RM	The Company RM
Profit/(Loss) before tax	19,411,010	(510,085)
Income tax expense	(496,105)	-
Profit/(Loss) for the year	<u>18,914,905</u>	<u>(510,085)</u>
Attributable to:		
Equity holders of the Company	18,850,507	(510,085)
Minority interests	64,398	-
	<u>18,914,905</u>	<u>(510,085)</u>

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors also do not recommend the payment of any dividend 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.

DIRECTORS' REPORT (CONT'D)

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up share capital of the Company was increased from RM49,473,600 to RM69,977,040 pursuant to the following:

- (a) Issuance of 5,100,000 new ordinary shares of RM0.10 each at an issue price of RM0.50 per share pursuant to the Private Placement on April 23, 2008; and
- (b) Issuance of 199,934,400 new ordinary shares of RM0.10 each pursuant to the bonus issue on November 18, 2008, through the capitalisation of RM19,993,440 from the share premium on the basis of two (2) new shares for every five (5) shares held.

The resulting share premium of RM2,040,000 arising from the private placement exercise was credited to the share premium account.

The new shares issued rank pari passu in all material respects with the then existing shares of the Company.

The Company has not issued any debentures during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.

OTHER FINANCIAL INFORMATION

Before the income statements and balance sheets 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 doubtful debts, and had satisfied themselves that there are no known bad debts to be written off and that no allowance for doubtful debts is required; and
- (b) to ensure that any current assets 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 require the writing off of bad debts or the setting up of allowance for doubtful debts in the financial statements of the Group and of the Company; 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.

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.

DIRECTORS' REPORT (CONT'D)

OTHER FINANCIAL INFORMATION (CONT'D)

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 its 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 operations of the Group and of the Company for the succeeding financial year other than those mentioned in Note 32 to the Financial Statements.

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
See Chuan Swee
Dato' Ibrahim Bin Mahmud
Dato' Haji Johar bin Murat @ Murad
Ng Wai Pin
Kek Chin Wu (appointed on 4.11.2008)

In accordance with Article 74 of the Company's Articles of Association, Mr. See Chuan Swee and Dato' Ibrahim Bin Mahmud retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Mr. Kek Chin Wu, who was appointed to the Board since the date of the last Annual General Meeting, retires under Article 79 of the Company's Articles of Association and, being eligible, offers himself 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. 2008	Bought/ Bonus issue	Sold	Balance as of 31.12.2008
Shares in the Company				
Direct Interest				
Wong Hua Choon	102,574,352	41,029,740	-	143,604,092
Dr. Tay Kiang Meng	200,000	1,380,000	-	1,580,000
See Chuan Swee	145,300	1,862,120	-	2,007,420

	Number of ordinary shares of RM0.10 each			
	Balance as of 1.1. 2008	Bought/ Bonus issue	Sold	Balance as of 31.12.2008
Indirect Interest				
Wong Hua Choon ¹	12,037,228	4,814,895	-	16,852,123
Dr. Tay Kiang Meng ¹	12,037,228	4,814,895	-	16,852,123
Dato' Ibrahim Bin Mahmud ²	95,237,500	34,098,999	(21,166,547)	108,169,952
Notes:				

¹ Deemed interest by virtue of Section 6A(4) of the Act through their interest in Frontken Holdings Pte. Ltd..

² Deemed interest by virtue of Section 6A(4) of the Act through his interest in Quantum Spire Sdn. Bhd..

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS (CONT'D)

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

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

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 19 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. Deloitte & Touche, have indicated their willingness to continue in office.

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

DR. TAY KIANG MENG

SEE CHUAN SWEE

Petaling Jaya,
April 28, 2009

STATEMENT BY DIRECTORS

The directors of **FRONTKEN CORPORATION BERHAD** state that, in their opinion, the accompanying balance sheets and the related statements of income, cash flows and changes in equity are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board approved accounting 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 December 31, 2008 and of the results of the businesses and the cash flows of the Group and of the Company for the year ended on that date.

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

DR. TAY KIANG MENG

Petaling Jaya
April 28, 2009

SEE CHUAN SWEE

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

I, **SEE CHUAN SWEE**, the director primarily responsible for the financial management of **FRONTKEN CORPORATION BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets and the related statements of income, cash flows and changes in equity are, in my opinion, 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.

SEE CHUAN SWEE

Subscribed and solemnly declared by the
abovenamed **SEE CHUAN SWEE** at
PETALING JAYA this 28th day of April, 2009.

Before me,

S. SELVARAJAH (NO: B144)
COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FRONTKEN CORPORATION BERHAD (Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of **FRONTKEN CORPORATION BERHAD**, which comprise the balance sheets of the Group and of the Company as of December 31, 2008 and the income statements, statements of changes in equity and cash flow statements for the financial year then ended of the Group and of the Company, and a summary of significant accounting policies and other explanatory notes, as set out on pages 34 to 77.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the applicable Malaysian Accounting Standards Board approved accounting standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion to you, 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 towards any other person for the contents of this report.

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 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 the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity'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 that 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 the applicable Malaysian Accounting Standards Board approved accounting 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 December 31, 2008 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 auditors' reports of subsidiaries of which we have not acted as auditors, as shown in Note 13 to the Financial Statements, being financial statements that have been included in the financial statements of the Group.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purpose of the preparation of the financial statements of the Group, and we have received satisfactory information and explanations as required by us for these purposes.

(Forward)

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

Report on Other Legal and Regulatory Requirements (cont'd)

- (d) The auditors' report on the financial statements of the subsidiaries where not subject to any qualification or did not include any comment made under Sub-section (3) of Section 174 of the Act.

DELOITTE & TOUCHE
AF 0834
Chartered Accountants

OOI THIAM POH
Partner - 2495/01/10 (J)
Chartered Accountant

April 28, 2009

INCOME STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	The Group		The Company	
		2008 RM	2007 RM	2008 RM	2007 RM
Revenue	6	130,553,084	105,351,674	1,168,570	1,699,820
Cost of sales		(89,599,383)	(68,771,237)	-	-
Gross profit		40,953,701	36,580,437	1,168,570	1,699,820
Other income:					
Insurance compensation received	8	7,583,876	4,943,044	-	-
Others		2,431,468	589,837	1,980,996	1,497,612
Administrative expenses		(23,914,134)	(19,533,606)	(2,191,853)	(1,595,382)
Other expenses:					
Losses arising from flood and fire incidents	8	(488,045)	(11,227,499)	-	-
Others		(4,225,471)	(3,871,068)	(35,392)	(85,197)
Finance costs	7	(4,241,909)	(3,027,168)	(1,432,406)	(1,487,357)
Share in results of associates		1,311,524	2,415,848	-	-
Profit/(Loss) before tax	8	19,411,010	6,869,825	(510,085)	29,496
Income tax expense	9	(496,105)	(2,466,191)	-	(6,611)
Profit/(Loss) for the year		18,914,905	4,403,634	(510,085)	22,885
Attributable to:					
Equity holders of the Company		18,850,507	4,005,997		
Minority interests		64,398	397,637		
		18,914,905	4,403,634		
Earnings per ordinary share attributable to equity holders of the Company (sen)					
Basic and diluted	10	2.7	0.6		

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

BALANCE SHEETS AS OF DECEMBER 31, 2008

	Note	The Group		The Company	
		2008 RM	2007 RM	2008 RM	2007 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	11	108,979,712	93,824,495	65,592	92,321
Prepaid lease payments	12	3,552,738	3,614,705	-	-
Investment in subsidiaries	13	-	-	29,923,851	29,231,047
Investment in associates	14	48,192,140	48,212,321	22,955,162	22,955,162
Goodwill on consolidation	15	3,749,020	2,804,791	-	-
Intangible asset	16	-	120,425	-	-
Total Non-Current Assets		164,473,610	148,576,737	52,944,605	52,278,530
Current Assets					
Inventories	17	5,910,167	5,193,000	-	-
Amount due from contract customers	18	668,875	215,400	-	-
Trade receivables	19	41,323,668	33,615,949	-	-
Other receivables and prepaid expenses	19	13,304,280	3,435,145	29,095	50,210
Tax recoverable		-	79,832	-	-
Amount owing by subsidiaries	13	-	-	42,930,836	43,235,675
Amount owing by associates	14	3,500,059	614,883	693,871	-
Fixed deposits with licensed banks		758,232	7,315,289	-	7,055,000
Cash and bank balances		10,440,412	9,522,493	322,258	2,697,692
Total Current Assets		75,905,693	59,991,991	43,976,060	53,038,577
Total Assets		240,379,303	208,568,728	96,920,665	105,317,107
EQUITY AND LIABILITIES					
Capital and Reserves					
Issued capital	20	69,977,040	49,473,600	69,977,040	49,473,600
Reserves	21	8,680,005	24,361,405	5,934,537	23,887,977
Retained earnings/ (Accumulated losses)		43,009,516	24,159,009	(508,501)	1,584
Equity attributable to equity holders of the Company		121,666,561	97,994,014	75,403,076	73,363,161
Minority interests		651,874	1,670,367	-	-
Total Equity		122,318,435	99,664,381	75,403,076	73,363,161

(Forward)

BALANCE SHEETS

AS OF DECEMBER 31, 2008 (CONT'D)

	Note	The Group		The Company	
		2008 RM	2007 RM	2008 RM	2007 RM
Non-Current Liabilities					
Term loans					
- non-current portion	22	33,200,474	35,850,405	-	-
Deferred income					
- non-current portion	23	-	18,343	-	-
Hire-purchase payables					
- non-current portion	24	12,091,335	9,359,620	-	-
Deferred tax liabilities	25	3,466,075	4,303,429	-	-
Total Non-Current Liabilities		48,757,884	49,531,797	-	-
Current Liabilities					
Trade payables	26	19,452,763	13,795,897	-	-
Other payables and accrued expenses	26	18,195,181	10,913,586	345,619	319,140
Amount owing to subsidiaries	13	-	-	21,171,970	23,634,806
Amount owing to associates		300,858	-	-	-
Bank borrowings	27	24,089,329	27,895,770	-	8,000,000
Deferred income					
- current portion	23	19,248	49,626	-	-
Hire-purchase payables					
- current portion	24	5,906,750	4,472,008	-	-
Tax liabilities		1,338,855	2,245,663	-	-
Total Current Liabilities		69,302,984	59,372,550	21,517,589	31,953,946
Total Liabilities		118,060,868	108,904,347	21,517,589	31,953,946
Total Equity and Liabilities		240,379,303	208,568,728	96,920,665	105,317,107

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

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2008

The Group	Issued	Share	Non-distributable	Distributable	Attributable	Minority	Total
	capital	premium	Foreign	Retained to	equity		
	RM	RM	currency	earnings/	holders	interests	RM
			translation	(Accumulated	of the	RM	RM
			reserve	loss)	Company		
			RM	RM	RM		RM
Balance as of January 1, 2007	47,500,000	11,002,727	561,383	20,153,012	79,217,122	1,160,230	80,377,352
Net income/(expense) recognised directly in equity:							
Exchange differences arising from translation of foreign operations	-	-	(87,955)	-	(87,955)	-	(87,955)
Share issue expenses	-	(140,510)	-	-	(140,510)	-	(140,510)
Profit for the year	-	-	-	4,005,997	4,005,997	397,637	4,403,634
Total recognised income and expense	-	(140,510)	(87,955)	4,005,997	3,777,532	397,637	4,175,169
Issue of shares by subsidiary	-	-	-	-	-	112,500	112,500
Issue of ordinary shares (Note 20)	1,973,600	13,025,760	-	-	14,999,360	-	14,999,360
Balance as of December 31, 2007	49,473,600	23,887,977	473,428	24,159,009	97,994,014	1,670,367	99,664,381
Balance as of January 1, 2008	49,473,600	23,887,977	473,428	24,159,009	97,994,014	1,670,367	99,664,381
Net income recognised irectly in equity:							
Exchange differences arising from translation of foreign operations	-	-	2,272,040	-	2,272,040	-	2,272,040
Profit for the year	-	-	-	18,850,507	18,850,507	64,398	18,914,905
Total recognised income and expense	-	-	2,272,040	18,850,507	21,122,547	64,398	21,186,945
Issue of shares by subsidiary	-	-	-	-	-	661,303	661,303
Acquisition of additional equity interest in subsidiary	-	-	-	-	-	(1,744,194)	(1,744,194)
Issue of ordinary shares (Note 20):							
Private placement	510,000	2,040,000	-	-	2,550,000	-	2,550,000
Bonus issue	19,993,440	(19,993,440)	-	-	-	-	-
Balance as of December 31, 2008	69,977,040	5,934,537	2,745,468	43,009,516	121,666,561	651,874	122,318,435

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2008 (CONT'D)

The Company	Issued Capital RM	Non- distributable - Share premium RM	Distributable- Retained earnings/ (Accumulated loss) RM	Total RM
Balance as of January 1, 2007	47,500,000	11,002,727	(21,301)	58,481,426
Net income/(expense) recognized directly in equity - Share issue expenses	-	(140,510)	-	(140,510)
Profit for the year	-	-	22,885	22,885
Total recognised income and expense	-	(140,510)	22,885	(117,625)
Issue of ordinary shares (Note 20)	1,973,600	13,025,760	-	14,999,360
Balance as of December 31, 2007	49,473,600	23,887,977	1,584	73,363,161
Balance as of January 1, 2008	49,473,600	23,887,977	1,584	73,363,161
Total recognised income and expense - Loss for the year	-	-	(510,085)	(510,085)
Issue of ordinary shares (Note 20):				
Private placement	510,000	2,040,000	-	2,550,000
Bonus issue	19,993,440	(19,993,440)	-	-
Balance as of December 31, 2008	69,977,040	5,934,537	(508,501)	75,403,076

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

CASH FLOW STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES				
Profit/(Loss) for the year	18,914,905	4,403,634	(510,085)	22,885
Adjustments for:				
Depreciation of property, plant and equipment	11,098,636	9,092,598	30,083	27,908
Interest expense	4,241,909	3,027,168	1,432,406	1,487,357
Unrealised loss on foreign exchange	1,352,145	654,620	1,039,824	141,780
Income tax expense				
recognised in income statements	496,105	2,466,191	-	6,611
Property, plant and equipment written off	285,674	7,640,615	-	-
Amortisation of intangible asset	123,680	159,747	-	-
Amortisation of prepaid lease payments	61,967	32,128	-	-
Share in results of associates	(1,311,524)	(2,415,848)	-	-
Interest income	(520,419)	(273,950)	(1,980,996)	(1,497,612)
Gain on disposal of property, plant and equipment	(509,056)	(12,474)	-	-
Gain on dilution of investment in a former subsidiary to associate	(311,833)	-	-	-
Government grants	(50,968)	(59,368)	-	-
Inventories written off	-	156,686	-	-
Dividend income from associate	-	-	(1,168,570)	(1,699,820)
Operating Profit/(Loss)				
Before Working Capital Changes	33,871,221	24,871,747	(1,157,338)	(1,510,891)
(Increase)/Decrease in:				
Inventories	(551,583)	(2,012,884)	-	-
Amount due from contract customers	(453,475)	(215,400)	-	-
Trade receivables	(6,923,373)	(5,291,610)	-	-
Other receivables and prepaid expenses	(8,378,632)	1,204,540	21,115	(26,140)
Increase/(Decrease) in:				
Trade payables	3,502,096	1,844,535	-	-
Other payables and accrued expenses	6,901,996	(155,376)	26,479	254,294
Amount owing to associates	300,858	-	-	-
Cash Generated From/ (Used in) Operations	28,269,108	20,245,552	(1,109,744)	(1,282,737)
Income taxes paid	(2,500,190)	(2,913,517)	-	(46,292)
Net Cash From/(Used In) Operating Activities	25,768,918	17,332,035	(1,109,744)	(1,329,029)

(Forward)

CASH FLOW STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008 (CONT'D)

	Note	The Group		The Company	
		2008 RM	2007 RM	2008 RM	2007 RM
CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES					
Increase/(Decrease) in amount owing by subsidiaries		-	-	304,839	(24,455,634)
Increase in amount owing by associates		(2,542,998)	(614,883)	(693,871)	-
Purchase of property, plant and equipment (Note)		(16,728,613)	(28,294,559)	(3,354)	(16,299)
Dividend received from associates		2,779,369	4,023,854	1,168,570	1,699,820
Acquisition of subsidiaries		(2,550,000)	-	(692,804)	(107,769)
Acquisition of associates		(427,337)	(49,102,207)	-	(22,955,162)
Additions to prepaid lease payments		-	(2,094,615)	-	-
Proceeds from disposal of property, plant and equipment		3,661,072	491,982	-	-
Interest received		520,419	273,950	1,980,996	1,497,612
Net Cash From/(Used In)					
Investing Activities		(15,288,088)	(75,316,478)	2,064,376	(44,337,432)
CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES					
Increase/(Decrease) in amount owing to subsidiaries		-	-	(3,502,660)	23,473,819
Proceeds from issuance of shares		2,550,000	14,999,360	2,550,000	14,999,360
Share issue expenses		-	(140,510)	-	(140,510)
Repayment of term loans		(17,281,639)	(20,392,246)	-	-
Interest paid		(4,241,909)	(3,027,168)	(1,432,406)	(1,487,357)
Issue of shares by subsidiary		661,303	112,500	-	-
Drawdown of term loans		5,000,000	49,321,334	-	-
Increase/(Decrease) in short-term borrowings		795,519	17,175,200	(8,000,000)	8,000,000
Payment of hire-purchase payables		(6,373,333)	(3,717,086)	-	-
Net Cash From/(Used In)					
Financing Activities		(18,890,059)	54,331,384	(10,385,066)	44,845,312
NET DECREASE IN CASH AND CASH EQUIVALENTS		(8,409,229)	(3,653,059)	(9,430,434)	(821,149)
Effect of exchange rate changes		73,101	40,429	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		13,916,933	17,529,563	9,752,692	10,573,841
CASH AND CASH EQUIVALENTS AT END OF YEAR	28	5,580,805	13,916,933	322,258	9,752,692

Note : During the financial year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM26,934,261 and RM3,354 (2007 : RM34,740,776 and RM16,299), respectively, of which RM10,205,648 and RMNil (2007 : RM6,446,217 and RMNil), respectively, was acquired under hire-purchase arrangements. Cash payments for the acquisition of property, plant and equipment amounted to RM16,728,613 and RM3,354 (2007 : RM28,294,559 and RM16,299), 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 investment holding and provision of management services to its subsidiaries.

The principal activities of the subsidiaries are disclosed in Note 13.

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 Suite 1603, 16th Floor, Wisma Lim Foo Yong, No. 86, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia.

The principal place of business of the Company is located at Suite 516, Block E, 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 April 28, 2009.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia.

Adoption of New and Revised Financial Reporting Standards

During the current financial year, the Group and the Company adopted all of the new and revised Financial Reporting Standards ("FRSs"), amendment to FRS and IC Interpretation issued by MASB that are relevant to their operations and effective for annual periods beginning on or after January 1, 2008 as follows:

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 119	Employee Benefits
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendment to	
FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
IC Interpretation 8	Scope of FRS 2

The adoption of the abovementioned revised FRSs, amendment to FRS and IC Interpretation have not resulted in substantial changes to the Group's and the Company's accounting policies and did not have any material financial effect on the financial statements of the Group and of the Company for the current and prior financial years.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

Standards And Interpretations In Issue But Not Yet Adopted

At the date of authorisation for issue of these financial statements, the following FRSs and IC Interpretations were issued but not yet effective until future periods:

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment

Except for FRS 8 which is effective for annual periods beginning on or after July 1, 2009, the other FRSs and IC Interpretations are effective for annual periods beginning on or after January 1, 2010.

The Directors anticipate that the adoption of the applicable FRSs and IC Interpretations in future periods will have no material financial effect on the financial statements of the Group and of the Company. By virtue of the exemption provided in paragraph 103AB of FRS 139 and paragraph 44AB of FRS 7, the impact of applying FRS 139 and FRS 7 on the Group's and the Company's financial statements upon initial application of these standard as required by paragraph 30(b) of FRS 108 is not disclosed.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group made up to the end of the financial year. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed to exist when the Group owns, directly or indirectly through subsidiaries, more than half of the voting power of the entity.

The results of subsidiaries acquired or disposed off during the year are included in the consolidated income statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances and resulting unrealised gains are eliminated on consolidation. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

Minority interest in the net assets of consolidated subsidiary is identified separately from the Group's equity therein. Minority interest consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Business Combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the 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. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 3, Business Combinations, are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with FRS 5, Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statements.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of sales tax, trade discounts and allowances and after eliminating sales within the Group.

The Group and the Company recognises revenue when the amount of the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group and to the Company, upon satisfying the conditions of the Group's and of the Company's activities as set out below:

(i) Services

Revenue from services is recognised when the services are rendered and upon customer's acceptance.

(ii) Sale of Goods

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

(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 is recognised on an accrual basis.

Foreign Currency

The individual financial statements of the subsidiaries are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Ringgit Malaysia, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Foreign Currency (Cont'd)

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair values were determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statements for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statements for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Ringgit Malaysia using exchange rates prevailing at the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign currency translation reserve. Such translation differences are recognised in the income statements in the period in which the foreign operations is disposed off.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Employee Benefits

Wages, salaries, paid annual leaves, bonuses and non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group and of the Company. Sick leaves are recognised when the absences occur.

The Group and the Company make statutory contributions to approved provident funds and contributions are charged to the income statements. Once the contributions have been paid, there are no further payment obligations. The approved provident funds are defined contribution plans.

Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year, calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or recoverable).

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet "liability" method. Deferred tax liabilities are generally recognised for all taxable temporary differences and 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. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets, if any, is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Income Tax (Cont'd)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to income statements, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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 they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in the income statements, except when they relate to items credited or debited from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Impairment of Assets excluding Goodwill

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in income statements, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in income statements, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Property, Plant and Equipment and Depreciation

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 charged to income statements 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 and Depreciation (Cont'd)

Freehold land and capital work-in-progress are not depreciated. Freehold buildings are depreciated on a straight-line basis over 50 years while 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:

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%

Where significant parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately.

At each balance sheet date, 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 income statements.

Leased Assets

Assets under leases which in substance transfer the risks and benefits of ownership of the assets are capitalised under property, plant and equipment. The assets and the corresponding lease obligations are recorded at the fair value of the leased assets which approximates the present value of the minimum lease payments, at the beginning of the respective lease terms.

Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statements over the term of the relevant lease period so as to give a constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Leases which do not meet such criteria are classified as operating leases and the related rentals are charged to the income statements as incurred.

Assets held under lease are depreciated over their expected useful on the same basis as owned assets.

Property, Plant and Equipment Acquired under Hire-Purchase Agreements

Property, plant and equipment acquired under hire-purchase agreements are capitalised in the financial statements and the corresponding obligations treated as liabilities. Finance charges are allocated to the income statements to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

Assets held under hire-purchase arrangement are depreciated over their expected useful lives on the same basis as owned assets.

Prepaid Lease Payments

Lease of land with title not expected to pass to the lessee by the end of the lease term is treated as operating lease as land normally has an indefinite economic life. The up-front payments made on entering into a lease or obtaining the right to a leasehold land that is accounted for as an operating lease, represents prepaid lease payments and are amortised on a straight-line basis over the remaining terms of the relevant lease.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investments

Investment in unquoted shares of subsidiaries, which is eliminated on consolidation, is stated in the Company's financial statements at cost less any impairment losses.

Investment in unquoted shares of associates is stated in the Company's financial statements at cost less any impairment losses.

Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but has no control or joint control over those policies. Significant influence is presumed to exist when the Group owns, directly or indirectly not less than 20% of the voting power of the investee.

The results and assets and liabilities of associates are incorporated in the financial statements of the Group using the equity method of accounting based on the latest audited financial statements of the associates made up to December 31, 2008, except when the investment is classified as held for sale, in which case it is accounted for under FRS 5, Non-current Assets Held for Sale and Discontinued Operations, while dividends received are reflected as a reduction of the investment in the consolidated balance sheets.

Under the equity method, investments in associates are carried in the consolidated balance sheet at cost and adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any impairment in the value of individual investments. Losses of an associates in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised unless the Group has incurred obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities recognised of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities recognised over the cost of acquisition, after reassessment, is recognised immediately in the consolidated income statements.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where losses provide evidence of an impairment of the asset transferred, in which case, appropriate provision is made for impairment.

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequent measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described under "Investment in Associates" above.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Intangible asset

Intangible asset acquired separately is reported at cost less accumulated amortisation and any impairment losses. Intangible asset with finite useful lives is amortised on a straight-line basis over its estimated useful lives of 5 years. The estimated useful lives and amortisation method are reviewed at the end of each annual accounting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible asset with indefinite useful lives is not amortised. Each period, the useful lives of such asset is reviewed to determine whether events and circumstances in accordance with the policy described under "Impairment of Assets excluding Goodwill" above.

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 all other estimated costs to be incurred in marketing, selling and distribution.

Contracts 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 balance sheet date, 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.

Receivables

Receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimate of possible losses which may arise from non-collection of certain receivable accounts.

Deferred Income and Government Grant

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 balance sheets and transferred to income statements 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 income statements in the period in which they become receivable.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 balance sheet date, and are discounted to present value where the effect is material.

At each balance sheet date, 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.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other highly liquid investments with maturities of three months or less from the date of acquisition that are readily convertible to a known amount of cash with insignificant risk of changes in value.

Bank overdrafts which are repayable on demand included as a component of cash and cash equivalents are shown within bank borrowings in current liabilities.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's and the Company's accounting policies, which are described in Note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Critical judgements in applying the Group's and the Company's accounting policies

The following are critical judgements, apart from those involving estimations, that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(i) Critical judgements in applying the Group's and the Company's accounting policies (Cont'd)

Contract Customers (Cont'd)

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.

Allowance for doubtful debts

The policy for allowance for doubtful debts 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.

(ii) Key sources of estimation uncertainty

The directors believe that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year except for the impairment of goodwill.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at the balance sheet date was RM3,749,020 (2007: RM2,804,791).

5. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. The primary format, geographical segments, is based on the Group's 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 segment:

- Malaysian
- Singapore
- Philippines
- Taiwan
- China
- Hong Kong

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. SEGMENT REPORTING (CONT'D)

The Group 2008	Malaysia RM	Singapore RM	Philippines RM	Taiwan RM	China RM	Hong Kong RM	Elimination RM	Total RM
Revenue								
External sales	48,281,920	79,430,987	2,840,177	-	-	-	-	130,553,084
Inter-segment sales	727,693	11,129,313	1,188,630	-	-	-	(13,045,636)	-
Total revenue	49,009,613	90,560,300	4,028,807	-	-	-	(13,045,636)	130,553,084
Results								
Segment results	9,783,968	11,148,009	1,368,729	1,356,459	(24,846)	(4,443)	(1,806,900)	21,820,976
Share in results of associates								1,311,524
Interest income								520,419
Finance costs								(4,241,909)
Profit before tax								19,411,010
Income tax expense								(496,105)
Profit for the year								18,914,905
Assets								
Investment in associates	22,183,186	1,372,092	-	24,636,862	-	-	-	48,192,140
Segmental assets	116,082,939	137,757,870	4,784,425	132,704	1,587,382	8,048	(68,166,205)	192,187,163
Consolidated total assets								240,379,303
Liabilities								
Deferred tax liabilities	577,000	2,889,075	-	-	-	-	-	3,466,075
Segment liabilities	71,635,014	88,110,880	1,670,755	23,988,590	224,240	4,503	(71,039,189)	114,594,793
Consolidated total liabilities								118,060,868
Other Information								
Capital expenditure	4,752,717	22,140,756	40,788	-	-	-	-	26,934,261
Depreciation and amortisation	4,149,174	6,869,578	265,531	-	-	-	-	11,284,283

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. SEGMENT REPORTING (CONT'D)

The Group 2007	Malaysia RM	Singapore RM	Philippines RM	Taiwan RM	Elimination RM	Total RM
Revenue						
External sales	30,532,711	73,718,794	1,100,169	-	-	105,351,674
Inter-segment sales	678,002	4,140,245	1,225,757	-	(6,044,004)	-
Total revenue	31,210,713	77,859,039	2,325,926	-	(6,044,004)	105,351,674
Results						
Segment results	3,002,521	8,794,097	(73,791)	452,350	(4,967,982)	7,207,195
Share in results of associates						2,415,848
Interest income						273,950
Finance costs						(3,027,168)
Profit before tax						6,869,825
Income tax expense						(2,466,191)
Profit for the year						4,403,634
Assets						
Investment in associates	22,955,162	789,442	-	24,467,717	-	48,212,321
Tax recoverable	79,832	-	-	-	-	79,832
Segment assets	110,699,088	123,273,162	3,513,498	232,534	(77,441,707)	160,276,575
Consolidated total assets						208,568,728
Liabilities						
Deferred tax liabilities	1,085,000	3,218,429	-	-	-	4,303,429
Segment liabilities	78,704,578	79,278,556	1,480,393	24,737,406	(79,600,015)	104,600,918
Consolidated total liabilities						108,904,347
Other Information						
Capital expenditure	14,148,943	22,965,092	97,023	-	(375,666)	36,835,392
Depreciation and amortisation	3,507,238	5,511,492	265,743	-	-	9,284,473

6. REVENUE

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Provision of services	117,721,777	99,796,429	-	-
Contract customers	5,460,852	-	-	-
Sales of goods	7,370,455	5,555,245	-	-
Dividend income from associates	-	-	1,168,570	1,699,820
	130,553,084	105,351,674	1,168,570	1,699,820

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. FINANCE COSTS

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Interest expense on:				
Term loans	2,272,281	1,775,347	-	-
Hire-purchase	1,150,710	111,258	-	-
Short-term borrowings	463,246	452,434	463,248	452,434
Bank overdraft	355,672	688,129	-	-
Amount owing to subsidiaries	-	-	969,158	1,034,923
	<u>4,241,909</u>	<u>3,027,168</u>	<u>1,432,406</u>	<u>1,487,357</u>

8. PROFIT/(LOSS) BEFORE TAX

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

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Insurance compensation received	7,583,876	4,943,044	-	-
Changes in inventories of work-in-progress and finished goods	554,192	1,271,727	-	-
Interest income from:				
Subsidiaries	-	-	1,551,202	1,281,885
Third parties	520,419	273,950	429,794	215,727
Gain on disposal of property, plant and equipment	509,056	12,474	-	-
Gain on dilution of investment in a former subsidiary to associate	311,833	-	-	-
Government grants	50,968	59,368	-	-
Purchase of finished goods	(40,944,570)	(22,081,299)	-	-
Staff costs	(33,226,529)	(30,516,740)	(234,066)	(139,313)
Depreciation of property, plant and equipment	(11,098,636)	(9,092,598)	(30,083)	(27,908)
Research and development expenditure	(1,976,243)	(1,635,374)	-	-
Directors' remuneration:				
Fees:				
Non-executive Directors	(144,000)	(144,000)	(144,000)	(144,000)
Salaries and other emoluments:				
Executive Directors	(1,794,157)	(1,626,977)	-	-
Non-Executive Directors	(31,880)	-	-	-
Gain/(Loss) on foreign exchange - net:				
Unrealised	(1,352,145)	(654,620)	(1,039,824)	(141,780)
Realised	(462,305)	12,165	56,128	-
Auditors' remuneration	(434,000)	(294,740)	(50,000)	(40,000)
Losses arising from flood and fire incidents	(488,045)	(11,227,499)	-	-
Property, plant and equipment written off	(285,674)	(7,640,615)	-	-
Amortisation of intangible asset	(123,680)	(159,747)	-	-
Amortisation of prepaid lease payments	(61,967)	(32,128)	-	-
Inventories written off	-	(156,686)	-	-
	<u></u>	<u></u>	<u></u>	<u></u>

(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 RM2,340,588 (2007: RM1,804,489) and RM24,004 (2007: RM15,463) respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

(b) Insurance compensation received and losses arising from flood and fire incidents

In 2007, two incidents of fire occurred at the Group's plant located in Kulim, Kedah and Singapore. Also in 2007, the Group's plant located at Bukit Mertajam experienced two flood incidents.

The fire and flood incidents resulted in the following losses:

	The Group	
	2008 RM	2007 RM
Property, plant and equipment written off	-	7,640,615
Compensation to customers for goods damaged	-	912,248
Inventories written off	-	99,963
Incremental operating costs resulting from the incidents	488,045	2,574,673
	<hr/>	<hr/>
Total	488,045	11,227,499
	<hr/>	<hr/>

The insurance compensation received and recognised as other income are as follows:

	The Group	
	2008 RM	2007 RM
Insurance compensation received for fire incident in Kulim	2,633,609	1,000,000
Insurance compensation received for fire incident in Singapore	4,712,351	3,594,282
Insurance compensation received for flood incidents in Kulim	237,916	348,762
	<hr/>	<hr/>
	7,583,876	4,943,044
	<hr/>	<hr/>

(c) Key management personnel compensation

The remuneration of members of key management, which include directors, are as follows:

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Salaries, bonuses, allowances and contributions to EPF	4,584,051	4,222,392	287,564	200,148
	<hr/>	<hr/>	<hr/>	<hr/>

The estimated monetary value of benefits-in-kind received and receivable by the key management otherwise than in cash from the Group amounted to RM1,400 (2007: RM2,100).

(d) Directors' remuneration

Contribution to EPF, included in directors' remuneration, made by the Group during the current financial year amounted to RM110,801 (2007: RM64,375).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9. INCOME TAX EXPENSE

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Estimated tax payable:				
Malaysian:				
Current year	584,000	404,000	-	-
(Over)/Underprovision in prior years	-	(8,402)	-	6,611
	584,000	395,598	-	6,611
Foreign:				
Current year	1,280,156	1,559,316	-	-
(Over)/Underprovision in prior years	(382,250)	465,264	-	-
	897,906	2,024,580	-	-
	1,481,906	2,420,178	-	6,611
Deferred tax (Note 25):				
Current year	(412,565)	13,407	-	-
(Over)/Underprovision in prior years	(573,236)	32,606	-	-
	(985,801)	46,013	-	-
	496,105	2,466,191	-	6,611

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	
	2008 RM	2007 RM	2008 RM	2007 RM
Profit/(Loss) before tax	19,411,010	6,869,825	(510,085)	29,496
Tax at the applicable tax rate of 26% (2007 : 27%)	5,046,863	1,854,853	(132,622)	7,964
Effect of different tax rate of other tax jurisdictions	(1,859,311)	(456,985)	-	-
Tax effects of:				
Non-deductible expenses	718,576	1,584,532	418,543	220,147
Income not subject to tax	(1,519,777)	(353,398)	(285,921)	(228,111)
Utilisation of deferred tax asset previously not recognised	(799,464)	-	-	-
Utilisation of unabsorbed reinvestment allowance	(273,547)	-	-	-
(Over)/Underprovision in prior years	(955,486)	489,468	-	6,611
Effect of share of results in associates	138,251	(652,279)	-	-
	496,105	2,466,191	-	6,611

A Malaysia subsidiary is entitled to claim reinvestment allowance under Schedule 7A of the Income Tax Act, 1967. As of December 31, 2008, the cumulative reinvestment allowance claimed is approximately RM6,000,000 (2007 : RM7,100,000) which is subject to agreement by the Inland Revenue Board. The said amount has not been utilised to offset against the said subsidiary business income as of December 31, 2008.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. 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	
	2008	2007
	RM	RM
Profit for the year attributable to equity holders of the Company	18,850,507	4,005,997
	<hr/>	<hr/>
	The Group	
	2008	2007
Number of shares in issue as of January 1	494,736,000	475,000,000
Effects of:		
Private placement	3,525,410	8,543,255
Bonus issue	199,934,400	199,934,400
	<hr/>	<hr/>
Weighted average number of ordinary shares of RM0.10 each	698,195,810	683,477,655
	<hr/>	<hr/>
Basic earnings per ordinary share attributable to equity holders of the Company (sen)	2.7	0.6
	<hr/>	<hr/>

The weighted average number of ordinary shares of RM0.10 each in 2007 has been adjusted to incorporate the effect of the bonus issue during the current financial year.

Diluted

The basic and diluted earnings per share are equal as the Company has no dilutive potential ordinary shares.

11. PROPERTY, PLANT AND EQUIPMENT

	COST							
	Balance as of January 1, 2007	Foreign currency translation differences	Re-classification	Additions	Write-offs	Disposals	Balance as of December 31, 2007	
The Group	RM	RM	RM	RM	RM	RM	RM	
Freehold land	1,552,634	-	-	1,500,241	-	-	3,052,875	
Freehold buildings	1,160,451	-	-	-	-	-	1,160,451	
Long leasehold buildings	24,102,855	(42,596)	-	2,916,359	(5,064,567)	-	21,912,051	
Factory and office renovation	9,170,418	24,570	-	1,065,733	(954,005)	-	9,306,716	
Plant and machinery	58,356,514	181,921	-	13,749,398	(2,563,473)	(589,145)	69,135,215	
Workshop tools	592,318	-	-	653,816	(35,270)	-	1,210,864	
Office equipment	2,539,358	(2,547)	(1,600)	1,404,587	(47,831)	(27,751)	3,864,216	
Furniture and fittings	458,548	1,006	1,600	52,180	(21,270)	(32,452)	459,612	
Motor vehicles	3,627,110	(75)	-	599,961	-	-	4,226,996	
Computers	391,827	881	-	92,269	-	(21,632)	463,345	
Capital work-in-progress	-	-	-	12,706,232	-	-	12,706,232	
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
Total	101,952,033	163,160	-	34,740,776	(8,686,416)	(670,980)	127,498,573	
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	

(Forward)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

The Group	COST							Balance as of December 31, 2008 RM
	Balance as of January 1, 2008 RM	Foreign currency translation differences RM	Re-classification RM	Additions RM	Write-offs RM	Disposals RM		
Freehold land	3,052,875	-	-	-	-	-	3,052,875	
Freehold buildings	1,160,451	-	-	-	-	-	1,160,451	
Long leasehold building	21,912,051	758,323	10,523,524	-	-	(2,984,317)	30,209,581	
Factory and office renovation	9,306,716	266,651	706,206	7,093,681	(163,183)	(12,470)	17,197,601	
Plant and machinery	69,135,215	2,121,938	2,227,226	17,990,992	(1,015,127)	(228,386)	90,231,858	
Workshop tools	1,210,864	-	-	261,841	-	(74,480)	1,398,225	
Office equipment	3,864,216	144,350	(141,317)	1,099,620	(91,831)	(94,662)	4,780,376	
Furniture and fittings	459,612	(95)	-	30,789	(938)	(8,330)	481,038	
Motor vehicles	4,226,996	146,567	-	300,925	-	(324,090)	4,350,398	
Computers	463,345	(505)	-	90,529	(11,818)	(13,615)	527,936	
Capital work-in-progress	12,706,232	616,878	(13,315,639)	65,884	-	-	73,355	
Total	127,498,573	4,054,107	-	26,934,261	(1,282,897)	(3,740,350)	153,463,694	

The Group	ACCUMULATED DEPRECIATION					Balance as of December 31, 2007 RM
	Balance as of January 1, 2007 RM	Arising from acquisition of subsidiaries RM	Foreign currency translation differences RM	Charge for the year RM	Disposals RM	
Freehold land	-	-	-	-	-	-
Freehold buildings	89,732	-	-	23,209	-	112,941
Long leasehold building	3,211,980	(2,609)	(337,922)	892,199	-	3,763,648
Factory and office renovation	1,697,337	8,283	(93,226)	705,335	-	2,317,729
Plant and machinery	17,259,643	67,278	(602,637)	5,746,443	(113,664)	22,357,063
Workshop tools	226,344	-	(6,779)	192,123	-	411,688
Office equipment	1,447,990	1,588	(3,063)	665,407	(27,751)	2,084,171
Furniture and fittings	103,703	1,021	(2,174)	90,080	(32,452)	160,178
Motor vehicles	1,570,543	1,686	-	651,878	-	2,224,107
Computers	133,630	604	-	125,924	(17,605)	242,553
Capital work-in-progress	-	-	-	-	-	-
Total	25,740,902	77,851	(1,045,801)	9,092,598	(191,472)	33,674,078

(Forward)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

The Group	ACCUMULATED DEPRECIATION					NET BOOK VALUE		
	Balance as of January 1, 2008 RM	Foreign currency translation differences RM	Charge for the year RM	Write-offs RM	Disposals RM	Balance as of December 31, 2008 RM	Balance as of December 31, 2008 RM	Balance as of December 31, 2007 RM
Freehold land	-	-	-	-	-	-	3,052,875	3,052,875
Freehold buildings	112,941	-	23,209	-	-	136,150	1,024,301	1,047,510
Long leasehold building	3,763,648	203,125	1,083,428	-	(402,431)	4,647,770	25,561,811	18,148,403
Factory and office renovation	2,317,729	81,389	893,193	(74,553)	(1,814)	3,215,944	13,981,657	6,988,987
Plant and machinery	22,357,063	812,148	7,048,670	(834,180)	(77,279)	29,306,422	60,925,436	46,778,152
Workshop tools	411,688	-	253,721	-	(3,484)	661,925	736,300	799,176
Office equipment	2,084,171	100,225	913,459	(81,886)	(45,047)	2,970,922	1,809,454	1,780,045
Furniture and fittings	160,178	(30)	91,278	(226)	(2,022)	249,178	231,860	299,434
Motor vehicles	2,224,107	100,283	665,402	-	(51,059)	2,938,733	1,411,665	2,002,889
Computers	242,553	(315)	126,276	(6,378)	(5,198)	356,938	170,998	220,792
Capital work-in-progress	-	-	-	-	-	-	73,355	12,706,232
Total	33,674,078	1,296,825	11,098,636	(997,223)	(588,334)	44,483,982	108,979,712	93,824,495

The Company	COST					
	Balance as of January 1, 2007 RM	Additions RM	Balance as of December 31, 2007 RM	Balance as of January 1, 2008 RM	Additions RM	Balance as of December 31, 2008 RM
Office renovation	47,329	-	47,329	47,329	-	47,329
Office equipment	28,839	699	29,538	29,538	2,050	31,588
Furniture and fittings	26,770	3,235	30,005	30,005	-	30,005
Computers	13,243	12,365	25,608	25,608	1,304	26,912
Total	116,181	16,299	132,480	132,480	3,354	135,834

The Company	ACCUMULATED DEPRECIATION					NET BOOK VALUE		
	Balance as of January 1, 2007 RM	Charge for the year RM	Balance as of December 31, 2007 RM	Balance as of January 1, 2007 RM	Charge for the year RM	Balance as of December 31, 2008 RM	Balance as of December 31, 2008 RM	Balance as of December 31, 2007 RM
Office renovation	3,155	4,733	7,888	7,888	4,733	12,621	34,708	39,441
Office equipment	3,967	9,749	13,716	13,716	10,130	23,846	7,742	15,822
Furniture and fittings	3,633	5,921	9,554	9,554	6,479	16,033	13,972	20,451
Computers	1,496	7,505	9,001	9,001	8,741	17,742	9,170	16,607
Total	12,251	27,908	40,159	40,159	30,083	70,242	65,592	92,321

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

As of December 31, 2008, freehold land and buildings, long leasehold buildings and plant and machinery of the Group with total net book value totalling RM33,191,727 (2007: RM25,801,527) have been charged as collateral to certain banks for term loans and bank borrowings facilities 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 RM26,891,825 (2007: RM25,715,092).

12. PREPAID LEASE PAYMENTS

	The Group	
	2008 RM	2007 RM
Cost:		
At beginning of year	3,664,274	1,569,659
Additions	-	2,094,615
	3,664,274	3,664,274
Cumulative amortisation:		
At beginning of year	49,569	17,441
Additions	61,967	32,128
	111,536	49,569
Net:		
At end of year	3,552,738	3,614,705

Prepaid lease payments of the Group relate to lease rental paid for two parcels of long leasehold land on which the Group's factory buildings are located and the lease will expire in year 2066.

The long leasehold land of the Group have been pledged to certain banks for term loans granted to the Group as mentioned in Note 22.

13. INVESTMENT IN SUBSIDIARIES

	The Company	
	2008 RM	2007 RM
Unquoted shares - at cost	29,923,851	29,231,047

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Name of Companies	Country of Incorporation	Effective Equity Interest		Principal Activities
		2008 %	2007 %	
Direct Subsidiary				
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 1	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 ³	Indonesia	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	-	Investment holding and provision of management services.
Indirect Subsidiary				
Frontken Malaysia Sdn. Bhd.	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.
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. (formerly known as Frontken-AMT Engineering Sdn. Bhd.)	Malaysia	100	58.2	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Frontken (Johor) Sdn. Bhd. ²	Malaysia	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	-	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. ⁴	Malaysia	-	55	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering services.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

- ¹ The financial statements of the subsidiary are examined by a member firm of Deloitte & Touche.
- ² The financial statements of the subsidiary are examined by auditors other than the auditors of the Company.
- ³ The financial statements of the said subsidiary are examined for consolidation purposes.
- ⁴ During the financial year, Frontken Petroleum Sdn. Bhd. ("FP"), a former indirect subsidiary of the Group, increased its issued and paid-up share capital from RM250,000 to RM300,000 by way of allotment and issuance of 50,000 new ordinary shares of RM1.00 each at par. Consequent to the issuance of the new ordinary shares, the Group's interest in FP decreased from 55% to 45.80% and FP ceases to be an indirect subsidiary of the Company.

Amount owing by/(to) subsidiaries arose mainly from unsecured advances and payments made on behalf. The amount arising from unsecured advances bears interest at 5% (2007: 5%) per annum and has no fixed repayment terms while the amount arising from payments made on behalf is interest-free and has no fixed repayment terms.

New subsidiaries in 2008

As mentioned in Note 31:

- (a) the Company was allotted 1,560,008 ordinary shares of HK\$1.00 each for a total consideration of HK\$1,560,008 in Frontken MIC Co. Limited ("FMIC"). This represents approximately 50% of the total issued share capital of FMIC. The remaining 1,559,992 ordinary shares of HK\$1.00 each in FMIC are held by MIC-Tech Venture Asia Pacific Inc..
- (b) the Group, via its wholly-owned subsidiary, Frontken Malaysia Sdn. Bhd. ("FM"), completed the acquisition of 908,000 ordinary shares of RM1.00 each in Frontken (East Malaysia) Sdn. Bhd. ("FEM") (formerly known as Frontken-AMT Engineering Sdn. Bhd.), an existing subsidiary, representing the remaining 41.88% equity interest in FEM. Consequently, FEM became a wholly-owned subsidiary of the Group.

The said acquisition gave rise to goodwill on consolidation amounting to RM805,811 (Note 15).
- (c) the Group, via its wholly-owned subsidiary, FM, acquired 2 ordinary shares of RM1.00 each in Frontken (Johor) Sdn. Bhd. ("FJ"), representing 100% of the issued and paid-up share capital of FJ for a cash consideration of RM2.
- (d) the Company incorporated Frontken-MIC (Wuxi) Co. Limited ("FMIC-W") in China. FMIC-W is a wholly-owned subsidiary of FMIC, in which the Company holds approximately 50% equity interest.
- (e) the Company incorporated a new subsidiary, PT Frontken Indonesia ("FI") in Indonesia. The authorised and issued and paid-up capital of FI is USD\$300,000 comprising 300,000 ordinary shares of USD1.00 each. The Company was allotted 285,000 ordinary shares of USD1.00, representing 95% issued and paid-up capital of FI and the remaining 5% is held by an individual shareholder.

14. INVESTMENT IN ASSOCIATES

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Quoted shares - at cost	49,102,207	49,102,207	22,955,162	22,955,162
Unquoted shares - at cost	1,216,779	789,442	-	-
	<u>50,318,986</u>	<u>49,891,649</u>	<u>22,955,162</u>	<u>22,955,162</u>
Share of post- acquisition results	3,727,372	2,415,848	-	-
Dividend received	(6,803,222)	(4,023,854)	-	-
Foreign currency translation differences	949,004	(71,322)	-	-
	<u>48,192,140</u>	<u>48,212,321</u>	<u>22,955,162</u>	<u>22,955,162</u>
Market value of quoted shares	<u>16,008,538</u>	<u>42,043,306</u>	<u>7,223,040</u>	<u>18,969,908</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

14. INVESTMENT IN ASSOCIATES (CONT'D)

The summarised financial information of the associates are as follows:

	The Group	
	2008 RM	2007 RM
Current assets	35,154,368	34,914,054
Non-current assets	62,019,365	60,896,252
Current liabilities	(20,047,326)	(25,267,762)
Non-current liabilities	(21,125,847)	(11,881,205)
Net Assets	56,000,560	58,661,339
Revenue	55,701,813	61,585,202
Profit for the year	3,163,791	9,249,653
Group's share of results for the year	1,311,524	2,415,848

Details of the associates are as follows:

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2008 %	2007 %	
Frontken (Thailand) Co., Ltd	Thailand	49	39	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	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 Petroleum Sdn. Bhd.	Malaysia	45.8	-	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Frontken BumiMaju Sdn. Bhd. (formerly known as Hecserv Sdn. Bhd.)	Malaysia	30	-	Trading in machineries, machine parts and equipment and providing engineering services.

As mentioned in Note 31:

- (a) the Group, via its wholly-owned subsidiary, Frontken (Singapore) Pte. Ltd. ("FS"), subscribed for an additional 392,000 new ordinary shares of THB10.00 each in Frontken (Thailand) Co. Ltd. ("FT"), by way of capitalising an amount of THB3,920,000 (equivalent to approximately RM384,000 based on an exchange rate of THB100:RM9.8048) representing a portion of the amount owing by FT to FS. Consequently, the Group's interest in FT increased from 39% to 49% of the issued and paid-up share capital of FT.
- (b) Frontken Petroleum Sdn. Bhd. ("FP"), a former indirect subsidiary of the Group, increased the issued and paid-up share capital from RM250,000 to RM300,000 by way of allotment and issuance of 50,000 new ordinary shares of RM1.00 each at par. Consequent to the issuance of new ordinary shares, the Group's interest in FP decreased from 55% to 45.80% and FP ceases to be an indirect subsidiary of the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

14. INVESTMENT IN ASSOCIATES (CONT'D)

- (c) the Group, via its wholly-owned subsidiary, FM, acquired 30,000 ordinary shares of RM1.00 each in Frontken BumiMaju Sdn. Bhd. (formerly known as Heccserv Sdn. Bhd.) ("FB"), representing 30% of the issued and paid-up capital of FB for a cash consideration of RM23,500.

Amount owing by/(to) associates, which arose mainly from trade transactions and advances, is unsecured, interest-free and has no fixed repayment terms.

15. GOODWILL ON CONSOLIDATION

	The Group	
	2008 RM	2007 RM
At beginning of year	2,804,791	2,842,942
Arising from acquisition of additional equity interest in a subsidiary	805,811	-
Foreign currency translation differences	138,418	(38,151)
	3,749,020	2,804,791
At end of year	3,749,020	2,804,791

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 goodwill had been allocated as follows:

	The Group	
	2008 RM	2007 RM
Metal-Treat Industries Pte. Ltd.	2,943,209	2,804,791
Frontken (East Malaysia) Sdn. Bhd. (formerly known as Frontken-AMT Engineering Sdn. Bhd.)	805,811	-
	3,749,020	2,804,791
	3,749,020	2,804,791

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. 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 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. The rate used to discount the forecasted cash flows reflect specific risks and expected returns relating to the industry. Management determined budgeted gross margin based on past performance and its expectations of market development.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. INTANGIBLE ASSET

	The Group	
	2008 RM	2007 RM
Licence fees - at cost:		
At beginning and end of year	781,935	781,935
Accumulated amortisation:		
At beginning of year	664,871	505,124
Charge for the year	123,680	159,747
At end of year	(788,551)	(664,871)
Foreign currency translation differences	6,616	3,361
Net	-	120,425

17. INVENTORIES

	The Group	
	2008 RM	2007 RM
Raw materials	3,170,150	2,553,700
Work-in-progress	1,752,415	1,943,670
Finished goods	987,602	695,630
	5,910,167	5,193,000

18. AMOUNT DUE FROM CONTRACT CUSTOMERS

	The Group	
	2008 RM	2007 RM
Contract costs incurred plus recognised profits	6,129,727	215,400
Less: Progress billings	(5,460,852)	-
	668,875	215,400
Represents:		
Amount due from contracts customer	668,875	215,400

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

Trade receivables of the Group comprise amounts outstanding for the provision of services and sales of goods. The credit period granted to customers ranges from 30 to 90 days (2007: 30 to 60 days).

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

	The Group	
	2008 RM	2007 RM
Chinyee Engineering & Machinery Pte. Ltd.	-	12,751
A& I Engine Rebuilders Sdn. Bhd.	-	2,139
AMT Engineering Sdn. Bhd.	95,420	-
	95,420	14,890

The said amount, which arose mainly from trade transactions, is unsecured, interest-free and has no fixed repayment terms.

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

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

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

	The Group	
	2008 RM	2007 RM
Chinyee Engineering & Machinery Pte. Ltd.		
Sales	557,698	425,668
Purchases	3,945,671	1,600,701
A& I Engine Rebuilders Sdn. Bhd.		
Sales	520	2,370
Purchases	-	840
AMT Engineering Sdn. Bhd.		
Sales	25,955	-
Purchases	41,569	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

Other receivables and prepaid expenses consist of:

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Other receivables	991,877	828,882	255	352
Deposits	11,317,584	1,694,375	27,496	24,070
Prepayments	994,819	911,888	1,344	25,788
	13,304,280	3,435,145	29,095	50,210

The currencies exposure profile of trade and other receivables of the Group and of the Company is as follows:

	The Group	
	2008 RM	2007 RM
Trade receivables		
Ringgit Malaysia	20,570,938	11,722,851
Singapore Dollar	15,771,817	15,468,124
United States Dollar	3,804,526	5,557,125
Philippines Peso	1,176,387	867,849
	41,323,668	33,615,949

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Other receivables				
Singapore Dollar	634,585	191,736	-	-
Ringgit Malaysia	198,844	1,064,857	255	352
Philippines Peso	153,421	120,295	-	-
Chinese Renminbi	4,807	-	-	-
New Taiwan Dollar	220	22,140	-	-
	991,877	1,399,028	255	352

20. SHARE CAPITAL

	The Group and The Company	
	2008 RM	2007 RM
Authorised:		
Ordinary shares of RM0.10 each:		
At beginning of year	100,000,000	50,000,000
Created during the year	-	50,000,000
	100,000,000	100,000,000

(Forward)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20. SHARE CAPITAL (CONT'D)

	The Group and The Company	
	2008 RM	2007 RM
Issued and fully paid:		
Ordinary shares of RM0.10 each		
At beginning of year	49,473,600	47,500,000
Issued during the year:		
Private placement	510,000	1,973,600
Bonus issue	19,993,440	-
	20,503,440	1,973,600
At end of year	69,977,040	49,473,600

During the financial year, the issued and paid-up share capital of the Company was increased from RM49,473,600 to 69,977,040 pursuant to the following:

- Issuance of 5,100,000 new ordinary shares of RM0.10 each at an issue price of RM0.50 per share pursuant to the Private Placement on April 23, 2008; and
- Issuance of 199,934,400 new ordinary shares of RM0.10 each pursuant to the bonus issue on November 18, 2008, through the capitalisation of RM19,993,440 from the share premium on the basis of two (2) new shares for every five (5) shares held.

The resulting share premium of RM2,040,000 arising from the private placement exercise was credited to the share premium account.

These new shares issued rank pari passu in all material respects with the then existing shares of the Company.

21. RESERVES

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Non-distributable:				
Share premium	5,934,537	23,887,977	5,934,537	23,887,977
Foreign currency translation reserve	2,745,468	473,428	-	-
	8,680,005	24,361,405	5,934,537	23,887,977

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. RESERVES (CONT'D)

Share premium

Share premium arose from the following:

	The Group and The Company	
	2008 RM	2007 RM
At beginning of year	23,887,977	11,002,727
Private placement exercise of 19,736,000 ordinary shares at a premium of RM0.66 per ordinary share, net of share issue expenses of RM140,510 in 2007	-	12,885,250
Private placement exercise of 5,100,000 ordinary shares at a premium of RM0.40 per ordinary share in 2008	2,040,000	-
Bonus issue of 199,934,400 ordinary shares at RM0.10 per ordinary share in 2008	(19,993,440)	-
At end of year	5,934,537	23,887,977

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.

22. TERM LOANS

	The Group	
	2008 RM	2007 RM
Principal outstanding	42,043,964	43,650,126
Less: Portion due within one year (Note 27)	(8,843,490)	(7,799,721)
Non-current portion	33,200,474	35,850,405

The non-current portion is repayable as follows:

	The Group	
	2008 RM	2007 RM
2009	-	7,792,548
2010	8,577,348	7,838,540
2011	7,206,945	6,514,162
2012	4,115,005	6,540,802
2013 and thereafter	13,301,176	7,164,353
	33,200,474	35,850,405

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

22. TERM LOANS (CONT'D)

As of December 31, 2008, the Group have the following term loan facilities:

- (a) Five (2007 : Three) term loans facilities totalling RM8,548,248 (2007: RM4,398,230), obtained by a local incorporated subsidiary, which bears interest ranging from 5.5% to 7.75% (2007: 7.25% to 7.75%) per annum and are repayable in equal monthly instalments over 33 to 110 (2007: 94 to 119) months;
- (b) Two (2007 : Two) term loans facilities totalling RM22,484,973 (2007: RM26,592,304), obtained by a Singapore incorporated subsidiary, which bears interest at rates ranging from 4.5% to 5.25% (2007: 4.50% to 5.25%) per annum and are repayable in equal monthly instalments over 38 to 67 (2007: 50 to 79) months;
- (c) One (2007: Two) term loan facility totalling RM8,001,143 (2007: RM8,277,892), obtained by another Singapore incorporated subsidiary, which bears interest of 4.5% (2007: 4.4% to 4.75% per annum) and are repayable in equal monthly instalments of 154 (2007: 2 to 166) months;
- (d) One (2007: One) term loan facility of RM3,009,600 (2007: RM4,381,700) obtained by a Taiwan incorporated subsidiary, which bears interest at 4.6% per annum and is repayable yearly over the next 2 years.

The term loans and bank borrowings as mentioned in Note 27 are secured by the following:

- (a) legal charges over the freehold land and factory building of the Group as disclosed in Note 11;
- (b) legal charges over the prepaid lease payments relating to the leases of two parcel of long leasehold land of the Group as mentioned in Note 12; and
- (c) corporate guarantees by the Company.

The currencies exposure profile of term loans of the Group is analysed as follows:

	The Group	
	2008 RM	2007 RM
Singapore Dollar	30,486,116	34,870,196
Ringgit Malaysia	8,548,248	4,398,230
New Taiwan Dollar	3,009,600	4,381,700
	42,043,964	43,650,126

23. DEFERRED INCOME

This represents asset-related government grants and is recognised in the income statements over the useful lives of the related assets.

	The Group	
	2008 RM	2007 RM
At beginning of year	67,969	127,847
Foreign currency translation differences	2,247	(510)
	70,216	127,337
At end of year	70,216	127,337
Transferred to income statements	(50,968)	(59,368)
	19,248	67,969
Less: To be transferred to income statements within one year	(19,248)	(49,626)
	-	18,343

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. HIRE-PURCHASE PAYABLES

	The Group	
	2008 RM	2007 RM
Total outstanding	20,673,960	15,958,621
Less: Interest-in-suspense	(2,675,875)	(2,126,993)
Principal outstanding	17,998,085	13,831,628
Less: Amount due within 12 months (included under current liabilities)	(5,906,750)	(4,472,008)
Non-current portion	12,091,335	9,359,620

The non-current portion is payable as follows:

	The Group	
	2008 RM	2007 RM
Financial years ending December 31:		
2009	-	3,419,723
2010	5,287,327	3,390,398
2011	3,574,691	1,892,841
2012	2,421,832	656,658
2013 and thereafter	807,485	-
	12,091,335	9,359,620

It is the Group's policy to acquire certain of its property, plant and equipment under hire-purchase arrangements. The average term of hire purchase is about 3 to 7 years (2007: 3 to 5 years). The interest rates implicit in the hire-purchase obligations ranges from 2.5% to 5.5% (2007: 2.5% to 5.5%) 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 11.

The currencies exposure profile of hire-purchase payables of the Group is analysed as follows:

	The Group	
	2008 RM	2007 RM
Ringgit Malaysia	11,539,851	7,060,792
Singapore Dollar	6,458,234	6,770,836
	17,998,085	13,831,628

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

25. DEFERRED TAX LIABILITIES

	The Group	
	2008 RM	2007 RM
At beginning of year	4,303,429	4,262,369
Transfer from income statements (Note 9)	(985,801)	46,013
Foreign currency translation differences	148,447	(4,953)
	<u>3,466,075</u>	<u>4,303,429</u>

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

	The Group Deferred Tax (Asset)/Liability	
	2008 RM	2007 RM
Temporary differences arising from property, plant and equipment	4,318,040	5,903,429
Unabsorbed capital allowances	(799,464)	(1,600,000)
Others	(52,501)	-
	<u>3,466,075</u>	<u>4,303,429</u>

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 December 31, 2008, 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	
	2008 RM	2007 RM
Unabsorbed capital allowances	-	799,464

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

26. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade payables of the Group comprise amounts outstanding for trade purchases. The credit period granted to the Group and the Company for trade purchases ranges from 30 to 60 days (2007: 30 to 60 days).

The currencies exposure profile of trade payables of the Group is analysed as follows:

	The Group	
	2008 RM	2007 RM
Singapore Dollar	14,103,365	7,501,760
United States Dollar	3,979,022	1,885,279
Ringgit Malaysia	1,212,943	3,783,623
Philippines Peso	121,755	254,003
Chinese Renminbi	35,678	-
Thai Baht	-	352,761
Euro	-	18,471
	<u>19,452,763</u>	<u>13,795,897</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (CONT'D)

Other payables and accrued expenses consist of:

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Other payables	12,876,673	6,868,689	159,240	121,942
Accrued expenses	5,318,508	4,044,897	186,379	197,198
	18,195,181	10,913,586	345,619	319,140

The currencies exposure profile of other payables of the Group and of the Company is as follows:

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Japanese Yen	8,534,991	-	-	-
Ringgit Malaysia	1,595,040	2,150,831	159,240	121,942
Singapore Dollar	1,328,130	4,689,992	-	-
United States Dollar	579,252	-	-	-
Australian Dollar	570,729	-	-	-
Chinese Renminbi	149,772	-	-	-
Philippines Peso	118,759	27,866	-	-
	12,876,673	6,868,689	159,240	121,942

27. BANK BORROWINGS

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Bank overdrafts	5,617,839	2,920,849	-	-
Short-term borrowings	9,628,000	17,175,200	-	8,000,000
Term loans - current portion (Note 22)	8,843,490	7,799,721	-	-
	24,089,329	27,895,770	-	8,000,000

As of December 31, 2008, the Group has bank overdraft facilities totalling RM8,854,700 (2007: RM9,016,980) obtained from licensed banks. The amount utilised bears interest at rates ranging from 5.00% to 6.15% (2007: 5.00% to 7.35%) per annum.

The Group has a money market loan facility of RM9,628,000 (2007 : RM9,175,200) obtained by a Singapore incorporated subsidiary, which bears interest at 5.00% (2007 : 5.00%) per annum and is repayable within the next 6 months.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Fixed deposits with licensed banks	758,232	7,315,289	-	7,055,000
Cash and bank balances	10,440,412	9,522,493	322,258	2,697,692
	<u>11,198,644</u>	<u>16,837,782</u>	<u>322,258</u>	<u>9,752,692</u>
Less: Bank overdrafts (Note 27)	(5,617,839)	(2,920,849)	-	-
	<u>5,580,805</u>	<u>13,916,933</u>	<u>322,258</u>	<u>9,752,692</u>

Fixed deposits with licensed bank earn interest at 3% (2007: 3%) per annum and have average maturity period 30 (2007: 30) days.

The currencies exposure profile of cash and cash equivalents is as follows:

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
United States Dollar	2,214,201	711,216	-	-
Ringgit Malaysia	1,879,305	11,775,670	265,674	9,675,150
Singapore Dollar	324,735	998,160	-	-
New Taiwan Dollar	166,206	287,937	56,584	77,542
Philippines Peso	340,530	143,950	-	-
Chinese Renminbi	655,828	-	-	-
	<u>5,580,805</u>	<u>13,916,933</u>	<u>322,258</u>	<u>9,752,692</u>

29. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The operations of the Group are subject to a variety of financial risks, including foreign exchange risk, interest rate risk, credit risk, liquidity risk and cash flow risk. The Group has taken measures to minimise its exposure to risks and/or costs associated with the financing, investing and operating activities of the Group.

(i) Foreign currency risk

The Group undertakes certain trade transactions in Singapore Dollar and United States Dollar with foreign entities and therefore is exposed to foreign currency risks. Exposures to foreign currency risk are monitored on an on-going basis.

(ii) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing short-term borrowings and term loans. The interest rates of term loans and bank borrowings of the Company are disclosed in Notes 22 and 27. Interest rate of hire-purchase payables, which is disclosed in Note 24, is fixed at the inception of the financing arrangement.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (Cont'd)

(iii) Credit risk

The Group is exposed to credit risk mainly from trade receivables. The Company extends credit to its customers based upon careful evaluation of the customers' financial condition and credit history.

(iv) Liquidity risk

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

(v) Cash flow risk

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

Financial Assets

The principal financial assets of the Group are cash and bank balances, fixed deposit with licensed banks, trade and other receivables and amount owing by associates.

The principal financial assets of the Company also include amount owing by subsidiaries.

The accounting policies applicable to the major financial instruments are as disclosed in Note 3.

Financial Liabilities

Debts and equity instruments are classified as liability or equity in accordance with the substance of the contractual arrangement.

Significant financial liabilities of the Group include trade and other payables, hire-purchase payables, amount owing to associates, bank overdrafts and term loans, which are stated at their nominal values.

The principal financial liabilities of the Company also include amount owing to subsidiaries.

Term loans are recorded at the proceeds received. Finance charges are accounted for on an accrual basis.

Fair Values

The carrying amount of the financial assets and financial liabilities of the Group reported in the balance sheets approximate their fair values because of the immediate or short maturity period for these financial instruments except for the following:

	The Group			
	2008			2007
	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Financial liabilities				
Term loans (Note 22)	42,043,964	44,900,528	43,650,126	36,400,189
Hire-purchase payables (Note 24)	17,998,085	20,673,960	13,831,628	15,958,621

Hire-purchase payables and term loans

The fair values of hire-purchase payables and term loans are estimated using discounted cash flow analysis based on current financing/borrowing rates for similar types of financing/borrowing arrangements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. CAPITAL COMMITMENTS

As of December 31, 2008, the Group has the following capital commitments:

	The Group	
	2008 RM	2007 RM
Approved and contracted for:		
Property, plant and equipment	12,631,000	6,349,698
Investments	-	1,032,000
	12,631,000	7,381,698

31. SIGNIFICANT CORPORATE EVENTS

During the financial year:

- (i) On January 28, 2008, the Company was allotted 1,560,008 ordinary shares of HK\$1.00 each for a total consideration of HK\$1,560,008 (approximately RM648,000 based on an exchange rate of HKD100:RM41.5383) in Frontken MIC Co. Limited ("FMIC"). This represents approximately 50% of the total issued share capital of FMIC. The remaining 1,559,992 ordinary shares of HK\$1.00 each in FMIC are held by MIC-Tech Venture Asia Pacific Inc.. The allotted shares will be paid up when calls are made by the directors of FMIC as and when FMIC requires capital.
- (ii) On January 30, 2008, the Group, via its wholly-owned subsidiary, Frontken (Singapore) Pte. Ltd. ("FS"), subscribed for an additional 392,000 new ordinary shares of THB10.00 each in Frontken (Thailand) Co. Ltd. ("FT"), by way of capitalising an amount of THB3,920,000 (equivalent to approximately RM384,000 based on an exchange rate of THB100:RM9.8048) representing a portion of the amount owing by FT to FS. Consequently, the Group's interest in FT increased from 39% to 49% of the issued and paid-up share capital of FT.
- (iii) On April 14, 2008, the Group, via its wholly-owned subsidiary, Frontken Malaysia Sdn. Bhd. ("FM"), completed the acquisition of 908,000 ordinary shares of RM1.00 each in Frontken (East Malaysia) Sdn. Bhd. ("FEM") (formerly known as Frontken-AMT Engineering Sdn. Bhd. ("FAMT")), an existing subsidiary, representing the remaining 41.88% equity interest in FEM for a cash consideration of RM2.55 million. Consequently, FEM became a wholly-owned subsidiary of the Group.

On July 7, 2008, FAMT changed its name to FEM.

- (iv) On April 16, 2008, the Company issued the second tranche of the private placement shares consisting of 5,100,000 new ordinary shares of RM0.10 each ("Frontken Shares") at an issue price of RM0.50. Subsequently, the Company obtained the approval from the Malaysian Securities Commission for an extension of time until October 11, 2009 to complete the implementation of Private Placement.
- (v) On July 1, 2008, Frontken Petroleum Sdn. Bhd. ("FP"), a former indirect subsidiary of the Group, increased the issued and paid-up share capital from RM250,000 to RM300,000 by way of allotment and issuance of 50,000 new ordinary shares of RM1.00 each at par value to an existing director and shareholder, Encik Zulkifli Bin Ali, for cash. Consequent to the issuance of new ordinary shares, the Group's interest in FP decreased from 55% to 45.80% and FP ceases to be an indirect subsidiary of the Group.
- (vi) On August 19, 2008, the Malaysian Securities Commission approved the transfer of the Company's listing status from the MESDAQ Market to the Main Board of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The Group was officially transferred to the Main Board of Bursa Malaysia on November 18, 2008.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31. SIGNIFICANT CORPORATE EVENTS (CONT'D)

- (vii) On September 2, 2008, the Group, via its wholly-owned subsidiary, FM, acquired 2 ordinary shares of RM1.00 each in Frontken (Johor) Sdn. Bhd. ("FJ"), representing 100% of the issued and paid-up share capital of FJ for a cash consideration of RM2.

The principal activity of FJ is to undertake the business of surface metamorphosis services with thermal spray coating processes and a series of complementary processes, including mechanical and chemical engineering services.

- (viii) On September 2, 2008, the Group, via its wholly-owned subsidiary, FM, acquired 30,000 ordinary shares of RM1.00 each in Hecserv Sdn. Bhd. ("Hecserv"), representing 30% of the issued and paid-up capital of Hecserv for a cash consideration of RM23,500.

The principal activity of Hecserv is to undertake the business of trading machineries, machine parts and equipment and providing engineering services.

On September 23, 2008, Hecserv changed its name to Frontken BumiMaju Sdn. Bhd. ("FB").

- (ix) On October 31, 2008, the Company incorporated Frontken-MIC (Wuxi) Co. Ltd. ("FMIC-W") in China. FMIC-W is a wholly-owned subsidiary of FMIC, in which the Company holds approximately 50% equity interest. The principal activity of FMIC-W is to undertake the cleaning of specialised equipment for semiconductor devices, integrated circuits and components, and research and development of semiconductor cleaning technology. The company has a registered capital of USD500,000 (equivalent to RM1,755,000 based on an exchange rate of USD\$1.00 : RM3.51).

- (x) On November 18, 2008, the Company issued 199,934,400 new ordinary shares of RM0.10 each ("Frontken Shares") pursuant to its bonus issue, which was approved by the Bursa Malaysia on October 14, 2008, on the basis of two (2) new Frontken Shares for every five (5) Frontken Shares held.

- (xi) On November 19, 2008, the Company incorporated a new subsidiary, PT Frontken Indonesia ("FI") in Indonesia. The authorised and issued and paid-up share capital of FI is USD\$300,000 (equivalent to RM1,083,000 based on the exchange rate of USD1.00 : RM3.61) comprising 300,000 ordinary shares of USD1 each. The Company was allotted 285,000 ordinary shares of USD1, representing 95% of the issued and paid-up share capital of FI and the remaining 5% is held by an individual shareholder.

The principal activity of FI is provision of surface metamorphosis and engineering works.

32. SUBSEQUENT EVENTS

- (i) On February 27, 2009, the Group, via its wholly-owned subsidiary, Frontken (Singapore) Pte. Ltd. ("FS"), entered into a conditional Share Purchase Agreement to acquire 1,397,400 ordinary shares of SGD0.59 each in Chinyee Engineering & Machinery Pte. Ltd. ("Chinyee"), representing 20% of the issued and paid-up capital of Chinyee for a cash consideration of SGD820,000 (equivalent to approximately RM1,963,000 based on an exchange rate of SGD1.00 : RM2.3937).
- (ii) On March 19, 2009, the Company issued the third tranche of the private placement shares consisting of 11,000,000 new ordinary shares of RM0.10 each ("Frontken Shares") at an issue price of RM0.18.
- (iii) On April 3, 2009, the Group, via its wholly-owned subsidiary, Frontken Malaysia Sdn. Bhd. ("FM"), has proposed to subscribe for an additional 107,000 new ordinary shares of RM1.00 each in Frontken Petroleum Sdn. Bhd. ("FP") by way of capitalising an amount of RM107,000 representing a portion of the amount owing by FP to FM. As a result of the proposed capitalisation, the Group's interest in FP will be increased from 45.8% to 60.1% of the issued and paid-up share capital of FP.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

33. RECLASSIFICATIONS AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's financial year statements. As a result, certain line items have been amended on the face of balance sheets and related notes to the financial statements. Comparative figures have been adjusted to conform with the current year's presentation. The items were reclassified as follows:

	As previously reported RM	The Group Reclassification RM	As restated RM
As of December 31, 2007			
Current Assets			
Inventories	5,408,400	(215,400)	5,193,000
Amount due from contract customers	-	215,400	215,400
Trade receivables	33,045,803	570,146	33,615,949
Other receivables and prepaid expenses	4,005,291	(570,146)	3,435,145
	<hr/>	<hr/>	<hr/>

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 31.12.2008 RM'000	Date of acquisition
Frontken (Singapore)						
Pte Ltd (FS) Pte Lot A12843 (to be known as Pte Lot A21020)	2 factory buildings with mezzanine office to house production facilities	11,154/ 5,623	12 years & 22 years	Leasehold expiring on 20.01.2019	4,614	01.08.2001
Bearing postal address: 156A Gul Circle Singapore 629614						
FS						
Pte Lot A22490 (to be known as Pte Lot A1355600)	4-storey factory building to house production facilities and R&D activities	4,877/ 4,778	7 years	Leasehold expiring on 30.04.2026	4,357	18.03.2005
Bearing postal address: 15 Gul Drive Singapore 629466						
Frontken Malaysia Sdn Bhd (FM)						
H.S. (D) 79995 Lot P.T. 14308 Mukim Damansara Daerah Petaling Selangor Darul Ehsan	1½ -storey detached factory building to house production facilities	2,023/ 1,006	12 years	Freehold	2,054	17.03.2003
Bearing postal address: Lot 2-46, Jalan Subang Utama 7 Taman Perindustrian Subang Utama Seksyen 22 40300 Shah Alam Selangor Darul Ehsan						
H.S. (D) 79985 Lot P.T. 14298 Mukim Damansara Daerah Petaling Selangor Darul Ehsan	Vacant industrial land	2,177/ -	N/A	Freehold	1,500	04.07.2007
Bearing postal address: Lot 2-47, Jalan Subang Utama 8 Taman Perindustrian Subang Utama Seksyen 22 40300 Shah Alam Selangor Darul Ehsan						

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 31.12.2008 RM'000	Date of acquisition
FM						
H.S. (D) 40495 & 40609 Lots 12049 & 12063 Mukim 14, Daerah Seberang Perai Tengah Penang	1½ storey semi- detached factory to house production facilities and R&D activities	414/ 362	6 years	Freehold	523	07.07.2003
Bearing postal address: No. 18 Jalan Pala 12 Kawasan Industri Ringan Permatang Tinggi 14100 Bukit Mertajam Penang						
H.S. (D) 40496 & 40610 Lots 12050 & 12064 Mukim 14, Daerah Seberang Perai Tengah Penang	1½ storey semi- detached factory to house production facilities and R&D activities	389/ 341	6 years	Freehold		
Bearing postal address: No. 20 Jalan Pala 12 Kawasan Industri Ringan Permatang Tinggi 14100 Bukit Mertajam Penang						
FM						
H.S. (D) 1600 P.T. No. 1923 Mukim Padang Cina Daerah Kulim Kedah Darul Aman	Single storey detached factory building to house production facilities and R&D activities	130,680/ 32,000	3 years	Leasehold expiring on 09.05.2066	7,859	23.12.2005
Bearing postal address: Jalan Hi Tech 2/3 Industrial Zone Phase I Kulim Hi-Tech Industrial Park, 09000 Kulim Kedah Darul Aman						

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 31.12.2008 RM'000	Date of acquisition
FM H.S. (D) 1600 P.T. No. 1923 Mukim Padang Cina Daerah Kulim Kedah Darul Aman	Vacant industrial land	165,960	N/A	Leasehold expiring on 09.05.2066	2,053	09.11.2007
Bearing postal address: Jalan Hi Tech 2/3 Industrial Zone Phase II Kulim Hi-Tech Industrial Park, 09000 Kulim Kedah Darul Aman						
Metal-Treat Industries Pte Ltd	2 single-storey semi- detached factory with mezzanine office to house production facilities	8,620/ 5,607	39 years	Leasehold expiring on 30.06.2038	10,231	27.08.2007
Bearing postal address: No. 28 Gul Avenue Singapore 629668 & No. 30 Gul Avenue Singapore 629670						

SHAREHOLDING STATISTICS AS AT 6 MAY 2009

Authorised Share Capital	:	1,000,000,000
Paid-up and Issued Capital	:	710,770,400
Type of Shares	:	Ordinary Shares of RM0.10 each
No. of Shareholders	:	1,408
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	7	0.5	420	~
100 to 1,000	133	9.4	25,960	~
1,001 to 10,000	511	36.3	2,345,760	0.3
10,001 to 100,000	531	37.7	17,074,800	2.4
100,001 to less than 5% of issued shares	222	15.8	364,111,426	51.2
5% and above of issued shares	4	0.3	327,212,034	46.0
Total	1,408	100.0	710,770,400	100.0

~ 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	143,604,092	20.20	16,852,123	(1)2.37
Quantum Spire Sdn Bhd	93,419,952	13.14	-	-
Dato' Ibrahim bin Mahmud	-	-	93,419,952	(2)13.14
Zulkifli bin Ali	-	-	93,419,952	(2)13.14
Yeo Lay Poh	37,713,330	5.31	16,852,123	(1)2.37
Lembaga Tabung Haji	52,474,660	7.38	-	-

Notes:

1. Deemed interested by virtue of his interest in Frontken Holdings Pte Ltd
2. Deemed interested by virtue of his interest in Quantum Spire Sdn Bhd

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	143,604,092	20.20	16,852,123	(1)2.37
Dato' Ibrahim bin Mahmud	-	-	93,419,952	(2)13.14
Dr Tay Kiang Meng	1,580,000	0.22	16,852,123	(1)2.37
See Chuan Swee	3,202,420	0.45	-	-

Notes:

1. Deemed interested by virtue of his interest in Frontken Holdings Pte Ltd
2. Deemed interested by virtue of his interest in Quantum Spire Sdn Bhd

SHAREHOLDING STATISTICS AS AT 6 MAY 2009 (CONT'D)

TOP 30 SHAREHOLDERS

(As extracted from the Record of Depositors as at 6 May 2009)

	Name of shareholders	No. of shares	% of issued capital
1	Wong Hua Choon	143,604,092	20.20
2	Quantum Spire Sdn Bhd	87,662,452	12.33
3	Lembaga Tabung Haji	52,474,660	7.38
4	Yeo Lay Poh	37,713,330	5.31
5	Malaysia Nominees (Asing) Sendirian Berhad OCBC Capital Investment (Asia) Limited (00-00215-000)	27,630,400	3.89
6	Tan Choon Hock	26,054,000	3.67
7	Fong Pik Na	22,542,730	3.17
8	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chieng Hock Ngie	22,147,720	3.12
9	Lim Poh Suan	18,828,425	2.65
10	Frontken Holdings Pte Ltd	16,852,123	2.37
11	Kho Chew Swan	12,196,823	1.72
12	Png Eng Wah	11,532,689	1.62
13	Anne Wong Moi Yin	10,240,965	1.44
14	Chieng Hock Ngie	9,237,411	1.30
15	OSK Nominees (Asing) Sdn Berhad DMG & Partners Securities Pte Ltd for Melvin Ong Eng Hoe	8,400,000	1.18
16	CIMSEC Nominees (Asing) Sdn Bhd Exempt An For CIMB-GK Securities Pte Ltd (Retail Clients)	8,008,980	1.13
17	Chan Bee Lian	7,949,700	1.12
18	AMT Engineering Sdn Bhd	6,290,748	0.89
19	Quantum Spire Sdn Bhd	5,757,500	0.81
20	HLG Nominee (Tempatan) Sdn Bhd PB Trustee Services Berhad for HLG Growth Fund	5,262,460	0.74
21	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Sun	4,601,800	0.65
22	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kho Chai Yam	4,410,000	0.62
23	AIBB Nominees (Asing) Sdn Bhd Pledged Securities Account for Yee Huang Khim	4,312,000	0.61
24	Nik Ismail B. Tengku Besar Indra Raja	4,202,660	0.59
25	Exion Asia Pte Ltd	3,826,900	0.54
26	HLG Nominee (Asing) Sdn Bhd Exempt An For UOB Kay Hian Pte Ltd (A/C Clients)	3,289,000	0.46
27	Inter-Pacific Equity Nominees (Asing) Sdn Bhd Kim Eng Securities Pte Ltd for Tay Yan Lim	3,247,720	0.46
28	See Chuan Swee	3,202,420	0.45
29	Lee Yih Kang	3,120,040	0.44
30	Nakahira Akira	2,866,640	0.40
		577,466,388	81.25

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifth Annual General Meeting of the Company will be held at Casuarina Room, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 25 June 2009 at 10.30 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 2008 together with the Reports of the Directors and Auditors thereon.
2. To re-elect the following Directors who retire pursuant to the following Articles of the Company's Articles of Association:-

Article 74	
See Chuan Swee	Resolution 1
Dato' Ibrahim Bin Mahmud	Resolution 2
Article 79	
Kek Chin Wu	Resolution 3
3. To approve the payment of Directors' fees for the financial year ended 31 December 2008. **Resolution 4**
4. To appoint Auditors and to authorise the Directors to fix their remuneration. **Resolution 5**

Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed in the Annual Report as Appendix I has been received by the Company for the nomination of Messrs Horwath for appointment as Auditors and of the intention to propose the following Ordinary Resolution:

"THAT Messrs Horwath be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Deloitte & Touche, to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors."

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 FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

Resolution 7

"THAT subject to the Listing Requirements of Bursa Securities, 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 3 June 2009 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.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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.”

6. ORDINARY RESOLUTION 3 Resolution 8
PROPOSED AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN ORDINARY SHARES OF UP TO 10% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF THE COMPANY (“PROPOSED SHARE BUY-BACK”)

“THAT subject to the provisions under the Act, the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Securities, 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 10% of the total issued and paid-up share capital of the Company.

THAT the maximum amount of funds to be utilised for the purpose of the Proposed Share Buy-Back shall not exceed the Company’s aggregate retained profits and/or share premium account.

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 until:

- (i) the conclusion of the next AGM of the Company, at which time the said authority would lapse unless renewed 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) 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 to give full effect to the Proposed Share Buy-Back with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities and/or to do all such acts and things as the Directors may deem fit and expedient in the best interest of the Company.”

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

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

BY ORDER OF THE BOARD

Tai Keat Chai (MIA 1688)
Lim Hooi Chin (MAICSA 7025949)
Company Secretaries

Kuala Lumpur
Date: 3 June 2009

Notes:

1. The Agenda No.1 is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of shareholders and hence, is 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 Suite 1603, 16th Floor, Wisma Lim Foo Yong, No. 86 Jalan Raja Chulan, 50200 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, is primarily to give the Board of Directors the authority to issue and allot shares at any time and for such purposes as the Directors in their absolute discretion consider to be in the best interest of the Company, without having to convene a general meeting. This authority, unless revoked or varied by the Company in general meeting, will expire at the next AGM of the Company.
 - b. The proposed Resolution 7, if passed, will empower the Company and its subsidiaries ("FCB Group") to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the FCB 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 3 June 2009 which is despatched together with this Annual Report for more information.
 - c. The proposed Resolution 8, if passed, will give the Company the authority to purchase its own ordinary shares of up to 10% of the issued and paid-up share capital of the Company for the time being. This authority, unless renewed or revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM after that date is required by the law to be held, whichever occurs first. Please refer to the Circular to Shareholders dated 3 June 2009 which is despatched together with this Annual Report for more information.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. DIRECTORS WHO ARE STANDING FOR RE-ELECTION

The Directors of the Company who are standing for re-election at the Fifth Annual General Meeting of the Company are as follows:-

- i. See Chuan Swee
- ii. Dato' Ibrahim Bin Mahmud
- iii. Kek Chin Wu

The Directors are subject to retirement pursuant to Articles 74 and 79 of the Articles of Association of the Company. The details of the directors who are standing for re-election and their particulars are set out in the Directors' Profiles which appear on pages 13 to 15 of the Annual Report.

2. DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

Four (4) Board of Directors' Meetings were held during the financial year ended 31 December 2008. Details of attendance of Directors at the Board Meetings are as follows:-

Directors	Number of Board Meetings	
	Held	Attended
Wong Hua Choon	4	4
Dr Tay Kiang Meng	4	4
See Chuan Swee	4	4
Dato' Ibrahim Bin Mahmud	4	3
Dato' Haji Johar Bin Murat @ Murad	4	4
Ng Wai Pin	4	4
Kek Chin Wu (appointed on 4 November 2008)	1	1

3. DATE, TIME AND VENUE OF THE FIFTH ANNUAL GENERAL MEETING

Date : Thursday, 25 June 2009
 Time : 10.30 a.m.
 Venue : Casuarina Room, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur

APPENDIX I

28 May 2009

Wong Hua Choon
Suite 516, Block E
Pusat Dagangan Phileo Damansara 1
No. 9, Jalan 16/11, Off Jalan Damasara
46350 Petaling Jaya
Selangor

The Board of Directors
FRONTKEN CORPORATION BERHAD
Suite 1603, 16th Floor
Wisma Lim Foo Yong
86 Jalan Raja Chulan
50200 Kuala Lumpur

Dear Sirs,

NOTICE OF NOMINATION OF AUDITORS

I, Wong Hua Choon, being the registered shareholder of Frontken Corporation Berhad, hereby give notice pursuant to Section 172(11) of the Companies Act, 1965 of my nomination of Messrs Horwath as Auditors of the Company in place of the retiring auditors, Deloitte & Touche, and of my intention to propose the following as an ordinary resolution to be tabled at the forthcoming Fifth Annual General Meeting:

“That Messrs Horwath be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Deloitte & Touche, to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors.”

Yours faithfully,

.....
Wong Hua Choon

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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 Fifth Annual General Meeting of the Company to be held at Casuarina Room, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 25 June 2009 at 10.30 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 See Chuan Swee		
2	Re-election of Dato' Ibrahim Bin Mahmud		
3	Re-election of Kek Chin Wu		
4	Approval of the payment of Directors' fees		
5	Appointment of Auditors		
6	Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965		
7	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
8	Proposed Share Buy-Back		

Dated this day of 2009

.....
Signature/Common Seal of Appointer

Notes:

- The Agenda No. 1 is meant for discussion only as the provision of Section 169 (1) of the Companies Act, 1965 does not require a formal approval of shareholders and hence, is not put forward for voting.
- 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.
- 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.
- 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.
- The instrument appointing a proxy shall be deposited at the Registered Office of the Company at Suite 1603, 16th Floor, Wisma Lim Foo Yong, 86 Jalan Raja Chulan, 50200 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
(Company No.: 651020-T)
Suite 1603, 16th Floor
Wisma Lim Foo Yong
86 Jalan Raja Chulan
50200 Kuala Lumpur

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