

CHAIRMAN'S STATEMENT

**Dear Fellow Shareholders,
On behalf of the Board of Directors
of Frontken Corporation Berhad
("Frontken" or the "Group"), I
am pleased to present to you
the Annual Report and Audited
Financial Statements of the Group
for the financial year ended 31
December 2015 ("FYE2015").**

AN OVERVIEW

Despite the headwinds for FYE2015 Frontken managed to deliver a profitable year with a revenue of RM280.6 million and earnings before interest, tax and amortization of RM35.6 million. Acknowledging that our financial profits for FYE2015 was lower compared to FYE2014; it is to be noted that this was mainly due to an unfortunate cost overrun in our ATB Project at Tanjung Bin that was completed in July 2015. ATB Project was Frontken's first Engineering, Procurement, Construction and Commissioning ("EPCC") contract of this size. We encountered some challenges during the execution of the project and stretched ourselves in ensuring on delivering the completed tankage facilities to our client and at the same time ensuring that our high standard of quality was not compromised. We believe that undertaking this project has provided us with an opportunity to further expand and advance on our technical expertise and resources in EPCC projects should we decide to pursue this area of our business.

With a wavering global economy and unsettling commodity price trends, like many others in the market, Frontken was not immune to such market conditions. The dramatic decline in oil prices from an oversupplied market has affected the entire chain of the oil and gas industry. It is believed that the unfavourable market effects of 2015 will continue to ripple through to 2016.

In response to such adverse market conditions, the management of Frontken took the necessary steps in restructuring and streamlining its resources to ensure that it is maximizing operation capacities and profits. For example in Singapore, having experienced a slower performance for two years running, resources were heavily streamlined and business strategies revised. During 2015 Frontken Singapore pursued various discussions with foreign companies in establishing a business base in Singapore tapping on its strategic regional location and expertise it is able to offer its potential partners. This has in turn developed a wider client base and international brand recognition for the Group. We hope to turn some of these possibilities into realities in the very near future.

Although it is true that for the foreseeable future we will likely continue to see lower commodity price trends particularly in the oil and gas industry, we are cautiously optimistic that we will be able to maintain our market share in our maintenance and repair business sectors albeit at a lower margin in line with our customers' expectation. To make up for the lower margin, we need to increase our efficiency and explore cost savings measures.

BUILDING A SOLID FOUNDATION

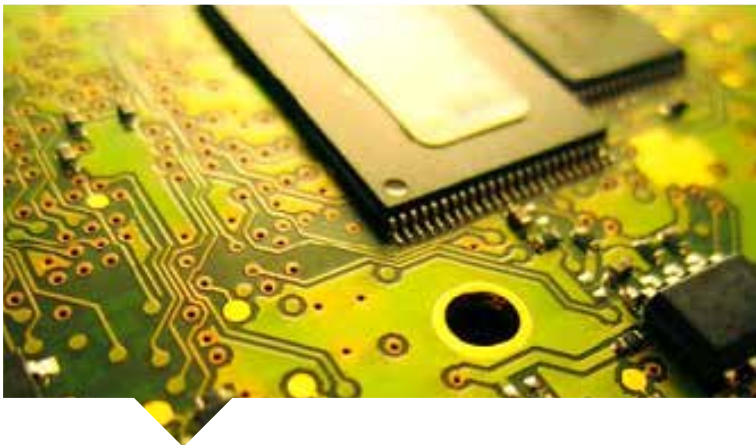
Over the recent years Frontken has been strategising and building a solid platform to maintain a stable momentum for both its operational and financial growth. I believe that establishing a good fiscal discipline and strong financial position is imperative to maintain long term and sustainable growth. Since 2012, Frontken have been steadily building a solid cash position for the Group with a zero net gearing ratio and a cash and cash equivalent of RM105.1 million as at 31 December 2015. Armed with a strong financial position gives us leverage to capitalise on project and investment opportunities. With this in mind, we will continue to look out for mergers and acquisitions to boost our bottom line.



CHAIRMAN'S STATEMENT (cont'd)

In building a solid foundation that is sustainable, we not only have to amass our resources but investments as well to ensure long-term competitiveness and growth. This is an on-going task for Frontken.

Strategic mergers and acquisitions have been an important investment factor contributing to the profitable expansion of the Group. In 2008, we acquired a stake in Ares Green Technology Corporation ("AGTC") in Taiwan, in which we currently hold approximately 68% equity interest. AGTC is a leading company in the semiconductor industry providing environmental friendly advance precision cleaning and surface treatment solutions. AGTC has become one of our core profit contributors making up approximately 39% of total revenue for FYE2015. During the financial year under review, the management had decided to withdraw its plans in listing AGTC on the Taiwan Stock Exchange. After full evaluations and taking all factors into consideration, the management concluded that it was more practical to delist it from the preparatory board and continue as a public limited company. Furthermore, the company is performing robustly despite market sentiments and we are cautiously optimistic that AGTC will be able to maintain its trending performance moving forward.



TTES Frontken Integrated Services Sdn Bhd ("TFIS") was a profitable acquisition for Frontken in 2014. The vendors of TFIS provided a cumulative profit guarantee of RM8.0 million for two (2) financial years combined. TFIS cumulative profit for two (2) financial years combined of RM8.6 million has exceeded the guaranteed profit given to the Group at the time of the acquisition. TFIS is a synergetic addition to the Group bringing in businesses in which the Group's technical expertise and capabilities could be leveraged on. This in turn also increased the scope of works that TFIS could undertake and thus able to serve our customers better.

MOVING FORWARD AS A GROUP

Frontken has established business presence and operating centres in Malaysia, Singapore, Taiwan, Philippines, Indonesia and Thailand. As a Group, each of our centres possesses their own set of skills and unique technology, which sets us up with an extensive platform

to cover a broad spectrum of services. We have the flexibility and capability to mobilize our resources on site with selected technical expertise required from our respective centres. These combined elements sets us apart from other industry players and enables us to maintain a competitive edge as a leader in our industry.

2016 is expected to be another rocky year for the oil and gas industry leaving many players in the market slowing down their project pipeline, restructuring their business direction and even cutting down their capital expenditures. As mentioned earlier, we believe that this will result in an increase in demand for local services and repairs in which we are anticipating and preparing for the year ahead. Acknowledging that the Group's overall margin will likely be thinner resulting from possible cost-down from our customers, we need to be vigilant in our cost management and continually explore ways to improve on our efficiency. With the excellent support



from my colleagues and our robust business strategy for the year ahead, I am confident that Frontken will be able to maintain a positive performance for the financial year ending 2016.

APPRECIATION

I would like to thank our stakeholders for their endless support and trust in the Company. To my Board of Directors, your dedication and leadership provided throughout the years is much appreciated. To our most valued employees and colleagues, I would like to express my sincere gratitude and thanks for your commitment, hard work and dedication to Frontken.

Finally, I would like to thank our clients, associates, business partners, consultants and bankers for their continued support, loyalty, advice and trust in us.