

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

As of 31 December 2012, freehold land and buildings, long leasehold land and buildings and plant and machinery of the Group with a total net book value totalling RM69,727,309 (2011: RM80,472,706) have been charged as collateral to certain banks for term loans and bank borrowings granted to the Group as mentioned in Note 22.

Included in property, plant and equipment of the Group are property, plant and equipment acquired under hire purchase arrangements with net book value totalling RM12,895,602 (2011: RM15,110,735).

11. ASSET HELD FOR SALE

During the financial year, the capital work-in-progress (Note 10) is completed and available for immediate sale. The management has the intention to sell its asset and has initiated actions to locate a buyer. The completed capital work-in-progress is classified as asset held for sale.

12. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2012 RM	2011 RM
Quoted shares outside Malaysia - at cost	28,432,756	27,955,744
Unquoted shares - at cost	41,408,256	41,408,256
	69,841,012	69,364,000
Impairment of investments in subsidiaries	(982,665)	(982,665)
	68,858,347	68,381,335
Market value of quoted shares	11,803,678	23,608,046

Details of the subsidiaries are as follows:

Name of Companies	Country of Incorporation	Effective Equity Interest		Principal Activities
		2012 %	2011 %	
Direct Subsidiaries				
Frontken (Singapore) Pte. Ltd. ¹	Singapore	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Frontken Technology Corporation ²	Taiwan	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.

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Name of Companies	Country of Incorporation	Effective Equity Interest		Principal Activities
		2012 %	2011 %	
Direct Subsidiaries				
PT Frontken Indonesia ²	Indonesia	95	95	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Frontken MIC Co. Limited ²	Hong Kong	38.80	42.93	Investment holding and provision of management services.
Frontken Malaysia Sdn. Bhd. ³	Malaysia	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Indirect Subsidiaries				
Metall-Treat Industries Pte. Ltd.	Singapore	-	100	Electroplating and plating of metals and formed products.
Frontken Philippines Inc ²	Philippines	99.99	99.99	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Frontken (East Malaysia) Sdn. Bhd. ³	Malaysia	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Frontken (Johor) Sdn. Bhd. ³	Malaysia	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes, including mechanical and chemical engineering services.
Frontken-MIC (Wuxi) Co. Ltd. ²	China	38.80	42.93	Provision of cleaning of specialised equipment for semiconductor devices, integrated circuits and components, and research and development of semiconductor cleaning technology.
Frontken Petroleum Sdn. Bhd. ³	Malaysia	60.07	60.07	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering services.

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12. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of Companies	Country of Incorporation	Effective Equity Interest		Principal Activities
		2012 %	2011 %	
Indirect Subsidiaries				
Frontship Pte. Ltd. ¹	Singapore	100	100	Procurement of materials, equipment consumable parts and engineering services.
Ares Green Technology Corporation ²	Taiwan	51.49	50.58	Provision of surface treatment and advanced precision cleaning for the TFT - LCD (Thin Film Transistor - Liquid Crystal Display) and semi-conductor industries.
Ares Green International Corporation ²	Samoa	51.49	50.58	Investment holding.
Frontken Projects Pte . Ltd. ¹	Singapore	51	51	General contractors and process and individual plant engineering services.
Frontken Qatar WLL	Qatar	49	49	Dormant.

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

² The financial statements of the subsidiaries are audited by auditors other than the auditors of the Company.

³ The financial statements of the subsidiaries are audited by Messrs Crowe Horwath.

(i) On 28 May 2012, the Company acquired 300,000 ordinary shares of NT\$10 each representing 0.91% of the issued and paid-up share capital of Ares Green Technology Corporation ("AGTC") for a cash consideration of NT\$4,410,038 (equivalent to RM477,012) including incidental cost. The shares were acquired over the counter on GreTai Securities Market in Taiwan. Following the acquisition, the Group's interest in AGTC increased from 50.58% to 51.49%.

(ii) On 27 June 2012, Frontken MIC Co. Limited ("FMIC"), a subsidiary of the Company, increased its issued and paid-up capital from HKD9,560,072 to HKD14,990,812 by the allotment and issuance of 5,430,740 new ordinary shares of HKD1.00 each at par for cash to MIC-TECH Ventures Asia Pacific Inc. and Ares Green International Corporation ("AGIC").

Pursuant to the above allotment of 5,430,740 new ordinary shares, the Company's effective equity interest in FMIC, held directly by the Company and through AGIC, diluted from 42.93% to 38.80%.

FMIC is considered a subsidiary of the Company as the Company controls the Board of FMIC. The Board of FMIC determines the operating and management policies.

(iii) On 28 September 2012, Frontken (Singapore) Pte. Ltd., a wholly-owned subsidiary of the Company, entered into an agreement to dispose of 2,929,082 ordinary shares representing its entire 100% equity interest in Metall-Treat Industries Pte Ltd ("MTI") to Malayan Daching Co. Pte. Ltd. for a cash consideration of SGD10,000,000. The disposal was completed on 6 December 2012, whereupon MTI ceased to be a subsidiary of the Company.