**THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.** If you have sold or transferred all your ordinary shares in Flonic Hi-Tec Bhd (655665-T) ("Flonic" or "our Company"), you should at once hand this Abridged Prospectus together with the Notice of Provisional Allotment ("NPA") and Rights Subscription Form ("RSF") to the agent/broker through whom you effected the sale or transfer for onward transmission to the purchaser or transferee. All enquiries concerning the Rights Issue with Warrants (as defined herein), which is the subject of this Abridged Prospectus should be addressed to our Share Registrar, ShareWorks Sdn Bhd, No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur.

This Abridged Prospectus, together with the NPA and RSF are only despatched to our shareholders who have provided our Share Registrar with a registered address in Malaysia and whose names appear on our Record of Depositors not later than 5.00 p.m. on 15 October 2014. This Abridged Prospectus together with the NPA and RSF, are not intended to be issued, circulated or distributed in countries or jurisdictions other than Malaysia and no action has been or will be taken to ensure that the Rights Issue with Warrants complies with the laws of any countries or jurisdictions other than the laws of Malaysia. Entitled Shareholders (as defined herein) and their renouncee(s) (if applicable) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal advisers as to whether the acceptance or renunciation (as the case may be) of all or any part of their entitlements to the Rights Issue with Warrants would result in the contravention of any laws of such countries or jurisdictions. Neither we nor M&A Securities Sdn Bhd (15017-H) ("M&A Securities") shall accept any responsibility or liability in the event that any acceptance or renunciation made by the Entitled Shareholders or their renouncee(s) (if applicable) are or shall become illegal, unenforceable, voidable or void in such countries or jurisdictions.

A copy of this Abridged Prospectus, together with the NPA and RSF, have been registered with the Securities Commission Malaysia ("SC"). The registration of this Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue with Warrants or assumes responsibility for the correctness of any statement made or opinion or report expressed in the Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of this Abridged Prospectus, together with the NPA and RSF, have also been lodged with the Companies Commission of Malaysia, who takes no responsibility for the contents of these documents.

Approval for the Rights Issue with Warrants has been obtained from our shareholders at the Extraordinary General Meeting held on 29 August 2014. Approval-in-principle has been obtained from Bursa Malaysia Securities Berhad (635998-W) ("Bursa Securities") via its letter dated 16 July 2014 for the admission of the Warrants to the Official List of Bursa Securities and the listing of the Rights Shares (as defined herein) and new Flonic Shares (as defined herein) to be issued upon exercise of the Warrants on the ACE Market of Bursa Securities. The listing of and quotation for the Rights Shares and Warrants will commence after, amongst others, receipt of confirmation from Bursa Malaysia Depository Sdn Bhd (165570-W) that all the Central Depository System accounts of the Entitled Shareholders have been duly credited and notices of allotment have been despatched to the Entitled Shareholders. Admission of the Warrants to the Official List of Bursa Securities and quotation of the Rights Shares, Warrants and new Flonic Shares to be issued upon exercise of the Warrants on the ACE Market of Bursa Securities are in no way reflective of the merits of the Rights Issue with Warrants.

All the documentation relating to this Rights Issue with Warrants including this Abridged Prospectus, together with the NPA and RSF, have been seen and approved by our Board of Directors and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement in these documents false or misleading.

M&A Securities, being the Adviser and Underwriter for this Rights Issue with Warrants, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue with Warrants.

**FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH YOU SHOULD CONSIDER, SEE "RISK FACTORS" AS SET OUT IN SECTION 6 HEREIN.**

# FLONIC HI-TEC BHD

*(Company No. 655665-T)*

(Incorporated in Malaysia under the Companies Act, 1965)

## RENOUNCEABLE RIGHTS ISSUE OF UP TO 524,902,678 NEW ORDINARY SHARES OF RM0.05 EACH IN FLONIC ("RIGHTS SHARES") TOGETHER WITH UP TO 349,935,118 FREE DETACHABLE WARRANTS ("WARRANTS") ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) EXISTING ORDINARY SHARE OF RM0.05 EACH IN FLONIC TOGETHER WITH TWO (2) WARRANTS FOR EVERY THREE (3) RIGHTS SHARES SUBSCRIBED AT 5.00 P.M. ON 15 OCTOBER 2014 AT AN ISSUE PRICE OF RM0.07 PER RIGHTS SHARE PAYABLE IN FULL UPON ACCEPTANCE

*Adviser and Underwriter*

**M&A SECURITIES SDN BHD (15017-H)**

*(A Wholly-Owned Subsidiary of Insas Berhad)*

(A Participating Organisation of Bursa Malaysia Securities Berhad)

**IMPORTANT RELEVANT DATES AND TIME:**

| | | |
|---|---|---|
| Entitlement Date | : | Wednesday, 15 October 2014 at 5.00 P.M. |
| Last date and time for sale of provisional allotment of rights | : | Thursday, 23 October 2014 at 5.00 P.M. |
| Last date and time for transfer of provisional allotment of rights | : | Tuesday, 28 October 2014 at 4.00 P.M. |
| Last date and time for acceptance and payment | : | Friday, 31 October 2014 at 5.00 P.M.* |
| Last date and time for excess application and payment | : | Friday, 31 October 2014 at 5.00 P.M.* |

* or such later date and time as our Directors may determine and announce not less than two (2) Market Days (as defined herein) before the stipulated date and time.

This Abridged Prospectus is dated 15 October 2014

**THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON OUR PART AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS ABRIDGED PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ABRIDGED PROSPECTUS.**

**YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

**INVESTORS ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE AND MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS ABRIDGED PROSPECTUS ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS AND SERVICES ACT, 2007 ("CMSA").**

**SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE WITH WARRANTS FOR WHICH ANY OF THE PERSON SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.**

## DEFINITIONS

Except where the context otherwise requires, the following definitions and abbreviations shall apply throughout this Abridged Prospectus, NPA and RSF:

| | | |
|---|---|---|
| Abridged Prospectus | : | This Abridged Prospectus issued by Flonic dated 15 October 2014 |
| ACE Market | : | The ACE Market of Bursa Securities |
| ACE Market LR | : | ACE Market Listing Requirements of Bursa Securities, as amended from time to time and any re-enactment thereof |
| Act | : | The Companies Act, 1965, as amended from time to time and any re-enactment thereof |
| Board | : | Board of Directors of our Company |
| Bursa Depository | : | Bursa Malaysia Depository Sdn Bhd |
| Bursa Securities | : | Bursa Malaysia Securities Berhad |
| CDS | : | Central Depository System |
| CDS Account(s) | : | A securities account established by Bursa Depository for a depositor pursuant to the Securities Industry (Central Depositories) Act, 1991 and the rules of Bursa Depository for the recording of deposits or withdrawal of securities and dealings in such securities by the depositor |
| Code | : | Malaysian Code on Take-Overs and Mergers, 2010, as amended from time to time and any re-enactment thereof |
| Deed Poll | : | The deed poll dated 26 September 2014 executed by our Company constituting the Warrants |
| Datin Tan | : | Datin Tan Siew Ching, our substantial shareholder |
| EBITDA | : | Earnings before interest, taxation, depreciation and amortisation |
| EGM | : | Extraordinary general meeting |
| Entitled Shareholder(s) | : | Our shareholder(s) whose names appear on the Record of Depositors on the Entitlement Date |
| Entitlement Date | : | At 5.00 p.m. on 15 October 2014, being the time and date which the Entitled Shareholder(s) must be registered in our Record of Depositors with Bursa Depository in order to be entitled to participate in the Rights Issue with Warrants |
| EPS | : | Earnings per Share |
| Exercise Price | : | Price at which one (1) Warrant is exercisable into one (1) Flonic Share, being RM0.05, subject to such adjustments as may be allowed under the Deed Poll |
| Existing Warrants | : | 125,301,430 outstanding warrants 2012/2017 in issue in Flonic pursuant to the deed poll dated 11 May 2012 as at the LPD |
| Flonic or Company | : | Flonic Hi-Tec Bhd |
| Flonic Group or Group | : | Flonic and its subsidiaries, collectively |
| Flonic Shares or Shares | : | Ordinary share(s) of RM0.05 each in Flonic |
| FYE | : | Financial year ended/ending, as the case may be |
| FPE | : | Financial period ended/ending, as the case may be |
| Issue Price | : | The issue price pursuant to the Rights Issue with Warrants of |

## DEFINITIONS (CONT'D)

| | | |
|---|---|---|
| | | RM0.07 per Rights Share |
| Jiwa | : | Jiwa Holdings Sdn Bhd |
| Jiwa Group | : | Jiwa and its subsidiaries/associates, collectively |
| Jiwa Shares | : | Ordinary shares of RM1.00 each in Jiwa |
| LAT | : | Loss after taxation |
| LBITDA | : | Loss before interest, taxation, depreciation and amortisation |
| LBT | : | Loss before taxation |
| LPD | : | 30 September 2014, being the latest practicable date prior to the issuance of this Abridged Prospectus |
| Market Day(s) | : | A day on which Bursa Securities is open for trading in securities |
| Maximum Scenario | : | Assuming all Entitled Shareholders fully subscribe for their respective entitlements under the Rights Issue with Warrants and assuming that all Existing Warrants are exercised prior to the Entitlement Date |
| Minimum Scenario | : | Assuming only 142,857,143 Rights Shares are issued pursuant to the Undertaking and Underwriting and assuming that no Existing Warrants are exercised prior to the Entitlement Date |
| Minimum Subscription Level | : | The minimum subscription level of the Rights Issue with Warrants to raise the minimum gross proceeds of at least RM10.0 million |
| M&A Securities | : | M&A Securities Sdn Bhd |
| NA | : | Net assets |
| NPA | : | Notice of Provisional Allotment in relation to the Rights Issue with Warrants |
| NTA | : | Net tangible assets |
| PAT | : | Profit after taxation |
| PBT | : | Profit before taxation |
| Record of Depositors | : | A record of depositors established by Bursa Depository under the rules of depository, as amended from time to time and any re-enactment thereof |
| Rights Issue with Warrants | : | Renounceable rights issue of up to 524,902,678 Rights Shares together with up to 349,935,118 Warrants at an issue price of RM0.07 per Rights Share on the basis of one (1) Rights Share for every one (1) Flonic Share held together with two (2) Warrants for every three (3) Rights Shares subscribed on the Entitlement Date |
| Rights Shares | : | Up to 524,902,678 new Flonic Shares to be issued pursuant to the Rights Issue with Warrants |
| RM and sen | : | Ringgit Malaysia and sen respectively |
| RSF | : | Rights Subscription Form in relation to the Rights Issue with Warrants |
| SC | : | Securities Commission Malaysia |
| THB | : | Thai Baht, the official currency of Thailand |
| Undertaking | : | Irrevocable written undertaking by Datin Tan to subscribe for at |

## DEFINITIONS (CONT'D)

| | | |
|---|---|---|
| | | least 71,428,571 Rights Shares |
| Underwriter | : | The underwriter as specified under the Corporate Directory of this Abridged Prospectus |
| Underwriting | : | Up to 71,428,572 Rights Shares to be underwritten pursuant to the Underwriting Agreement |
| Underwriting Agreement | : | Underwriting agreement dated 26 September 2014 entered into between the Company and M&A Securities relating to the Rights Issue with Warrants |
| US | : | United States of America |
| USD | : | United states dollar, the official currency of US |
| Warrant(s) | : | Up to 349,935,118 free detachable warrants to be issued pursuant to the Rights Issue with Warrants |
| 5D-WAMP | : | Five (5)-day volume weighted average market price |

References to "we", "us", "our" and "ourselves" are to our Company and save where the context otherwise requires, our subsidiaries. All references to "you" in this Abridged Prospectus are to our Entitled Shareholders.

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Abridged Prospectus to any statute is a reference to that statute as for the time being amended or re-enacted. Any reference to a time of day in this Abridged Prospectus shall be a reference to Malaysian time, unless otherwise specified.

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## CORPORATE DIRECTORY

### BOARD OF DIRECTORS

| Name (Designation) | Age | Address | Nationality | Occupation |
|---|---|---|---|---|
| Dato' Chua Wye Man<br>*(Executive Chairman)* | 49 | No. 22, Selekoh Tunku<br>Bukit Tunku<br>50480 Kuala Lumpur<br>Wilayah Persekutuan | Malaysian | Company Director |
| Ng Yaw Long<br>*(Non-Independent Non-Executive Director)* | 38 | No. 41, Jalan Puteri 8/5<br>Bandar Puteri<br>47100 Puchong<br>Selangor Darul Ehsan | Malaysian | Company Director |
| Lee Kok Wah<br>*(Independent Non-Executive Director)* | 48 | No. 101, Jalan Kuchai 6<br>Taman Lian Hoe<br>Off Jalan Kuchai Lama<br>58200 Kuala Lumpur<br>Wilayah Persekutuan | Malaysian | Director/ Accountant |
| Voon Wee Li<br>*(Senior Independent Non-Executive Director)* | 40 | No. 48, Jalan Budiman 14<br>Taman Mulia, Cheras<br>56100 Kuala Lumpur<br>Wilayah Persekutuan | Malaysian | Director/ Advocate and Solicitor |

### AUDIT COMMITTEE

| Name | Designation | Directorship |
|---|---|---|
| Lee Kok Wah | Chairman | Independent Non-Executive Director |
| Ng Yaw Long | Member | Non-Independent Non-Executive Director |
| Voon Wee Li | Member | Senior Independent Non-Executive Director |

### COMPANY SECRETARIES

**Chua Siew Chuan (MAICSA 0777689)**

No. 6, Jalan SS14/8E
Subang Jaya
47500 Petaling Jaya
Selangor Darul Ehsan
Telephone number: 03-2084 9000

**Cheng Chia Ping (MAICSA 1032514)**

C-9-1, Villa Angsana Condo
Jalan Krian, Off Jalan Ipoh
51100 Kuala Lumpur
Wilayah Persekutuan
Telephone number: 03-2084 9000

## CORPORATE DIRECTORY (CONT'D)

| | |
|---|---|
| **REGISTERED OFFICE** | Level 7, Menara Milenium<br>Jalan Damanlela<br>Pusat Bandar Damansara<br>Damansara Heights<br>50490 Kuala Lumpur<br>Telephone number: 03-2084 9000 |
| **HEAD/MANAGEMENT OFFICE** | #10-1, Level 10<br>Menara One Mont' Kiara<br>No. 1 Jalan Kiara, Mont' Kiara<br>50480 Kuala Lumpur<br>Wilayah Persekutuan<br>Telephone number: 03-9205 2225<br>Email address: mal@flonic.com<br>Website: www.flonic.com |
| **PRINCIPAL BANKERS** | **RHB Bank Berhad**<br><br>Unit No. B2-08 & B2-09<br>Block B, Plaza Damas 3<br>No. 63, Jalan Sri Hartamas 1<br>50480 Kuala Lumpur<br>Telephone number: 03-92068118<br><br>**AmBank (M) Berhad**<br><br>Level 17, Menara Dion<br>Jalan Sultan Ismail<br>50250 Kuala Lumpur<br>Wilayah Persekutuan<br>Telephone number: 03-20269393<br><br>**Malayan Banking Berhad**<br><br>115-117, Block E, Kelana Park View<br>No. 1, Jalan SS6/2<br>Kelana Jaya<br>47301, Petaling Jaya<br>Selangor Darul Ehsan<br>Telephone number: 03-78042624 |
| **AUDITORS/ REPORTING ACCOUNTANTS** | **Siew Boon Yeong & Associates (AF: 0660)**<br>**Chartered Accountants**<br><br>No. 9-C, Jalan Medan Tuanku<br>Medan Tuanku<br>50300 Kuala Lumpur<br>Wilayah Persekutuan<br>Telephone number: 03-2693 8837 |

| | |
|---|---|
| **SHARE REGISTRAR** | **ShareWorks Sdn Bhd**<br><br>No. 2-1, Jalan Sri Hartamas 8<br>Sri Hartamas<br>50480 Kuala Lumpur<br>Telephone number: 03-6201 1120 |
| **SOLICITORS FOR THE RIGHTS ISSUE WITH WARRANTS** | **Wong Beh & Toh**<br><br>Level 19, West Block<br>Wisma Selangor Dredging<br>142-C Jalan Ampang<br>50450 Kuala Lumpur<br>Telephone number: 03-2713 6050 |
| **ADVISER AND UNDERWRITER FOR THE RIGHTS ISSUE WITH WARRANTS** | **M&A Securities Sdn Bhd**<br><br>Level 11, No. 45 & 47, The Boulevard<br>Mid Valley City<br>Lingkaran Syed Putra<br>59200 Kuala Lumpur<br>Telephone number: 03-2284 2911 |
| **INDEPENDENT MARKET RESEARCHER** | **Infobusiness Research & Consulting Sdn Bhd**<br><br>C4-3A-2, Solaris Dutamas<br>No. 1, Jalan Dutamas 1<br>50480 Kuala Lumpur<br>Telephone number: 03-62053930 |
| **STOCK EXCHANGE LISTING** | ACE Market of Bursa Securities |

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**FLONIC HI-TEC BHD**
(Company No. 655665-T)
(Incorporated in Malaysia under the Companies Act, 1965)

**Registered Office:**

Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

15 October 2014

**Directors:**
Dato' Chua Wye Man *(Executive Chairman)*
Ng Yaw Long *(Non-Independent Non-Executive Director)*
Lee Kok Wah *(Independent Non-Executive Director)*
Voon Wee Li *(Senior Independent Non-Executive Director)*

**To: The Entitled Shareholders of Flonic Hi-Tec Bhd**

Dear Sir / Madam,

**RENOUNCEABLE RIGHTS ISSUE OF UP TO 524,902,678 RIGHTS SHARES TOGETHER WITH UP TO 349,935,118 WARRANTS ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) FLONIC SHARE HELD TOGETHER WITH TWO (2) WARRANTS FOR EVERY THREE (3) RIGHTS SHARES SUBSCRIBED AT 5.00 P.M. ON 15 OCTOBER 2014 AT AN ISSUE PRICE OF RM0.07 PER RIGHTS SHARE PAYABLE IN FULL UPON ACCEPTANCE**

---

## 1. INTRODUCTION

On 17 April 2014, M&A Securities, on our behalf, announced the Rights Issue with Warrants, the issue price for the Rights Shares which has been fixed at RM0.07 per Rights Share, and the exercise price of the Warrants which has been fixed at RM0.05 per Warrant.

On 29 August 2014, M&A Securities had, on behalf of our Board, announced that our shareholders had, at an EGM held on even date, approved the Rights Issue with Warrants.

A certified true extract of the ordinary resolution pertaining to the Rights Issue with Warrants, which was passed at the said EGM, is set out in **Appendix I** of this Abridged Prospectus.

Bursa Securities had vide its letter dated 16 July 2014 approved the following:

(a) Admission to the Official List and the listing of and quotation for up to 349,935,118 Warrants to be issued pursuant to the Rights Issue with Warrants;

(b) Listing of up to 8,353,428 additional Existing Warrants arising from adjustment to the number of Existing Warrants pursuant to the Rights Issue with Warrants;

(c) Listing of up to 524,902,678 Rights Shares to be issued pursuant to the Rights Issue with Warrants;

(d) Listing of up to 349,935,118 new Flonic Shares to be issued pursuant to the exercise of Warrants; and

(e) Listing of up to 8,353,428 new Flonic Shares to be issued pursuant to the exercise of the additional Existing Warrants.

The abovesaid Bursa Securities' approval-in-principle is subject to the following conditions:

| | **Conditions** | **Status of Compliance** |
|---|---|---|
| (i) | Flonic and M&A Securities must fully comply with the relevant provisions under the ACE Market LR pertaining to the implementation of the Rights Issue with Warrants. | To be complied |
| (ii) | Flonic and M&A Securities to inform Bursa Securities upon the completion of the Rights Issue with Warrants. | To be complied |
| (iii) | Flonic to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue with Warrants is completed. | To be complied |
| (iv) | Flonic to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed (pursuant to the exercise of the new Warrants) as at the end of each quarter together with a detailed computation of listing fees payable. | To be complied |

On 21 August 2014, M&A Securities had on behalf of our Company sought a waiver from the SC from complying with paragraph 7.04 of the Part 1: Contents of Prospectus, Division 5: Abridged Prospectus of the Prospectus Guidelines. The said waiver was approved by SC vide its letter dated 22 September 2014, subject to the audited financial statements of Jiwa for the past three (3) financial years being included in the Abridged Prospectus. The audited financial statements of Jiwa for the past three (3) FYEs 30 September 2011, 2012 and 2013 are set out in **Appendix VIII**.

The official listing of and quotation for the Rights Shares and Warrants to be issued pursuant to the Rights Issue with Warrants will commence after, amongst others, receipt of confirmation from Bursa Depository that all the CDS Accounts of the Entitled Shareholders/renouncees are ready for crediting and notices of allotment have been despatched to them.

On 29 September 2014, M&A Securities, on our behalf, announced that the Entitlement Date has been fixed at 5.00 p.m. on 15 October 2014.

No person is authorised to give any information or make any representation not contained herein in connection with the Rights Issue with Warrants and if given or made, such information or representation must not be relied upon as having been authorised by M&A Securities or us.

**If you are in any doubt as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.**

## 2. DETAILS OF THE RIGHTS ISSUE WITH WARRANTS

### 2.1 Details of the Rights Issue with Warrants

The Rights Issue with Warrants involves a renounceable rights issue of up to 524,902,678 Rights Shares together with up to 349,935,118 Warrants at an issue price of RM0.07 per Rights Share on the basis of one (1) Rights Share for every one (1) existing Flonic Share held together with two (2) Warrants for every three (3) Rights Shares subscribed. The Rights Shares with Warrants will be offered to the Entitled Shareholders.

The Rights Issue with Warrants is renounceable in full or in part. Accordingly, Entitled Shareholders can subscribe for and/or renounce their entitlements to the Rights Shares in full or in part. The Rights Shares which are not taken up or invalidly taken up shall be made available for excess applications by the Entitled Shareholders and/or their renouncee(s). It is the intention of our Board to allocate the excess Rights Shares in a fair and equitable basis, more specified under Section 3.8 herein.

As at the LPD, Flonic has:

(i) an issued and paid-up share capital of RM19,980,062.40 comprising 399,601,248 Flonic Shares; and

(ii) 125,301,430 Existing Warrants.

Accordingly, up to 524,902,678 Rights Shares and up to 349,935,118 Warrants will be issued pursuant to the Rights Issue with Warrants, assuming all the Existing Warrants are exercised prior to the Entitlement Date and all Entitled Shareholders subscribe for their entitlements under the Rights Issue with Warrants in full.

The shareholders of our Company who renounce their entitlements to the Rights Shares will not be entitled to the Warrants and shall be deemed to have also renounced their entitlements to the Warrants. The shareholders of Flonic who accept only part of the Rights Shares shall only be entitled to the Warrants in the proportion to their acceptance of the Rights Shares. The Warrants will be immediately detached from the Rights Shares upon issuance and will be separately traded on the ACE Market of Bursa Securities.

The Warrants shall only be issued to the Entitled Shareholders who subscribe for the Rights Shares pursuant to the Rights Issue with Warrants. Should the Entitled Shareholders renounce all or any part of their entitlements to the Rights Shares, they will not be entitled to the Warrants attached thereto. The renunciation of the Rights Shares by the Entitled Shareholders will accordingly entail the renunciation of the Warrants to be issued together with the Rights Shares. Any Rights Shares with Warrants not taken up or allotted for any reasons, if any, will be made available for application under the excess Rights Shares with Warrants application.

As you are an Entitled Shareholder and the Rights Shares are prescribed securities, your CDS Account will be duly credited with the number of provisionally allotted Rights Shares with Warrants which you are entitled to subscribe for in full or in part under the terms of the Rights Issue with Warrants. You will find enclosed in this Abridged Prospectus, a NPA notifying you of the crediting of such securities into your CDS Account and a RSF to enable you to subscribe for the Rights Shares with Warrants provisionally allotted to you, as well as to apply for excess Rights Shares with Warrants if you so choose to.

Any dealing in our securities will be subject to, *inter-alia*, the provisions of the Securities Industry (Central Depositories) Act, 1991, the Securities Industry (Central Depositories) (Amendment) Act, 1998, the rules of Bursa Depository and any other relevant legislation. Accordingly, upon subscription, the Rights Shares with Warrants will be credited directly into the respective CDS Accounts of the successful applicants. No physical share or warrant certificates will be issued but notices of allotment will be despatched to the successful applicants.

### 2.2 Basis of determining the issue price of the Rights Shares and exercise price of the Warrants

#### (i) Rights Shares

Our Board had on 17 April 2014 fixed the issue price for the Rights Shares at RM0.07 per Rights Share after taking into consideration the following:

(a) the historical share price movement of Flonic Shares;

(b) the 5D-WAMP of Flonic Shares up to and including 16 April 2014 of RM0.08, being the market day immediately preceding price fixing date on 17 April 2014; and

(c) the par value of Flonic Shares of RM0.05 each.

The issue price of RM0.07 per Rights Share is the theoretical ex-rights price of Flonic Shares of RM0.07 per Share calculated based on the 5D-WAMP of Flonic Shares up to 16 April 2014 of RM0.08, being the market day immediately preceding price fixing date on 17 April 2014.

#### (ii) Warrants

Our Board had on 17 April 2014 fixed the exercise price for the Warrants at RM0.05 per Warrant after taking into consideration the following:

(a) the 5D-WAMP of Flonic Shares up to and including 16 April 2014 of RM0.08, being the market day immediately preceding price fixing date on 17 April 2014;

(b) the theoretical ex-rights price of Flonic Shares of RM0.07, calculated based on the 5D-WAMP up to and including 16 April 2014 of RM0.08; and

(c) the par value of Flonic Shares of RM0.05 each.

The exercise price of the Warrants at RM0.05 per Warrant represents a discount of 37.5% and 28.6% to the 5D-WAMP of Flonic Shares up to 16 April 2014, being the market date immediately preceding price fixing date on 17 April 2014 of RM0.08 and the theoretical ex-rights price calculated of Flonic Shares of RM0.07, respectively.

The Warrants are attached to the Rights Shares without any cost and will be issued in the proportion of two (2) Warrants for every three (3) Rights Shares subscribed by the Entitled Shareholders.

## 2.3 Ranking of the Rights Shares and new Flonic Shares to be issued

The Rights Shares shall, upon allotment and issuance, rank *pari passu* among themselves.

The new Flonic Shares to be issued pursuant to the Rights Issue with Warrants and exercise of the Warrants, if any, shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing issued and fully paid-up Flonic Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of the allotment of the new Flonic Shares.

## 2.4 Salient terms of the Warrants

Please refer to **Appendix II** of this Abridged Prospectus for the salient terms of the Warrants.

## 2.5 Minimum Subscription Level

The Rights Issue with Warrants will be implemented on a Minimum Subscription Level. In determining the minimum amount of RM10.0 million to be raised from the Rights Issue with Warrants, our Board has taken into consideration factors which include among others, the funding requirements of our Company, as set out in Section 5 of this Abridged Prospectus. Under the Minimum Subscription Level, 142,857,143 Rights Shares will be issued together with 95,238,095 Warrants.

The Company shall achieve the minimum subscription level based on the following:

(i) Undertaking from Datin Tan for at least 71,428,571 Rights Shares; and

(ii) Underwriting of up to 71,428,572 Rights Shares.

## 2.6 Undertaking by substantial shareholder

In order to meet part of the Minimum Subscription Level, our Company had, on 17 April 2014, procured the Undertaking from Datin Tan, our substantial shareholder, to subscribe for at least 71,428,571 Rights Shares pursuant to her entitlement under the Rights Issue with Warrants (51,161,824 Rights Shares) and/or via excess application (for at least 20,266,747 Rights Shares), as disclosed in the table below:

| | | | | | | Maximum Scenario | | Minimum Scenario | |
|---|---|---|---|---|---|---|---|---|---|
| | **No. of Shares held as at the LPD ('000)** | **%** | **No. of Shares entitled to under the Rights Issue with Warrants ('000)** | **%** | **Total of Rights Shares to be subscribed under the Undertaking ('000)** | **Shareholdings after the subscription of Rights Shares (1) ('000)** | **%** | **Shareholdings after the subscription of Rights Shares (2) ('000)** | **%** |
| Datin Tan | 51,162 | 12.8 | 51,162 | 12.8 | 71,429 | 102,324 | 9.8 | 122,591 | 22.6 |

*Notes:*

(1) *Based on the Maximum Scenario assuming all Entitled Shareholders subscribe for the Rights Issue with Warrants.*

(2) *Based on the Minimum Scenario assuming that save for the Undertaking, none of the other Entitled Shareholders subscribe for the Rights Issue with Warrants.*

Pursuant to the Undertaking, Datin Tan had confirmed that she has sufficient financial resources to take up the aforementioned 71,428,571 Rights Shares and such confirmation has been verified by M&A Securities.

Pursuant to the Undertaking and under the Minimum Scenario, the shareholdings of Datin Tan upon the completion of the Rights Issue with Warrants shall increase from 12.8% to 22.6%. The Undertaking by Datin Tan will not trigger any obligation under the Code and Datin Tan confirms that she will observe and comply at all times with the provisions of the Code.

However, should Datin Tan wish to exercise her Warrants, such that her respective resulting shareholding in Flonic increases above 33% or in the case where her substantial shareholdings is between 33% to 50%, an increase by more than 2% in any six (6) months period, she will be obliged under the Code to undertake a mandatory offer for all the remaining Flonic Shares not already held by her after the exercise of the Warrants. In such an event, she will seek the relevant exemptions under the Code should she not intend to undertake such mandatory offer.

### 2.7 Underwriting Agreement

Pursuant to the Underwriting Agreement, the Underwriter had agreed to underwrite the remaining 71,428,572 Rights Shares (representing 50% of the total issue size under the Minimum Scenario) not covered by the Undertaking ("Underwritten Shares") at an underwriting commission of 2.00% of the total value of the Underwritten Shares, subject to the terms and conditions of the Underwriting Agreement.

The underwriting commission for the Rights Shares and all reasonable costs in relation to the underwriting arrangement will be fully borne by our Company.

### 2.8 Details of other corporate exercises

As at the LPD, save for the Rights Issue with Warrants, our Board confirms that there is no other outstanding corporate exercise which we intend to undertake, which have been announced but pending completion.

## 3. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT AND EXCESS APPLICATION

### 3.1 General

If you are an Entitled Shareholder, your CDS Account will be duly credited with the number of provisionally allotted Rights Shares with Warrants, which you are entitled to subscribe for in full or in part under the terms of the Rights Issue with Warrants. You will find enclosed with this Abridged Prospectus, the NPA notifying you of the crediting of such provisionally allotted Rights Shares with Warrants into your CDS Account and the RSF to enable you to subscribe for the Rights Shares with Warrants provisionally allotted to you, as well as to apply for excess Rights Shares with Warrants if you choose to do so.

### 3.2 NPA

The provisional allotted Rights Shares with Warrants are prescribed securities pursuant to Section 14(5) of the Securities Industry (Central Depositories) Act, 1991 and therefore, all dealings in the provisionally allotted Rights Shares with Warrants will be by book entries through CDS Accounts and will be governed by the Securities Industry (Central Depositories) Act, 1991, the Securities Industry (Central Depositories) (Amendment) Act, 1998 and the Rules of Bursa Depository. Entitled Shareholders and/or their renouncees (if applicable) are required to have valid and subsisting CDS Accounts when making their applications.

### 3.3 Last date and time of acceptance and payment

The last date and time for acceptance and payment for the Rights Shares with Warrants is on 31 October 2014 at 5.00 p.m., or such later date and time as may be determined and announced by our Board at their absolute discretion.

### 3.4 Procedure for full acceptance and payment

Acceptance and payment for the Rights Shares with Warrants provisionally allotted to you as an Entitled Shareholder or your renouncee(s) (if applicable) must be made on the RSF enclosed with this Abridged Prospectus and must be completed in accordance with the notes and instructions contained in the RSF. Acceptances which do not conform to the terms of this Abridged Prospectus, NPA or RSF or the notes and instructions contained in these documents or which are illegible may not be accepted at the absolute discretion of our Board.

**FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES WITH WARRANTS PROVISIONALLY ALLOTTED TO YOU AND/OR YOUR RENOUNCEE(S) (IF APPLICABLE), EXCESS APPLICATION FOR THE RIGHTS ISSUE WITH WARRANTS AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU OR YOUR RENOUNCEE(S) (IF APPLICABLE) WISH TO SELL/TRANSFER ALL OR ANY PART OF YOUR/THEIR ENTITLEMENTS, ARE SET OUT IN THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF.**

**YOU AND/OR YOUR RENOUNCEE(S) (IF APPLICABLE) ARE ADVISED TO READ THIS ABRIDGED PROSPECTUS, THE RSF AND THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY.**

You or your renouncee(s) (if applicable) accepting the provisionally allotted Rights Shares are required to complete Part I and Part III of the RSF in accordance with the notes and instructions provided therein. Each completed RSF together with the relevant payment must be despatched by **ORDINARY POST** or **DELIVERED BY HAND** using the envelope provided (at your own risk) to our Share Registrar at the following address:

ShareWorks Sdn Bhd
No. 2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur

so as to arrive not later than 5.00 p.m. on 31 October 2014, being the last time and date for acceptance and payment, or such extended time and date as may be determined and announced by our Board.

One (1) RSF can only be used for acceptance of provisionally allotted Rights Shares with Warrants standing to the credit of one (1) CDS Account. Separate RSFs must be used for the acceptance of provisionally allotted Rights Shares with Warrants standing to the credit of more than one (1) CDS Account. If successful, Rights Shares with Warrants subscribed by you or your renouncee(s) (if applicable) will be credited into the respective CDS Accounts where the provisionally allotted Rights Shares with Warrants are standing to the credit.

A reply envelope is enclosed with this Abridged Prospectus. To facilitate the processing of the RSFs by our Share Registrar, you are advised to use one (1) reply envelope for each completed RSF.

You and/or your renouncee(s) (if applicable) should take note that a trading board lot for the Rights Shares with Warrants will comprise 100 Rights Shares and 100 Warrants each respectively. Successful applicants of the Rights Shares will be given free attached Warrants on the basis of two (2) Warrants for every three (3) Rights Shares successfully subscribed for. The minimum number of securities that can be subscribed for or accepted is one (1) Rights Share. However, the Warrants will be issued in the proportion of two (2) Warrants for every three (3) Rights Shares subscribed. Fractions of a Warrant arising from the Rights Issue with Warrants will be dealt with by our Board as they may deem fit.

If acceptance and payment for the Rights Shares with Warrants provisionally allotted to you and/or your renouncee(s) (if applicable) is not received by the Share Registrar on 31 October 2014 by 5.00 p.m., being the last date and time for acceptance and payment, or such extended date and time as may be determined and announced by our Board at their discretion, you and/or your renouncee(s) (if applicable) will be deemed to have declined the provisional allotment made to you and/or your renouncee(s) (if applicable) and it will be cancelled.

Such Rights Shares with Warrants not taken up will be allotted to the applicants applying for excess Rights Shares with Warrants, and subsequently, to the Underwriter, if the Rights Shares with Warrants are not fully taken up by such applicants. Proof of time of postage shall not constitute proof of time of receipt by the Share Registrar. Our Board reserves the right not to accept or to accept in part only any application without providing any reasons.

You or your renouncee(s) (if applicable) who lose, misplace or for any other reasons require another copy of the RSF may obtain additional copies from your stockbrokers, Bursa Securities' website (http://www.bursamalaysia.com), our Share Registrar at the address stated above or our Registered Office.

**EACH COMPLETED RSF MUST BE ACCOMPANIED BY REMITTANCE IN RM FOR THE FULL AMOUNT IN THE FORM OF BANKER'S DRAFT(S), CASHIER'S ORDER(S), MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY" AND MADE PAYABLE TO "FLONIC RIGHTS ISSUE ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH THE NAME, ADDRESS AND CDS ACCOUNT NUMBER OF THE APPLICANT IN BLOCK LETTERS TO BE RECEIVED BY OUR SHARE REGISTRAR.**

**APPLICATIONS ACCOMPANIED BY PAYMENT OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.**

**NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE RIGHTS ISSUE WITH WARRANTS. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS SHARES WITH WARRANTS, AND NOTICES OF ALLOTMENT WILL BE ISSUED AND DESPATCHED BY ORDINARY POST TO THEM OR THEIR RENOUNCEES (IF APPLICABLE) AT THEIR OWN RISK TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITARY WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS ISSUE WITH WARRANTS.**

**APPLICANTS SHOULD NOTE THAT THE RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.**

**WHERE AN APPLICATION IS NOT ACCEPTED OR ACCEPTED ONLY IN PART, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO THE APPLICANTS WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS ISSUE WITH WARRANTS BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITARY AT THE APPLICANTS' OWN RISK.**

**APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.**

### 3.5 Procedure for part acceptance

You can accept part of your provisionally allotted Rights Shares with Warrants. The minimum number of securities that can be subscribed for or accepted is one (1) Rights Share. However, the Warrants will be issued in the proportion of two (2) Warrants for every three (3) Rights Shares subscribed. Fractions of a Warrant arising from the Rights Issue with Warrants will be dealt with by our Board as they may deem fit.

You must complete both Part I of the RSF by specifying the number of the Rights Shares with Warrants which you are accepting and Part III of the RSF and deliver the completed RSF together with the relevant payment to our Share Registrar in the manner set out in Section 3.4 of this Abridged Prospectus.

The portion of the provisionally allotted Rights Shares with Warrants that have not been accepted shall be allotted to any other persons allowed under the laws, regulations or rules to accept the transfer of the provisional allotment of the Rights Shares with Warrants and the balance, if any, thereafter to the Underwriter.

### 3.6 Procedure for sale/transfer of provisional allotment of Rights Shares with Warrants

As the provisionally allotted Rights Shares with Warrants are prescribed securities, you and/or your renounce(s) (if applicable) may sell/transfer all or part of your entitlement to the Rights Shares with Warrants to one (1) or more person(s) through your stockbrokers without first having to request for a split of the provisional allotted Rights Shares with Warrants standing to the credit of your CDS Accounts. To sell/transfer of all or part of your entitlement to the Rights Shares with Warrants, you and/or your renounce(s) (if applicable) may sell such entitlement in the open market or transfer to such persons as may be allowed pursuant to the rules of Bursa Depository.

In selling/transferring all or part of your provisionally allotted Rights Shares with Warrants, you and/or your renouncee(s) (if applicable) need not deliver any document including the RSF, to the stockbroker. However, you and/or your renouncee(s) (if applicable) must ensure that there is sufficient provisionally allotted Rights Shares with Warrants standing to the credit of your CDS Accounts that are available for settlement of the sale or transfer.

Purchasers or transferees of the provisionally allotted Rights Shares with Warrants may obtain a copy of this Abridged Prospectus and the RSF from their stockbrokers or from our Share Registrar, or at our Registered Office. This Abridged Prospectus and RSF are also available on Bursa Securities' website (http://www.bursamalaysia.com).

### 3.7 Procedure for acceptance by renouncees

Renouncees who wish to accept the provisionally allotted Rights Shares with Warrants must obtain a copy of the RSF from their stockbrokers, our Share Registrar, or at our Registered Office or from the Bursa Securities' website (http://www.bursamalaysia.com) and complete the RSF, submit the same together with the remittance in accordance with the notes and instructions printed therein.

The procedure for acceptance and payment applicable to the Entitled Shareholders as set out in Section 3.4 of this Abridged Prospectus also applies to renouncees who wish to accept the provisionally allotted Rights Shares with Warrants.

**RENOUNCEES ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENT OF THIS ABRIDGED PROSPECTUS AND ADHERE TO THE NOTES AND INSTRUCTIONS CONTAINED IN THIS ABRIDGED PROSPECTUS AND THE RSF CAREFULLY.**

### 3.8 Procedure for excess application

As an Entitled Shareholder, you and/or your renouncee(s) (if applicable) may apply for excess Rights Shares with Warrants in addition to the Right Shares with Warrants provisionally allotted to you and/or your renouncee(s) (if applicable) by completing Part II of the RSF (in addition to Parts I and III) and forward it (together with a **separate remittance** for the full amount payable in respect of the excess Rights Shares with Warrants applied for) to our Share Registrar at the address set out above, so as to arrive not later than 5.00 p.m. on 31 October 2014, being the last time and date for acceptance and payment, or such extended time and date as may be determined by our Board.

Payment for the excess Rights Shares with Warrants applied for should be made in the same manner set out in Section 3.4 of this Abridged Prospectus, except that the Banker's Draft(s), Cashier's Order(s), Money Order(s) or Postal Order(s) drawn on a bank or post office in Malaysia crossed **"A/C PAYEE ONLY"** and made payable to **"FLONIC EXCESS RIGHTS ISSUE ACCOUNT"** and endorsed on the reverse side with the name, address and CDS Account Number of the applicant in block letters to be received by our Share Registrar.

Our Board reserves the right to allot the excess Rights Shares with Warrants applied for under Part II of this RSF, in a fair and equitable basis and in such manner as they in their absolute discretion deem fit and expedient in the best interest of our Company and that the intention of our Board as set out below are achieved. It is the intention of our Board to allot the excess Rights Shares with Warrants in the following priority:

(i) firstly, to minimise the incidence of odd lots;

(ii) secondly, for allocation to Entitled Shareholders who have applied for excess Rights Shares with Warrants on a pro-rata basis and in board lot, calculated based on their respective shareholdings as at the Entitlement date;

(iii) thirdly, for allocation to Entitled Shareholders who have applied for excess Rights Shares with Warrants on a pro-rata basis based on the quantum of their respective excess Rights Shares with Warrants application; and

(iv) fourthly, for allocation to transferee(s) and/or renouncee(s) who have applied for excess Rights Shares with Warrants on a pro-rata basis based on the quantum of their respective excess Rights Shares with Warrants application.

**NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE EXCESS RIGHTS SHARES WITH WARRANTS. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS SHARES WITH WARRANTS, AND NOTICES OF ALLOTMENT WILL BE ISSUED AND DESPATCHED BY ORDINARY POST TO THE APPLICANTS AT THEIR OWN RISK TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS.**

**YOU SHOULD NOTE THAT THE RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.**

**IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCCESSFUL EXCESS RIGHTS SHARES WITH WARRANTS APPLICATIONS, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST TO THE APPLICANTS WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITARY AT THE APPLICANTS' OWN RISK.**

### 3.9 Form of issuance

Bursa Securities has already prescribed our Shares listed on the ACE Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights Shares with Warrants are prescribed securities and as such, the Securities Industry (Central Depositories) Act, 1991, Securities Industry (Central Depositories) (Amendment) Act, 1998 and the rules of Bursa Depository shall apply in respect of the dealings in the said securities.

Failure to comply with the specific instructions or inaccuracy in the CDS Account number may result in the application being rejected.

No physical share or warrant certificates will be issued to you under the Rights Issue with Warrants. Instead, the Rights Shares with Warrants will be credited directly into your CDS Accounts. The notices of allotment will be issued and forwarded to you by ordinary post at your own risk to the address shown in the Record of Depositors within eight (8) Market Days from the last date for acceptance and payment of the Rights Issue with Warrants.

Any person who intends to subscribe for the Rights Shares with Warrants as a renouncee by purchasing the provisional allotment of Rights Shares with Warrants from an Entitled Shareholder will have his Rights Shares with Warrants credited directly as prescribed securities into his CDS Account.

The excess Rights Shares with Warrants, if allotted to the successful applicant who applies for excess Rights Shares with Warrants, will be credited directly as prescribed securities into his CDS Account.

### 3.10 Laws of foreign jurisdictions

This Abridged Prospectus, the NPA and the RSF have not been (and will not be) made to comply with the laws of any foreign jurisdiction and have not been (and will not be) lodged, registered or approved pursuant to or under any legislation (or with or by any regulatory authorities or other relevant bodies) of any foreign jurisdiction. The Rights Issue with Warrants will not be made or offered in any foreign jurisdiction.

Foreign Entitled Shareholders or their renouncees (if applicable) may only accept or renounce (as the case may be) all or any part of their entitlements and exercise any other rights in respect of the Rights Issue with Warrants only to the extent that it would be lawful to do so.

M&A Securities, our Company, our Board and officers and other experts would not, in connection with the Rights Issue with Warrants, be in breach of the laws of any jurisdiction to which that foreign Entitled Shareholders or their renouncees (if applicable) are or may be subject to. Foreign Entitled Shareholders or their renouncees (if applicable) shall solely be responsible to seek advice as to the laws of the jurisdictions to which they are or may be subject to. M&A Securities, our Company, our Board and officers and other experts shall not accept any responsibility or liability in the event that any acceptance or renunciation made by any foreign Entitled Shareholders or renouncees (if applicable), is or shall become unlawful, unenforceable, voidable or void in any such jurisdiction.

Accordingly, this Abridged Prospectus together with the accompanying documents will not be sent to the foreign Entitled Shareholders or their renouncees (if applicable) who do not have a registered address in Malaysia. However, such foreign Entitled Shareholders or their renouncees (if applicable) may collect the Abridged Prospectus including the accompanying documents from our Share Registrar, in which event our Share Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the aforesaid documents.

The foreign Entitled Shareholders or their renouncees (if applicable) will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such jurisdiction and we shall be entitled to be fully indemnified and held harmless by such foreign Entitled Shareholders or their renouncee(s) (if applicable) for any issue, transfer or other taxes or duties as such person may be required to pay. They will have no claims whatsoever against M&A Securities or us in respect of their rights and entitlements under the Rights Issue with Warrants. Such foreign Entitled Shareholders or their renouncee(s) (if applicable) should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to accept the Rights Issue with Warrants.

By signing any of the forms accompanying this Abridged Prospectus, the NPA, and the RSF, the foreign Entitled Shareholders or their renouncees (if applicable) are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) M&A Securities, our Company and our Board and officers and other experts that:

(i) we would not, by acting on the acceptance or renunciation in connection with the Rights Issue with Warrants, be in breach of the laws of any jurisdiction to which that foreign Entitled Shareholders or renouncees (if applicable) are or may be subject to;

(ii) they have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation;

(iii) they are not a nominee or agent of a person in respect of whom we would, by acting on the acceptance or renunciation, be in breach of the laws of any jurisdiction to which that person is or may be subject to;

(iv) they are aware that the Rights Shares with Warrants can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;

(v) they have respectively received a copy of this Abridged Prospectus and have had access to such financial and other information and have been afforded the opportunity to pose such questions to the representatives of our Company and receive answers thereto as they deem necessary in connection with their decision to subscribe for or purchase the Rights Shares with Warrants; and

(vi) they have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Shares with Warrants, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights Shares with Warrants.

Persons receiving this Abridged Prospectus, NPA and RSF (including without limitation custodians, nominees and trustees) must not, in connection with the offer, distribute or send it into any jurisdiction, where to do so would or might contravene local securities, exchange control or relevant laws or regulations. If this Abridged Prospectus, NPA and RSF are received by any persons in such jurisdiction, or by the agent or nominee of such a person, he must not seek to accept the offer unless he has complied with and observed the laws of the relevant jurisdiction in connection herewith.

Any person who does forward this Abridged Prospectus, NPA and RSF to any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section and we reserve the right to reject a purported acceptance of the Rights Shares with Warrants from any such application by foreign Entitled Shareholders or their renouncees (if applicable) in any jurisdiction other than Malaysia.

Our Company reserves the right, in its absolute discretion, to treat any acceptance of the Rights Shares with Warrants as invalid if it believes that such acceptance may violate any applicable legal or regulatory requirements in Malaysia.

## 4. RATIONALE FOR THE RIGHTS ISSUE WITH WARRANTS

After the implementation of the Rights Issue with Warrants, a major portion of the proceeds to be raised (RM6.78 million under the Minimum Scenario and RM33.52 million under the Maximum Scenario) from the Rights Issue with Warrants will be utilised for working capital and capital expenditure for the Flonic Group's existing business and RM2.63 million will be utilised for the acquisition of 21% equity interest in Jiwa, which are set out in Section 5.

As such, the Rights Issue with Warrants is the most appropriate method of raising funds, as it will enable the Company to expand its interior design and non-ferrous metal building materials businesses without incurring interest costs as compared to other means of financing such as through bank borrowings or the issuance of debt instruments in order to meet the Company's funding requirement as set out in Section 5 below. The investment in the above mentioned industries will contribute positively to the Flonic Group's future earnings.

The Rights Issue with Warrants also achieves the following:

(a) To enable our Company to raise the necessary funds required for further growth without incurring additional interest cost as compared to bank borrowings;

(b) The Rights Issue with Warrants provides an opportunity for the existing shareholders to further participate in the equity of our Company and the future prospects and growth of our Company. The Undertaking allows Datin Tan, our substantial shareholder to extend her support for the Rights Issue with Warrants which will facilitate our Company to raise the necessary funds for the purpose as mentioned in Section 5 below;

(c) The Warrants attached to the Rights Shares are expected to enhance the attractiveness of the Rights Shares. It provides the shareholders with the option to further participate in the equity of our Company at a pre-determined price and enable them to benefit from the future growth of our Company and any potential capital appreciation arising thereof;

(d) The Rights Issue with Warrants will strengthen our Company's financial position with enhanced shareholders' funds. These factors are expected to facilitate the continuous business expansion plans of our Company;

(e) The Rights Issue with Warrants will involve the issuance of new Flonic Shares without diluting the existing shareholders' equity interest, assuming all Entitled Shareholders fully subscribe for their respective entitlements; and

(f) The Rights Issue with Warrants will also provide our Company with additional capital when the Warrants are exercised in the future. The exercise of the Warrants will allow our Company to raise fresh proceeds without incurring additional financing cost and minimise any potential cash outflow in respect of interest servicing.

The Warrants have been attached to the Rights Shares to provide the Entitled Shareholders added incentive to subscribe for the Rights Shares. The issuance of Warrants is expected to enhance the attractiveness of the Rights Issue with Warrants as well as to enable our Company to raise further proceeds as and when any of the Warrants are exercised in the future. In addition, the Warrants would also enable the Entitled Shareholders to benefit for the future growth of our Company.

## 5. UTILISATION OF PROCEEDS

Based on the issue price of RM0.07 per Rights Share, the Rights Issue with Warrants is expected to raise gross proceeds of RM10.00 million (under the Minimum Scenario) and RM36.74 million (under the Maximum Scenario).

The details of the utilisation of gross proceeds from the Rights Issue with Warrants are as follows:

| **Details of utilisation** | **Utilisation timeframe (from listing of Rights Shares)** | **Notes** | **Minimum Scenario RM'000** | **Maximum Scenario RM'000** |
|---|---|---|---|---|
| Acquisition of 21% equity interest in Jiwa | Within 3 months | 5.1 | 2,625 | 2,625 |
| Working capital and capital expenditure | Within 24 months | 5.2 | 6,775 | 33,518 |
| Expenses for the Rights Issue with Warrants | Within one (1) month | 5.3 | 600 | 600 |
| **Total** | | | **10,000** | **36,743** |

### 5.1 Acquisition of 21% equity interest in Jiwa

Our Company had on 7 January 2013 entered into the following:

(a) a share sale agreement with Harris Hans Chua and Roy Thean Chong Yew (collectively, the "Jiwa Vendors") for the proposed acquisition of 300,000 Jiwa Shares (representing a 30% equity interest in Jiwa) by Flonic from the Jiwa Vendors for a total cash consideration of RM3.75 million ("Jiwa Acquisition") ("SSA"). The Jiwa Acquisition was completed on 30 April 2013; and

(b) an option agreement with the Jiwa Vendors for the option to purchase an additional 210,000 Jiwa Shares (representing 21% equity interest in Jiwa) from the Jiwa Vendors for a cash consideration of RM2,625,000 within 12 months from the date of completion of the SSA ("Option Period") ("Option Agreement"). In a letter dated 20 February 2014, the parties had agreed to extend the Option Period up to 31 October 2014. The Option Period was further extended to 31 January 2015 in a letter dated 29 September 2014.

As such, our Company shall utilise RM2.625 million from the proceeds raised from the Rights Issue with Warrants for the exercise of its option under the Option Agreement to purchase an additional 210,000 Jiwa Shares from Jiwa Vendors, representing an additional 21% equity interest in Jiwa.

Upon the completion of the above, Flonic's equity interest in Jiwa shall increase from 30% to 51%. The Jiwa Acquisition (including the Option Agreement) was approved by our shareholders on 28 February 2013. For more details of the Jiwa Acquisition and the Option Agreement, please refer to our circular to shareholders dated 8 February 2013.

### 5.2 Working capital and capital expenditure

The total proceeds of between RM6.775 million (under the Minimum Scenario) and RM33.518 million (under the Maximum Scenario) shall be utilised as working capital and capital expenditure for our Group's existing business as follows:

| **Description** | **Minimum Scenario RM'000** | **Maximum Scenario RM'000** |
|---|---|---|
| **Working capital comprising the following:** | | |
| (i) Salaries and benefits | 1,500 | 4,200 |
| (ii) On-going projects* undertaken by Jiwa Group including but not limited to the purchase of raw materials and payment to sub-contractors | 3,000 | 5,000 |
| (iii) Purchase of non-ferrous metal building materials for our Company's building materials trading division under Flonic Engineering Sdn Bhd | 1,575 | 9,518 |
| (iv) Future projects to be secured by Jiwa^ | - | 10,500 |
| (v) Sales and marketing expenses to be utilised by Flonic | - | 1,800 |

| Description | Minimum Scenario RM'000 | Maximum Scenario RM'000 |
|---|---|---|
| **Capital expenditure comprising the following:** | | |
| (i) Purchase of new motor vehicles and equipment for the Jiwa Group's operations involving manufacturing, project management, design and mechanical and engineering services. These include the following: | | |
| • 2 units of service vans | 160 | 400 |
| • tools and equipment<br>- 6 units of slide miter saw<br>- 8 units of Ken 7210 miter saw<br>- 8 units of Makita 3709 trimmer<br>- 10 units of collapsible foldable wheeled trolley<br>- 4 units of hand pallet truck<br>- 10 units of walkie talkie<br>- 5 units of circular saw<br>- 10 units of cordless driver drill<br>- 10 units of infrared thermometer<br>- 10 units of digital camera | 50 | 100 |
| • spare parts inventory<br>- 5 units of grinding roller and levelling table<br>- 5 units of ducting, bend, square to round fittings<br>- 50 units of saw blade<br>- 100 units of coil heater<br>- 100 units of solenoid valve<br>- 100 units of electronic float valve<br>- 100 units of thermostat water heater | 100 | 300 |
| • expansion of manufacturing facility in Melaka<br>To rent a 10,000 square feet area at a nearby location to the current factory in Bukit Rambai Industrial Zone, Melaka and setup storage facilities for finished goods and raw material. The expansion will include new factory storage system, acquiring new equipment e.g. profile sander, water spray booth and motizer machine. The expansion is mainly for storage facility as the Company intends to provide off-site support via prefabrication of furniture components for future projects<br><br>The purchase of equipment is expected to increase the production capacity by approximately 20%. | - | 700 |

| Description | | Minimum Scenario RM'000 | Maximum Scenario RM'000 |
|---|---|---|---|
| | • upgrading of manufacturing machinery and equipment | - | 120 |
| (ii) | Purchase of office equipment including computers, servers and software for expansion of the Jiwa Group's operations involving project management, design and mechanical and engineering services.<br><br>These include the following: | | |
| | • 10 units of personal computers | 40 | 80 |
| | • IBusiness System upgrade (business management system) | 100 | 100 |
| | • Accounting System upgrade to incorporate IBusiness System integration and Government Service Tax (GST) features | 50 | 80 |
| | • A0 size plotter | - | 30 |
| | • Design software and equipment - Sketchup Pro | - | 60 |
| | • Colour printer/copier | - | 30 |
| (iii) | Comprises payment for maintenance of machinery and equipment and/or purchase of replacement machinery/equipment parts used in the Jiwa Group's production operations | 200 | 500 |
| **Total** | | **6,775** | **33,518** |

*Notes:*

* *The major projects that Jiwa Group is involved in ie, with total contract sum of RM5.0 million and above are as follows:*

| ***Name of project*** | ***Location*** | ***Area of work*** | ***Total contract sum (RM '000)*** | ***Estimated remaining project value (RM '000)*** | ***Estimated period*** |
|---|---|---|---|---|---|
| *Hotel Royal* | *Kuala Lumpur* | *Carpentry and renovation works and supply of loose furniture* | *9,427* | *6,683* | *June 2012 to June 2015* |
| *Laguna 3 Apartments* | *Lumut, Perak* | *Design and build for interior design works* | *10,000* | *10,000* | *2 years from date of notification by project owner#* |

| ***Name of project*** | ***Location*** | ***Area of work*** | ***Total contract sum (RM '000)*** | ***Estimated remaining project value (RM '000)*** | ***Estimated period*** |
|---|---|---|---|---|---|
| *Boutique Hotel* | *Kuala Lumpur* | *Design and build for interior design works* | *10,000* | *10,000* | *November 2014 to October 2016* |
| | | ***Total*** | ***29,427*** | ***26,683*** | |

*Note:*

\# *The Laguna 3 apartment project is currently delayed as the project owner will only notify Jiwa to start work after it achieves a certain sales target, ie, when the project owner achieves 50% sales for the project.*

^ *At this juncture, the remaining RM10.5 million to be raised under the Maximum Scenario has been earmarked by our Board for use as working capital for future projects to be secured. However, the exact details for utilisation have yet to be determined at this juncture. Pending utilisation, the RM10.5 million will be placed in interest-bearing fixed deposit accounts with licensed financial institution(s) or in short-term money market instruments.*

### 5.3 Expenses for the Rights Issue with Warrants

The following summarises the estimated expenses incidental to our Rights Issue with Warrants to be borne by our Group as follows:

| **Estimated Listing Expenses** | **RM'000** | **%** |
|---|---|---|
| Professional fees * | 400 | 66.6 |
| Fees payable to the authorities | 10 | 1.7 |
| Printing and advertising fees | 50 | 8.3 |
| Underwriting fees | 100 | 16.7 |
| Contingencies ^ | 40 | 6.7 |
| **Total** | **600** | **100.0** |

*Notes:*

* *Includes advisory fees for, amongst others, our Adviser, Solicitors, Reporting Accountants and Independent Market Researcher.*

^ *Other incidental or related expenses in connection with our Rights Issue with Warrants.*

In the event that the actual expense is less than the allocated amount, the excess allocated amount shall be utilised as working capital for our Group. If the actual expenses incurred are higher than the allocated amount, the deficit will be funded out of the portion allocated for working capital.

### 5.4 Future exercise of Warrants

Based on the exercise price of RM0.05 per Warrant, our Company will raise gross proceeds of RM4.76 million (under the Minimum Scenario) and RM17.50 million (under the Maximum Scenario) from the full exercise of the Warrants. Any proceeds arising from the exercise of the Warrants in the future shall be utilised for capital expenditure, investment opportunities and/or working capital of the Flonic Group. The exact details of the utilisation of such proceeds, including the breakdown of the utilisation have not been determined. Pending full utilisation, we intend to place the proceeds from the Rights Issue with Warrants (including accrued interest, if any) or the balance thereof in interest-bearing deposit accounts with licensed financial institution(s) or in short-term money market instruments, as our Board may deem fit.

Pending utilisation of the proceeds from the Rights Issue with Warrants for the above purpose, the proceeds will be placed in deposits with financial institutions or short-term money market instruments. The interest derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as additional working capital of our Group.

The proceeds to be utilised above is expected to directly contribute positively to our Group's future earnings. This is further described in Section 8.3 of this Abridged Prospectus.

## 6. RISK FACTORS

In running our business activities, we face risks which may have potential impact to our Group's performance unless proper anticipation and mitigation measures are exercised.

In addition to other information contained in this Abridged Prospectus, you should carefully consider the following risk factors before subscribing for or investing in the Rights Issue with Warrants. There may be additional risk factors, which are not disclosed below, that are not presently known to us or that we currently deem to be less significant, which may materially and adversely affect our business, financial condition, results of operation and prospects.

### 6.1 Risks relating to our Group

We are exposed to certain risks in the interior design and non-ferrous metal building material industry. These risks include, without limitation, the following:

#### (i) Business risks

Our Group's revenue and operating results could be adversely affected by many factors which include, amongst others, changes in general economic, business and credit conditions, fluctuation in foreign exchange rates, changes in demand for and market acceptance of our products and services, our ability to introduce new products and services and enhancements in a timely manner, rapid technologies changes, increase in operating expenses, lower profit margins due to pricing and delay in expansion plans.

Our Group's risk is mitigated through, *inter-alia* prudent management policies, keeping abreast with the new developments and technologies in the relevant industries and maintaining good relationship with our customers and suppliers. In addition, our Group had on 28 February 2013 obtained shareholders' approval on the diversification of our principal activities to include project management, interior fit out, manufacturing and trading in wood furniture ("Diversification"). The Diversification is in line with our strategic plans to grow our Group with a more diversified range of services to be provided and clientele and to reduce the reliance on our existing core business in design, distribution and manufacture of precision cleaning systems, which is on a decreasing trend.

Although the management of our Group strives to mitigate these risks, no assurance can be given that any changes in these factors will not have a material effect on the businesses. Further, changes in the general economy and credit conditions could materially affect the financial prospects of our Group's business.

**(iii) Dependence on outlook of the property market**

Both the interior design industry and non-ferrous metal building materials industry are highly dependent on the outlook of the property market. In turn, the property market is dependent on the continued growth of the Malaysian economy and is vulnerable to unfavourable growth in inflation, interest rates and taxation, as well as any adverse developments in property prices or in the supply and demand of building materials and property units. The property market is also cyclical in nature and it may be adversely affected by any downturn in economic, political, social and regulatory developments.

The anti-speculation measures taken by the Government, such as the real property gains tax and the prohibition of the developer interest bearing scheme as announced in Budget 2014 have an impact, in terms of the deceleration of the primary market. The primary market refers to the property units built by property development companies and then handed over directly to the first purchaser, as opposed to the secondary market which refers to the property units sold by those who bought them from a property development company or another owner.

If any of the risks described above materialised and deteriorated, our returns on investments may be lower than originally expected and our financial condition may be materially and adversely affected. However, they may be mitigated by the secondary market which has lower property prices as compared to the primary market, and which is still active as they are deemed affordable. Properties in the secondary market do undergo renovation and refurbishment periodically, which is anticipated to further spur demand for interior design services and non-ferrous metal building materials.

**(iv) Competition**

Our Group may face competition from international and domestic players in both the interior design and non-ferrous metal building material industry and there may be no assurance that our Group will be able to maintain its existing market share in the future. Notwithstanding the above, we expect that as an established company, we can continue to strive to remain highly competitive and expected to maintain and/or expand our market share for our products through our technical expertise and management team of our Group. The interior design market in Malaysia amounted to about RM1.2 billion in 2013 and as our Group recorded a revenue of approximately RM10.2 million in that year, our Group is estimated to have a market share of 0.9% in the same year. In the case of aluminium-based building materials, the market size in Malaysia was worth about RM1.8 billion in 2013, and as our Group registered revenue of RM13.6 million, our Group recorded a market share of 0.8% in the same year. *(Source: The Interior Design Industry and Non-Ferrous Metal Building Materials Industry in Malaysia, Infobusiness Research & Consulting Sdn Bhd)*

In addition, future success will depend significantly upon our ability to respond to changing market conditions and demand, and employ marketing strategies that will suitably position our Group's to fulfil the need of our target market.

**(v) Dependence on key personnel**

Our Group believes that its continued success will depend significantly on the abilities and continued efforts of our Directors and senior management. With our Group's human resources strategies to retain competent personnel such as by encouraging participative management, providing competitive and performance based remuneration, adopting succession planning for key positions and providing employees with a variety of on-going training programs to upgrade their knowledge and capabilities, our Group's management has expanded and strengthened over the years. Thus, our Group is confident that it would not face difficulties when the younger members of our management team eventually take over from their seniors in the future. In addition, every effort is made to recruit and retain skilled personnel to ensure the continued growth of our Group. However, the loss of key members of the senior management team could adversely affect our Group's ability to compete in the industry.

**(vi) Political, economic and regulatory considerations**

Our operations and financial performance may be adversely affected by unfavourable political, economic and regulatory developments. These factors include the level of inflation, interest rates, exchange rates and changes in political leadership and Government's fiscal and monetary regulatory policies.

Whilst our Group strives to continue to take effective measures such as prudent financial management and efficient operating procedures, there is no assurance that adverse political, economic and regulatory factors will not materially affect our Group.

**(vii) System disruption**

Our Group did not experience any material disruption in relation to our manufacturing business arising from security and system disruption in our factory which affected our operation in the past twelve (12) months prior to the date of this Abridged Prospectus. Our Board does not foresee any disruption to the security and system of our Group's operation which may materially affect our Group's output. In addition, our Group has a regular maintenance schedule for our machinery and equipment. Notwithstanding this, there is no assurance that security and system disruption will not materially affect our Group's business in the future.

**(viii) Environmental concern**

Our Board believes that our Group's existing operations have presently complied with the relevant regulations governing environment concerns and matters within Malaysia. Notwithstanding the above, there is no assurance that the operations and performance of our Group will not be adversely affected should our Government change the relevant regulations which would result in our Group incurring additional costs for compliance thereof, including but not limited to varying its operating procedures and/or acquiring new production techniques or facilities.

## 6.2 Risks relating to the Rights Issue with Warrants

### (i) No prior market for the Rights Shares and/or Warrants

There can be no assurance that there will be an active market for the Rights Shares and/or Warrants upon or subsequent to their listing on the ACE Market of Bursa Securities or, if developed, that such a market sustainable or adequately liquid during the tenure of the Rights Shares and/or Warrants.

The market price of the Rights Shares and Warrants, like all listed securities traded on Bursa Securities, is subject to fluctuations and will be influenced by, *inter-alia*, trades in substantial amount of the Rights Shares and Warrants on the ACE Market of Bursa Securities in the future, the market price and volatility of Flonic Shares, announcements relating to the business of our Group, the financial performance of our Group, and exercise period of the Warrants.

In addition to the fundamentals of Flonic, the future price performance of the Rights Shares and Warrants will also depend on various external factors such as the economic and political conditions of the country, sentiments and liquidity in the local stock market as well as the performance of regional and world bourses.

On the other hand, the market price of Flonic Shares will be influenced by, *inter-alia*, the prevailing market sentiments, volatility of the stock market of the country, operating results of our Group and prospects of the industries in which our Group operates.

As each Rights Share will be issued at RM0.07, there can be no assurance that the market price of the Rights Shares, upon or subsequent to their listing, will remain at or above the issue price.

In addition, there can be no assurance that the exercise price of the Warrants will be less than the prevailing market price of Flonic Shares during the tenure of the Rights Shares and Warrants respectively.

### (ii) Delay in or abortion of the Rights Issue with Warrants

The Rights Issue with Warrants is exposed to the risk that it may be aborted or delayed on the occurrence of any one or more of the following events:

(a) *force majeure* events or events/circumstances, which are beyond the control of our Company and Adviser, arising prior to the implementation of the Rights Issue with Warrants;

(b) our substantial shareholder as set out in Section 2.6 above who has given the Undertaking to subscribe for the Rights Issue with Warrants may not fulfil or be able to fulfil her obligation; or

(c) failure of the Underwriter to honour its obligation pursuant to the terms and conditions in the Underwriting Agreement.

In this respect, all monies raised in the Rights Issue with Warrants which are held in a trust account for our Company will be refunded free of interest within 14 days to the entitled shareholders in the event the Rights Issue with Warrants is aborted. Monies not repaid within 14 days will be returned with interest at the rate of 10% per annum or at such other rates as may be prescribed by the SC. Notwithstanding the above, our Company will exercise its best endeavour to ensure the successful implementation of the Rights Issue with Warrants. However, there can be no assurance that the abovementioned factors/events will not cause a delay in or abortion of the Rights Issue with Warrants.

**(iii) Forward-looking statements**

Certain statements in this Abridged Prospectus are based on historical information, which may not be reflective of the future results, and others are forward-looking in nature, which are subject to uncertainties and contingencies.

All forward-looking statements are based on forecasts and assumptions made by our Group and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include, *inter alia*, the risk factors as set out in this section. In light of these and other uncertainties, the inclusion of forward-looking statements in this Abridged Prospectus should not be regarded as a representation or warranty by our Company that the plans and objectives of our Group will be achieved.

# 7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

The overview and prospects of the global economy, the Malaysia economy as well as the industries in which our Group operates in, namely the interior design and non-ferrous metal building materials industry in Malaysia is as follows:

## 7.1 Overview and prospects of the global economy

The global economy expanded at a modest pace of an estimated 3% in 2013, with uneven momentum across economies. In the advanced economies, growth remained on a path of gradual improvement. The pace of recovery, however, was modest as policy uncertainties and structural constraints continued to weigh on overall demand.

The gradual improvement in the global economy experienced in 2013 is anticipated to continue in 2014, which is forecasted to expand at 3.7%. Global growth is anticipated to be supported by a broader economic recovery in the advanced economies and sustained growth in the emerging economies. Continued improvements in the advanced economies are expected to have positive spillovers on the rest of the world, in particular on economies with extensive trade linkages. Nevertheless, the pace of recovery is projected to remain moderate, with global economic activity expanding below the average growth rate observed between the years 2000 and 2007.

A contributing factor underlying this trend is the remaining structural issues in the advanced economies, in particular the high structural unemployment and weak financing activity amid ongoing fiscal consolidation and deleveraging activity. In this environment, emerging economies are transitioning towards a more moderate pace of growth, due in part to the policy stance that has been adopted to address domestic risks such as strong credit growth and rising property prices. The emerging economies also face the challenge of managing external risks. In particular, the policy normalisation in the major advanced economies is anticipated to generate spillovers on the international financial markets given the significant inter-linkages in the international financial system. The primary concern is on the pace and magnitude of capital flow reversals and the risks of contagion for the small open economies, and the attendant impact of these developments on the momentum of the global recovery.

Notwithstanding the improved outlook, the global economy continues to face downside risks. A key concern is the continued economic slack in the advanced economies despite the recent improvement in growth. Unemployment rates remain elevated relative to pre-crisis levels in many advanced economies while spare capacity continues to be sizeable in several economies, reducing the prospect of higher investment growth.

*(Source: Annual Report 2013, BNM)*

## 7.2 Overview and prospects of the Malaysian economy

The Malaysian economy expanded by 4.7% in 2013, driven by the continued strong growth in domestic demand. Despite the weaker external environment in the first half of 2013, domestic demand remained resilient throughout the year, led by robust private sector activity. Private consumption was strong, supported mainly by favourable employment conditions and wage growth.

Private investment registered a strong growth in 2013, continuing the momentum from the previous year. Growth was underpinned by capital spending in the mining, services and manufacturing sectors. Although the Government's development expenditure declined during the year, growth in public investment remained positive as a result of the continued high capital spending by the public enterprises.

The Malaysian economy is expected to remain on a steady growth path in 2014, expanding between 4.5% and 5.5%. The growth momentum is projected to be supported by better performance in the external sector amid some moderation in domestic demand.

Domestic demand is anticipated to remain the key driver of growth, albeit at a more moderate pace, reflecting the continued public sector consolidation. Private investment is forecast to register robust growth for the fifth consecutive year, driven by the ongoing implementation of multi-year projects and the improvement in external demand. Private consumption is expected to be underpinned by healthy labour market conditions and sustained income growth. Nonetheless, household spending is expected to moderate towards its long-term trend growth, reflecting in part the impact of the higher inflation. Public consumption is projected to record lower growth, following the ongoing consolidation of the Government's fiscal position, while public investment is anticipated to register a higher growth, supported by both Government and public enterprise capital spending.

*(Source: Annual Report 2013, BNM)*

## 7.3 Overview of the interior design industry

Interior design is a discipline that focuses on the construction, layout and overall appeal of interior spaces. It is a multifaceted profession that includes conceptual development, close liaison with stakeholders, project management and the execution of the design. Interior design can have a significant impact on the environment of an interior space. There are many aspects of a living space that can have an impact on the mood and wellbeing of a person. Interior design can help improve health, productivity as well as effectively maximise the available space in an interior space.

Interior designers often work with clients to develop a plan that begins with either the renovation or refurbishment of the interior space of a building. The interior designers will then collect data such as dimensions of the existing interior space of the building, clients' needs, lightings, ceiling options, etc.

The interior design industry was worth about RM1.2 billion in 2013 and is estimated to increase to about RM1.3 billion in 2014. Jiwa, which is a subsidiary of Flonic, recorded revenues of approximately RM10.2 million in 2013, and was estimated to command a market share of approximately 0.9% in the same year. The interior design industry in Malaysia is highly fragmented with numerous establishments, from the large interior design companies to sole proprietorships.

*(Source: The Interior Design Industry and Non-Ferrous Metal Building Materials Industry in Malaysia, Infobusiness Research & Consulting Sdn Bhd)*

Notwithstanding the 30% stake in Jiwa held by the Flonic Group, pursuant to Section 5 of the Act, Jiwa was effectively classified as a subsidiary of Flonic as our Group has board control over the Board of Directors of Jiwa.

## 7.4 Overview of the non-ferrous metal building materials industry

Building materials are materials that are used in the construction of buildings. Basically, building materials are semi-finished and finished products and generally encompass the categories such as non-ferrous metals, ferrous metals, non-metallic mineral products, timber and plastics. Non-ferrous metals mean non-iron and steel; mainly aluminium and cooper.

Common aluminium-based building materials include window frames, door frames, kitchen sinks, bathroom doors, frames for skylights, gutters, roofing and turbine ventilators, as well as composite panels. Composite panels are mainly used as claddings for aesthetic and protective purposes in commercial buildings.

Although Malaysia is capable of manufacturing most aluminium-based building materials, some are also imported from China due to the relatively lower costs of production. However, local manufacturers are able to provide a faster turnaround of orders due to logistical reasons. This is crucial for projects that are built on a fast track basis. The supply chain of aluminium-based building materials industry, from the mining of bauxite to the end-users, is a complex one.

Based on the value of projects awarded by the Construction Industry Development Board, the market size of aluminium-based building materials in Malaysia was worth about RM1.8 billion in 2013 and is anticipated to increase to about RM2 billion in 2014. Flonic which registered revenue of RM13.6 million in 2013 for aluminium-based building materials, recorded a market share of 0.8% in that year.

*(Source: The Interior Design Industry and Non-Ferrous Metal Building Materials Industry in Malaysia, Infobusiness Research & Consulting Sdn Bhd)*

## 7.5 Prospects of the interior design industry and non-ferrous metal building materials industry

The growth of the property market is strongly linked with country's economic performance. The property market generally moves in tandem with the economy, whereby strong economic growth would expand private investment, which in turn, is an important driver behind the expansion of the property market. In terms of value of transactions, the residential, commercial and industrial property segments expanded by 6.3%, 27.9% and 2.7% in 2013 *(source: Valuation and Property Services Department of the Ministry of Finance)*. Infobusiness Research & Consulting Sdn Bhd is forecasting that the overall property market is anticipated to increase by 5% in terms of value of transactions, in 2014.

Although the residential property segment started to decelerate in the latter part of 2013, prices of properties are expected to continue to rise in 2014 and 2015, albeit at a slower rate. There is also the higher prices associated with properties due to the anticipated implementation of the Goods and Services Tax in April 2015. Although residential properties are exempted from the Goods and Services Tax, the building materials and professional services associated with such developments are not exempted. In addition, anti-speculation measures undertaken by the Government are expected to lessen transaction volumes. The property market continues to be challenged by issues such as labour shortage, high labour costs and rising costs of building materials.

Meanwhile, the commercial property segment is facing an oversupply of purpose built offices and shopping complexes in certain locations, while those commercial properties located in areas supported by good infrastructure are expected to have a positive outlook. Lastly, the industrial property segment is anticipated to expand at a healthy pace, supported by domestic and foreign investments.

There remains ample room for growth in the Malaysian interior design industry, as demand for interior design services is anticipated to increase in tandem with the overall expansion of the property market as well as the increasing awareness and interests in the benefits of interior designs among both property owners and property development companies.

Many property development companies in Malaysia are capitalising on the advantages of interior design to increase the value of properties and to differentiate themselves from their competitors. Some property development companies have been able to develop award winning property developments through innovative and creative architecture, as well as eye-catching interior designs.

In the commercial property segment, demand for interior design services is anticipated to be healthy as good designs are able to assist to attract more businesses, especially among hotels, shopping complexes and restaurants. Malaysia is among the preferred tourist destinations for shopping. According to the Globe Shopper Index 2012 and CNN Travel 2013 Report, Kuala Lumpur is ranked the fourth most popular city in the world for shopping after New York, Tokyo and London. The impact of increased tourism activities would cascade down for more interior design services, particularly in the hotel industry.

Economic growth and the demand for building materials, including non-ferrous metal building materials, always move in tandem given the intricate correlations between economic output, standards of living and the level of building construction activities. Rapid urbanisation has also resulted in expanding activities in the residential and commercial property segments, which in turn generate additional demand for building materials. Specifically, the inherent properties of aluminium such as ease of fabrication, lightness and malleability provide a significant advantage for the metal as a building material over other traditional products such as timber and dimension stones (eg. granite) in certain applications.

*(Source: The Interior Design Industry and Non-Ferrous Metal Building Materials Industry in Malaysia, Infobusiness Research & Consulting Sdn Bhd)*

## 7.6 Future prospects of our Group

In order to compete in the challenging business environment, our Group had in 2013 diversified its principal activities to include project management, interior fit-out, manufacturing and trading in wood furniture which was in conjunction with the Jiwa Acquisition which was approved by the shareholders of Flonic on 28 February 2013.

Our Company plans to improve the revenue of its building materials trading division by broadening the range of non-ferrous metal products, which are essential for construction industries, it supplies and our management is currently in the process of identifying other strategic locations in Malaysia to expand the business coverage of this division.

In respect of the precision cleaning systems division, due to a slowdown in the solar and semiconductor industries, lower demand for precision cleaning systems and greater competitive pressures in this segment, our management is currently exploring options to mitigate its exposure to this segment, including an option to phase out this activity within next two (2) years.

As disclosed under Section 5 of this Abridged Prospectus, the proceeds from the Rights Issue with Warrants shall be utilised for the acquisition of remaining 21% equity interest in Jiwa and the remaining portion (after deducting the expenses for the Rights Issue with Warrants) of RM6.775 million (under the Minimum Scenario) or RM33.518 million (under the Maximum Scenario) will be utilised for its working capital and capital expenditure purposes as well as for future projects to be secured by Jiwa.

Upon the completion of the acquisition of the remaining 21% equity interest in Jiwa in accordance with the terms of the Option Agreement, our Group's equity interest in Jiwa shall increase from 30% to 51%, which is expected to result in higher contribution of Jiwa's profit in the financial statement of Flonic Group for the FYE 31 January 2015.

The working capital and capital expenditure shall be used towards the implementation of the following major projects that the Jiwa Group is involved in, with total contract sum of RM5.0 million and above:

| **Name of project** | **Location** | **Area of work** | **Total contract sum (RM '000)** | **Estimated remaining project value (RM '000)** | **Estimated period** |
|---|---|---|---|---|---|
| Hotel Royal | Kuala Lumpur | Carpentry and renovation works and supply of loose furniture | 9,427 | 6,683 | June 2012 to June 2015 |

| Name of project | Location | Area of work | Total contract sum (RM '000) | Estimated remaining project value (RM '000) | Estimated period |
|---|---|---|---|---|---|
| Laguna 3 Apartments | Lumut, Perak | Design and build for interior design works | 10,000 | 10,000 | 2 years from date of notification by project owner |
| Boutique Hotel | Kuala Lumpur | Design and build for interior design works | 10,000 | 10,000 | November 2014 to October 2016 |
| | | **Total** | **29,427** | **26,683** | |

The successful completion of the abovementioned projects is expected to contribute positively to the earnings potential of the Group, which will enhance the value for the Flonic Shares and strengthen the shareholders' value.

Furthermore, when the utilisation of the proceeds on the working capital and capital expenditure is realised, the financial standing of the Flonic Group is expected to be improved as opposed to the current financial standing of the Flonic Group of LAT of RM3.34 million for FYE 31 January 2014.

*(Source: Management of the Flonic Group)*

## 8. FINANCIAL EFFECTS OF THE RIGHTS ISSUE WITH WARRANTS

For illustration purpose, the effects of the Rights Issue with Warrants on the share capital, NA, NTA, gearing, earnings and dividends in our Group are as follows:

### 8.1 Share capital

The proforma effects of the Rights Issue with Warrants on our issued and paid-up share capital are as follows:

| | Minimum Scenario | | Maximum Scenario | |
|---|---|---|---|---|
| | **No. of Flonic Shares** | **RM** | **No. of Flonic Shares** | **RM** |
| Existing issued and paid-up share capital | 399,601,248 | 19,980,062.40 | 399,601,248 | 19,980,062.40 |
| Assuming full exercise of all Existing Warrants | - | - | 125,301,430 | 6,265,071.50 |
| Enlarged share capital after the exercise of Existing Warrants | 399,601,248 | 19,980,062.40 | 524,902,678 | 26,245,133.90 |
| To be issued pursuant to the Rights Issue with Warrants | 142,857,143 | 7,142,857.15 | 524,902,678 | 26,245,133.90 |
| Enlarged share capital after Rights Issue with Warrants | 542,458,391 | 27,122,919.55 | 1,049,805,356 | 52,490,267.80 |
| To be issued assuming full exercise of: | | | | |
| - Existing Warrants | 125,301,430 | 6,265,071.50 | - | - |

| | Minimum Scenario | | Maximum Scenario | |
|---|---|---|---|---|
| | **No. of Flonic Shares** | **RM** | **No. of Flonic Shares** | **RM** |
| - Warrants | 95,238,095 | 4,761,904.75 | 349,935,118 | 17,496,755.90 |
| **Enlarged share capital** | **762,997,916** | **38,149,895.80** | **1,399,740,474** | **69,987,023.70** |

## 8.2 NA, NTA and gearing

Based on our latest audited consolidated statement of financial position as at 31 January 2014 and on the assumption that the Rights Issue with Warrants had been effected on that date, the proforma effects of the Rights Issue with Warrants on our consolidated NA, NA per Share, NTA per Share and gearing are set out in the ensuing tables below:

**Minimum Scenario**

| | (I) Audited as at 31 January 2014 (RM'000) | (II) After Adjustments (1) (RM'000) | (III) After (II) and the Rights Issue with Warrants (2) (RM'000) | (IV) After (III) and assuming full exercise of the Warrants and Existing Warrants (RM'000) |
|---|---|---|---|---|
| Share capital | 19,980 | 19,980 | 27,123 | 38,150 |
| Share premium | 1,385 | 1,385 | - (3) | 5,023 |
| Warrants reserve | 547 | 547 | 5,023 (3) | - |
| Foreign exchange translation reserve | 146 | 146 | 146 | 146 |
| Merger deficit | (2,575) | (2,575) | (2,575) | (2,575) |
| Accumulated losses | (5,400) | (5,400) | (7,959) (3) (4) (5) | (7,959) |
| Shareholders' equity | 14,083 | 14,083 | 21,758 | 32,785 |
| Non-controlling interests | 3,971 | 2,997 | 2,097 | 2,097 |
| Total Equity | 18,054 | 17,080 | 23,855 | 34,882 |
| No. of shares ('000) | 399,601 | 399,601 | 542,458 | 762,998 |
| NA per share (sen) | 3.52 | 3.52 | 4.01 | 4.30 |
| NTA per share (sen) | 2.74 | 2.74 | 3.43 | 3.89 |
| Borrowings | 5,636 | 5,636 | 5,636 | 5,636 |
| Gearing (times) | 0.40 | 0.40 | 0.26 | 0.17 |

**Maximum Scenario**

| | (I) Audited as at 31 January 2014 (RM) | (II) After Adjustments (1) (RM) | (III) After (II) and the full exercise of Existing Warrants (RM) | (III) After (II) and the Rights Issue with Warrants (2) (RM) | (IV) After (III) and assuming full exercise of the Warrants (RM) |
|---|---|---|---|---|---|
| Share capital | 19,980 | 19,980 | 26,245 | 52,490 | 69,988 |
| Share premium | 1,385 | 1,385 | 1,932 | - (3) | 16,447 |
| Warrants reserve | 547 | 547 | - | 16,447 (3) | - |
| Foreign exchange translation reserve | 146 | 146 | 146 | 146 | 146 |
| Merger deficit | (2,575) | (2,575) | (2,575) | (2,575) | (2,575) |

| | (I) Audited as at 31 January 2014 (RM) | (II) After Adjustments [1] (RM) | (III) After (II) and the full exercise of Existing Warrants (RM) | (III) After (II) and the Rights Issue with Warrants [2] (RM) | (IV) After (III) and assuming full exercise of the Warrants (RM) |
|---|---|---|---|---|---|
| Accumulated losses | (5,400) | (5,400) | (5,400) | (11,742) [3] [4] [5] | (11,742) |
| Shareholders' equity | 14,083 | 14,083 | 20,348 | 54,766 | 72,264 |
| Non-controlling interests | 3,971 | 2,997 | 2,997 | 2,097 | 2,097 |
| Total Equity | 18,054 | 17,080 | 23,345 | 56,863 | 74,361 |
| | | | | | |
| No. of shares ('000) | 399,601 | 399,601 | 524,903 | 1,049,805 | 1,399,740 |
| NA per share (sen) | 3.52 | 3.52 | 3.88 | 5.22 | 5.16 |
| NTA per share (sen) | 2.74 | 2.74 | 3.28 | 4.92 | 4.94 |
| Borrowings | 5,636 | 5,636 | 5,636 | 5,636 | 5,636 |
| Gearing (times) | 0.40 | 0.40 | 0.28 | 0.10 | 0.08 |

*Notes:*

(1) *After adjusting for the deconsolidation of Jiwa M&E Services Sdn Bhd ("JMES") resulting from JMES being reclassified as an associate company effective 7 February 2014.*

(2) *Upon completion of the Rights Issue with Warrants and the acquisition of an additional 21% equity interest in Jiwa.*

(3) *Adjusted for fair value of Warrants based on the estimated fair value of the Warrants of RM0.047 each based on the Black-Scholes option pricing model.*

(4) *After deducting estimated expenses in relation to the Rights Issue with Warrants of RM600,000.*

(5) *After deducting premium paid for the acquisition of 21% equity interest in Jiwa of RM1.73 million.*

### 8.3 Earnings and EPS

The Rights Issue with Warrants is not expected to have any material effect on Flonic's consolidated earnings for the current FYE 31 January 2015. The Rights Issue with Warrants is expected to contribute to the future earnings of our Group due to the availability of additional funds for investment and working capital to our Group and higher profit contribution from Jiwa attributable to the acquisition of an additional 21% equity interest in Jiwa.

### 8.4 Dividend

The Rights Issue with Warrants is not expected to affect the dividend policy of our Company as future dividend payable by our Company would be dependent on *inter-alia*, the future profitability and cashflow position of the Flonic Group.

## 9. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

### 9.1 Working capital

Our Board is of the opinion that after taking into consideration the proceeds of the Rights

Issue with Warrants, cash in hand, cashflow generated from our operations and available banking facilities, our Group will have adequate working capital to meet our business requirements due within a period of twelve (12) months from the date of this Abridged Prospectus.

## 9.2 Borrowings

As at the LPD, our Group have total outstanding bank borrowings as follows, all of which are based on floating interest rates:

| | **Floating rate interest bearing borrowings RM ('000)** |
|---|---|
| Short-term borrowings | 1,241 |
| Long-term borrowings | 3,616 |
| **Total** | **4,857** |

Our Group has no fixed interest rate borrowings and no borrowing in foreign currencies as at the LPD.

As at the LPD, there has not been any default on payments of either interest or principal sums by our Group, in respect of any borrowings during the FYE 31 January 2014 and for the subsequent financial period up to the LPD.

## 9.3 Material commitments

As at the LPD, there is no material commitment, incurred or known to be incurred, which may have a material impact on the results or financial position of our Group.

## 9.4 Contingent liabilities

Save as disclosed below, as at the LPD, there are no contingent liabilities incurred or known to be incurred by the Flonic Group, which upon becoming enforceable, may have a substantial impact in the ability of Flonic Group to meet its obligations as and when they fall due:

(i) Jiwa had undertaken a civil and structural works for Hotel Royal of which the completion date based on the agreement was on 28 October 2012. Prior to completion of the works, the customer requested for certain rectification works to be carried out and extended the completion date to 28 February 2013. A certificate of non-completion was issued by the architect on 28 February 2013 citing that the rectification works had not been completed on time. Jiwa responded by informing the architect that the layout plan drawings for the rectification works was only given to them on 26 February 2013 while the mechanical and electrical ("M&E") drawings was only issued on 8 March 2013. Despite that, the architect had prepared a computation of liquidated ascertained damages ("LAD") claims, which amounted to RM1,011,000 calculated from 1 March 2013 at RM3,000 a day up to 31 January 2014. However, such has not been demanded on Jiwa. Save for the rectification work, the actual contractual work was completed in May 2013. As at the LPD, the customer has withheld the issuance of certificate of practical completion pending the rectification work. However, the customer had on June 2014 verbally agreed to grant a further extension of time to Jiwa to carry out the rectification work and Jiwa is still pending the instruction from the structural engineers and the building consultants to carry out the rectification work. In the event the customer does not eventually grant the extension of time in writing, and decides to demand LAD claims, Jiwa may be financially exposed to such amount as demanded by the customer.

Clause 9.10:1 of the SSA provides that Jiwa's Vendors shall indemnify Flonic and to keep indemnified Flonic and Jiwa in the proportion of their shareholdings in Jiwa prior to the completion of SSA on 30 April 2013 ("Completion"), against all or any claims, actions, losses, liabilities, costs, expenses, damages, fines, penalties, compensations, contributions or amount accrued or arising prior to the Completion to which Jiwa may be liable under any laws and/or regulations or under any contract or arrangement and each of the Jiwa's Vendors shall have no right of recourse or right of contribution from Jiwa in respect of any liability incurred by the Jiwa's Vendors in respect thereof.

As the certificate of non-completion and the computation on the LAD claims was issued by the architect to Jiwa in the period before the Completion, Jiwa's Vendors are obliged, under Clause 9.10:1, to indemnify Flonic from the LAD claims and Flonic has the right to seek recourse from Jiwa's Vendors against such amount of LAD claims which Jiwa may be financially exposed to.

## 10. TERMS AND CONDITIONS

The issuance of the Rights Shares with Warrants pursuant to the Rights Issue with Warrants is governed by the terms and conditions as set out in this Abridged Prospectus, the Deed Poll, the NPA and RSF enclosed herewith.

## 11. FURTHER INFORMATION

You are requested to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board of
**FLONIC HI-TEC BHD**

**DATO' CHUA WYE MAN**
EXECUTIVE CHAIRMAN

Company No. 655665-T

**APPENDIX I**

**CERTIFIED EXTRACT OF THE ORDINARY RESOLUTION PERTAINING TO THE RIGHTS ISSUE WITH WARRANTS PASSED AT OUR EGM HELD ON 29 AUGUST 2014**

CERTIFIED TRUE COPY

J. Cheng

CHENG CHIA PING
SECRETARY
MAICSA 1032514

18 SEP 2014

**FLONIC HI-TEC BHD**
(Company No. 655665-T)
(Incorporated in Malaysia)

CERTIFIED EXTRACT OF THE MINUTES OF THE EXTRAORDINARY GENERAL MEETING HELD ON 29 AUGUST 2014

**PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 524,902,678 NEW ORDINARY SHARES OF RM0.05 EACH IN FLONIC HI-TEC BHD ("RIGHTS SHARES") TOGETHER WITH UP TO 349,935,118 NEW FREE DETACHABLE WARRANTS ("WARRANTS") AT AN ISSUE PRICE OF RM0.07 PER RIGHTS SHARE ON THE BASIS OF THREE (3) RIGHTS SHARES TOGETHER WITH TWO(2) WARRANTS FOR EVERY THREE (3) EXISTING ORDINARY SHARES OF RM0.05 HELD IN FLONIC ("FLONIC SHARES") ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("ENTITLEMENT DATE") ("PROPOSED RIGHTS ISSUE WITH WARRANTS")**

There being no question and upon the proposal of Mr. Yeo See Shuang, *a shareholder* and seconded by Ms. Teng Lay Lay, *a shareholder*, the Meeting (on a show of hands) unanimously resolved that the following Ordinary Resolution No. 1 be approved:-

***ORDINARY RESOLUTION NO. 1:***

- **PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 524,902,678 NEW ORDINARY SHARES OF RM0.05 EACH IN FLONIC HI-TEC BHD ("RIGHTS SHARES") TOGETHER WITH UP TO 349,935,118 NEW FREE DETACHABLE WARRANTS ("WARRANTS") AT AN ISSUE PRICE OF RM0.07 PER RIGHTS SHARE ON THE BASIS OF THREE (3) RIGHTS SHARES TOGETHER WITH TWO(2) WARRANTS FOR EVERY THREE (3) EXISTING ORDINARY SHARES OF RM0.05 HELD IN FLONIC ("FLONIC SHARES") ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("ENTITLEMENT DATE") ("PROPOSED RIGHTS ISSUE WITH WARRANTS")**

*THAT subject to all the approvals from relevant authorities being obtained where necessary, approval be and is hereby given for Flonic to undertake the Proposed Rights Issue with Warrants as follows:*

*(a) To provisionally issue and allot by way of renounceable rights issue of up to 524,902,678 Rights Shares together with up to 349,935,118 free Warrants at an issue price of RM0.07 per Rights Share on the basis of three (3) Rights Shares together with two (2) Warrants for every three (3) Flonic Shares held to the entitled shareholders of the Company whose names appear in the Record of Depositors of the Company as at the close of business on the Entitlement Date;*

*(b) To issue and allot the Warrants based on the principal terms of which are set out in Section 2.1 of the Circular to Shareholders dated 14 August 2014 and upon the terms and conditions as stipulated in the deed poll to be executed by Flonic ("Deed Poll");*

*(c) To issue and allot such number of new Flonic Shares arising from the exercise of the Warrants during the tenure of the Warrants; and*

*(d) To issue and allot such additional Warrants as maybe required or permitted to be issued as a result of any adjustment under the provisions of the deed poll dated 11 May 2012;*

**FLONIC HI-TEC BHD**
(Company No. 655665-T)
(Incorporated in Malaysia)

(Certified Extract of the Minutes of the Extraordinary General Meeting held on 29 August 2014 - cont'd)

*THAT the issue price of the Rights Shares shall be fixed at RM0.07 for each Rights Share and the exercise price of the Warrants shall be fixed at RM0.05 for each Warrant;*

*THAT the Directors be and are hereby authorised to allocate the excess Rights Shares in a fair and equitable manner on a basis to be determined by the Directors in their absolute discretion;*

*THAT the Directors be and are hereby authorised to deal with all or any of the fractional entitlement of the Rights Shares and Warrants arising from the Proposed Rights Issue with Warrants, which are not validly taken up or which are not allotted for any reason whatsoever, in such manner as the Directors may in their absolute discretion deem fit and in the best interest of the Company;*

*THAT all the Rights Shares and the new Flonic Shares to be issued pursuant to the exercise of the Warrants, shall upon issue and allotment, rank pari passu in all respects with the then existing Flonic Shares except that they will not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is before the date of allotment of the Rights Shares and the new Flonic Shares to be issued pursuant to the exercise of the Warrants (as the case may be);*

*THAT the proceeds from the Proposed Rights Issue with Warrants will be utilised for such purposes as set out in Section 2.6 of the Circular to Shareholders dated 14 August 2014 and the Directors be authorised with full power to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Directors may deem fit, necessary or expedient, subject to (where applicable) the approval of the relevant authorities;*

*THAT the Directors be and are hereby authorised to enter into and execute the Deed Poll constituting the Warrants and to do all acts, deeds and things as they may deem fit and expedient in order to implement, finalise and give effect to the Deed Poll;*

*AND THAT the Directors be and are hereby authorised with full power to assent to any conditions and/or make any modifications, variations and/or amendments in any manner as may be imposed by the relevant authority/authorities or as may be deemed necessary by the Directors in the best interest of the Company to give effect to the Proposed Rights Issue with Warrants, and to take all such steps and/or actions as they may deem necessary or expedient in the best interest of the Company to finalise, implement and give full effect to and complete the Proposed Rights Issue with Warrants.*

**CERTIFIED TRUE AND CORRECT**

| | |
|---|---|
| **DIRECTOR** | **DIRECTOR** |
| **DATO' CHUA WYE MAN** | **LEE KOK WAH** |

Dated: 29 August 2014

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## SALIENT TERMS OF THE WARRANTS

| Terms | | Details |
|---|---|---|
| Number of Warrants | : | Up to 349,935,118 Warrants to be issued for free to the Entitled Shareholders/renouncees who subscribe for the Rights Issue with Warrants, to subscribe for up to 349,935,118 new Flonic Shares. |
| Detachability | : | The Warrants which are to be issued pursuant to Rights Issue with Warrants are immediately detachable upon allotment and issue of the Rights Shares. The Warrants will be traded separately. |
| Issue Price | : | The Warrants which are to be issued pursuant to Rights Issue with Warrants are to be issued free to the Entitled Shareholders and renouncees who subscribe for the Rights Shares. |
| Exercise Price | : | The exercise price of the Warrants is RM0.05 per Warrant.<br>The exercise price and the number of outstanding Warrants shall however be subject to the adjustments in accordance with the terms and provisions of the Deed Poll during the Exercise Period. |
| Exercise Period | : | The Warrants may be exercised any time during the tenure of the Warrants of five (5) years including and commencing from the issue date of the Warrants. Warrants not exercised during the Exercise Period will thereafter become lapse and void. |
| Exercise Rights | : | Each Warrant entitles the registered holder to subscribe for one (1) new Flonic Share at the Exercise Price during the Exercise Period and shall be subject to adjustments in accordance with the Deed Poll. |
| Expiry Date | : | A date being five (5) years from and including the date of issue of the Warrants, provided that if such day falls on a day which is not a market day, then on the preceding market day. |
| Mode of Exercise | : | The holders of the Warrants shall pay cash by way of banker's draft or cashier's order or money order or postal order drawn on a bank or post office in Malaysia for the aggregate Exercise Price payable when exercising the Warrants and subscribing for new Flonic Shares. |
| Deed Poll | : | The Warrants are constituted by the Deed Poll. |
| Board Lot | : | The Warrants are tradeable upon listing in board lots of 100 units carrying rights to subscribe for 100 new Flonic Shares at any time during the Exercise Period or such other number of units as may be prescribed by Bursa Securities. |
| Status of New Flonic Shares to be issued pursuant to the exercise of the Warrants | : | All the new Flonic Shares to be issued pursuant to the exercise of the Warrants shall, upon allotment and issue, rank *pari passu* in all respects with the then existing Flonic Shares except that they will not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is before the date of allotment of the said new Flonic Shares. |
| Rights in the Event of Winding Up, Liquidation, Compromise and/or Arrangement | : | Where a resolution has been passed for a members' voluntary winding-up of the Company or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one or more companies, then: |

| Terms | | Details |
|---|---|---|
| | | (a) for the purpose of such a winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the Warrant holders, or some persons designated by them for such purposes by a Special Resolution, will be a party, the terms of such winding-up, compromise or arrangement will be binding on all the Warrant holders; and<br>(b) in any other case, every Warrant holder shall be entitled at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding up of the Company or six (6) weeks after the granting of the court order approving the compromise or arrangement, by irrevocable surrender of his Warrants together with payment of the relevant subscription monies, to elect to be treated as if he had immediately prior to the commencement of such winding-up, compromise or arrangement exercised the Exercise Rights represented by that Warrant to the extent specified in the exercise forms and be entitled to receive out of the assets of the Company which would be available in liquidation if he had on such date been the holder of the new shares to which he would have become entitled pursuant to such exercise and the liquidator of the Company will give effect to such election accordingly. Upon the expiry of the above six (6) weeks, all exercise rights of the Warrants shall lapse and cease to be valid for any purpose. |
| Listing | : | Approval-in-principal has been obtained from Bursa Securities for the admission of the Warrants to the Official List of the ACE Market of Bursa Securities as well as for the listing of and quotation for the Warrants and new Flonic Shares to be issued arising from the exercise of the Warrants. |
| Adjustment in the Exercise Price and/or the number of Warrants held by warrant holders in event of alteration to the share capital | : | Subject to the provision in the Deed Poll, the Exercise Price and the number of Warrants held by each Warrant holder shall be adjusted by the Board in consultation with the adviser and certification of the external auditors of Flonic, in the event of alteration to the share capital of our Company. Any adjustment to the Exercise Price will be rounded down to the nearest one (1) Sen and in no event shall any adjustment (otherwise than upon the consolidation of ordinary shares into shares of a larger par value) involve an increase in the Exercise Price or result in the Exercise Price falling below the par value of the ordinary shares for the time being |
| Modification | : | Save as expressly provided in the Deed Poll, no modification, amendment or addition may be made to the provisions of the Deed Poll without the sanction of a special resolution by the Warrant Holders, other than any modification to the Deed Poll which is not materially prejudicial to the interests of the Warrant Holders or if in the opinion of our Company and the approved adviser, is to correct a manifest error or to comply with the rules of Bursa Malaysia Depository Sdn Bhd, or the Securities Industry (Central Depositories) Act, 1991 or Bursa Securities or mandatory provisions of Malaysian law. Any modification to the Deed Poll may be effected only by a further deed poll executed by our Company and expressed to be supplemental to the Deed Poll, and only if the requirements of the relevant provision of the Deed Poll have been complied with. |

| Terms | | Details |
|---|---|---|
| Further Issues | : | Subject to the provision in the Deed Poll, our Company is free to issue shares to shareholders either for cash or as a bonus distribution and further subscription rights upon such terms and conditions as our Company sees fit but the Warrant holders will not have any participating rights in such issue unless otherwise resolved by our Company in general meeting. |
| Governing Law | : | Laws of Malaysia. |

**INFORMATION ON OUR COMPANY**

## 1. HISTORY AND BUSINESS

Flonic was incorporated in Malaysia as a private limited company on 10 June 2004 under the Act under the name of Flonic Hi-Tec Sdn Bhd. Subsequently, on 22 July 2004, we converted into a public limited company and assumed our present name.

We were listed on the MESDAQ Market of Bursa Securities on 29 November 2005.

We are principally an investment holding company while the principal activities of our subsidiary and associated companies are involved in designing, manufacturing and trading of precision cleaning system and interior design. Further details of the principal activities of our subsidiaries and associated companies are set out in Section 5 of this Appendix.

## 2. SHARE CAPITAL

As at the LPD, our authorised and issued and paid-up share capital are as follows:

| Type | No. of Shares | Par value RM | Total RM |
|---|---|---|---|
| Authorised | 2,000,000,000 | 0.05 | 100,000,000 |
| Issued and fully paid-up | 399,601,248 | 0.05 | 19,980,062.40 |

**Changes in Issued and Paid-Up Share Capital**

The changes in our Company's issued and paid-up share capital since incorporation are as follows:

| Date of allotment | No. of Shares allotted | Par Value (RM) | Consideration | Cumulative issued and paid-up share capital (RM) |
|---|---|---|---|---|
| 10 June 2004 | 2 | 1.00 | Cash (Subscriber shares) | 2.00 |
| 6 July 2005 | 4,075,058 | 1.00 | Other than cash | 4,075,060 |
| 10 October 2005 | 1,104,940 | 1.00 | Cash | 5,180,000 |
| 10 October 2005 | 51,800,000 | 0.10 | Share split (1 :10) | 5,180,000 |
| 17 November 2005 | 18,200,000 | 0.10 | Cash | 7,000,000 |
| 13 June 2006 | 70,000,000 | 0.10 | Bonus issue (1:10) | 14,000,000 |
| 19 June 2012 | 209,944,931 | 0.10 | Cash | 34,994,493.10 |
| 25 October 2013 | 14,661,824 | 0.05 | Cash | 18,230,337.75 |
| 23 December 2013 | 34,994,493 | 0.05 | Cash | 19,980,062.40 |

## 3. SUBSTANTIAL SHAREHOLDERS

Based on our Record of Substantial Shareholders as at the LPD, the proforma effects of the Rights Issue with Warrants on the shareholdings of our substantial shareholders are as follows:

**Minimum Scenario (Pursuant to the Undertaking and assuming none of the other Entitled Shareholders subscribe for the Rights Issue with Warrants)**

| | (I) As at the LPD | | | | (II) After the Rights Issue with Warrants | | | | (III) After (II) and assuming all Warrants and Existing Warrants are exercised | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | ←--Direct--→ | | ←--Indirect--→ | | ←--Direct--→ | | ←--Indirect--→ | | ←--Direct--→ | | ←--Indirect--→ | |
| | No. of Shares ('000) | % | No. of Shares ('000) | % | No. of Shares ('000) | % | No. of Shares ('000) | % | No. of Shares ('000) | % | No. of Shares ('000) | % |
| Datin Tan | 51,162 | 12.80 | - | - | 122,591 | 22.60 | - | - | 170,210 | 22.31 | - | - |
| Dato' Chua Wye Man [(i)] | - | - | 51,162 | 12.80 | - | - | 122,591 | 22.60 | - | - | 170,210 | 22.31 |
| Leong Wai Kwin | 20,314 | 5.10 | - | - | 20,314 | 3.74 | - | - | 20.314 | 2.70 | - | - |

**Maximum Scenario (Assuming all Entitled Shareholders subscribe for the Rights Issue with Warrants)**

| | (I) As at the LPD | | | | (II) Assuming all the Existing Warrants are exercised | | | | (III) After (II) and after the Rights Issue with Warrants | | | | (IV) After (III) and assuming all Warrants are exercised | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | ←--Direct--→ | | ←--Indirect--→ | | ←--Direct--→ | | ←-Indirect-→ | | ←--Direct--→ | | ←--Indirect-→ | | ←--Direct--→ | | ←--Indirect-→ | |
| | No. of Shares ('000) | % | No. of Shares ('000) | % | No. of Shares ('000) | % | No. of Shares ('000) | % | No. of Shares ('000) | % | No. of Shares ('000) | % | No. of Shares ('000) | % | No. of Shares ('000) | % |
| Datin Tan | 51,162 | 12.80 | - | - | 51,162 | 9.75 | - | - | 102,324 | 9.75 | - | - | 136,432 | 9.75 | - | - |
| Dato' Chua Wye Man [(i)] | - | - | 51,162 | 12.80 | - | - | 51,162 | 9.75 | - | - | 102,324 | 9.75 | - | - | 136,432 | 9.75 |
| Leong Wai Kwin | 20,314 | 5.10 | - | - | 20,314 | 3.87 | - | - | 40,628 | 3.87 | - | - | 54,171 | 3.87 | - | - |

*Note:*

*(i) Deemed interested by virtue of his spouse's shareholding in our Company.*

## 4. BOARD OF DIRECTORS

The age, profession, designation, nationalities and addresses of our Board are set out under the Corporate Directory on page (vi) of this Abridged Prospectus.

As at the LPD, save for Dato' Chua Wye Man, who has an indirect shareholding of 51,161,824 Flonic Shares, deemed interested by virtue of his spouse's shareholding in Flonic, none of our Board have any interest in Flonic. Hence, the Rights Issue of Warrants will have no effect on the shareholdings of our Board save for which is detailed in Section 3 above.

## 5. SUBSIDIARY AND ASSOCIATED COMPANIES

Our subsidiaries as at the LPD are as follows:

| Subsidiaries | Date / Country of incorporation | Issued and paid-up capital | Effective ownership (%) | Principal Activities |
|---|---|---|---|---|
| Flonic Sdn Bhd | 14.09.1984/ Malaysia | RM3,000,000 | 100.0 | Provider of precision cleaning system solutions |
| Flonic Advance Sdn Bhd | 05.03.2002/ Malaysia | RM16,000,000 | 100.0 | Design and manufacture precision cleaning systems |
| Flonic Engineering Sdn Bhd | 03.12.2002/ Malaysia | RM2,500,000 | 100.0 | Trading in building materials and equipment parts |
| Flonic Architectural Sdn Bhd | 19.11.2002/ Malaysia | RM3 | 100.0 | Dormant |
| Jiwa | 04.01.2010/ Malaysia | RM1,000,000 | 30.0* | Project management, interior fit out and investment holding |
| **Subsidiaries of Flonic Sdn Bhd** | | | | |
| Flonic Europe SPRL | 19.01.2006/ Belgium | EURO20,000 | 51.0 | Temporary ceased operations |
| **Subsidiary company of Jiwa** | | | | |
| Jiwa Furniture Sdn Bhd | 25.05.2007/ Malaysia | RM1,000,000 | 30.0* | Project management, interior fit out, manufacturing and trading in wood furniture |
| Jiwa Furniture Marketing Sdn Bhd | 14.11.2007/ Malaysia | RM50,000 | 30.0* | Trading of industrial furniture, fixtures and appliances and dealer |

| Subsidiaries | Date / Country of incorporation | Issued and paid-up capital | Effective ownership (%) | Principal Activities |
|---|---|---|---|---|
| | | | | in wood furniture |
| Jiwa Project Sdn Bhd | 23.07.2012/ Malaysia | RM100 | 21.0* | Dormant |

*Note:*

* *Notwithstanding the 30% stake in Jiwa held by our Group, pursuant to Section 5 of the Act, Jiwa was effectively classified as a subsidiary of Flonic as our Group has board control over the Board of Directors of Jiwa.*

Our associated companies as at the LPD are as follows:

| Associated companies | Date / Country of incorporation | Issued and paid-up capital | Effective ownership (%) | Principal Activities |
|---|---|---|---|---|
| Jiwa M&E Services Sdn Bhd | 28.03.2012/ Malaysia | RM100,000 | 12.0 | Mechanical and electrical maintenance services |
| Flonic International Ltd | 24.01.2006/ Bahamas | USD2,000 | 50.0 | Temporary ceased operations |
| Flonic (USA) LLC | 07.02.2006/ US | USD10,000 | 50.0 | Temporary ceased operations |
| Flonic (Thailand) Co Ltd | 05.02.2007/ Thailand | THB100,000 | 49.0 | Temporary ceased operations |

## 6. PROFIT AND DIVIDEND RECORDS

The profit and dividend records based on our Group's audited consolidated financial statements for the FYE 31 January 2012, FYE 31 January 2013 and FYE 31 January 2014 and the unaudited consolidated financial statements for the six (6) months FPE 31 July 2014 are as follows:

| | <--------------Audited-------------- > | | | ←-------Unaudited---------> | |
|---|---|---|---|---|---|
| | **FYE 31 January 2012 (RM'000)** | **FYE 31 January 2013 (RM'000)** | **FYE 31 January 2014 (RM'000)** | **Six (6) months FPE 31 July 2013 (RM'000)** | **Six (6) months FPE 31 July 2014 (RM'000)** |
| Revenue | 9,009 | 12,102 | 33,685 | 12,742 | 8,260 |
| Gross profit / (loss) | 2,552 | (2,597) | 6,398 | (765) | (788) |
| Other income | 174 | 412 | 317 | 148 | 297 |

| | <-------------Audited-------------- > | | | ←-------Unaudited---------> | |
|---|---|---|---|---|---|
| | **FYE 31 January 2012 (RM'000)** | **FYE 31 January 2013 (RM'000)** | **FYE 31 January 2014 (RM'000)** | **Six (6) months FPE 31 July 2013 (RM'000)** | **Six (6) months FPE 31 July 2014 (RM'000)** |
| Depreciation | (608) | (643) | (1,017) | (435) | (473) |
| Finance costs | (3) | (7) | (364) | (102) | (227) |
| PBT/(LBT) | (429) | (8,102) | (1,993) | 1,154 | (1,191) |
| Taxation income / (expense) | - | 1 | (1,343) | (170) | 50 |
| PAT/(LAT) | **(429)** | **(8,101)** | **(3,336)** | **984** | **(1,141)** |
| EBITDA / (LBITDA) | 182 | (7,452) | (612) | (617) | (491) |
| Gross profit / (loss) margin (%) | 28.33 | (21.46) | 18.99 | (6.00) | (9.54) |
| Net profit / (loss) margin (%) | (4.76) | (66.95) | (9.90) | 7.72 | (13.81) |
| Number of shares in issue ('000) | 140,000 | 349,945 | 399,601 | 349,945 | 399,601 |
| EPS/(LPS) (sen) | (0.31) | (3.02) | (1.65) | (0.21) | (0.15) |
| Diluted EPS/(LPS) (sen) | N/A | N/A | (1.41) | (0.15) | (0.11) |
| Dividend per share (sen) | N/A | N/A | N/A | N/A | N/A |

*Note:*

*N/A Not applicable*

**Commentary on Financial Performance**

**FYE 31 January 2012**

In the FYE 31 January 2012, our Group recorded total revenue of RM9.01 million, as compared to RM10.71 million in the preceding year. The decrease in revenue was due to the rescheduling of delivery orders by our major customer.

Our Group recorded reduced LBT and LAT of RM0.43 million as compared to the previous year corresponding period of RM2.37 million and RM2.35 million, respectively. This improvement was contributed by the cost saving measures adopted on operating expenses in FYE 31 January 2012.

**FYE 31 January 2013**

In the FYE 31 January 2013, our Group recorded total revenue of RM12.10 million, as compared to RM9.01 million in the preceding year representing an increase of 34.33% due to sales contribution from the commencement of the operation in trading of non-ferrous building materials and other related products segment.

Our Group recorded higher LBT and LAT of RM8.10 million as compared to the previous year corresponding period of RM0.43 million respectively. The significant increase in LBT and LAT was due to the lower sales contributed from the manufacture of precision cleaning systems segment, with such manufacturing segment sales amounting to RM2.39 million in FYE 31 January 2013 as compared with RM9.01 million in FYE 31 January 2012. The sales from the manufacture of precision cleaning systems segment decreased in FYE 31 January 2013 due to a slowdown in the solar and semiconductor industries.

Within the manufacturing segment, in FYE 31 January 2013, impairment loss on trade receivables was RM0.78 million, inventories written down was RM0.46 million and property, plant and equipment written off was RM0.30 million, as compared to immaterial amounts expensed under these categories in FYE 31 January 2012. In FYE 31 January 2013, the manufacturing segment incurred a LBT of RM7.64 million as compared to the LBT of RM0.43 million incurred in FYE 31 January 2012. In FYE 31 January 2013, the trading of building materials and other related products segment recorded sales of RM9.71 million and PBT of RM0.027 million.

**<u>FYE 31 January 2014</u>**

In the FYE 31 January 2014, our Group achieved total revenue of RM33.69 million compared to RM12.10 million for the corresponding period in FYE 31 January 2013 representing an increase of 178.34% in revenue for the FYE 31 January 2014. The increase in revenue was attributable to the consolidation of nine (9) months revenue from Flonic's subsidiary, Jiwa, which Flonic acquired in April 2013, from 1 May 2013 to 31 January 2014. Notwithstanding the 30% stake in Jiwa held by the Flonic Group, pursuant to Section 5 of the Act, Jiwa was effectively classified as a subsidiary of Flonic as our Group has board control over the Board of Directors of Jiwa. Hence the audited financial results for the FYE 31 January 2014 was prepared based on the basis that Jiwa is a subsidiary of Flonic.

Our Group posted a LBT of RM1.99 million and LAT of RM3.34 million for the FYE 31 January 2014 as compared to LBT of RM8.10 million for the corresponding period in 2013. The improvement in our Group's results was mainly due to the acquisition of Jiwa. Consolidated in our Group's results for FYE 31 January 2014 were sales of RM19.27 million and PBT of RM4.77 million from the interior fit-out and mechanical and electrical maintenance segments under Jiwa.

**<u>Six (6) months FPE 31 July 2014</u>**

For the 6 months FPE 31 July 2014, the Flonic Group recorded revenue of RM8.26 million as compared to RM12.74 million in the corresponding period in year 2013, representing a decrease of 35.16% or RM4.48 million in revenue. The decrease in revenue is due to the deconsolidation of Jiwa M&E Services Sdn Bhd ("JMES") from our Group with effect from 7 February 2014 and thus contributing to lower revenue in project management services. The financial results of JMES were deconsolidated following the removal of a representative director of Jiwa from the Board of Directors of JMES, resulting in Jiwa ceasing control over the Board and management of JMES.

Our Group posted a LBT of RM1.19 million for the 6 months FPE 31 July 2014 as compared to a PBT of RM1.15 million in the corresponding period in year 2013. The loss incurred was due to a slowdown in trading of non-ferrous building materials and manufacturing activities and lower orders for carpentry works and project management services activities.

## 7. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of Flonic Shares as traded on Bursa Securities for the past twelve (12) months are as follows:

| | Low (RM) | High (RM) |
|---|---|---|
| **2013** | | |
| October | 0.100 | 0.125 |
| November | 0.085 | 0.105 |
| December | 0.085 | 0.100 |
| **2014** | | |
| January | 0.085 | 0.095 |
| February | 0.085 | 0.090 |
| March | 0.085 | 0.090 |
| April | 0.075 | 0.085 |
| May | 0.065 | 0.080 |
| June | 0.065 | 0.080 |
| July | 0.070 | 0.100 |
| August | 0.080 | 0.105 |
| September | 0.085 | 0.105 |

The last transacted price of Flonic Shares on 16 April 2014 being the date immediately prior to the announcement of the Rights Issue with Warrants was RM0.08 per Share.

The last transacted price of Flonic Shares on 30 September 2014, being the LPD was RM0.095 per share.

The last transacted price of Flonic Shares on 10 October 2014, being the market day prior to the ex-date of the Rights Issue with Warrants was RM0.085 per share.

*(Source: Bursa Securities)*

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**INFORMATION ON JIWA**

## 1. HISTORY AND BUSINESS

Jiwa was incorporated in Malaysia as a private limited company under the Act on 4 January 2010. Jiwa is the holding company of the Jiwa Group and its principal activities are project management, involving interior design and furnishing projects as well manufacture of customised wooden furniture.

The Jiwa Group started with the establishment of Jiwa Furniture Sdn Bhd on 25 May 2007. Their first project was the Royale Chulan Hotel project where Jiwa Furniture Sdn Bhd carried out the fit out works for the hotel as well as supplied loose furnitures.

Jiwa is principally involved in project management, interior fit out and investment holding while the principal activities of its subsidiary and associated companies involved in are set out in Section 5 of this Appendix.

## 2. SHARE CAPITAL

As at the LPD, the authorised and issued and paid-up share capital of Jiwa are as follows:

| Share capital | No. of Jiwa Shares | Par value (RM) | Amount (RM) |
|---|---|---|---|
| **Authorised share capital** | | | |
| Ordinary shares of RM1.00 each | 1,000,000 | 1.00 | 1,000,000 |
| **Issued and paid-up share capital** | | | |
| Ordinary shares of RM1.00 each | 1,000,000 | 1.00 | 1,000,000 |

**Changes in Issued and Paid-Up Share Capital**

The changes in Jiwa's issued and paid-up share capital since incorporation are as follows:

| Date of allotment | No. of shares | Par value (RM) | Consideration | Issued and paid-up share capital (Cumulative) (RM) |
|---|---|---|---|---|
| 4 January 2010 | 2 | 1.00 | Cash | 2 |
| 7 September 2010 | 499,998 | 1.00 | Cash | 500,000 |
| 30 September 2011 | 500,000 | 1.00 | Other than cash* | 1,000,000 |

*Note:*

* *500,000 new Jiwa Shares were issued to the vendors of Jiwa Furniture Sdn Bhd for the acquisition of Jiwa Furniture Sdn Bhd.*

## 3. SUBSTANTIAL SHAREHOLDERS

As at the LPD, the details of the substantial shareholders of Jiwa are set out as follows:

| Name of Shareholder | Nationality / Country of Incorporation | <----Indirect----> No. of Jiwa Shares | % | <----Indirect----> No. of Jiwa Shares | % |
|---|---|---|---|---|---|
| Harris Hans Chua | Malaysian | 490,000 | 49.00 | - | - |
| Roy Thean Chong Yew | Malaysian | 210,000 | 21.00 | - | - |
| Flonic | Malaysia | 300,000 | 30.00 | | |
| Dato' Chua Wye Man | Malaysian | - | - | 300,000[(i)] | 30.00 |
| Datin Tan Siew Ching | Malaysian | - | - | 300,000[(ii)] | 30.00 |

*Notes:*

*(i) Deemed interested by virtue of his spouse's shareholding in our Company, of which Jiwa is a subsidiary.*

*(ii) Deemed interested by virtue of her shareholding in our Company, of which Jiwa is a subsidiary.*

## 4. BOARD OF DIRECTORS

The details of Jiwa's directors and their shareholdings in Jiwa as at the LPD are as follows:

| Name of Director | Nationality | Designation | <-----Direct-----> No. of Jiwa Shares | % | <---Indirect----> No. of Jiwa Shares | % |
|---|---|---|---|---|---|---|
| Harris Hans Chua | Malaysian | Director | 490,000 | 49.00 | - | - |
| Roy Thean Chong Yew | Malaysian | Director | 210,000 | 21.00 | - | - |
| Ong Poh Leng | Malaysian | Director | - | - | - | - |
| Dato' Chua Wye Man | Malaysian | Director | - | - | 300,000[(i)] | 30.00 |
| Datin Tan Siew Ching | Malaysian | Director | - | - | 300,000[(ii)] | 30.00 |

*Notes:*

*(i) Deemed interested by virtue of his spouse's shareholding in our Company, of which Jiwa is a subsidiary.*

*(ii) Deemed interested by virtue of her shareholding in our Company, of which Jiwa is a subsidiary.*

## 5. SUBSIDIARY AND ASSOCIATED COMPANIES

Details of the subsidiaries and associated company of Jiwa as at the LPD are as follows:

| Name of subsidiaries | Date/Country of Incorporation | Equity interest held (%) | Issued and paid-up share capital (RM) | Principal activities |
|---|---|---|---|---|
| Jiwa Furniture Marketing Sdn Bhd | 14.11.2007/ Malaysia | 100.00 | 50,000 | Trading of industrial furniture, fixtures and appliances and dealer in wood furniture |
| Jiwa Furniture Sdn Bhd | 25.05.2007/ Malaysia | 100.00 | 1,000,000 | Project management, interior fit out, manufacturing and trading in wood furniture |
| Jiwa Project Sdn Bhd | 23.07.2012/ Malaysia | 70.00 | 100 | Dormant |

| Name of associated company | Date/Country of Incorporation | Equity interest held (%) | Issued and paid-up share capital (RM) | Principal Activities |
|---|---|---|---|---|
| Jiwa M & E Services Sdn Bhd | 28.03.2012/ Malaysia | 40.00 | 100,000 | Mechanical and electrical maintenance services |

## 6. PROFIT AND DIVIDEND RECORDS

The profit and dividend records based on Jiwa's audited consolidated financial statements for the FYEs 30 September 2011 to 2013 are as follows:

| | <-------------------Audited-------------------- > | | |
|---|---|---|---|
| | FYE 30 September 2011 (RM'000) | FYE 30 September 2012 (RM'000) | FYE 30 September 2013 (RM'000) |
| Revenue | 10,675 | 10,602 | 16,558 |
| Gross profit | 1,227 | 4,908 | 7,130 |
| Other income | - | 14 | 103 |
| Depreciation | - | (334) | (409) |
| Finance costs | (1) | (184) | (45) |
| PBT | 441 | 3,042 | 4,314 |
| Taxation expense | (90) | (875) | (1,062) |
| PAT | 351 | 2,167 | 3,252 |
| EBITDA | 442 | 3,410 | 4,768 |

| | <------------------Audited------------------- > | | |
|---|---|---|---|
| | **FYE 30 September 2011 (RM'000)** | **FYE 30 September 2012 (RM'000)** | **FYE 30 September 2013 (RM'000)** |
| Gross profit margin (%) | 11.49 | 46.30 | 43.06 |
| Net profit margin (%) | 3.29 | 20.44 | 19.64 |
| Number of shares in issue ('000) | 1,000 | 1,000 | 1,000 |
| EPS (sen) | 0.61 | 2.22 | 2.91 |
| Diluted EPS (sen) | N/A | N/A | N/A |
| Dividend per share (sen) | 20 | 20 | 20 |

**Commentary on Financial Performance**

**<u>FYE 30 September 2011</u>**

The Jiwa Group's revenue for the FYE 30 September 2011 ("FYE 2011") increased to RM10.68 millon from RM4.34 million, representing a 145.82% increase as compared to the previous financial year. The main contribution of revenue was from interior fit-out work done for an office building in Bangsar South, Kuala Lumpur.

In FYE 2011, the PAT of Jiwa Group stood at RM0.35 million, representing a 90.76% increase as compared to the previous financial year. The increase in PAT is in line with the increase in revenue.

**<u>FYE 30 September 2012</u>**

For the FYE 30 September 2012 ("FYE 2012"), the Jiwa Group recorded a slight fall in revenue to RM10.60 million from RM10.68 million recorded in FYE 2011, representing a decrease of 0.75% as compared to FYE 2011. The revenue for FYE 2012 was derived mainly from interior fit-out work done for Hotel Royal.

The PAT recorded for FYE 2012 was RM2.17 million, representing an increase of 520.0% as compared to PAT recorded in FYE 2011 of RM0.35 million. This favourable result was contributed by improved profit margins achieved from work done for Hotel Royal as well as from the supply of loose furniture and carpentry works.

**<u>FYE 30 September 2013</u>**

For the FYE 30 September 2013 ("FYE 2013"), the Jiwa Group recorded revenue of RM16.56 million. The revenue increase by 56.23% or 5.96 million for FYE 2013 from FYE 2012 due to interior fit-out work done for service apartments in Lumut, Perak and Hotel Royal.

The Jiwa Group's PAT was recorded at RM3.25 million for the FYE 2013, representing a 49.77% increase as compared to FYE 2012. The significant increase in the PAT of Jiwa was in line with the increase in revenue registered for FYE 2013.

**PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF OUR GROUP AS AT 31 JANUARY 2014 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON**

**SIEW BOON YEONG & ASSOCIATES**
Chartered Accountants [AF: 0660]
9-C, Jalan Medan Tuanku, Medan Tuanku, 50300 Kuala Lumpur, Malaysia.
Tel: 03-2693 8837 Fax: 03-2693 8836 Website: www.sby.com.my E-mail: audit@sby.com.my

Member Firm Of Malaysian Institute Of Accountants

Date: 07 OCT 2014

The Board of Directors
Flonic Hi-Tec Bhd
10-1, Level 10, Menara One Mont Kiara,
No. 1, Jalan Kiara, Mont Kiara,
50480 Kuala Lumpur.

Dear Sirs/Madam,

**FLONIC HI-TEC BHD ("FLONIC" OR "COMPANY")**
**REPORT ON THE COMPILATION OF PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2014**

We have completed our assurance engagement to report on the compilation of Proforma Consolidated Statements of Financial Position of Flonic Hi-Tec Bhd and its subsidiaries ("the Group" or "Flonic Group") as at 31 January 2014 for which the Directors are solely responsible. The Proforma Consolidated Statements of Financial Position consists of the Proforma Consolidated Statements of Financial Position as at 31 January 2014 together with the accompanying notes thereon (which we have stamped for the purpose of identification), as set out in the accompanying statements. The applicable criteria on the basis of which the Directors have compiled the Proforma Consolidated Statements of Financial Position are described in the notes to the Proforma Consolidated Statements of Financial Position ("Applicable Criteria").

The Proforma Consolidated Statements of Financial Position has been compiled by the Directors to illustrate the impact of the renounceable rights issue of up to 524,902,678 new ordinary shares of RM0.05 each in Flonic ("Flonic Shares") ("Rights Shares") with up to 349,935,118 free detachable warrants ("Warrants") at an issue price of RM0.07 per Rights Share on the basis of three (3) Rights Shares together with two (2) Warrants for every three (3) Flonic Shares held on the entitlement date to be determined ("Rights Issue with Warrants") on the Group's financial position as at 31 January 2014, as if the Rights Issue with Warrants had taken place at 31 January 2014. As part of this process, information about the Group's financial position has been extracted by the Directors from the audited financial statements of the Group for the financial year ended 31 January 2014, which has been published.

*Directors' Responsibility for the Proforma Consolidated Statements of Financial Position*

The Directors are responsible for compiling the Proforma Consolidated Statements of Financial Position on the basis of the Applicable Criteria as described in the notes thereto.

*Reporting Accountant's Responsibilities*

Our responsibility is to express an opinion, whether the Proforma Consolidated Statements of Financial Position has been compiled, in all material aspects, by the Directors on the basis of the Applicable Criteria as described in the notes thereto.

We conducted our engagement in accordance with International Standard on Assurance Engagements, *(ISAE) 3420 - Assurance Engagements to Report on the Compilation of Proforma Financial Information Included in a Prospectus,* issued by the International Auditing and Assurance Standards Board and adopted by Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material aspects, the Proforma Consolidated Statements of Financial Position on the basis of the Applicable Criteria as described in the notes thereto.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Proforma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Proforma Consolidated Statements of Financial Position.

The purpose of Proforma Consolidated Statements of Financial Position included in the Abridged Prospectus to Shareholders is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 January 2014 would have been as presented.

A reasonable assurance engagement to report on whether the Proforma Consolidated Statements of Financial Position has been compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors in the compilation of the Proforma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:-

(i) The related proforma adjustments give appropriate effect to those criteria; and

(ii) The Proforma Consolidated Statements of Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the Proforma Consolidated Statements of Financial Position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Proforma Consolidated Statements of Financial Position.

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

*Opinion*

In our opinion,

(i) the Proforma Consolidated Statements of Financial Position as at 31 January 2014 have been properly compiled on the basis set out in the accompanying notes to the Proforma Consolidated Statements of Financial Position using financial statements prepared by the Directors in accordance with the Malaysian Financial Reporting Standards in Malaysia and in a manner consistent with both the format of the financial statements and the accounting policies of the Flonic Group; and

(ii) the adjustments made to the information used in the preparation of the Proforma Consolidated Statements of Financial Position are appropriate for the purposes of preparing the Proforma Consolidated Statements of Financial Position.

**SIEW BOON YEONG & ASSOCIATES**
Chartered Accountants [AF: 0660]

We understand that this letter will be used solely for the purposes of inclusion in the Abridged Prospectus to Shareholders of Flonic in connection with the Rights Issue with Warrants. As such, this letter should not be used for any purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully

**Siew Boon Yeong & Associates**
Firm No: AF 0660
Chartered Accountants

**Dato' Siew Boon Yeong**
Approved Number: 1321/7/16 (J)
Partner of Firm

# FLONIC HI-TEC BHD
## PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2014
## MINIMUM SCENARIO

| | Audited Consolidated Statements of Financial Position as at 31 January 2014 RM'000 | Adjustments for the subsequent event RM'000 | Adjusted Consolidated Statements of Financial Position RM'000 | Adjustments for Rights Issue of Shares with Warrants RM'000 | Proforma I After Rights Issue of Shares with Warrants RM'000 | Adjustments for the full exercise of the Warrants RM'000 | Proforma II After Proforma I and the full exercise of the Warrants RM'000 |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| **Non-current Assets** | | | | | | | |
| Property, plant and equipment | 7,554 | (103) | 7,451 | - | 7,451 | - | 7,451 |
| Goodwill | 3,124 | - | 3,124 | - | 3,124 | - | 3,124 |
| Investment in associated companies | - | 649 | 649 | - | 649 | - | 649 |
| | 10,678 | 546 | 11,224 | - | 11,224 | - | 11,224 |
| **Current Assets** | | | | | | | |
| Inventories | 5,973 | - | 5,973 | - | 5,973 | - | 5,973 |
| Trade receivables | 11,048 | (2,741) | 8,307 | - | 8,307 | - | 8,307 |
| Amount due from contract customers | 447 | - | 447 | - | 447 | - | 447 |
| Other receivables, deposits and prepayments | 267 | - | 267 | - | 267 | - | 267 |
| Cash and bank balances | 5,041 | (936) | 4,105 | 6,775 | 10,880 | 11,027 | 21,907 |
| | 22,776 | (3,677) | 19,099 | 6,775 | 25,874 | 11,027 | 36,901 |
| **Total Assets** | 33,454 | (3,131) | 30,323 | 6,775 | 37,098 | 11,027 | 48,125 |
| **EQUITY AND LIABILITIES** | | | | | | | |
| **Equity attributable to owners of the Company** | | | | | | | |
| Share capital | 19,980 | - | 19,980 | 7,143 | 27,123 | 11,027 | 38,150 |
| Share premium | 1,385 | - | 1,385 | (1,385) | - | 5,023 | 5,023 |
| Warrant reserves | 547 | - | 547 | 4,476 | 5,023 | (5,023) | - |
| Foreign exchange translation reserve | 146 | - | 146 | - | 146 | - | 146 |
| Merger deficit | (2,575) | - | (2,575) | - | (2,575) | - | (2,575) |
| Accumulated losses | (5,400) | - | (5,400) | (2,559) | (7,959) | - | (7,959) |
| Total equity attributable to owners of the Company | 14,083 | - | 14,083 | 7,675 | 21,758 | 11,027 | 32,785 |
| Non-controlling interests | 3,971 | (974) | 2,997 | (900) | 2,097 | - | 2,097 |
| **Total Equity** | 18,054 | (974) | 17,080 | 6,775 | 23,855 | 11,027 | 34,882 |

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SIEW BOON YEONG & ASSOCIATES
Chartered Accountants (AF: 0648)

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**FLONIC HI-TEC BHD**
**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2014**
**MINIMUM SCENARIO (CONT'D)**

| | Audited Consolidated Statements of Financial Position as at 31 January 2014 RM'000 | Adjustments for the subsequent event RM'000 | Adjusted Consolidated Statements of Financial Position RM'000 | Adjustments for Rights Issue of Shares with Warrants RM'000 | Proforma I After Rights Issue of Shares with Warrants RM'000 | Adjustments for the full exercise of the Warrants RM'000 | Proforma II After Proforma I and the full exercise of the Warrants RM'000 |
|---|---|---|---|---|---|---|---|
| **Non-current Liabilities** | | | | | | | |
| Term loans | 3,791 | - | 3,791 | - | 3,791 | - | 3,791 |
| Hire purchase payables | 554 | - | 554 | - | 554 | - | 554 |
| Deferred tax liabilities | 102 | (24) | 78 | - | 78 | - | 78 |
| | 4,447 | (24) | 4,423 | - | 4,423 | - | 4,423 |
| **Current Liabilities** | | | | | | | |
| Trade payables | 5,868 | (1,493) | 4,375 | - | 4,375 | - | 4,375 |
| Amount due to contract customers | 784 | - | 784 | - | 784 | - | 784 |
| Other payables and accruals | 1,314 | (251) | 1,063 | - | 1,063 | - | 1,063 |
| Amount owing to an associated company | 15 | - | 15 | - | 15 | - | 15 |
| Hire purchase payables | 124 | - | 124 | - | 124 | - | 124 |
| Term loans | 251 | - | 251 | - | 251 | - | 251 |
| Bank overdraft | 916 | - | 916 | - | 916 | - | 916 |
| Current tax liabilities | 1,681 | (389) | 1,292 | - | 1,292 | - | 1,292 |
| | 10,953 | (2,133) | 8,820 | - | 8,820 | - | 8,820 |
| **Total Liabilities** | 15,400 | (2,157) | 13,243 | - | 13,243 | - | 13,243 |
| **Total Equity and Liabilities** | 33,454 | (3,131) | 30,323 | 6,775 | 37,098 | 11,027 | 48,125 |
| Par value per ordinary share (RM) | 0.05 | | 0.05 | | 0.05 | | 0.05 |
| Number of ordinary shares ('000) | 399,601 | - | 399,601 | 142,857 | 542,458 | 220,540 | 762,998 |
| Net assets per share (sen) | 3.52 | | 3.52 | | 4.01 | | 4.30 |
| Net tangible assets per share (sen) | 2.74 | | 2.74 | | 3.43 | | 3.89 |
| Total borrowings (RM'000) | 5,636 | | 5,636 | | 5,636 | | 5,636 |
| Gearing ratio (times) | 0.40 | | 0.40 | | 0.26 | | 0.17 |

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SIEW BOON YEONG & ASSOCIATES
Chartered Accountants (AF: 0068)

# FLONIC HI-TEC BHD
## PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2014
## MAXIMUM SCENARIO

| | Audited Consolidated Statements of Financial Position as at 31 January 2014 RM'000 | Adjustments for the subsequent event RM'000 | Adjusted Consolidated Statements of Financial Position RM'000 | Adjustments for assuming full exercise of Warrants 2012/2017 RM'000 | Proforma I After assuming full exercise of Warrants 2012/2017 RM'000 | Adjustments for Rights Issue of Shares with Warrants RM'000 | Proforma II After Proforma I and Rights Issue of Shares with Warrants RM'000 | Adjustments for the full exercise of the Warrants RM'000 | Proforma III After Proforma II and the full exercise of the Warrants RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | | |
| **Non-current Assets** | | | | | | | | | |
| Property, plant and equipment | 7,554 | (103) | 7,451 | - | 7,451 | - | 7,451 | - | 7,451 |
| Goodwill | 3,124 | - | 3,124 | - | 3,124 | - | 3,124 | - | 3,124 |
| Investment in associated company | - | 649 | 649 | - | 649 | - | 649 | - | 649 |
| | 10,678 | 546 | 11,224 | - | 11,224 | - | 11,224 | - | 11,224 |
| **Current Assets** | | | | | | | | | |
| Inventories | 5,973 | - | 5,973 | - | 5,973 | - | 5,973 | - | 5,973 |
| Trade receivables | 11,048 | (2,741) | 8,307 | - | 8,307 | - | 8,307 | - | 8,307 |
| Amount due from contract customers | 447 | - | 447 | - | 447 | - | 447 | - | 447 |
| Other receivables, deposits and prepayments | 267 | - | 267 | - | 267 | - | 267 | - | 267 |
| Cash and bank balances | 5,041 | (936) | 4,105 | 6,265 | 10,370 | 33,518 | 43,888 | 17,498 | 61,386 |
| | 22,776 | (3,677) | 19,099 | 6,265 | 25,364 | 33,518 | 58,882 | 17,498 | 76,380 |
| **Total Assets** | 33,454 | (3,131) | 30,323 | 6,265 | 36,588 | 33,518 | 70,106 | 17,498 | 87,604 |
| **EQUITY AND LIABILITIES** | | | | | | | | | |
| **Equity attributable to owners of the Company** | | | | | | | | | |
| Share capital | 19,980 | - | 19,980 | 6,265 | 26,245 | 26,245 | 52,490 | 17,498 | 69,988 |
| Share premium | 1,385 | - | 1,385 | 547 | 1,932 | (1,932) | - | 16,447 | 16,447 |
| Warrant reserves | 547 | - | 547 | (547) | - | 16,447 | 16,447 | (16,447) | - |
| Foreign exchange translation reserve | 146 | - | 146 | - | 146 | - | 146 | - | 146 |
| Merger deficit | (2,575) | - | (2,575) | - | (2,575) | - | (2,575) | - | (2,575) |
| Accumulated losses | (5,400) | - | (5,400) | - | (5,400) | (6,342) | (11,742) | - | (11,742) |
| Total equity attributable to owners of the Company | 14,083 | - | 14,083 | 6,265 | 20,348 | 34,418 | 54,766 | 17,498 | 72,264 |
| Non-controlling interests | 3,971 | (974) | 2,997 | - | 2,997 | (900) | 2,097 | - | 2,097 |
| **Total Equity** | 18,054 | (974) | 17,080 | 6,265 | 23,345 | 33,518 | 56,863 | 17,498 | 74,361 |

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Chartered Accountants (AF: 0668)

# FLONIC HI-TEC BHD
## PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2014
## MAXIMUM SCENARIO (CONT'D)

| | Audited Consolidated Statements of Financial Position as at 31 January 2014 RM'000 | Adjustments for the subsequent event RM'000 | Adjusted Consolidated Statements of Financial Position RM'000 | Adjustments for assuming full exercise of Warrants 2012/2017 RM'000 | Proforma I After assuming full exercise of Warrants 2012/2017 RM'000 | Adjustments for Rights Issue of Shares with Warrants RM'000 | Proforma II After Proforma I and Rights Issue of Shares with Warrants RM'000 | Adjustments for the full exercise of the Warrants RM'000 | Proforma III After Proforma II and the full exercise of the Warrants RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Non-current Liabilities** | | | | | | | | | |
| Term loans | 3,791 | - | 3,791 | - | 3,791 | - | 3,791 | - | 3,791 |
| Hire purchase payables | 554 | - | 554 | - | 554 | - | 554 | - | 554 |
| Deferred tax liabilities | 102 | (24) | 78 | - | 78 | - | 78 | - | 78 |
| | 4,447 | (24) | 4,423 | - | 4,423 | - | 4,423 | - | 4,423 |
| **Current Liabilities** | | | | | | | | | |
| Trade payables | 5,868 | (1,493) | 4,375 | - | 4,375 | - | 4,375 | - | 4,375 |
| Amount due to contract customers | 784 | - | 784 | - | 784 | - | 784 | - | 784 |
| Other payables and accruals | 1,314 | (251) | 1,063 | - | 1,063 | - | 1,063 | - | 1,063 |
| Amount owing to an associated company | 15 | - | 15 | - | 15 | - | 15 | - | 15 |
| Hire purchase payables | 124 | - | 124 | - | 124 | - | 124 | - | 124 |
| Term loans | 251 | - | 251 | - | 251 | - | 251 | - | 251 |
| Bank overdraft | 916 | - | 916 | - | 916 | - | 916 | - | 916 |
| Current tax liabilities | 1,681 | (389) | 1,292 | - | 1,292 | - | 1,292 | - | 1,292 |
| | 10,953 | (2,133) | 8,820 | - | 8,820 | - | 8,820 | - | 8,820 |
| **Total Liabilities** | 15,400 | (2,157) | 13,243 | - | 13,243 | - | 13,243 | - | 13,243 |
| **Total Equity and Liabilities** | 33,454 | (3,131) | 30,323 | 6,265 | 36,588 | 33,518 | 70,106 | 17,498 | 87,604 |
| Par value per ordinary share (RM) | 0.05 | | 0.05 | | 0.05 | | 0.05 | | 0.05 |
| Number of ordinary shares ('000) | 399,601 | - | 399,601 | 125,301 | 524,903 | 524,903 | 1,049,805 | 349,935 | 1,399,740 |
| Net assets per share (sen) | 3.52 | | 3.52 | | 3.88 | | 5.22 | | 5.16 |
| Net tangible assets per share (sen) | 2.74 | | 2.74 | | 3.28 | | 4.92 | | 4.94 |
| Total borrowings (RM'000) | 5,636 | | 5,636 | | 5,636 | | 5,636 | | 5,636 |
| Gearing ratio (times) | 0.40 | | 0.40 | | 0.28 | | 0.10 | | 0.08 |

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SIEW BOON YEONG & ASSOCIATES
Chartered Accountants (AF: 0660)

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**FLONIC HI-TEC BHD**
**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2014**

## 1. BASIS OF PREPARATION

The Proforma Consolidated Statements of Financial Position have been prepared in accordance with the Malaysian Financial Reporting Standards in Malaysia and based on the audited consolidated statements of financial position of Flonic as at 31 January 2014. The Proforma Consolidated Statements of Financial Position have been prepared solely for illustrative purposes, to show the effects of the Rights Issue with Warrants.

The Proforma Consolidated Statements of Financial Position have been prepared based on the accounting policies and bases consistent with those normally adopted by Flonic in the preparation of its audited financial statements.

The Proforma Consolidated Statements of Financial Position is presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

The Proforma Consolidated Statements of Financial Position, because of its nature, may not be reflective of the Group's actual financial position. Furthermore, such information does not purport to predict the future financial position of the Group.

1.1 The details of the Minimum and Maximum Scenarios are set out below:

**(a) Minimum Scenario**

Minimum Scenario representing the scenario on the following assumptions:-

(a) None of the 125,301,430 Warrants 2012/2017 of the Company which were outstanding as at 23 July 2014 are exercised prior to the entitlement date.

(b) Issuance of 142,857,143 Rights Shares together with 95,238,095 Warrants at an issue price of RM0.07 per Rights Share based on the minimum subscription level pursuant to the Rights Issue with Warrants.

(c) Full exercise of Warrants 2012/2017 and Warrants into 220,539,525 new Flonic Shares at an exercise price of RM0.05 for each Warrant.

**(b) Maximum Scenario**

Maximum Scenario representing the scenario on the following assumptions:-

(a) Full exercise of all outstanding 125,301,430 Warrants 2012/2017 into 125,301,430 new Flonic Shares prior to the entitlement date at an exercise price of RM0.05 for each Warrant 2012/2017.

(b) Issuance of 524,902,678 Rights Shares together with 349,935,118 Warrants at an issue price of RM0.07 per Rights Share pursuant to the Rights Issue with Warrants.

(c) Full exercise of 349,935,118 Warrants into 349,935,118 new Flonic Shares at an exercise price of RM0.05 for each Warrant.

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SIEW BOON YEONG & ASSOCIATES
Chartered Accountants (AF: 0640)

**FLONIC HI-TEC BHD**
**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2014**

1.2 Fair value of Warrants

The allocated fair value of free Warrants is credited to a warrant reserve, which is non-distributable.

The Directors of Flonic have allocated a fair value of RM0.047 for each Warrant. The fair value of the Warrant is derived at using the Black-Scholes option pricing model.

## 2. ADJUSTMENTS TO CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The adjustments incorporate the effects of the following subsequent event after 31 January 2014 ("Subsequent Event"):

On 7 February 2014, Jiwa M&E Services Sdn. Bhd. ("JMES") ceased to be a subsidiary company of the Company as the Company had loss control over the board and management of JMES.

The Subsequent Event has the following financial impact on the Proforma Consolidated Statements of Financial Position of Flonic:-

| | Increase/(Decrease) | |
|---|---|---|
| **Group Level** | **Effect on Total Assets RM'000** | **Effect on Total Equity/ Liabilities RM'000** |
| Property, plant and equipment | (103) | - |
| Investment in associated companies | 649 | - |
| Trade receivables | (2,741) | - |
| Cash and bank balances | (936) | - |
| Trade payables | - | (1,493) |
| Other payables and accruals | - | (251) |
| Current tax liabilities | - | (389) |
| Deferred tax liabilities | - | (24) |
| Non-controlling interests | - | (974) |
| | (3,131) | (3,131) |

## 3. MINIMUM SCENARIO

### 3.1 PROFORMA I

Proforma I incorporates the effects of Subsequent Event and the Rights Issue with Warrants and the following utilisation of proceeds on the adjusted Consolidated Statements of Financial Position as at 31 January 2014:

| | **RM'000** |
|---|---|
| Acquisition of 21% equity interest in Jiwa | 2,625 |
| Working capital and capital expenditure | 6,775 |
| Estimated expenses for the Rights Issue with Warrants | 600 |
| | 10,000 |

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Chartered Accountants (AF: 0660)

The proceeds earmarked for working capital and capital expenditure of RM6.78 million will be included in cash and bank balances. The estimated expenses in relation to the corporate exercise of RM0.60 million and a premium of RM1.72 million from the acquisition from non-controlling interests will be debited to the accumulated losses.

The Rights Issue with Warrants has the following impact on the Proforma Consolidated Statements of Financial Position:-

| | Increase/(Decrease) Effect on Total Assets RM'000 | Effect on Total Equity and Liabilities RM'000 |
|---|---|---|
| Cash and bank balances | 6,775 | - |
| Share capital | - | 7,143 |
| Share premium | - | (1,385) |
| Warrant reserves | - | 4,476 |
| Accumulated losses | - | (2,559) |
| Non-controlling interests | - | (900) |
| | 6,775 | 6,775 |

## 3.2 PROFORMA II

Proforma II incorporates the effects of Proforma I and assuming the full exercise of the Warrants.

The full exercise of the Warrants has the following impact on the Proforma Consolidated Statements of Financial Position:-

| | Increase/(Decrease) Effect on Total Assets RM'000 | Effect on Total Equity and Liabilities RM'000 |
|---|---|---|
| Cash and bank balances | 11,027 | - |
| Share capital | - | 11,027 |
| Share premium | - | 5,023 |
| Warrant reserves | - | (5,023) |
| | 11,027 | 11,027 |

The proceeds earmarked for working capital and capital expenditure of RM33.52 million will be included in cash and bank balances. The estimated expenses in relation to the corporate exercise of RM0.60 million and a premium of RM1.72 million from the acquisition from non-controlling interests will be debited to the accumulated losses.

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Chartered Accountants (AF: 6660)

**FLONIC HI-TEC BHD**
**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2014**

## 4. MAXIMUM SCENARIO

### 4.1 PROFORMA I

Proforma I incorporates the effects of Subsequent Event and assumes full exercise of Warrants 2012/2017 of the Company prior to the entitlement date.

The full exercise of Warrants 2012/2017 has the following impact on the Proforma Consolidated Statements of Financial Position:-

| | Increase/(Decrease) | |
|---|---|---|
| | Effect on Total Assets RM'000 | Effect on Total Equity and Liabilities RM'000 |
| Cash and bank balances | 6,265 | - |
| Share capital | - | 6,265 |
| Share premium | - | 547 |
| Warrant reserves | - | (547) |
| | 6,265 | 6,265 |

### 4.2 PROFORMA II

Proforma II incorporates the effects of Proforma I, Rights Issue with Warrants and the following utilisation of proceeds on the Proforma Consolidated Statements of Financial Position:-

| | RM'000 |
|---|---|
| Acquisition of 21% equity interest in Jiwa | 2,625 |
| Working capital and capital expenditure | 33,518 |
| Estimated expenses for the Rights Issue with Warrants | 600 |
| | 36,743 |

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SIEW BOON YEONG & ASSOCIATES
Chartered Accountants (AF: 0660)

**FLONIC HI-TEC BHD**
**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2014**

The Rights Issue with Warrants has the following impact on the Proforma Consolidated Statements of Financial Position:-

| | Increase/(Decrease) Effect on Total Assets RM'000 | Increase/(Decrease) Effect on Total Equity and Liabilities RM'000 |
|---|---|---|
| Cash and bank balances | 33,518 | - |
| Share capital | - | 26,245 |
| Share premium | - | (1,932) |
| Warrant reserves | - | 16,447 |
| Accumulated losses | - | (6,342) |
| Non-controlling interests | - | (900) |
| | 33,518 | 33,518 |

4.3 **PROFORMA III**

Proforma III incorporates the effects of Proforma II and assuming the full exercise of the Warrants.

The full exercise of Warrants has the following impact on the Proforma Consolidated Statements of Financial Position:-

| | Increase/(Decrease) Effect on Total Assets RM'000 | Increase/(Decrease) Effect on Total Equity and Liabilities RM'000 |
|---|---|---|
| Cash and bank balances | 17,498 | - |
| Share capital | - | 17,498 |
| Share premium | - | 16,447 |
| Warrant reserves | - | (16,447) |
| | 17,498 | 17,498 |

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Chartered Accountants (AF: 0668)

**FLONIC HI-TEC BHD**
**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2014**

## APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors in accordance with a resolution dated 07 OCT 2014 .

On behalf of the Board,
**FLONIC HI-TEC BHD**

**Dato' Chua Wye Man**
Chairman/Executive Director

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SIEW BOON YEONG & ASSOCIATES
Chartered Accountants (AF: 8658)

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 JANUARY 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON**

CERTIFIED TRUE COPY

.....................................

DATO' SIEW BOON YEONG
Partner
*Siew Boon Yeong & Associates*
*AF 0660*
Chartered Accountants

# FLONIC HI-TEC BHD

(Incorporated in Malaysia)

**Reports and Financial Statements**
**31 January 2014**

SIEW BOON YEONG & ASSOCIATES
Chartered Accountants [AF: 0660]

Company No. 655665-T

# FLONIC HI-TEC BHD

(Incorporated in Malaysia)

**Reports and Financial Statements**
**31 January 2014**

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# FLONIC HI-TEC BHD

(Incorporated in Malaysia)

## DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 January 2014.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are as set out in *Note 6* to the financial statements. There were no significant changes in the nature of these activities during the financial year.

### FINANCIAL RESULTS

| | *Group* RM | *Company* RM |
|---|---|---|
| (Loss)/profit attributable to: | | |
| Owners of the Company | (5,913,369) | (12,098,407) |
| Non-controlling interests | 2,576,864 | - |
| | (3,336,505) | (12,098,407) |

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

### DIVIDEND

No dividend has been paid or declared since the end of the previous financial year. The directors do not recommend the payment of any dividend in respect of the current financial year.

### MOVEMENTS ON RESERVES AND PROVISIONS

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

### ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company:

(a) reduced the par value of its issued and paid-up ordinary share capital by the cancellation of RM0.05 of the par value of each existing ordinary share of RM0.10 each in the Company and thereby reducing the issued and paid-up share capital of the Company from RM34,994,493 comprising 349,944,931 ordinary shares of RM0.10 each to RM17,497,247 comprising of 349,944,931 ordinary shares of RM0.05 each;

(b) increased its issued and paid-up ordinary share capital from RM17,497,247 to RM19,980,062 by way of:

   (i) issuance of 14,661,824 ordinary shares of RM0.05 each at par value arising from the exercised of Warrants 2012/2017; and

   (ii) issuance 34,994,493 ordinary shares of RM0.05 each pursuant to private placement at an issue price RM0.085 per ordinary share. The shares were issued for the purpose of working capital ("Private Placement").

The newly issued shares rank pari passu in all respects with the previously issued shares.

There was no issue of debentures by the Company during the financial year.

**OPTIONS**

No option has been granted during the financial year to take up unissued shares of the Company.

**WARRANTS 2012/2017**

On 22 June 2012, the Company listed and quoted 139,963,254 free detachable warrants ("Warrants") pursuant to the Rights Issue with Warrants Exercise on the basis of two (2) Warrants for every three (3) Rights Shares subscribed.

The Warrants are constituted by the Deed Poll dated 11 May 2012 ("Deed Poll").

Salient features of the Warrants are as follows:

(a) Each Warrant entitles the registered holder thereof ("Warrant holder(s)") to subscribe for one (1) new ordinary share of RM0.05 (prior to par value reduction exercise, the par value of ordinary share was RM0.10) in the Company at an adjusted exercise price of RM0.05 (prior to par value reduction exercise, the exercise price was RM0.10) during the 5-year period expiring on 18 June 2017 ("Exercise Period"), subject to the adjustments as set out in the Deed Poll;

(b) At the expiry of the Exercise Period, any Warrants which have not been exercised shall automatically lapse and cease to be valid for any purposes; and

(c) Warrant holders must exercise the Warrants in accordance with the procedures set out in the Deed Poll and shares allotted and issued upon such exercise shall rank pari passu in all respects with the then existing shares of the Company, and shall be entitled to any dividends, rights, allotments and/or other distributions after the issue and allotment thereof.

During the financial year, a total of 14,661,824 Warrants were exercised and the number of outstanding Warrants as at 31 January 2014 is 125,301,430 (2013: 139,963,254).

**DIRECTORS**

The directors in office since the date of the last report are:

| | |
|---|---|
| Dato' Chua Wye Man | |
| Lee Kok Wah | |
| Ng Yaw Long | |
| Voon Wee Li (f) | (appointed on 23.12.2013) |
| Rozita Binti Harun (f) | (resigned on 27.09.2013) |

**DIRECTORS' INTERESTS**

According to the Register of Directors' Shareholdings, particulars of interests of directors who held office at the end of the financial year in the shares in the Company and its related companies during the financial year are as follows:

| | *No. of Ordinary Shares of RM0.05 each* | | | |
|---|---|---|---|---|
| The Company | *Balance 01.02.2013* | *Bought* | *Sold* | *Balance 31.01.2014* |
| Indirect interests | | | | |
| Dato' Chua Wye Man^ | 6,500,000 | 39,661,824 | - | 46,161,824 |

^ *Deemed interest by virtue of his spouse pursuant to Section 6A of the Companies Act, 1965.*

By virtue of his interests in the shares in the Company, Dato' Chua Wye Man is also deemed to have an interest in the shares in its subsidiary companies to the extent the Company has an interest during the financial year.

The other directors holding office at the end of the year had no interest in shares in the Company during the year.

| | *No. of Warrants 2012/2017* | | | |
|---|---|---|---|---|
| The Company | *Balance 01.02.2013* | *Bought* | *Sold* | *Balance 31.01.2014* |
| Indirect interests | | | | |
| Dato' Chua Wye Man^ | 14,661,824 | - | 14,661,824 | - |

^ *Deemed interest by virtue of his spouse pursuant to Section 6A of the Companies Act, 1965.*

The other directors holding office at the end of the year had no interest in Warrants 2012/2017 in the Company during the year.

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown 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 the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company a party to any arrangement whose object was to enable the directors to acquire benefits through the acquisition of shares in, or debentures of, the Company or any other body corporate.

**OTHER STATUTORY INFORMATION**

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

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; 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 expected realisable values.

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

(a) which would render the amounts written off of bad debts or the amount of the allowance for doubtful debts in the financial statements inadequate to any substantial extent or the values attributed to current assets misleading; and

(b) 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.

In the interval between the end of the financial year and the date of this report:

(a) no item, transaction or event of a material and unusual nature has arisen which, in the opinion of the directors, would substantially affect the results of the operations of the Group and of the Company for the current financial year; and

(b) no charge has arisen on the assets of the Group and of the Company which secures the liabilities of any other person nor has any contingent liability arisen in the Group and of the Company.

No contingent or other liability of the Group and of the Company 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 affect the ability of the Group and of the Company to meet its obligations when they fall due.

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

**SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

The significant events during the financial year are disclosed in *Note 39* to the financial statements.

**SIGNIFICANT EVENTS OCCURING AFTER THE REPORTING DATE**

The significant events occurring after the reporting date are disclosed in *Note 40* to the financial statements.

**AUDITORS**

The auditors, Messrs Siew Boon Yeong & Associates, Chartered Accountants, have expressed their willingness to continue in office.

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

**DATO' CHUA WYE MAN**
Director

**LEE KOK WAH**
Director

Kuala Lumpur,
Date: 27 May 2014

Company No. 655665-T

# FLONIC HI-TEC BHD

(Incorporated in Malaysia)

## STATEMENT BY DIRECTORS

In the opinion of the directors, the financial statements set out on pages 10 to 73 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to exhibit a true and fair view of the state of affairs of the Group and of the Company as at 31 January 2014 and of the results and cash flows of the Group and of the Company for the year ended on that date.

The information set out in *Note 43* on page *73* to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed in Kuala Lumpur on 27 May 2014

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

**DATO' CHUA WYE MAN**

**LEE KOK WAH**

## STATUTORY DECLARATION

I, Dato' Chua Wye Man, being the director primarily responsible for the financial management of Flonic Hi-Tec Bhd, do solemnly and sincerely declare that to the best of my knowledge and belief the financial statements set out on pages 10 to 73 are 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.

Subscribed and solemnly declared in Kuala Lumpur on 27 May 2014

**DATO' CHUA WYE MAN**

Before me

PESURUHJAYA SUMPAH
No: W 599
Nama: ABD RAHMAN BIN ZAHARI
MALAYSIA

Commissioner for Oaths

MEJ (B)
ABD RAHMAN BIN ZAHARI
PESURUHJAYA SUMPAH

Lot 2.20, Tingkat 2
Kompleks Desa, Jalan Kepong
52100 Kuala Lumpur

**SIEW BOON YEONG & ASSOCIATES**
Chartered Accountants [AF: 0660]
9-C, Jalan Medan Tuanku, Medan Tuanku, 50300 Kuala Lumpur, Malaysia.
Tel: 03-2693 8837 Fax: 03-2693 8836 Website: www.sby.com.my E-mail: audit@sby.com.my

Member Firm Of Malaysian Institute Of Accountants
Institut Akauntan Malaysia

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FLONIC HI-TEC BHD

(Incorporated in Malaysia)

**Report on the Financial Statements**

We have audited the financial statements of Flonic Hi-Tec Bhd, which comprise the statements of financial position as at 31 January 2014 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 10 to 73.

*Directors' Responsibility for the Financial Statements*

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

*Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at 31 January 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

**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 subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts of a subsidiary company which we have not acted as auditors, as disclosed in *Note 6* to the financial statements.

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

(d) Our audit reports on the accounts of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

**Other Reporting Responsibilities**

The supplementary information set out in *Note 43* on page 73 is disclosed to meet the requirements of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

SIEW BOON YEONG & ASSOCIATES
Chartered Accountants [AF: 0660]

**Other Matters**

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

**SIEW BOON YEONG & ASSOCIATES**
[AF: 0660]
Chartered Accountants

**DATO' SIEW BOON YEONG**
[~~1321~~/7 / 14 (J)]

Kuala Lumpur,
Date: 27 May 2014

INAA GROUP

Company No. 655665-T

# FLONIC HI-TEC BHD
(Incorporated in Malaysia)

## STATEMENTS OF FINANCIAL POSITION
## as at 31 January 2014

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2014 | 2013 | 2014 | 2013 |
| | Note | RM | RM | RM | RM |
| ASSETS | | | | | |
| NON-CURRENT ASSETS | | | | | |
| Property, plant and and equipment | 5 | 7,553,234 | 3,318,924 | - | - |
| Investment in subsidiary companies | 6 | - | - | 6,479,337 | 3,208,062 |
| Investment in associated companies | 7 | - | - | - | - |
| Goodwill on consolidation | 8 | 3,124,277 | - | - | - |
| | | 10,677,511 | 3,318,924 | 6,479,337 | 3,208,062 |
| CURRENT ASSETS | | | | | |
| Inventories | 9 | 5,972,867 | 5,239,551 | - | - |
| Trade receivables | 10 | 11,048,241 | 5,642,371 | - | - |
| Amount due from contract customers | 11 | 447,179 | - | - | - |
| Other receivables, deposits and prepayments | 12 | 267,274 | 1,026,138 | - | 375,000 |
| Amount owing by subsidiary companies | 13 | - | - | 5,566,748 | 16,341,748 |
| Cash and bank balances | | 5,041,341 | 5,249,069 | 3,187,504 | 3,786,287 |
| | | 22,776,902 | 17,157,129 | 8,754,252 | 20,503,035 |
| TOTAL ASSETS | | 33,454,413 | 20,476,053 | 15,233,589 | 23,711,097 |

# FLONIC HI-TEC BHD
(Incorporated in Malaysia)

## STATEMENTS OF FINANCIAL POSITION
**as at 31 January 2014**

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2014 | 2013 | 2014 | 2013 |
| | Note | RM | RM | RM | RM |
| EQUITY AND LIABILITIES | | | | | |
| EQUITY | | | | | |
| Share capital | 14 | 19,980,062 | 34,994,493 | 19,980,062 | 34,994,493 |
| Share premium | 15 | 1,384,855 | 95,991 | 1,384,855 | 95,991 |
| Warrants reserve | | 547,433 | 611,490 | 547,433 | 611,490 |
| Foreign exchange translation reserve | 16 | 145,907 | 145,907 | - | - |
| Merger deficit | | (2,575,050) | (2,575,050) | - | - |
| Accumulated losses | | (5,400,351) | (16,984,228) | (6,836,587) | (12,235,426) |
| Total equity attributable to owners of the Company | | 14,082,856 | 16,288,603 | 15,075,763 | 23,466,548 |
| Non-controlling interests | | 3,971,008 | - | - | - |
| TOTAL EQUITY | | 18,053,864 | 16,288,603 | 15,075,763 | 23,466,548 |
| LIABILITIES | | | | | |
| NON-CURRENT LIABILITIES | | | | | |
| Term loans | 17 | 3,791,210 | - | - | - |
| Hire purchase payables | 18 | 554,098 | - | - | - |
| Deferred tax liabilities | 19 | 101,497 | - | - | - |
| | | 4,446,805 | - | - | - |
| CURRENT LIABILITIES | | | | | |
| Trade payables | 20 | 5,867,534 | 2,502,332 | - | - |
| Amount due to contract customers | 11 | 783,594 | - | - | - |
| Other payables and accruals | 21 | 1,313,964 | 1,669,192 | 157,826 | 244,549 |
| Amount owing to an associated company | 22 | 14,871 | 14,871 | - | - |
| Amount owing to directors | 23 | - | 1,055 | - | - |
| Hire purchase payables | 18 | 124,312 | - | - | - |
| Term loans | 17 | 251,337 | - | - | - |
| Bank overdraft | 24 | 917,295 | - | - | - |
| Current tax liabilities | | 1,680,837 | - | - | - |
| | | 10,953,744 | 4,187,450 | 157,826 | 244,549 |
| TOTAL LIABILITIES | | 15,400,549 | 4,187,450 | 157,826 | 244,549 |
| TOTAL EQUITY AND LIABILITIES | | 33,454,413 | 20,476,053 | 15,233,589 | 23,711,097 |

The accompanying notes form an integral part of the financial statements.

# FLONIC HI-TEC BHD

(Incorporated in Malaysia)

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
**for the year ended 31 January 2014**

| | | *Group* | | *Company* | |
|---|---|---|---|---|---|
| | | 2014 | 2013 | 2014 | 2013 |
| | *Note* | RM | RM | RM | RM |
| REVENUE | *25* | 33,685,098 | 12,101,842 | - | - |
| COST OF SALES | *26* | (27,287,030) | (14,698,863) | - | - |
| GROSS PROFIT/(LOSS) | | 6,398,068 | (2,597,021) | - | - |
| OTHER OPERATING INCOME | | 316,969 | 411,681 | 124,678 | 87,821 |
| ADMINISTRATIVE EXPENSES | *27* | (8,343,866) | (5,910,119) | (12,003,633) | (573,206) |
| LOSS FROM OPERATIONS | | (1,628,829) | (8,095,459) | (11,878,955) | (485,385) |
| FINANCE COSTS | *28* | (364,374) | (6,910) | (219,452) | - |
| LOSS BEFORE TAXATION | *29* | (1,993,203) | (8,102,369) | (12,098,407) | (485,385) |
| INCOME TAX EXPENSE | *31* | (1,343,302) | 1,755 | - | - |
| LOSS AFTER TAXATION | | (3,336,505) | (8,100,614) | (12,098,407) | (485,385) |
| OTHER COMPREHENSIVE LOSS NET OF TAX: | | | | | |
| Items that may be reclassified subsequently to profit or loss | | | | | |
| Foreign currency translation differences for foreign operations | | - | (57,055) | - | - |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR | | (3,336,505) | (8,157,669) | (12,098,407) | (485,385) |

# FLONIC HI-TEC BHD

(Incorporated in Malaysia)

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
**for the year ended 31 January 2014**

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2014 | 2013 | 2014 | 2013 |
| | *Note* | RM | RM | RM | RM |
| (LOSS)/PROFIT ATTRIBUTABLE TO: | | | | | |
| Owners of the company | | (5,913,369) | (8,100,614) | (12,098,407) | (485,385) |
| Non-controlling interests | | 2,576,864 | - | - | - |
| | | (3,336,505) | (8,100,614) | (12,098,407) | (485,385) |
| TOTAL COMPREHENSIVE (LOSS)/ PROFIT ATTRIBUTABLE TO: | | | | | |
| Owners of the company | | (5,913,369) | (8,157,669) | (12,098,407) | (485,385) |
| Non-controlling interests | | 2,576,864 | - | - | - |
| | | (3,336,505) | (8,157,669) | (12,098,407) | (485,385) |
| LOSS PER SHARE (sen) | | | | | |
| - Basic | *32 (a)* | (1.65) | (3.02) | | |
| - Diluted | *32 (b)* | (1.41) | Not applicable | | |

The accompanying notes form an integral part of the financial statements.

# FLONIC HI-TEC BHD
(Incorporated in Malaysia)

## STATEMENTS OF CHANGES IN EQUITY
**for the year ended 31 January 2014**

| | <---Attributable to owners of the Company---> | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | <---Non-distributable---> | | | | | | | | | |
| | Share capital | Share premium | Capital reserve | Warrants reserve | Foreign exchange translation reserve | Merger deficit | Accumulated losses | Attributable to owners of the Company | Non-controlling interests ("NCI") | Total equity |
| *Group* | RM | RM | RM | RM | RM | RM | RM | RM | RM | RM |
| Balance at 1 February 2012 | 14,000,000 | 550,571 | - | - | 202,962 | (2,575,050) | (8,272,124) | 3,906,359 | - | 3,906,359 |
| Transactions with owners of the Company:- | | | | | | | | | | |
| Issuance of shares pursuant to Rights Issue with Warrants | 20,994,493 | - | - | - | - | - | - | 20,994,493 | - | 20,994,493 |
| Expenses incurred in relation to Rights Issue with Warrants | - | (454,580) | - | - | - | - | - | (454,580) | - | (454,580) |
| Adjustment for fair value of Warrants | - | - | | 611,490 | - | - | (611,490) | - | - | - |
| Total transactions with owners | 20,994,493 | (454,580) | - | 611,490 | - | - | (611,490) | 20,539,913 | - | 20,539,913 |
| Loss after taxation | - | - | - | - | - | - | (8,100,614) | (8,100,614) | - | (8,100,614) |
| Other comprehensive loss | | | | | | | | | | |
| - Foreign currency translation difference | - | - | - | - | (57,055) | - | - | (57,055) | - | (57,055) |
| Total comprehensive loss for the year | - | - | - | - | (57,055) | - | (8,100,614) | (8,157,669) | - | (8,157,669) |
| Balance at 31 January 2013 | 34,994,493 | 95,991 | - | 611,490 | 145,907 | (2,575,050) | (16,984,228) | 16,288,603 | - | 16,288,603 |

# FLONIC HI-TEC BHD

(Incorporated in Malaysia)

## STATEMENTS OF CHANGES IN EQUITY
**for the year ended 31 January 2014**

| | <---Attributable to owners of the Company---> | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | <---Non-distributable---> | | | | | | | | | |
| | Share capital | Share premium | Capital reserve | Warrants reserve | Foreign exchange translation reserve | Merger deficit | Accumulated losses | Attributable to owners of the Company | Non-controlling interests ("NCI") | Total equity |
| *Group* | RM | RM | RM | RM | RM | RM | RM | RM | RM | RM |
| Transactions with owners of the Company:- | | | | | | | | | | |
| Par value reduction | (17,497,246) | - | 17,497,246 | - | - | - | - | - | - | - |
| NCI share of the acquiree's net identifiable assets | - | - | - | - | - | - | - | - | 1,334,144 | 1,334,144 |
| Subscription of shares in subsidiary company by NCI | - | - | - | - | - | - | - | - | 240,000 | 240,000 |
| Dividend paid | - | - | - | - | - | - | - | - | (180,000) | (180,000) |
| Exercised of Warrants | 733,091 | 64,057 | - | (64,057) | - | - | - | 733,091 | - | 733,091 |
| Issuance of shares pursuant to Private Placement | 1,749,724 | 1,224,807 | - | - | - | - | - | 2,974,531 | - | 2,974,531 |
| Elimination of accumulated losses | - | - | (17,497,246) | - | - | - | 17,497,246 | - | - | - |
| Total transactions with owners | (15,014,431) | 1,288,864 | - | (64,057) | - | - | 17,497,246 | 3,707,622 | 1,394,144 | 5,101,766 |
| Loss after taxation, representing total comprehensive loss for the year | - | - | - | - | - | - | (5,913,369) | (5,913,369) | 2,576,864 | (3,336,505) |
| Balance at 31 January 2014 | 19,980,062 | 1,384,855 | - | 547,433 | 145,907 | (2,575,050) | (5,400,351) | 14,082,856 | 3,971,008 | 18,053,864 |

Company No. 655665-T

# FLONIC HI-TEC BHD

(Incorporated in Malaysia)

## STATEMENTS OF CHANGES IN EQUITY
**for the year ended 31 January 2014**

| | <----------Attributable to owners of the Company----------> | | | | | |
|---|---|---|---|---|---|---|
| | | <-------------Non-distributable-------------> | | | | |
| | Share capital | Share premium | Capital reserve | Warrants reserve | Accumulated losses | Total equity |
| *Company* | RM | RM | RM | RM | RM | RM |
| Balance at 1 February 2012 | 14,000,000 | 550,571 | - | - | (11,138,551) | 3,412,020 |
| Transactions with owners of the Company:- | | | | | | |
| Issuance of shares pursuant to Rights Issue with Warrants | 20,994,493 | - | - | - | - | 20,994,493 |
| Expenses incurred in relation to Rights Issue with Warrants | - | (454,580) | - | - | - | (454,580) |
| Adjustment for fair value of Warrants | - | - | - | 611,490 | (611,490) | - |
| Total transactions with owners | 20,994,493 | (454,580) | - | 611,490 | (611,490) | 20,539,913 |
| Loss after taxation/Total comprehensive loss for the year | - | - | - | - | (485,385) | (485,385) |
| Balance at 31 January 2013 | 34,994,493 | 95,991 | - | 611,490 | (12,235,426) | 23,466,548 |
| Transactions with owners of the Company:- | | | | | | |
| Par value reduction | (17,497,246) | - | 17,497,246 | - | - | - |
| Exercised of Warrants | 733,091 | 64,057 | - | (64,057) | - | 733,091 |
| Issuance of shares pursuant to Private Placement | 1,749,724 | 1,224,807 | - | - | - | 2,974,531 |
| Elimination of accumulated losses | - | - | (17,497,246) | - | 17,497,246 | - |
| Total transactions with owners | (15,014,431) | 1,288,864 | - | (64,057) | 17,497,246 | 3,707,622 |
| Loss after taxation/Total comprehensive loss for the year | - | - | - | - | (12,098,407) | (12,098,407) |
| Balance at 31 January 2014 | 19,980,062 | 1,384,855 | - | 547,433 | (6,836,587) | 15,075,763 |

The accompanying notes form an integral part of the financial statements.

# FLONIC HI-TEC BHD

(Incorporated in Malaysia)

## STATEMENTS OF CASH FLOWS
## for the year ended 31 January 2014

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Loss before taxation | (1,993,203) | (8,102,369) | (12,098,407) | (485,385) |
| *Adjustments for:* | | | | |
| Bad debts written off | 124,160 | - | - | - |
| Deposit written off | 30,000 | - | - | - |
| Depreciation | 1,016,525 | 642,625 | - | - |
| Impairment loss for investment in subsidiary companies | - | - | 10,978,725 | - |
| Impairment loss on property, plant and equipment | 981,405 | - | - | - |
| Impairment loss on trade receivables | 938,385 | 783,035 | - | - |
| Interest expenses | 364,374 | 6,910 | 219,452 | - |
| Inventories written down | 1,074,480 | 455,144 | - | - |
| Loss on foreign exchange - unrealised | - | 8,652 | - | - |
| Property, plant and equipment written off | 12,670 | 303,054 | - | - |
| Gain on disposal of property, plant and equipment | (20,573) | (57,759) | - | - |
| Gain on foreign exchange - unrealised | - | (1,675) | - | - |
| Interest income | (84,984) | (87,836) | (84,678) | (87,821) |
| *Operating profit/(loss) before working capital changes* | 2,443,239 | (6,050,219) | (984,908) | (573,206) |
| Decrease/(increase) in inventories | 656,856 | (1,105,153) | - | - |
| (Increase)/decrease in receivables | (1,729,880) | (3,351,683) | 375,000 | (375,000) |
| Decrease in payables | (1,460,579) | (654,673) | (86,723) | (201,530) |
| *Cash used in operations* | (90,364) | (11,161,728) | (696,631) | (1,149,736) |
| Interest paid | (364,374) | (6,910) | (219,452) | - |
| Interest received | 84,984 | 87,836 | 84,678 | 87,821 |
| Tax (paid)/refund | (394,735) | 2,630 | - | - |
| *Net cash used operating activities* | (764,489) | (11,078,172) | (831,405) | (1,061,915) |

# FLONIC HI-TEC BHD

(Incorporated in Malaysia)

## STATEMENTS OF CASH FLOWS
## for the year ended 31 January 2014

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Investment in subsidiary companies | - | - | (14,250,000) | - |
| Net cash outflow from acquisition of subsidiary companies *(Note 33)* | (3,292,584) | - | - | - |
| Repayment from/(advances to) subsidiary companies | - | - | 10,775,000 | (15,570,475) |
| Repayment from an associated company | - | 18,250 | - | - |
| Purchase of property, plant and equipment | (4,828,996) | (1,785,386) | - | - |
| Proceeds from disposal of investment in a subsidiary company | - | - | - | 3 |
| Proceeds from disposal of property, plant and equipment | 42,700 | 238,000 | - | - |
| *Net cash used in investing activities* | (8,078,880) | (1,529,136) | (3,475,000) | (15,570,472) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Dividend paid to non-controlling interests | (180,000) | - | - | - |
| Additional investment by non-controlling interests | 240,000 | - | - | - |
| Drawdown of term loans | 4,100,000 | - | - | - |
| Repayment of term loans | (57,453) | - | - | - |
| Proceeds from exercised of Warrants to ordinary shares | 733,091 | - | 733,091 | - |
| Proceeds from issuance of share capital | 2,974,531 | 20,539,913 | 2,974,531 | 20,539,913 |
| Repayment to a related party | - | (2,607,000) | - | (100,000) |
| Advances from an associated company | - | 14,871 | - | - |
| Repayment to directors | (1,055) | (64,600) | - | (24,000) |
| Repayment of hire purchase creditors | (90,768) | (50,733) | - | - |
| *Net cash generated from financing activities* | 7,718,346 | 17,832,451 | 3,707,622 | 20,415,913 |
| *Net (decrease)/increase in cash and cash equivalents* | (1,125,023) | 5,225,143 | (598,783) | 3,783,526 |
| *Cash and cash equivalents at beginning of year* | 5,249,069 | 23,926 | 3,786,287 | 2,761 |
| *Cash and cash equivalents at end of year* | 4,124,046 | 5,249,069 | 3,187,504 | 3,786,287 |
| **Cash and cash equivalents comprise:** | | | | |
| Cash and bank balances | 5,041,341 | 5,249,069 | 3,187,504 | 3,786,287 |
| Bank overdraft | (917,295) | - | - | - |
| | 4,124,046 | 5,249,069 | 3,187,504 | 3,786,287 |

The accompanying notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS - 31 January 2014

## 1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are as set out in *Note 6* to the financial statements. There were no significant changes in the nature of these activities during the financial year.

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

The address of the registered office of the Company is Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur.

The address of the principal place of business of the Company is No. 10-1, Level 10, Menara One Mont Kiara, No. 1, Jalan Kiara, Mont Kiara, 50480 Kuala Lumpur.

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

## 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 Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 1965 in Malaysia. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

On 1 February 2013, the Group and the Company have adopted the following new MFRSs, amendments and IC interpretations issued by the Malaysian Accounting Standards Board ('MASB'), effective for the annual periods beginning on or after 1 January 2013:

MFRS 10 Consolidated Financial Statements

MFRS 11 Joint Arrangements

MFRS 12 Disclosure of Interests in Other Entities

MFRS 13 Fair Value Measurement

MFRS 119 Employee Benefits (2011)

MFRS 127 Separate Financial Statements (2011)

MFRS 128 Investment in Associates and Joint Ventures (2011)

IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

Amendments to MFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards – Government Loans

Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)

Amendments to MFRS 101 Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)

Amendments to MFRS 116 Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)

Amendments to MFRS 132 Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)

Amendments to MFRS 134 Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)

Amendments to MFRS 10 Consolidated Financial Statements: Transition Guidance

Amendments to MFRS 11 Joint Arrangements: Transition Guidance

Amendments to MFRS 12 Disclosure of Interests in Other Entities: Transition Guidance

The adoption of the above accounting standards, amendments and interpretations did not have any material impacts to the financial statements.

**MFRSs that have been issued but are not yet effective**

The Group and the Company have not adopted the following standards, amendments and interpretations that have been issued but not yet effective:

| **MFRSs/Interpretations** | **Effective for annual periods beginning on or after** |
|---|---|
| Amendment to MFRS 10 Consolidated Financial Statements – Investment Entities | 1 January 2014 |
| Amendment to MFRS 12 Disclosure of Interest in Other Entities – Investment Entities | 1 January 2014 |
| Amendment to MFRS 127 Consolidated and Separate Financial Statements - Investment Entities | 1 January 2014 |
| MFRS 132 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities | 1 January 2014 |
| Amendment to MFRS 136 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets | 1 January 2014 |
| Amendments to MFRS 139 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting) | 1 January 2014 |
| IC Interpretation 21 Levies | 1 January 2014 |
| Annual improvements to MFRSs 2010-2012 Cycle | 1 July 2014 |
| Annual improvements to MFRSs 2011-2013 Cycle | 1 July 2014 |

| | |
|---|---|
| MFRS 9 Financial Instruments (2009) | To be announced |
| MFRS 9 Financial Instruments (2010) | To be announced |
| Amendments to MFRS 7, Financial Instruments: Disclosures – Mandatory Date of MFRS 9 and Transition Disclosures | To be announced |

The adoption of these standards, amendments and interpretations that have been issued but not yet effective are not expected to have a material impact to the financial statements of the Group and of the Company except as discussed below:

MFRS 9, Financial Instruments replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost.

The adoption of MFRS 9 will result in a change in accounting policy. The Company is currently assessing the financial impact of adopting MFRS 9.

## 3. SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies set out below are consistent with those applied in the previous financial year unless otherwise stated.

(a) Basis Of Consolidation

The financial statements of the Group include the audited financial statements of the Company and its subsidiary companies made up to the end of the financial year. The financial statements of the subsidiary companies used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

*(i) Acquisition method of accounting for non-common control business combinations*

Acquisition of subsidiaries is accounted for by applying the acquisition method. Under the acquisition method of accounting, identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects, for each individual business combination, whether to recognise non-controlling interest in the acquiree (if any) at fair value on the acquisition date, or the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statements of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Subsidiary companies are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

*(ii) Merger accounting for common control business combinations*

Under the pooling-of-interests method of accounting, the results of entities or businesses under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired were recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The difference between the cost of acquisition and the nominal value of the shares acquired together with the share premium are taken to merger reserve or merger deficit. The other components of equity of the acquired entities are added to the same components within the Group's equity.

*(iii) Non-controlling interest*

Non-controlling interest represents the equity in subsidiary companies not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated profit or loss and within equity in the consolidated of financial position, separately from equity attributable to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

(b) Goodwill

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

Under the acquisition method, goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the subsidiaries at the date of acquisition.

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

(c) Property, Plant And Equipment

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

Property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset to their residual values over their estimated useful lives at the following annual rates:

| | % |
|---|---|
| Office property | 2 |
| Furniture and fittings | 10 |
| Motor vehicles | 12.5 - 20 |
| Office equipment | 10 - 33.33 |
| Plant and machinery | 10 - 20 |
| Renovation | 10 |
| Signboard | 10 |
| Research and development equipment | 10 |
| Computers and software | 33.33 |

The residual value, useful lives and depreciation method of property, plant and equipment are reviewed at each statements of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

On disposal of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is credited or charged to the statements of profit or loss and other comprehensive income in determining profit from operations.

(d) Investments In Subsidiary Companies

Subsidiary companies are entities, including structured entities, controlled by the Group. The Group controls the entities when it is exposed, or has rights, to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities.

Investments in subsidiary companies are stated at cost and are written down when there is a permanent impairment in the value of the investments. The impairment loss is recognised in the profit or loss.

On disposal of an investment, the difference between net disposal proceeds and their carrying amounts is charged or credited to profit or loss.

(e) Investment In Associated Company

Associated company is an entity in 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 not in control or joint control over those policies.

Investment in associated company is accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associated company is carried in the consolidated statements of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associated companies. The Group's share of the net profit or loss of the associated company is recognised in the consolidated statements of profit or loss and other comprehensive income. Where there has been a change recognised directly in the equity of the associated companies, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associated company are eliminated to the extent of the Group's interest in the associated company. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associated company. The associated company is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associated company.

When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any long-term interest that, in substance, form part of the Group's net investment in the associated company, the Group does not recognised further losses, unless it has incurred obligations or made payments on behalf of the associated company.

(f) Financial Instruments

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

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

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

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

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

*(i) Financial Assets*

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

- *Financial Assets at Fair Value Through Profit or Loss*

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

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

- *Held-to-maturity Investments*

  Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with revenue recognised on an effective yield basis.

- *Loans and Receivables Financial Assets*

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

- *Available-for-sale Financial Assets*

  Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

  After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Company's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

*(ii) Financial Liabilities*

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

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

*(iii) Equity Instruments*

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

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

A financial asset is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(g) Impairment

*(i) Impairment of Financial Assets*

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

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

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

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

*(ii)* *Impairment of Non-financial Assets*

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

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

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

(h) Amount due from/(to) contract customers

Construction contracts are stated at cost plus attributable profits less applicable progress billings and allowances for foreseeable losses, if any.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activities at the reporting date. The stage of completion is determined by the actual costs incurred for work performed to-date in relation to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and 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.

The aggregate of the costs incurred and the profit or loss recognised on each contract is compared against the progress billings up to the period end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as amount due from contract customers. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount due to contract customers.

(i) Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost is determined using the weighted average method. The cost of raw materials comprises the original cost of purchases plus the cost of bringing these inventories to their intended location and condition. The cost of finished goods and work-in-progress includes the cost of raw materials, direct labour and appropriate allocation of manufacturing overheads.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the estimated cost of selling expenses. Write down is made where necessary for damaged, obsolete and slow-moving inventories.

(j) Hire Purchase

Assets acquired under hire purchase arrangements are capitalised at their purchase cost and the total instalments payable less undue interests under hire purchase agreements are recorded as liabilities. The interests are allocated to the statements of profit or loss and other comprehensive income over the year of the respective agreements based on the remaining balance of liability for each period during the hire purchase term. Assets acquired under hire purchase arrangements are depreciated over the expected useful lives of equivalent owned assets.

(k) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

(l) Provisions For Liabilities

Provisions for liabilities are recognised when the Group have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economie benefits will be required to settle the obligation; and when a reliable estimate of the amount can be made. Provisions are reviewed at each statements of financial position date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(m) Related Parties

A party is related to an entity if:-

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

*(ii)* the party is an associate of the entity;

*(iii)* the party is a joint venture in which the entity is a venture;

*(iv)* the party is a member of the key management personnel of the entity or its parent;

*(v)* the party is a close member of the family of any individual referred to in (i) or (iv);

*(vi)* the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

*(vii)* the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

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

(n) Foreign Currency Translation

*(i)* Transactions And Balances

Foreign currency monetary assets and liabilities have been converted into Ringgit Malaysia ("RM") at the rates of exchange ruling at the statements of financial position date. Transactions in foreign currencies have been converted at rates ruling at the transaction dates. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the statements of profit or loss and other comprehensive income. Non-monetary assets and liabilities are translated using exchange rates that existed when the values determined.

*(ii)* Foreign Operations

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from the acquisition of foreign operations, are translated into RM for consolidation at the rates of exchange ruling at the end of the reporting period. Revenues and expenses of foreign operations are translated into RM at the average rates for the financial period. All exchanges differences arising from translation are recognised directly to other comprehensive income and accumulated in equity under translation reserve. On disposal of a foreign operation, accumulated translation differences recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to comprehensive income.

(o) Revenue Recognition

*(i)* Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services rendered in the ordinary course of the Group's activities. Revenue from sales of goods and services is recognised upon delivery of goods and customers' acceptance and services are performed, and where applicable, net of returns and trade discounts.

*(ii)* Revenue on contracts is recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case revenue on contracts is only recognised to the extent of contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss.

The stage of completion is determined based on total costs incurred to date over the estimated total project costs.

*(iii)* Interest income is recognised on an accrual basis using the effective interest rate.

*(iv)* Rental income is aceounted for in straight line basis over leased terms.

(p) Income Tax Expense

Income taxes for the year comprise current and deferred tax.

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

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

Deferred tax is recognised in the statements of profit or loss and other comprehensive income, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs. The carrying amounts of deferred tax assets are reviewed at each end of the reporting period 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 deferred tax assets to be utilised.

(q) Employee Benefits

*(i)* Short Term Employee Benefits

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

*(ii)* Defined Contribution Plan

The Group's contributions to defined contribution plans regulated and managed by the government, are charged to the statements of profit or loss and other comprehensive income in the period to which they relate. Once the contributions have been paid, the Group has no further financial obligations.

(r) Cash And Cash Equivalents

For the purposes of the statements of cash flows, cash and cash equivalents comprise cash in hand, bank balances, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(s) Borrowing costs

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

All other borrowing costs are recognised in profit or loss as expenses in the period in which they incurred.

(t) Contingent Liabilities

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

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

(u) Operating Segments

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

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Depreciation of Property, Plant and Equipment

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

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

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

(b) Impairment of Goodwill

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

(c) Income Taxes

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

(d) Impairment of Non-financial Assets

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

(e) Impairment of Loans and Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment loss. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(f) Construction Contracts

Construction contracts accounting requires reliable estimation of the costs to complete the contract and reliable estimation of the stage of completion.

(i) Contract Revenue

Construction contracts accounting requires variation claims only be recognised as contract revenue to the extent that it is probable that they will be accepted by the customers. As the approval process often takes some time, a judgement is required to be made of its probability and revenue recognised accordingly.

(ii) Contract Costs

Using experience gained on each particular contract and taking into account the expectations of the time and materials required to complete the contract, management estimates the probability of the contract on an individual basis at any particular time.

(g) Write Down of Inventories

Reviews are made periodically by management on damaged, obsolete and slowing-moving inventories. These reviews require judgements and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

## 5. PROPERTY, PLANT AND EQUIPMENT

The details of property, plant and equipment are as follows:

| | Office property | Furniture and fittings | Motor vehicles | Office equipment | Plant and machinery | Renovation | Signboard | Research and development equipment | Computers and software | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| *Group* | RM | RM | RM | RM | RM | RM | RM | RM | RM | RM |
| *Cost* | | | | | | | | | | |
| At 1 February 2012 | - | 838,673 | 693,606 | 650,334 | 1,851,353 | - | - | 1,927,818 | - | 5,961,784 |
| Additions | - | 471,789 | 94,000 | 376,501 | 756,955 | 86,141 | - | - | - | 1,785,386 |
| Disposal | - | - | (523,023) | - | - | - | - | - | - | (523,023) |
| Written off | - | (440,204) | - | (42,977) | - | - | - | (230,000) | - | (713,181) |
| At 31 January 2013/ 1 February 2013 | - | 870,258 | 264,583 | 983,858 | 2,608,308 | 86,141 | - | 1,697,818 | - | 6,510,966 |
| Acquisition of subsidiary companies | 25,920 | - | 1,226,068 | 189,671 | 430,785 | 175,264 | - | - | 290,867 | 2,338,575 |
| Additions | 4,677,596 | - | 6,000 | 17,706 | 38,430 | 30,624 | 280 | - | 58,360 | 4,828,996 |
| Disposal | - | - | (162,390) | - | - | - | - | - | - | (162,390) |
| Written off | - | - | (7,950) | - | - | (10,150) | - | - | - | (18,100) |
| At 31 January 2014 | 4,703,516 | 870,258 | 1,326,311 | 1,191,235 | 3,077,523 | 281,879 | 280 | 1,697,818 | 349,227 | 13,498,047 |

| | Office property | Furniture and fittings | Motor vehicles | Office equipment | Plant and machinery | Renovation | Signboard | Research and development equipment | Computers and software | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| *Group* | RM | RM | RM | RM | RM | RM | RM | RM | RM | RM |
| *Accumulated depreciation* | | | | | | | | | | |
| At 1 February 2012 | - | 488,626 | 404,606 | 350,927 | 1,021,890 | - | - | 1,036,277 | - | 3,302,326 |
| Charge for the year | - | 69,422 | 86,228 | 80,426 | 211,008 | 2,153 | - | 193,388 | - | 642,625 |
| Disposal | - | - | (342,782) | - | - | - | - | - | - | (342,782) |
| Written off | - | (249,449) | - | (22,678) | - | - | - | (138,000) | - | (410,127) |
| At 31 January 2013/ 1 February 2013 | - | 308,599 | 148,052 | 408,675 | 1,232,898 | 2,153 | - | 1,091,665 | - | 3,192,042 |
| Acquisition of subsidiary companies | - | - | 533,683 | 20,750 | 204,562 | 33,084 | - | - | 108,455 | 900,534 |
| Charge for the year | 31,357 | 80,486 | 212,526 | 120,274 | 304,435 | 21,635 | 26 | 170,388 | 75,398 | 1,016,525 |
| Disposal | - | - | (140,263) | - | - | - | - | - | - | (140,263) |
| Written off | - | - | - | (2,385) | - | (3,045) | - | - | - | (5,430) |
| At 31 January 2014 | 31,357 | 389,085 | 753,998 | 547,314 | 1,741,895 | 53,827 | 26 | 1,262,053 | 183,853 | 4,963,408 |

| | Office property | Furniture and fittings | Motor vehicles | Office equipment | Plant and machinery | Renovation | Signboard | Research and development equipment | Computers and software | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| *Group* | RM | RM | RM | RM | RM | RM | RM | RM | RM | RM |
| *Accumulated impairment loss* | | | | | | | | | | |
| At 1 February 2012 | - | - | - | - | - | - | - | - | - | - |
| At 31 January 2013/ 1 February 2013 | - | - | - | - | - | - | - | - | - | - |
| Impairment loss | - | 402,465 | - | 31,948 | 274,057 | - | - | 272,935 | - | 981,405 |
| At 31 January 2014 | - | 402,465 | - | 31,948 | 274,057 | - | - | 272,935 | - | 981,405 |
| *Net carrying amount* | | | | | | | | | | |
| At 31 January 2014 | 4,672,159 | 78,708 | 572,313 | 611,973 | 1,061,571 | 228,052 | 254 | 162,830 | 165,374 | 7,553,234 |
| At 31 January 2013 | - | 561,659 | 116,531 | 575,183 | 1,375,410 | 83,988 | - | 606,153 | - | 3,318,924 |

Office property of the Group is pledged to a licensed bank as security for banking facilities granted to the Group as mentioned in Notes 17 and 24.

The strata title of office property with a carrying amount of RM4,672,159 (2013: Nil) have yet to be issued by the relevant authority.

A motor vehicle with a carrying amount of RM101,901 (2013: Nil) is registered under the name of a director of a subsidiary company.

The net carrying amount of property, plant and equipment includes the following assets held under hire purchase agreements:

| | *Group* 2014 | 2013 |
|---|---|---|
| | RM | RM |
| Motor vehicles | 508,475 | - |

## 6. INVESTMENT IN SUBSIDIARY COMPANIES

| | Company 2014 RM | Company 2013 RM |
|---|---|---|
| Unquoted shares in Malaysia, at cost | | |
| At 1 February 2013/2012 | 13,575,053 | 13,575,056 |
| Additional investment in subsidiary companies by way of: | | |
| - cash | 3,750,000 | - |
| - capitalisation of debts | 10,500,000 | - |
| | 14,250,000 | - |
| Disposal of investment in a subsidiary company | - | (3) |
| At 31 January | 27,825,053 | 13,575,053 |
| *Less:* Accumulated impairment losses in investment | | |
| At 1 February 2013/2012 | (10,366,991) | (10,366,991) |
| Impairment during the year | (10,978,725) | - |
| At 31 January | (21,345,716) | (10,366,991) |
| | 6,479,337 | 3,208,062 |

Details of the subsidiary companies are as follows:

| Name of subsidiary companies | Country of incorporation | Effective equity interest 2014 % | Effective equity interest 2013 % | Principal activities |
|---|---|---|---|---|
| **Direct holding:** | | | | |
| Flonic Sdn. Bhd. ("FSB") | Malaysia | 100 | 100 | Design and distribute precision cleaning system. |
| Flonic Advance Sdn. Bhd. ("FASB") | Malaysia | 100 | 100 | Design and manufacture precision cleaning system. |
| Flonic Engineering Sdn. Bhd. ("FESB") | Malaysia | 100 | - | Trading in building materials and equipment parts. |
| Flonic Architectural Sdn. Bhd. | Malaysia | 100 | 100 | Temporary ceased operations. |
| Jiwa Holdings Sdn. Bhd. ("JHSB") ^ | Malaysia | 30 | - | Project management, interior fit out and investment holding. |
| **Indirect holding:** | | | | |
| *Subsidiary company of FSB* | | | | |
| Flonic Europe SPRL * | Belgium | 51 | 51 | Temporary ceased operations. |

| | | | | |
|---|---|---|---|---|
| *Subsidiary company of FASB* | | | | |
| Flonic Engineering Sdn. Bhd. | Malaysia | - | 100 | Trading in building materials and equipment parts. |
| *Subsidiary companies of JHSB* | | | | |
| Jiwa Furniture Sdn. Bhd. ("JF") | Malaysia | 100 | - | Project management, interior fit out, manufacturing and trading in wood furniture. |
| Jiwa Furniture Marketing Sdn. Bhd. | Malaysia | 100 | - | Trading of industrial furniture, fixtures and appliances and dealer in wood furniture. |
| Jiwa M&E Services Sdn. Bhd. ("JMES") # | Malaysia | 40 | - | Mechanical and electrical maintenance services. |
| Jiwa Project Sdn. Bhd. | Malaysia | 70 | - | Dormant. |

^ Although the Group owns less than half of the ownership equity interest in JHSB, the Directors had determined that the Group controls JHSB by virtue of the Shareholders' Agreement dated 7 January 2013 with its other investors.

# Although the Group owns less than half of the ownership equity interest in JMES via JHSB and consequentially has less than half of the voting power, it is able to govern the financial and operating policies of the company by control over the composition of the board of directors.

Subsequent to the reporting date, a representative of the Group had resigned from the board of directors of JMES resulting in the Group ceasing its control over the board and management of JMES. The details of deemed disposal of a subsidiary company are disclosed in *Note 40(a)* to the financial statements.

* Subsidiary company not audited by Siew Boon Yeong & Associates.

The audited financial statements for the year ended 31 January 2014 of Flonic Europe SPRL were not available at the date of financial statements of the Group as there is no statutory requirement in the country of incorporation of this subsidiary. As such, the management accounts of the said subsidiary company for the financial year ended 31 January 2014 have been used for consolidation purposes. However, the Directors are of the opinion that the financial results of this subsidiary company was not material to the Group as the subsidiary company had temporarily ceased operation.

There are no significant restrictions on the ability of the subsidiary companies to transfer funds to the Group in the form of cash dividends or repayment of loans and advances. Generally, for all subsidiary companies which are not wholly-owned by the Company, non-controlling shareholders hold protective rights restricting the Company's ability to use the assets of the subsidiary companies and settle the liabilities of the Group, unless approval is obtained from non-controlling shareholders.

**NCI in subsidiaries**

(a) The Group's subsidiary companies that have material NCI are as follows:

| | 2014<br>RM | 2013<br>RM |
|---|---|---|
| *JHSB and its subsidiary companies:* | | |
| Carrying amount of NCI | 3,971,008 | - |
| Profit allocated to NCI | 2,576,864 | - |

(b) Summarised financial information before intra-group elimination

| | 2014<br>RM | 2013<br>RM |
|---|---|---|
| *JHSB and its subsidiary companies:* | | |
| As at 31 January | | |
| Non-current assets | 5,895,943 | - |
| Current assets | 11,702,868 | - |
| Non-current liabilities | (4,218,680) | - |
| Current liabilities | (8,123,603) | - |
| Net assets | 5,256,528 | - |
| For the year ended 31 January | | |
| Revenue | 19,266,881 | - |
| Profit for the year | 3,236,661 | - |
| Total comprehensive income | 3,236,661 | - |
| Cash flows from operating activities | 209,177 | - |
| Cash flows from investing activities | (4,825,166) | - |
| Cash flows from financing activities | 4,611,308 | - |
| Net decrease in cash and cash equivalents | (4,681) | - |
| Dividend paid to NCI | 180,000 | - |

## 7. INVESTMENT IN ASSOCIATED COMPANIES

| | *Group*<br>2014<br>RM | <br>2013<br>RM |
|---|---|---|
| Unquoted shares outside Malaysia, at cost | 61,677 | 61,677 |
| Share of net liabilities | (61,677) | (61,677) |
| | - | - |

Details of the associated companies are as follows:

| Name of associated companies | Country of incorporation | Effective equity interest 2014 | 2013 | Principal activities |
|---|---|---|---|---|
| | | % | % | |
| Flonic International Ltd. * | Bahamas | 50 | 50 | Trading of precision cleaning system. |
| Flonic (USA) LLC * | United States of America | 50 | 50 | Trading of precision cleaning system. |
| Flonic (Thailand) Co. Ltd. * | Thailand | 49 | 49 | Trading of precision cleaning system. |

* Associated companies not audited by Siew Boon Yeong & Associates.

All the associated companies were either dormant or did not have significant activities and transactions during the financial year. There were no financial statements prepared for the purpose of equity accounting and the directors are of the opinion that net assets/liabilities of the associated companies as at the reporting date are insignificant to the Group.

## 8. GOODWILL ON CONSOLIDATION

| | *Group* 2014 | 2013 |
|---|---|---|
| | RM | RM |
| At 1 February 2013/2012 | - | - |
| Acquisition of new subsidiary companies | 3,124,277 | - |
| At 31 January | 3,124,277 | - |

Goodwill on consolidation arose from the acquisition of JHSB and its subsidiary companies during the year.

Goodwill is tested for impairment on an annual basis by comparing the carrying amount with the recoverable amount of the Operating Unit ("OU") based on value-in-use. Value-in-use is determined by discounting of future cash flows to be generated from the continuing use of the OU going forward. The following are the principal assumptions:-

(a) Cash flows are projected based on the management's three (3) years business plan for the OU;

(b) Profitability are projected based on management's three (3) years business plan, taking into account industry trends, historical margins achieved or pre-determined profit margins; and

(c) Discount rate of 15% was used based on management's estimate of return on capital employed required of the OU, taking into account, amongst others, status of operations and growth trends.

The management believes that no reasonable change in the above key assumptions would cause the carrying amount of the goodwill to exceed its recoverable amount.

## 9. INVENTORIES

| | Group 2014 RM | Group 2013 RM |
|---|---|---|
| *At cost:* | | |
| Raw materials | 1,291,836 | - |
| Work-in-progress | 80,167 | - |
| Finished goods | 2,625,808 | - |
| *At net realisable value:* | | |
| Raw materials | 1,072,154 | 1,367,970 |
| Finished goods | 902,902 | 3,871,581 |
| | 5,972,867 | 5,239,551 |

| | Group 2014 RM | Group 2013 RM |
|---|---|---|
| Recognised in profit or loss | | |
| Inventories recognised as eost of sales | 14,829,057 | 11,378,665 |
| Write-down to net realisable value | 1,074,480 | 455,144 |
| | 15,903,537 | 11,833,809 |

The write-down is included in cost of sales.

## 10. TRADE RECEIVABLES

| | Group 2014 RM | Group 2013 RM |
|---|---|---|
| Trade receivables | 15,085,535 | 8,973,050 |
| *Less:* Accumulated impairment losses in trade receivables | (4,037,294) | (3,330,679) |
| | 11,048,241 | 5,642,371 |

| | 2014 RM | 2013 RM |
|---|---|---|
| *Accumulated impairment losses in trade receivables:* | | |
| At 1 February 2013/2012 | 3,330,679 | 2,547,644 |
| Addition during the year | 938,385 | 783,035 |
| Written off | (231,770) | - |
| At 31 January | 4,037,294 | 3,330,679 |

Credit terms of trade receivables ranged from 30 to 90 days (2013: 30 to 60 days). Other credit terms are assessed and approved on a case-by-case basis.

Included in trade receivables are retention sums of RM690,843 (2013: Nil) which are unsecured, interest free and repayable within a year.

## 11. AMOUNT DUE FROM/(TO) CONTRACT CUSTOMERS

| | *Group* 2014 RM | 2013 RM |
|---|---|---|
| Aggregate costs incurred to date | 9,853,744 | - |
| *Add:* Attributable profits | 7,360,551 | - |
| | 17,214,295 | - |
| *Less:* Progress billings | (17,550,710) | - |
| | (336,415) | - |
| Represented by: | | |
| Amount due from contract customers | 447,179 | - |
| Amount due to contract customers | (783,594) | - |
| | (336,415) | - |

Included in construction costs incurred during the year of the Group was rental of site office amounting to RM29,864.

## 12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | 2014 RM | 2013 RM | 2014 RM | 2013 RM |
| Other receivables | 63,147 | 20,696 | - | - |
| Deposits | 169,018 | 977,787 | - | 375,000 |
| Prepayments | 35,109 | 27,655 | - | - |
| | 267,274 | 1,026,138 | - | 375,000 |

## 13. AMOUNT OWING BY SUBSIDIARY COMPANIES

| | *Company* 2014 RM | 2013 RM |
|---|---|---|
| At 1 February 2013/2012 | 16,341,748 | 771,273 |
| (Repayment from)/advance to during the year | (775,000) | 15,570,475 |
| Capitalisation for additional investment in subsidiary companies | (10,000,000) | - |
| At 31 January | 5,566,748 | 16,341,748 |

The amount owing is non-trade in nature, unsecured, interest-free and repayable on demand.

## 14. SHARE CAPITAL

| | *Group and Company* | | | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | Number of ordinary shares | | RM | RM |
| Ordinary shares of RM0.05 (2013: RM0.10) each: | | | | |
| Authorised: | | | | |
| At 1 February 2013/2012 | 1,000,000,000 | 250,000,000 | 100,000,000 | 25,000,000 |
| Created during the year | - | 750,000,000 | - | 75,000,000 |
| Par value reduction | - | - | (50,000,000) | - |
| At 31 January | 1,000,000,000 | 1,000,000,000 | 50,000,000 | 100,000,000 |
| Issued and fully paid: | | | | |
| At 1 February 2013/2012 | 349,944,931 | 140,000,000 | 34,994,493 | 14,000,000 |
| Par value reduction | - | - | (17,497,246) | - |
| Issued during the year | - | 209,944,931 | - | 20,994,493 |
| Exercised of Warrants | 14,661,824 | - | 733,091 | - |
| Issuance of shares pursuant to Private Placement | 34,994,493 | - | 1,749,724 | - |
| At 31 January | 399,601,248 | 349,944,931 | 19,980,062 | 34,994,493 |

During the financial year, the Company undertook and completed the following exercises:-

(a) Par value reduction comprising the capital reduction pursuant to Section 64(1) of the Companies Act, 1965 involving the reduction of the par value of each existing ordinary share from RM0.10 to RM0.05 via cancellation of the RM0.05 of the par value of the then existing share of RM0.10 each.

(b) increased its issued and paid-up ordinary share capital from RM17,497,247 to RM19,980,062 by way of:-

   (i) issuance of 14,661,824 ordinary shares of RM0.05 each at par value arising from the exercised of Warrants 2012/2017; and

   (ii) issuance of 34,994,493 ordinary shares of RM0.05 each pursuant to a private placement at an issue price RM0.085 per ordinary share. The shares were issued for the purpose of working capital.

The newly issued shares rank pari passu in all respects with the previously issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company and rank equally with regard to the Company's residual assets.

## 15. SHARE PREMIUM

| | Group and Company | |
|---|---|---|
| | 2014 | 2013 |
| | RM | RM |
| At 1 February 2013/2012 | 95,991 | 550,571 |
| Exercised of Warrants | 64,057 | - |
| Issuance of shares | 1,224,807 | - |
| Expenses in relation to Rights Issue with Warrants | - | (454,580) |
| At 31 January | 1,384,855 | 95,991 |

The share premium is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act, 1965.

## 16. FOREIGN EXCHANGE TRANSLATION RESERVE

*Group*

The foreign exchange translation reserve arose from the translation of the financial statements of a foreign subsidiary and is not distributable by way of dividends.

## 17. TERM LOANS

The term loans are repayable as follows:

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | RM | RM |
| Secured | | |
| *Show under current liabilities* | | |
| Within 1 year | 251,337 | - |
| *Show under non-current liabilities* | | |
| Between 2 to 5 years | 1,171,603 | - |
| More than 5 years | 2,619,607 | - |
| | 3,791,210 | - |
| | 4,042,547 | - |

The term loans are denominated in RM and are granted by licensed banks.

The term loans are secured as follows:

(i) A first legal charge over the office property of the Group as mentioned in Note 5; and
(ii) Jointly and severally guaranteed by certain directors of a subsidiary company.

The term loans of the Group bear interest rates ranging from 4.50% to 9.60% (2013: Nil) per annum.

## 18. HIRE PURCHASE PAYABLES

| *Group* | Future instalments payable | Undue interest | Principal payable |
|---|---|---|---|
| | RM | RM | RM |
| *2014* | | | |
| *Shown under current liabilities* | | | |
| Within 1 year | 156,564 | (32,252) | 124,312 |
| *Shown under non-current liabilities* | | | |
| Between 2 to 5 years | 555,482 | (58,700) | 496,782 |
| More than 5 years | 59,328 | (2,012) | 57,316 |
| | 614,810 | (60,712) | 554,098 |
| | 771,374 | (92,964) | 678,410 |
| *2013* | - | - | - |

The effective interest rates of the hire purchase payables of the Group ranged from 4.51% to 7.55% (2013: Nil) per annum.

## 19. DEFERRED TAX LIABILITIES

| | *Group* 2014 | 2013 |
|---|---|---|
| | RM | RM |
| Balance at 1 January 2013/2012 | | |
| Acquisition of subsidiary companies | 181,300 | - |
| Transfer from statements of profit or loss and other comprehensive income *(Note 31)* | (79,803) | - |
| Balance at 31 January | 101,497 | - |

The deferred tax liabilities are in respect of taxable temporary differences arising from the qualifying property, plant and equipment's total capital allowances claimed in excess of corresponding accumulated depreciation.

The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

| | Group | |
|---|---|---|
| | *2014* | *2013* |
| | RM | RM |
| Excess of capital allowances over depreciation on property, plant and equipment | 675,108 | 2,061,977 |
| Unutilised tax losses | (25,376,132) | (18,398,168) |
| Unabsorbed capital allowances | (2,964,562) | (2,794,243) |
| | (27,665,586) | (19,130,434) |

## 20. TRADE PAYABLES

*Group*

The normal trade credit terms granted to the Group ranged from 30 to 60 days (2013: 30 to 60 days). Other credit terms are assessed and approved on a case-by-case basis.

## 21. OTHER PAYABLES AND ACCRUALS

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Other payables | 1,051,958 | 587,370 | 80,870 | 133,629 |
| Accruals | 247,206 | 449,611 | 76,956 | 110,920 |
| Customer deposit and advance payment | 14,800 | 632,211 | - | - |
| | 1,313,964 | 1,669,192 | 157,826 | 244,549 |

## 22. AMOUNT OWING TO AN ASSOCIATED COMPANY

*Group*

The amount owing is non-trade in nature, unsecured, interest-free and repayable on demand.

## 23. AMOUNT OWING TO DIRECTORS

*Group*

The amount owing is non-trade in nature, unsecured, interest-free and repayable on demand.

## 24. BANK OVERDRAFT

*Group*

Secured

The bank overdraft is denominated in RM and granted by a licenced bank.

The bank overdraft is secured as follows:

(a) A first legal charge over the office property of the Group as mentioned in Note 5; and
(b) Jointly and severally guaranteed by certain directors of a subsidiary company.

The bank overdraft bears effective interest rate at 8.35% (2013: Nil) per annum.

## 25. REVENUE

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Sale of goods and services | 16,715,505 | 12,101,842 | - | - |
| Contract revenue | 9,834,601 | - | - | - |
| Mechanical and electrical maintenance | 7,134,992 | - | - | - |
| | 33,685,098 | 12,101,842 | - | - |

## 26. COST OF SALES

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Cost of goods and services | 17,413,854 | 14,698,863 | - | - |
| Contract costs | 5,625,959 | - | - | - |
| Cost of mechanical and electrical maintenance | 4,247,217 | - | - | - |
| | 27,287,030 | 14,698,863 | - | - |

## 27. ADMINISTRATIVE EXPENSES

Other than as disclosed in Notes 29 and 30, included in administration expenses are the following material expenses:

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Commission | 452,930 | 727,160 | - | - |
| Professional fees | 593,193 | 240,469 | 396,534 | 143,579 |
| Research and development expenses | - | 383,871 | - | - |
| Relocation cost | - | 194,893 | - | - |

## 28. FINANCE COSTS

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Bank overdraft interest | 15,355 | - | - | - |
| Hire purchase interest | 29,975 | 2,551 | - | - |
| Late payment interest | 21,710 | 4,359 | - | - |
| Term loan interest | 297,334 | - | 219,452 | - |
| | 364,374 | 6,910 | 219,452 | - |

## 29. LOSS BEFORE TAXATION

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Loss before taxation is stated *after charging:* | | | | |
| Auditors' remuneration | | | | |
| - current year's provision | 83,200 | 36,000 | 20,000 | 10,000 |
| - under provision in respect of prior year | 9,818 | - | 5,000 | - |
| - other services | 52,000 | 60,000 | 30,000 | 60,000 |
| Bad debts written off | 124,160 | - | - | - |
| Deposit written off | 30,000 | - | - | - |
| Depreciation | 1,016,525 | 642,625 | - | - |
| Impairment loss for investment in subsidiary companies | - | - | 10,978,725 | - |
| Impairment loss on property, plant and equipment | 981,405 | - | - | - |
| Impairment loss on trade receivables | 938,385 | 783,035 | - | - |
| Inventories written down | 1,074,480 | 455,144 | - | - |
| Loss on foreign exchange - realised | 1,224 | 24,401 | - | - |
| Loss on foreign exchange - unrealised | - | 8,652 | - | - |
| Property, plant and equipment written off | 12,670 | 303,054 | - | - |
| Rental of equipment | 1,930 | 200 | - | - |
| Rental of factory | 54,000 | - | - | - |
| Rental of premises | 634,934 | 626,954 | - | - |
| Rental of office equipment | 8,330 | - | - | - |
| Employee benefit expenses *(Note 30)* | 4,551,977 | 3,309,226 | 432,010 | 179,300 |
| *and crediting:* | | | | |
| Gain on disposal of property, plant and equipment | 20,573 | 57,759 | - | - |
| Gain on foreign exchange - realised | 23,613 | 44,076 | - | - |
| Gain on foreign exchange - unrealised | - | 1,675 | - | - |
| Interest income | 84,984 | 87,836 | 84,678 | 87,821 |
| Rental income | 143,000 | - | - | - |

## 30. EMPLOYEE BENEFIT EXPENSES

The employee benefit expenses recognised in statements of profit or loss and other comprehensive income are as follows:

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Salaries and wages | 3,616,944 | 2,642,023 | 308,888 | 50,880 |
| Defined contribution plan | 448,472 | 294,310 | 36,500 | 2,920 |
| Other employee benefits | 486,561 | 372,893 | 86,622 | 125,500 |
| | 4,551,977 | 3,309,226 | 432,010 | 179,300 |

Included in employee benefit expenses are directors' remuneration who are the key management personnel of the Company:

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Directors' remuneration | | | | |
| - Fees | 122,000 | 77,500 | 96,000 | 77,500 |
| - Defined contribution plan | 14,380 | 44,421 | 11,520 | 2,880 |
| - Other emoluments | 76,500 | 500,422 | 76,500 | 24,000 |

## 31. INCOME TAX EXPENSE

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Malaysian income tax: | | | | |
| - current year's provision | 1,460,645 | - | - | - |
| - over provision in respect of prior years | (37,540) | (1,755) | - | - |
| - deferred tax liabilities *(Note 19)* | (79,803) | - | - | - |
| | 1,343,302 | (1,755) | - | - |

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

| | Group 2014 RM | Group 2013 RM | Company 2014 RM | Company 2013 RM |
|---|---|---|---|---|
| Loss before taxation | (1,993,203) | (8,102,369) | (12,098,407) | (485,385) |
| Income tax expense at Malaysian statutory tax rate of 25% (2013: 25%) | (498,301) | (2,025,592) | (3,024,602) | (121,346) |
| • Adjustments for the following tax effects: | | | | |
| - expenses not deductible for tax purposes | 654,088 | 545,494 | 3,024,602 | 121,346 |
| - income not subject to tax | - | (14,440) | - | - |
| - temporary differences not recognised during the year | 2,128,789 | 1,494,538 | - | - |
| - utilisation of previously unrecognised deferred tax assets | (713,009) | - | - | - |
| - lower tax rate for small and medium size industry | (100,000) | - | - | - |
| | 1,969,868 | 2,025,592 | 3,024,602 | 121,346 |
| • Over provision in respect of prior years | (37,540) | (1,755) | - | - |
| • Deferred tax liabilities not recognised in prior year | (90,725) | - | - | - |
| | 1,343,302 | (1,755) | - | - |
| Tax savings arising from utilisation of prior year tax losses previously not recognised | 685,958 | - | - | - |

The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | RM | RM |
| Excess of capital allowances claimed over depreciation on property, plant and equipment | 675,108 | 2,061,977 |
| Unutilised tax losses | (25,376,132) | (18,398,168) |
| Unabsorbed capital allowances | (2,964,562) | (2,794,243) |
| | (27,665,586) | (19,130,434) |

## 32. LOSS PER SHARE

(a) Basic loss per ordinary share

The basic loss per ordinary share as at 31 January 2014 is arrived at by dividing the Group's loss attributable to the owners of the Company divided by a weighted average number of ordinary shares outstanding and calculated as follows:

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | RM | RM |
| Loss attributable to owners of the Company | (5,913,369) | (8,100,614) |
| Weighted average number of ordinary shares:- | | |
| Ordinary shares in issued at 1 February 2013/2012 | 349,944,931 | 140,000,000 |
| Effect of new ordinary shares issued pursuant to the Rights Issue with Warrants | - | 127,917,267 |
| Effect of new ordinary shares issued pursuant to the exercised of Warrants 2012/2017 | 3,936,599 | - |
| Effect of new ordinary shares issued pursuant to the Private Placement | 3,739,138 | - |
| Weighted average number of ordinary shares at 31 January for basic loss per ordinary share | 357,620,668 | 267,917,267 |
| Basic loss per share (sen) | (1.65) | (3.02) |

(b) Diluted loss per ordinary share

The basic loss per ordinary share as at 31 January 2014 is arrived at by dividing the Group's loss attributable to the owners of the Company divided by a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares and calculated as follows:

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | RM | RM |
| Loss attributable to owners of the Company | (5,913,369) | (8,100,614) |
| Weighted average number of ordinary shares at 31 January for basic loss per ordinary share (basic) | 357,620,668 | 267,917,267 |
| Effect of exercised of Warrants 2012/2017 | 62,077,072 | - |
| Weighted average number of ordinary shares at 31 January for basic loss per ordinary share (basic) | 419,697,740 | 267,917,267 |
| Diluted loss per share (sen) | (1.41) | NA |

The diluted loss per share as at 31 January 2013 was not presented as the average market value of the ordinary shares of the Company is lower than the exercise price for the outstanding Warrants 2012/2017 and any exercise of Warrants 2012/2017 would be anti dilutive.

## 33. ACQUISITION OF SUBSIDIARY COMPANIES

JHSB was incorporated as a private limited company in Malaysia under the Companies Act, 1965 on 4 January 2010. JHSB is principally engaged in project management, interior fit out and investment holding.

On 30 April 2013, the Company acquired 30% equity interest in JHSB. Upon the acquisition, JHSB became a 30% owned subsidiary of the Group.

Although the Group owns less than half of the ownership interest in JHSB, the Directors had determined that the Group controls JHSB by virtue of the Shareholders' Agreement dated 7 January 2013 with its other investors.

The fair values of the identifiable assets and liabilities of JHSB and its subsidiary companies ("Jiwa Group") as at the date of acquisition were:-

| | *Jiwa Group* | | |
|---|---|---|---|
| | Pre-acquisition carrying amounts RM | Fair value adjustments RM | Recognised values on acquisition RM |
| Property, plant and equipment | 1,438,041 | - | 1,438,041 |
| Inventories | 2,464,652 | - | 2,464,652 |
| Trade receivables | 3,912,319 | - | 3,912,319 |
| Other receivables, deposits and prepayments | 544,531 | - | 544,531 |
| Cash and bank balances | 457,416 | - | 457,416 |
| Trade payables | (1,936,849) | - | (1,936,849) |
| Other payables and accrued expenses | (3,317,299) | - | (3,317,299) |
| Hire purchase payables | (769,178) | - | (769,178) |
| Current tax liabilities | (652,466) | - | (652,466) |
| Deferred tax liabilities | (181,300) | - | (181,300) |
| Non-controlling interests | 125,875 | - | 125,875 |
| Net identifiable assets and liabilities | 2,085,742 | - | 2,085,742 |
| Less: Non-controlling interests' proportionate share of the acquiree's net identifiable assets | | | (1,460,019) |
| Group's interest in fair value of net identifiable assets | | | 625,723 |
| Goodwill on acquisition | | | 3,124,277 |
| Purchase consideration | | | 3,750,000 |
| Less: Cash and bank balances of subsidiary companies acquired | | | (457,416) |
| Net cash outflow on acquisition | | | 3,292,584 |

## 34. RELATED PARTY DISCLOSURE

(a) Identities of related parties

(i) The Group has a controlling related party relationship with its direct subsidiaries as disclosed in *Note 6* to the financial statements; and

(ii) The directors who are the key management personnel.

(b) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company carried out the following significant transactions with the related parties during the financial year:-

(i) Subsidiary company

| | Company 2014 RM | Company 2013 RM |
|---|---|---|
| Disposal of an investment in a subsidiary company to a subsidiary company | - | 3 |
| Management fee income from a subsidiary company | (40,000) | - |

(ii) Key management compensation

| | Group 2014 RM | Group 2013 RM | Company 2014 RM | Company 2013 RM |
|---|---|---|---|---|
| Short term employee benefits | | | | |
| - Salaries and wages | 122,000 | 476,422 | 96,000 | - |
| - Defined contribution plan | 14,380 | 44,421 | 11,520 | 2,880 |
| - Others | 76,500 | 101,500 | 76,500 | 101,500 |

## 35. FINANCIAL INSTRUMENTS

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

(a) Financial Risk Management Policies

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

i. Market Risk

(i) *Foreign Currency Risk*

The Group and the Company are exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The net unhedged financial liabilities of the Group and of the Company not denominated in RM are as follows:-

| *Group* | Singapore Dollar RM | United States Dollar RM | Total RM |
|---|---|---|---|
| 2014 | | | |
| Trade and other receivables | - | 189,762 | 189,762 |
| Trade and other payables | (185,813) | (372,600) | (558,413) |
| Currency exposure | (185,813) | (182,838) | (368,651) |
| 2013 | | | |
| Trade and other receivables | - | 526,711 | 526,711 |
| Trade and other payables | (381,797) | (246,418) | (628,215) |
| Currency exposure | (381,797) | 280,293 | (101,504) |

*Foreign Currency Risk Sensitivity Analysis*

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

| | *Group* 2014 RM Increase/ (decrease) | *Group* 2013 RM Increase/ (decrease) |
|---|---|---|
| Effects on loss after taxation/equity | | |
| Strengthened by 10% | | |
| - Singapore Dollar | 18,581 | 38,180 |
| - United States Dollar | 18,284 | (28,029) |
| Weakened by 10% | | |
| - Singapore Dollar | (18,581) | (38,180) |
| - United States Dollar | (18,284) | 28,029 |

*(ii)* *Interest Rate Risk*

The Group's and the Company's exposure to interest rate risk arises mainly from interest-bearing financial liabilities. Its policy is to obtain the most favourable interest rates available.

*Interest Rate Risk Sensitivity Analysis*

The interest rate risk sensitivity analysis on the fixed rate financial instruments is not disclosed as the interest-bearing financial instruments carry fixed interest rate and are measured at amortised cost.

The following table details the sensitivity analysis on the floating rate instruments to a reasonably possible change in the interest rate as at the end of the reporting period, with all other variables held constant:-

| | *Group* | |
|---|---|---|
| | 2014 | 2013 |
| | Increase/ (decrease) | Increase/ (decrease) |
| | RM | RM |
| **Effects on loss after taxation/equity** | | |
| Increase of 100 basis points | 16,992 | - |
| Decrease of 100 basis points | (16,992) | - |

(iii) *Equity Price Risk*

The Group and the Company do not have any quoted investments and hence there is no exposure to price risk.

ii. Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from receivables. The maximum exposure to credit risk is represented by the carrying amount of this financial asset in the statements of financial position reduced by the effects of any netting arrangements with counterparties.

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

Credit Risk Concentration Profile

The Group has no significant concentration of credit risk that may arise from exposure to a single receivable or to groups of receivables except for the amounts owing by four (2013: 2) major customers constituting approximately 80% (2013: 39%) of the outstanding trade receivables of the Group at reporting date.

Exposure to Credit Risk

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

Ageing Analysis

The ageing analysis of the Group's trade receivables at the reporting date is as follows:-

| *Group* | Gross amount RM | Individually impairment RM | Collective impairment RM | Carrying amount RM |
|---|---|---|---|---|
| *2014* | | | | |
| Not past due | 4,675,770 | - | - | 4,675,770 |
| Past due: | | | | |
| - less than 3 months | 3,809,459 | - | - | 3,809,459 |
| - between 3 to 6 months | 607,184 | (545) | (55,321) | 551,318 |
| - more than 6 months | 5,993,122 | (3,694,290) | (287,138) | 2,011,694 |
| | 15,085,535 | (3,694,835) | (342,459) | 11,048,241 |
| *2013* | | | | |
| Not past due | 1,997,276 | - | - | 1,997,276 |
| Past due: | | | | |
| - less than 3 months | 512,064 | - | - | 512,064 |
| - between 3 to 6 months | 1,739,115 | - | - | 1,739,115 |
| - more than 6 months | 4,724,595 | (3,330,679) | - | 1,393,916 |
| | 8,973,050 | (3,330,679) | - | 5,642,371 |

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

The collective impairment is determined based on estimated irrecoverable amounts, determined by reference to past default experience.

Trade receivables that are past due but not impaired are unsecured in nature. They are creditworthy receivables.

Trade receivables that are neither past due nor impaired are regular customers that have been transacted with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 180 days, which are deemed to have higher credit risk, are monitored individually.

iii. Liquidity and Cash Flow Risk

The Group's and the Company's exposure to liquidity and cash flow risks arises mainly from general funding and business activities. The Group practises risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

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

| *Group* | Weighted Average Effective Rate | Carrying Amount | Contractual Undiscounted Cash Flows | On demand or Within 1 year | 1 - 2 years | 2 - 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|
| 2014 | % | RM | RM | RM | RM | RM | RM |
| Trade payables | | 5,867,534 | 5,867,534 | 5,867,534 | - | - | - |
| Other payables and accruals | | 1,328,835 | 1,328,835 | 1,328,835 | - | - | - |
| Bank overdraft | 8.35 | 917,295 | 917,295 | 917,295 | - | - | - |
| Hire purchase payables | 4.51 - 7.55 | 678,410 | 771,374 | 156,564 | 156,564 | 398,918 | 59,328 |
| Term loans | 4.50 - 9.60 | 4,042,547 | 5,454,403 | 456,993 | 456,993 | 1,318,264 | 3,222,153 |
| | | 12,834,621 | 14,339,441 | 8,727,221 | 613,557 | 1,717,182 | 3,281,481 |
| 2013 | % | RM | RM | RM | RM | RM | RM |
| Trade payables | | 2,502,332 | 2,502,332 | 2,502,332 | - | - | - |
| Other payables and accruals | | 1,684,063 | 1,684,063 | 1,684,063 | - | - | - |
| Amount owing to directors | | 1,055 | 1,055 | 1,055 | - | - | - |
| | | 4,187,450 | 4,187,450 | 4,187,450 | - | - | - |

| *Company* | Weighted Average Effective Rate | Carrying Amount | Contractual Undiscounted Cash Flows | On demand or Within 1 year | 1 - 2 years | 2 - 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|
| 2014 | % | RM | RM | RM | RM | RM | RM |
| Other payables and accruals | | 157,826 | 157,826 | 157,826 | - | - | - |
| 2013 | % | RM | RM | RM | RM | RM | RM |
| Other payables and accruals | | 244,549 | 244,549 | 244,549 | - | - | - |

(b) Capital Risk Management

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

The Group manages its capital based on debt-to-equity ratio. The debt-to-equity ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents.

The debt-to-equity ratio of the Group and of the Company as at the end of the financial year was as follows:

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Trade payables | 5,867,534 | 2,502,332 | - | - |
| Other payables and accruals | 1,328,835 | 1,685,118 | 157,826 | 244,549 |
| Hire purchase payables | 678,410 | - | - | - |
| Term loans | 4,042,547 | - | - | - |
| | 11,917,326 | 4,187,450 | 157,826 | 244,549 |
| Less: Cash and cash equivalents | (4,124,046) | (5,249,069) | (3,187,504) | (3,786,287) |
| Net debts | 7,793,280 | (1,061,619) | (3,029,678) | (3,541,738) |
| Total equity | 18,053,864 | 16,288,603 | 15,075,763 | 23,466,548 |
| Debt-to-equity ratio | 0.43 | NA | NA | NA |

*NA – Not applicable as cash and cash equivalents exceeded the total debts at the end of the financial years.*

(c) Classification Of Financial Instruments

| | Group 2014 RM | Group 2013 RM | Company 2014 RM | Company 2013 RM |
|---|---|---|---|---|
| Financial Assets | | | | |
| Loans and Receivables Financial Assets | | | | |
| Trade receivables | 11,048,241 | 5,642,371 | - | - |
| Other receivables and deposits | 232,165 | 998,483 | - | 375,000 |
| Amounts owing by subsidiary companies | - | - | 5,566,748 | 16,341,748 |
| Cash and bank balances | 5,041,341 | 5,249,069 | 3,187,504 | 3,786,287 |
| | 16,321,747 | 11,889,923 | 8,754,252 | 20,503,035 |
| Financial Liabilities | | | | |
| Other financial liabilities | | | | |
| Trade payables | 5,867,534 | 2,502,332 | - | - |
| Other payables and accruals | 1,313,964 | 1,669,192 | 157,826 | 244,549 |
| Amount owing to an associated company | 14,871 | 14,871 | - | - |
| Amount owing to directors | - | 1,055 | - | - |
| Bank overdraft | 917,295 | - | - | - |
| Hire purchase payables | 678,410 | - | - | - |
| Term loans | 4,042,547 | - | - | - |
| | 12,834,621 | 4,187,450 | 157,826 | 244,549 |

(d) Fair Values Of Financial Instruments

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(e) Fair Value Hierarchy

As at 31 January 2014, there were no financial instruments measured at fair value in the statements of financial position.

## 36. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Executive Directors as its chief operating decision makers in order to allocate resources to segments and to assess their performancc. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into main business segments as follows:-

(a) Manufacturing

Design, manufacturing and distribution of precision system.

(b) Trading

Trading of building materials and other related products.

(c) Interior fit-out

Project management, interior fit-out, manufacturing and trading in wood furniture.

(d) Mechanical and electrical maintenance

Provision of mechanical and electrical maintenance services.

Other segments comprise companies providing management services and dormant companies.

The Executive Directors assess the performance of the operating segments based on operating profits or losses which is measured differently from those disclosed in the consolidated financial statements.

The Executive Directors are of the opinion that all inter segment transactions are entered into in the normal course of business and are at arm's length basis in a manner similar to transactions with third parties.

Business segments

| *Group* *2014* | Manufacturing RM | Trading RM | Interior fit-out RM | Mechanical and electrical maintenance RM | Others RM | Elimination RM | Total RM |
|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | |
| External revenue | 1,320,722 | 13,097,495 | 12,131,889 | 7,134,992 | - | - | 33,685,098 |
| Inter-segment revenue | - | 17,928 | 430,000 | - | - | (447,928) | - |
| External revenue | 1,320,722 | 13,115,423 | 12,561,889 | 7,134,992 | - | (447,928) | 33,685,098 |
| **Results** | | | | | | | |
| Segment results | (3,634,503) | (1,792,120) | 2,735,908 | 2,158,025 | (11,972,244) | 10,791,121 | (1,713,813) |
| Interest income | 306 | - | - | - | 84,678 | - | 84,984 |
| Interest expenses | - | (21,710) | (123,212) | - | (219,452) | - | (364,374) |
| Loss before taxation | (3,634,197) | (1,813,830) | 2,612,696 | 2,158,025 | (12,107,018) | 10,791,121 | (1,993,203) |
| Income tax expense | - | - | (915,749) | (427,553) | - | - | (1,343,302) |
| Loss after taxation | (3,634,197) | (1,813,830) | 1,696,947 | 1,730,472 | (12,107,018) | 10,791,121 | (3,336,505) |
| **Assets** | | | | | | | |
| **Segment assets** | 3,103,991 | 7,174,070 | 16,671,499 | 3,779,824 | 26,296,313 | (23,571,284) | 33,454,413 |
| **Liabilities** | | | | | | | |
| **Segment liabilities** | 2,938,532 | 6,473,953 | 11,711,846 | 2,156,167 | 1,702,399 | (9,582,348) | 15,400,549 |

Business segments

| *Group* *2014* | Manufacturing RM | Trading RM | Interior fit-out RM | Mechanical and electrical maintenance RM | Others RM | Elimination RM | Total RM |
|---|---|---|---|---|---|---|---|
| **Other information** | | | | | | | |
| Capital expenditures | - | 3,830 | 4,792,802 | 32,364 | - | - | 4,828,996 |
| Bad debts written off | - | - | 124,160 | - | - | - | 124,160 |
| Deposit written off | 30,000 | - | - | - | - | - | 30,000 |
| Depreciation of property, plant and equipment | 507,626 | 154,305 | 311,704 | 42,890 | - | - | 1,016,525 |
| Impairment loss on trade receivables | 590,781 | 347,604 | - | - | - | - | 938,385 |
| Impairment loss on property, plant and equipment | 981,405 | - | - | - | - | - | 981,405 |
| Impairment loss on investment in subsidiary companies | - | - | - | - | 10,978,725 | (10,978,725) | - |
| Inventories written down | 1,054,480 | - | 20,000 | - | - | - | 1,074,480 |
| Property, plant and equipment written off | - | - | 12,670 | - | - | - | 12,670 |
| Gain on disposal of property, plant and equipment | (20,573) | - | - | - | - | - | (20,573) |

Business segments

| *Group* *2013* | Manufacturing RM | Trading RM | Interior fit-out RM | Mechanical and electrical maintenance RM | Others RM | Elimination RM | Total RM |
|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | |
| External revenue | 2,389,573 | 9,712,269 | - | - | - | - | 12,101,842 |
| Inter-segment revenue | 421,161 | - | - | - | - | (421,161) | - |
| External revenue | 2,810,734 | 9,712,269 | - | - | - | (421,161) | 12,101,842 |
| **Results** | | | | | | | |
| Segment results | (7,636,933) | 30,983 | - | - | (577,345) | - | (8,183,295) |
| Interest income | - | 15 | - | - | 87,821 | - | 87,836 |
| Interest expenses | (2,551) | (4,359) | - | - | - | - | (6,910) |
| Loss before taxation | (7,639,484) | 26,639 | - | - | (489,524) | - | (8,102,369) |
| Income tax expense | - | - | - | - | 1,755 | - | 1,755 |
| Loss after taxation | (7,639,484) | 26,639 | - | - | (487,769) | - | (8,100,614) |
| **Assets** | | | | | | | |
| **Segment assets** | 14,352,632 | 9,191,362 | - | - | 23,794,803 | (26,862,744) | 20,476,053 |
| **Liabilities** | | | | | | | |
| **Segment liabilities** | 20,042,073 | 8,677,414 | - | - | 285,169 | (24,817,206) | 4,187,450 |

Business segments

| *Group* *2013* | Manufacturing RM | Trading RM | Interior fit-out RM | Mechanical and electrical maintenance RM | Others RM | Elimination RM | Total RM |
|---|---|---|---|---|---|---|---|
| **Other information** | | | | | | | |
| Capital expenditures | 487,444 | 1,297,942 | - | - | - | - | 1,785,386 |
| Depreciation of property, plant and equipment | 587,396 | 55,229 | - | - | - | - | 642,625 |
| Impairment loss on trade receivables | 783,035 | - | - | - | - | - | 783,035 |
| Inventories written down | 455,144 | - | - | - | - | - | 455,144 |
| Loss on foreign exchange - unrealised | 8,652 | - | - | - | - | - | 8,652 |
| Property, plant and equipment written off | 303,054 | - | - | - | - | - | 303,054 |
| Gain on foreign exchange - unrealised | (1,675) | - | - | - | - | - | (1,675) |
| Gain on disposal of property, plant and equipment | (57,759) | - | - | - | - | - | (57,759) |

Geographical information

| Group | 2014 Revenue RM | 2014 Non-current assets RM | 2013 Revenue RM | 2013 Non-current assets RM |
|---|---|---|---|---|
| Malaysia | 32,756,320 | 7,553,234 | 11,036,940 | 3,318,924 |
| China | 744,930 | - | 821,915 | - |
| Philippines | - | - | 211,312 | - |
| Others | 183,848 | - | 31,675 | - |
| | 33,685,098 | 7,553,234 | 12,101,842 | 3,318,924 |

**Major Customers**

Information about major customers

*Group*

| Segment | 2014 No. of Customers* | 2014 Revenue RM | 2013 No. of Customers* | 2013 Revenue RM |
|---|---|---|---|---|
| Interior fit-out | 1 | 8,200,953 | - | - |
| Mechanical and electrical maintenance | 1 | 7,134,992 | - | - |
| Trading | - | - | 3 | 5,141,053 |

** - Revenue from each customer is equal to or more than 10% of the Group's revenue.*

## 37. OPERATING LEASE COMMITMENTS

| | Group 2014 RM | Group 2013 RM |
|---|---|---|
| The future minimum lease payment under a cancellable operating lease are as follows: | | |
| - not later than 1 year | 229,500 | 630,000 |
| - later than 1 year and not later than 5 years | 30,000 | 577,500 |
| | 259,500 | 1,207,500 |

The Group leases the factory building from a third party for operation purpose under a cancellable operating lease agreement.

## 38. CONTINGENT LIABILITY

A contract work undertaken by a subsidiary company of which the completion date based on the agreement was on 28 October 2012 and was further extended to 28 February 2013. The liquidated ascertained damages ("LAD") calculated from 1 March 2013 at RM3,000 a day up to 31 January 2014 was RM1,011,000. However, there is no valid LAD claim from the customer.

The management represented that the work was completed in May 2013. However, the customer has withheld the issuance of certificate of practical completion pending rectification work.

## 39. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 16 April 2013, the Company undertook an internal restructuring wherein Flonic Advance Sdn. Bhd. ("FASB"), a wholly owned subsidiary of the Company disposed of 500,000 ordinary shares of RM1 each in Flonic Engineering Sdn. Bhd. ("FESB") representing 100% equity interest in FESB to the Company for a consideration of RM500,000. FESB became a wholly-owned subsidiary of the Company. The disposal has no impact at the Group level.

(b) On 30 April 2013, the Company acquired 300,000 ordinary shares of RM1 each representing 30% equity interest in Jiwa Holdings Sdn. Bhd. ("Jiwa") for a total cash consideration of RM3,750,000. Although the Group owns less than half of the ownership interest in Jiwa Holdings Sdn. Bhd., the Directors had determined that the Group controls Jiwa Holdings Sdn. Bhd. by virtue of the Shareholders' Agreement dated 7 January 2013 with its other investors. The details of the acquisition are disclosed in Note 33 to the financial statements.

(c) On 18 September 2013, the reduction of share capital pursuant to Section 64(1) of the Companies Act, 1965 ("Act") involving the reduction of the par value of each existing ordinary share in the Company from RM0.10 to RM0.05 via the cancellation of the par value of each existing ordinary share of RM0.10 each in the Company in issue ("Reduction in Par Value") was completed. The credit arising therefrom was utilised to set-off the accumulated losses of the Company.

The Company's Memorandum of Association ("M&A") was amended to facilitate the change in the par value of the Company's ordinary shares and the increase in the number of authorised shares of the Company arising from the Reduction in Par Value.

With the completion of the Reduction in Par Value, the Company's paid-up capital is now reduced to RM17,497,247 comprising 349,944,931 ordinary shares of RM0.05 each and the accumulated losses of the Company were set off by RM13,355,108 accordingly from the credit arising from the Reduction in Par Value.

(d) On 30 September 2013, a 40% owned subsidiary company, JMES increased its issued and paid-up share capital from RM100,000 to RM500,000 by the allotment of 160,000 ordinary shares of RM1 each fully paid to JHSB in full, a 30% owned subsidiary company of the Group and the balance of 240,000 ordinary shares of RM1 each to NCI.

(e) On 25 October 2013, the Company increased its issued and paid-up capital from 349,944,931 to 364,606,755 through the exercised of 14,661,824 Warrants 2012/2017 at an exercise price of RM0.05 per ordinary share. The newly issued shares rank pari passu in all respects with the existing shares of the Company.

(f) On 23 December 2013, the Company increased its issued and paid-up capital from 364,606,755 to 399,601,248 by the issuance of 34,994,493 new ordinary shares at an issue price of RM0.085 each by a private placement. The shares were issued for cash consideration. The newly issued shares rank pari passu in all respects with the existing shares of the Company.

(g) On 30 January 2014, a wholly owned subsidiary of the Company, FASB increased its authorised share capital from RM10,000,000 to RM25,000,000 by the creation of 15,000,000 ordinary shares of RM1 each and increased its issued and paid-up share capital from RM8,000,000 to RM16,000,000 by the allotment of 8,000,000 ordinary shares of RM1 each.

The Company subscribed for the additional 8,000,000 ordinary shares of RM1 each by way of capitalisation of amount owing by FASB.

(h) On 30 January 2014, a wholly owned subsidiary of the Company, FESB increased its authorised share capital from RM500,000 to RM5,000,000 by the creation of 4,500,000 ordinary shares of RM1 each and increased its issued and paid-up share capital from RM500,000 to RM2,500,000 by the allotment of 2,000,000 ordinary shares of RM1 each.

The Company subscribed for the additional 2,000,000 ordinary shares of RM1 each by way of capitalisation of amount owing by FESB.

## 40. SIGNIFICANT EVENTS OCCURING AFTER THE REPORTING DATE

(a) On 7 February 2014, a representative of the Group had resigned from the board of directors of JMES resulting in the Group ceasing its control over the board and management of JMES but could still exert significant influence over JMES by participation in the financial and operating policy decision. Subsequently, its investment in JMES has been reclassified from investment in subsidiary company to investment in associated company at Company level and is accounted for in the consolidated financial statements using the equity method at Group level.

The summary of financial information are as follows:

| | Carrying amount RM |
|---|---|
| Property, plant and equipment | 101,369 |
| Trade and other receivables | 2,742,054 |
| Cash and cash equivalents | 936,401 |
| Trade and other payables | (1,743,614) |
| Current tax liabilities | (389,253) |
| Deferred tax liabilities | (23,300) |
| Total net asset deemed disposed | 1,623,657 |
| Non-controlling interests | (974,194) |
| Share of net assets deemed disposed and reclassified to investment in associated company | 649,463 |

(b) On 7 January 2013, the Company entered into an Option Agreement with Mr. Harris Hans Chua and Mr. Roy Thean Chong Yew (collectively referred to as "Vendors") to purchase an additional 210,000 ordinary shares of RM1 each in Jiwa representing 21% equity interest in Jiwa from the Vendors at a total purchase consideration of RM2,625,000 within 12 months from 30 April 2013 ("Option Period").

On 27 February 2014, the Option Period were extended for an additional six months from a previously agreed option period.

(c) On 17 April 2014, the Company announced a proposal to undertake a renounceable rights issue of up to 524,902,678 new ordinary shares of RM0.05 each in Flonic ("Rights Shares") together with up to 349,935,118 free detachable warrants ("Warrants") at an issue price of RM0.07 per Rights Share on the basis of one (1) Rights Share for every one (1) existing ordinary share of RM0.05 each held in Flonic together with two (2) Warrants for every three (3) Rights Shares subscribed at an entitlement date to be determined later.

## 41. COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform with the presentation of the current financial year:

| | *Group* As restated | *Group* As previously reported | *Company* As restated | *Company* As previously reported |
|---|---|---|---|---|
| **Statements of profit or loss and other comprehensive income (extract):** | | | | |
| Changes in inventories of finished goods and work-in-progress | - | 865,483 | - | - |
| Purchases | - | (10,720,264) | - | - |
| Raw materials and consumables used | - | (1,988,484) | - | - |
| Depreciation | - | (642,625) | - | - |
| Staff costs | - | (3,309,226) | - | (179,300) |
| Other operating expenses | - | (4,813,866) | - | (393,906) |
| Cost of sales | (14,698,863) | - | - | - |
| Administrative expenses | (5,910,119) | - | (573,206) | - |
| **Statement of cash flows (extract):** | | | | |
| Cash used in operating activities | | | | |
| - Increase in receivables | (3,351,683) | (3,333,433) | (375,000) | (15,945,475) |
| - Increase in payables | (654,673) | (3,311,402) | (201,530) | (325,530) |
| Cash used in investing activities | | | | |
| - Advances to subsidiary companies | - | - | (15,570,475) | - |
| - Repayment from an associated company | 18,250 | - | - | - |
| Cash generated from financing activities | | | | |
| - Repayment to a related party | (2,607,000) | - | (100,000) | - |
| - Advances from an associated company | 14,871 | - | - | - |
| - Repayment to directors | (64,600) | - | (24,000) | - |

## 42. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 27 May 2014 by the Board of Directors.

## 43. SUPPLEMENTARY INFORMATION – BREAKDOWN OF ACCUMULATED LOSSES INTO REALISED AND UNREALISED

The breakdown of the accumulated losses of the Group and of the Company at the end of the reporting period into realised and unrealised losses is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| **Total accumulated losses** | | | | |
| **Group and of the Company** | | | | |
| - Realised | (5,499,577) | (18,548,063) | (6,836,587) | (12,235,426) |
| - Unrealised | 67,604 | (6,977) | - | - |
| | (5,431,973) | (18,555,040) | (6,836,587) | (12,235,426) |
| Total share of accumulated losses from associated companies - realised | (61,676) | (61,676) | - | - |
| Less: Consolidated adjustments | 93,298 | 1,632,488 | - | - |
| **Accumulated losses of the Group and of the Company** | (5,400,351) | (16,984,228) | (6,836,587) | (12,235,426) |

**UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE SIX (6) MONTHS FPE 31 JULY 2014**

**FLONIC HI-TEC BHD** ( Company No. 655665-T )
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE 2ND QUARTER ENDED 31 JULY 2014**

| | Individual Quarter 3 months ended | | Cumulative Quarter 6 months ended | |
|---|---|---|---|---|
| | 31-Jul-14 RM | 31-Jul-13 RM | 31-Jul-14 RM | 31-Jul-13 RM |
| Revenue | 4,561,262 | 9,332,885 | 8,260,213 | 12,742,383 |
| Other operating income | 264,819 | 107,302 | 297,134 | 147,803 |
| Operating expenses | (4,697,622) | (7,657,788) | (9,521,481) | (11,634,608) |
| **Profit/(Loss) from operations** | 128,459 | 1,782,399 | (964,134) | 1,255,578 |
| Finance costs | (135,321) | (17,075) | (226,599) | (101,538) |
| **(Loss)/Profit before taxation** | (6,862) | 1,765,324 | (1,190,733) | 1,154,040 |
| Income Tax | - | (170,000) | 50,000 | (170,000) |
| **(Loss)/Profit for the period** | (6,862) | 1,595,324 | (1,140,733) | 984,040 |
| **Other comprehensive income:** | | | | |
| Share of associates' other comprehensive profit | 110,371 | - | 453,567 | - |
| **Total comprehensive profit/(loss)** | 103,509 | 1,595,324 | (687,166) | 984,040 |
| **Profit/(Loss) for the period attributable to :** | | | | |
| Owners of the Parent | 29,618 | (107,789) | (589,106) | (719,073) |
| Non-Controlling Interest | 73,891 | 1,703,113 | (98,060) | 1,703,113 |
| | 103,509 | 1,595,324 | (687,166) | 984,040 |
| **Total comprehensive profit/(loss) attributable to:** | | | | |
| Owners of the Parent | 29,618 | (107,789) | (589,106) | (719,073) |
| Non-Controlling Interest | 73,891 | 1,703,113 | (98,060) | 1,703,113 |
| | 103,509 | 1,595,324 | (687,166) | 984,040 |
| Basic earning/(loss) per ordinary share (sen) | 0.01 | (0.03) | (0.15) | (0.21) |

(The unaudited condensed consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 January 2014 and the accompanying explanatory notes attached to this interim financial statements)

**FLONIC HI-TEC BHD** ( Company No. 655665-T )
(Incorporated in Malaysia)

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2014

| | (Unaudited) As at 31-Jul-14 RM | (Audited) As at 31-Jan-14 RM |
|---|---|---|
| **ASSETS** | | |
| **Non-Current Assets** | | |
| Property, plant and equipment | 6,996,860 | 7,553,234 |
| Investment in associated company | 903,030 | - |
| Goodwill on consolidation | 3,124,277 | 3,124,277 |
| **Current Assets** | | |
| Inventories | 5,412,719 | 5,972,867 |
| Trade receivables | 7,037,914 | 11,048,241 |
| Amount due from contract customers | 2,886,789 | 447,179 |
| Other receivables, deposits and prepayment | 810,975 | 267,274 |
| Cash and bank balances | 3,436,431 | 5,041,341 |
| | 19,584,828 | 22,776,902 |
| **TOTAL ASSETS** | 30,608,995 | 33,454,413 |
| **EQUITY AND LIABILITIES** | | |
| Share capital | 19,980,062 | 19,980,062 |
| Share premium | 1,384,855 | 1,384,855 |
| Warrants reserve | 547,433 | 547,433 |
| Foreign exchange translation reserve | 145,907 | 145,907 |
| Merger deficit | (2,575,050) | (2,575,050) |
| Accumulated Losses | (5,989,457) | (5,400,351) |
| **Total equity attributable to the owners of the Company** | 13,493,750 | 14,082,856 |
| **Non-controlling Interests** | 2,898,753 | 3,971,008 |
| **Total Equity** | 16,392,503 | 18,053,864 |
| **Non-current liablities** | | |
| Term loan | 3,614,230 | 3,791,210 |
| Hire-purchase payables | 522,839 | 554,098 |
| Deferred tax liabilities | 78,313 | 101,497 |
| **Current Liabilities** | | |
| Trade payables | 3,781,728 | 5,867,534 |
| Amount due to contract customers | 2,467,429 | 783,594 |
| Other payables and accruals | 1,308,464 | 1,313,964 |
| Amount owing to an associated company | 164,544 | 14,871 |
| Hire-purchase payables | 95,305 | 124,312 |
| Term loan | 292,135 | 251,337 |
| Bank overdraft | 881,450 | 917,295 |
| Current tax liabilities | 1,010,055 | 1,680,837 |
| | 10,001,110 | 10,953,744 |
| **Total Liabilities** | 14,216,492 | 15,400,549 |
| **TOTAL EQUITY AND LIABILITIES** | 30,608,995 | 33,454,413 |
| NTA per share attributable to equity holders of the Company -basic (RM) | 0.03 | 0.04 |

(The unaudited condensed consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 January 2014 and the accompanying explanatory notes attached to this interim financial statements)

**FLONIC HI-TEC BHD** (Company No. 655665-T )
(Incorporated in Malaysia)

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 31 JULY 2014

| | Cumulative 6 months ended 31-Jul-14 RM | Cumulative 6 months ended 31-Jul-13 RM |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| (Loss)/Profit before taxation | (1,190,733) | 1,154,040 |
| Adjustments for :- | | |
| Depreciation | 472,939 | 435,593 |
| Interest expense | 226,599 | 101,538 |
| Gain on disposal of property, plant and equipment | - | (20,573) |
| *Operating (loss)/profit before working capital changes* | (491,195) | 1,670,598 |
| Decrease in inventories | 560,148 | 494,740 |
| Increase in receivables | (1,714,531) | (2,414,917) |
| Increase/(Decrease) in payables | 1,226,268 | (227,379) |
| Cash absorbed by operations | (419,310) | (476,958) |
| Interest paid | (77,877) | (7,008) |
| Tax paid | (231,413) | (81,713) |
| *Net cash used in operating activities* | (728,600) | (565,679) |
| **Cash Flows From Investing Activities** | | |
| Net cash outflow from acquisition of a subsidiary company | - | (3,292,650) |
| Short term deposits | - | (3,763,263) |
| Deemed disposal of a subsidiary company | (736,910) | - |
| Purchase of property, plant and equipment | (17,934) | (14,523) |
| Proceeds from disposal of property, plant and equipment | - | 42,700 |
| *Net cash used in investing activities* | (754,844) | (7,027,736) |
| **Cash Flows From Financing Activities** | | |
| Drawdown from term loan | - | 3,750,000 |
| Repayment of term loan | (136,182) | - |
| Interest paid | (148,722) | (94,530) |
| Advances from an associated company | 259,549 | - |
| Repayment of hire purchase creditors | (60,266) | (30,402) |
| *Net cash (used in)/generated from financing activities* | (85,621) | 3,625,068 |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD** | (1,569,065) | (3,968,347) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD** | 4,124,046 | 5,249,069 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD** | **2,554,981** | **1,280,722** |
| **CASH AND CASH EQUIVALENTS** | | |
| Cash and bank balances | 3,436,431 | 1,280,722 |
| Bank Overdraft | (881,450) | - |
| | 2,554,981 | 1,280,722 |

(The unaudited condensed consolidated Statements of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 January 2014 and the accompanying explanatory notes attached to this interim financial statements)

**FLONIC HI-TEC BHD** ( Company No. 655665-T )
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**FOR THE PERIOD ENDED 31 JULY 2014**

| | Attributable to Owners of the Parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Non-Distributable | | | | | | | |
| | Share Capital | Share Premium | Capital Reserve | Foreign exchange translation reserve | Warrants Reserve | Accumulated losses | Merger Deficit | Total equity Attributable to the Parent's Equity Holders | Non-Controlling Interest | Total Equity |
| | RM | RM | RM | RM | RM | RM | RM | RM | RM | RM |
| **Balance at 1 February 2014** | 19,980,062 | 1,384,855 | - | 145,907 | 547,433 | (5,400,351) | (2,575,050) | 14,082,858 | 3,971,008 | 18,053,864 |
| Total comprehensive loss for the period | - | - | - | - | - | (589,106) | - | (589,106) | (98,060) | (687,168) |
| Deemed disposal of a subsidiary company | - | - | - | - | - | - | - | - | (974,195) | (974,195) |
| **Balance at 31 July 2014** | 19,980,062 | 1,384,855 | - | 145,907 | 547,433 | (5,989,457) | (2,575,050) | 13,493,750 | 2,898,753 | 16,392,503 |
| **Balance at 1 February 2013** | 34,994,493 | 95,991 | - | 145,907 | 611,490 | (16,984,228) | (2,575,050) | 16,288,603 | - | 16,288,603 |
| Loss after taxation, representing total comprehensive loss for the year | - | - | - | - | - | (5,913,369) | - | (5,913,369) | 2,576,864 | (3,336,505) |
| NCI Share of acquiree's net identifiable assets | - | - | - | - | - | - | - | - | 1,334,144 | 1,334,144 |
| Subscription of shares in subsidiary company by NCI | - | - | - | - | - | - | - | - | 240,000 | 240,000 |
| Dividend paid | - | - | - | - | - | - | - | - | (180,000) | (180,000) |
| Issuance of ordinary shares pursuant to subscription of warrants | 733,091 | - | - | - | - | - | - | 733,091 | - | 733,091 |
| Private placement of new ordinary shares | 1,749,724 | 1,224,807 | - | - | - | - | - | 2,974,531 | - | 2,974,531 |
| Exercised of Warrants | | 64,057 | - | - | (64,057) | - | - | - | - | - |
| Par value reduction | (17,497,246) | - | 17,497,246 | - | - | - | - | - | - | - |
| Elimination of accumulated losses | - | - | (17,497,246) | - | - | 17,497,246 | - | - | - | - |
| **Balance at 31 January 2014** | 19,980,062 | 1,384,855 | - | 145,907 | 547,433 | (5,400,351) | (2,575,050) | 14,082,856 | 3,971,008 | 18,053,864 |

(The unaudited condensed consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 January 2014 and the accompanying explanatory notes attached to this interim financial statements )

**FLONIC HI-TEC BHD.**
**(Company No : 655665-T)**
**Incorporated in Malaysia**

**NOTES TO THE QUARTERLY REPORT – 31 July 2014**
**A. EXPLANATORY NOTES AS PER MFRS 134 - INTERIM FINANCIAL REPORTING**

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A1. **Basis of Preparation**

The interim financial statements are unaudited and have been prepared in compliance with MFRS 134 – Interim Financial Reporting, and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market.

The accounting policies and method of computation adopted for the interim financial statements were consistent with those adopted for the audited financial statements for the year ended 31 January 2014.

A2. **Auditors' Report**

The auditors' report on the audited annual financial statements for the financial year ended 31 January 2014 was not subject to any qualification.

A3. **Seasonal or Cyclical Factors**

The operations of the Group were not affected by any seasonal or cyclical factors.

A4. **Unusual Items**

During the current quarter under review, there were no items or events that arose, which affected the assets, liabilities, equity, net income or cash flows, which are unusual by reason of their nature, size or incidence.

A5. **Changes in Estimates**

There were no changes in the estimates of amounts reported that have a material effect on the results in the current quarter under review.

A6. **Issuance and Repayment of Debt and Equity Securities**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities in the current quarter under review.

A7. **Dividend Paid**

There was no dividend declared or paid by the Company during the quarter under review.

**FLONIC HI-TEC BHD.**
**(Company No : 655665-T)**
**Incorporated in Malaysia**

**NOTES TO THE QUARTERLY REPORT – 31 July 2014**
**A. EXPLANATORY NOTES AS PER MFRS 134 - INTERIM FINANCIAL REPORTING**

## A8. Segmental Information

Segment information is presented in respect of the Group's business segments which are based on internal reporting structure presented to the management of the Company.

| | 6 months ended 31 Jul 2014 RM'000 | 6 months ended 31 Jul 2013 RM'000 |
|---|---|---|
| **Segment Revenue** | | |
| Manufacture of precision cleaning system | 36 | 1,070 |
| Trading of aluminium and machine parts | 5,714 | 6,660 |
| Investment holding & others | 67 | 37 |
| Project management services | 1,878 | 3,701 |
| Marketing | 3 | 0 |
| Manufacture of furniture | 185 | 873 |
| Provision of M&E services | 0 | 1,326 |
| | 7,883 | 13,667 |
| Elimination of inter-segment revenue | 377 | (925) |
| **Total revenue** | 8,260 | 12,742 |
| **Segment Results** | | |
| Manufacture of precision cleaning system | (207) | (311) |
| Trading of aluminium and machine parts | (23) | (504) |
| Investment holding & others | (239) | (469) |
| Project management services | 380 | 1,363 |
| Marketing | (14) | 0 |
| Manufacture of furniture | (861) | 877 |
| Provision of M&E services | 0 | 299 |
| Results from operations | (964) | 1,255 |
| Finance Cost | (227) | (101) |
| **Loss before taxation** | (1,191) | 1,154 |

## A9. Valuation of Property, Plant and Equipment

The property, plant and equipment of the Group have not been revalued during the current quarter under review.

## A10. Material Events Subsequent to the end of the Interim Reporting Period

There were no materials events since the end of the current quarter to the date of this announcement that have not been reflected in the interim financial statements.

**FLONIC HI-TEC BHD.**
**(Company No : 655665-T)**
**Incorporated in Malaysia**

**NOTES TO THE QUARTERLY REPORT – 31 July 2014**
**A. EXPLANATORY NOTES AS PER MFRS 134 - INTERIM FINANCIAL REPORTING**

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A11. **Changes in the Composition of the Group**

There were no changes in the composition of the Group for the current quarter under review.

A12. **Contingent Liabilities**

A contract work undertaken by a subsidiary company of which the completion date based on the agreement was on 28 October 2012 and was further extended to 28 February 2013. The liquidated ascertained damages ("LAD") calculated from 1 March 2013 at RM3,000 a day up to 31 January 2014 was RM1,011,000. However, there is no valid LAD claim from the customer.

The management represented that the work was completed in May 2013. However, the customer has withheld the issuance of certificate of practical completion pending rectification work.

A13. **Capital Commitments**

As at 31 July 2014, the Group did not have any capital commitments.

**FLONIC HI-TEC BHD.**
**(Company No : 655665-T)**
**Incorporated in Malaysia**

**NOTES TO THE QUARTERLY REPORT – 31 July 2014**
**A. EXPLANATORY NOTES AS PER MFRS 134 - INTERIM FINANCIAL REPORTING**

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B1. **Review of Performance**

The turnover for the current quarter under review was RM4.561 million as compared to RM9.333 million in the corresponding period last year. The turnover for current quarter decreased significantly due to Jiwa M&E Services Sdn Bhd becoming an associate of Jiwa Holdings Sdn Bhd with effect from 7 February 2014 and lower turnover in project management services segment.

The Group posted a loss before tax of RM0.007 million for the current quarter as compared to a profit before taxation of RM1.765 million in the corresponding period last year.

B2. **Material Changes in Quarterly Results Compared to the Results of the Preceding Quarter**

| | **Current quarter ended 31 July-14 RM'000** | **Preceding quarter ended 30 Apr-14 RM'000** |
|---|---|---|
| Turnover | 4,561 | 3,699 |
| Loss before taxation | (7) | (1,184) |

Turnover for current quarter was RM4.561 million as compared to immediate preceding quarter of RM3.699 million. There was a increase of RM0.862 million of turnover for the current quarter as compared to immediate preceding quarter. The increase in turnover was due to increase sales in trading segment and project management services segment.

The Group recorded a loss before taxation of RM0.007 million on a turnover of RM4.561 million for the current quarter under review compared to loss before taxation of RM1.184 million on a turnover of RM3.699 million for the immediate preceding quarter.

B3. **Commentary on Prospects**

As reported in the preceding quarter, the acquisition of a 30% equity interest in Jiwa Holdings Sdn Bhd in April 2013 is expected to contribute positively to the Group's future earnings and improve the financial position of the Group in the long term.

B4. **Variance of Actual Profit from Forecast Profit**

This is not applicable as no profit forecast was published.

B5. **Profits on Sale of Unquoted Investments and/or Properties**

There were no disposals of unquoted investments or properties during the current quarter under review.

B6. **Quoted Securities**

There were no purchases or disposal of quoted and marketable securities during the current quarter under review.

B7. **Corporate Proposals**

(a) Status of Corporate Proposals

The Company had on 17 April 2014, 20 May 2014, 17 July 2014, 14 August 2014 and 29 August 2014 announced that the Company proposes to undertake a renounceable rights issue of up to 524,902,678 new ordinary shares of RM0.05 each in Flonic ("Rights Shares") together with up to 349,935,118 free detachable warrants ("Warrants") at an issue price of RM0.07 per Rights Share on the basis of one (1) Rights Share for every one (1) existing ordinary share of RM0.05 each held in Flonic together with two (2) Warrants for every three (3) Rights Shares subscribed at an entitlement date to be determined later ("Proposed Rights Issue with Warrants").

Bursa Securities had, vide its letter dated 16 July 2014, approved the Proposed Rights Issue with Warrants.

The resolution for the Proposed Rights Issue with Warrants was duly approved by the shareholders of the Company at the Extraordinary General Meeting held on 29 August 2014.

(b) Utilisation of proceeds from Rights Issue

The gross proceeds from the Rights Issue of RM 20.994 million are expected to be utilised as follows:

| Purpose | Proposed to be utilised RM'000 | Actual Utilisation as at 31 Jul 2014 RM'000 | Intended timeframe for utilisation | (Deviation) / Unutilised RM'000 | % |
|---|---|---|---|---|---|
| i) Working capital requirements | 16,733 | 13,297 | Within 24 mths | 3,436 | 20.53 |
| ii) Repayment of Advances | 2,607 | 2,607 | | - | |
| iii) Overseas expansion | 1,054 | 1,054 | | - | |
| iv) Estimated expenses in relation to the Proposals | 600 | 600 | | - | |
| | 20,994 | 17,558 | | 3,436 | |

**B8. Off Balance Sheet Financial Instruments**

There were no off balance sheet financial instruments as at the date of this report.

**B9. Material Litigation**

There was no pending material litigation as at the date of this report.

**B10. Earning/(Loss) per Share**

The basic earning/(loss) per share was calculated by dividing the net profit/(loss) for the period by the weighted average number of ordinary shares in issue during the period.

| | Quarter Ended | | Year to date | |
|---|---|---|---|---|
| | 31 Jul 2014 | 31 Jul 2013 | 31 Jul 2014 | 31 Jul 2013 |
| Net profit/(loss) for the financial period (RM'000) | 30 | (108) | (589) | (719) |
| Weighted average number of ordinary shares of 5 sen each (2014:10 sen) in issue ('000) | 399,601 | 349,945 | 399,601 | 349,945 |
| Basic earning/(loss) per ordinary share of 5 sen each (sen) (2014:10 sen) | 0.01 | (0.03) | (0.15) | (0.21) |

**B11. Realised and Unrealised Accumulated Losses**

| | As at 31 Jul 2014 RM'000 | As at 31 Jan 2014 RM'000 |
|---|---|---|
| Total accumulated losses of the Group | | |
| - Realised | (7,560) | (6,971) |
| - Unrealised | 0 | 0 |
| | (7,560) | (6,971) |
| Total share of accumulated losses from associated companies | | |
| - Realised | (61) | (61) |
| - Unrealised | 0 | 0 |
| | (7,621) | (7,032) |
| Less: Consolidation adjustments | 1,632 | 1,632 |
| Total accumulated losses as per Statements of Financial Position | (5,989) | (5,400) |

B12. **Notes to the Statements of Profit or Loss and Other Comprehensive Income**

| | Current quarter ended 31 Jul 2014 RM'000 | Current year to date 31 Jul 2014 RM'000 |
|---|---|---|
| Interest expense | 135 | 227 |
| Depreciation & amortisation | 236 | 473 |

Other than as disclosed above, the Group does not have other material items that are recognised as profit or loss in the Statements of Profit or Loss and Other Comprehensive Income.

BY ORDER OF THE BOARD

Dato' Chua Wye Man
Chairman / Executive Director
25 September 2014

Company No. 655665-T



**DIRECTORS' REPORT**

®
# FLONIC HI-TEC BHD (655665-T)

FLONIC

Wisma Little, Unit OG1, Lot 3, Jalan Halba 16/16, Section 16, Shah Alam Industrial Estate, 40000 Shah Alam, Selangor Darul Ehsan, Malaysia.
Tel: +603-5511 9198, +603-5511 9197 Fax: +603-5511 9113 Email: sales@flonic.com Homapage: www.flonic.com

**Registered Office:**
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

Date : 7 OCT 2014

**To: The Entitled Shareholders of Flonic Hi-Tec Bhd**

Dear Sir/Madam,

On behalf of the Board of Directors ("Board") of Flonic Hi-Tec Bhd (the "Company"), I wish to report that, after due inquiries in relation to the Company and its subsidiaries ("Group") during the period between 31 January 2014, being the date on which the latest audited consolidated statements have been made up, and the date hereof, being a date not earlier than 14 days before the issue of this Abridged Prospectus, that:

(a) the business of the Group has, in the opinion of the Board, been satisfactorily maintained;

(b) in the opinion of the Board, no circumstances have arisen since the last audited consolidated financial statements of the Group which have adversely affected the trading or the value of the assets of the Group;

(c) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(d) save as disclosed in Section 9.4 of the Abridged Prospectus, there are no any contingent liabilities which have arisen by reason of any guarantees or indemnities given by any company within the Group;

(e) since the last audited consolidated financial statements of the Group, there has been no default or any known event that could give rise to a default situation, in respect of payment of either interest and/or principal sums in relation to any borrowings; and

(f) there have been no material changes in the published reserves or any unusual factors affecting the profits of the Group since the last audited consolidated financial statements of the Group.

Yours faithfully,
For and on behalf of the Board
**FLONIC HI-TEC BHD**

**Chua Wye Man**
Executive Director

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KWONG KUM HOONG
PARTNER
*KH KWONG & CO AF 0692*
*Chartered Accountants*

Company No.: 884616 - A

**JIWA HOLDINGS SDN. BHD.**
(Incorporated in Malaysia)

REPORTS AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2011
[With comparative figures from 04.01.2010 (Date of incorporation) to 30.09.2010]

# K. H. KWONG & CO.

CHARTERED ACCOUNTANTS (M)

Company No.: 884616 - A

**JIWA HOLDINGS SDN. BHD.**
(Incorporated in Malaysia)

**REPORTS AND AUDITED FINANCIAL STATEMENTS**
**30 SEPTEMBER 2011**

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KWONG KUM HOONG
PARTNER
KH KWONG & CO AF 0692
Chartered Accountants



Company No.: 884616 - A

**JIWA HOLDINGS SDN. BHD.**
(Incorporated in Malaysia)

**DIRECTORS' REPORT**
**30 SEPTEMBER 2011**

The directors hereby submit their report together with the audited financial statements of the Group and the Company for the financial ended 30 September 2011.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of project management and investment holding. The principal activities of the subsidiary companies are as disclosed in Note 4 to the financial statements.

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

## FINANCIAL RESULTS

| | Group RM | Company RM |
|---|---|---|
| Profit after taxation and minority interest | 304,492 | 294,729 |

In the opinion of the directors, the results of the operations of the Group and the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in Note 12.

## DIVIDENDS

Dividends paid or declared by the Company since the end of previous financial period were as follows:

| | RM |
|---|---|
| In respect of the financial year ended 30 September 2010: | |
| Final single tier dividend of 20%, paid on 03 May 2011 | 100,000 |

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

## SHARES AND DEBENTURES

During the financial year, the issued and paid up share capital of the Company was increased from RM500,000 to RM1,000,000 through the issue and allotment of 500,000 ordinary shares of RM1 each at a premium of RM0.90 each in exchange of a total of 950,000 fully paid up ordinary shares of RM1 each in the capital of JIWA FURNITURE SDN BHD, a company incorporated in Malaysia. These share rank pari passu with the existing shares of the Company.

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

JIWA HOLDINGS SDN. BHD.
(Incorporated in Malaysia)

## SHARES OPTIONS

No options have been granted or issued 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 options to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under options.

## DIRECTORS

The directors of the Company in office since the date of the last report are:

HARRIS HANS CHUA
ROY THEAN CHONG YEW

## DIRECTORS' INTERESTS IN SHARES

The shareholdings in the Company and its related companies of those who were directors at the end of the financial year, as recorded in the register of directors' shareholdings were as follows:

| | Number of Ordinary Shares of RM 1 each | | | |
|---|---|---|---|---|
| | Balance as at 01.10.2010 | Acquired | Disposed | Balance as at 30.09.2011 |
| **In the Company** | | | | |
| HARRIS HANS CHUA | 250,000 | 368,421 | (118,421) | 500,000 |
| ROY THEAN CHONG YEW | 150,000 | 150,000 | - | 300,000 |
| **In the subsidiary, Jiwa Furniture Sdn Bhd** | | | | |
| HARRIS HANS CHUA | 250,000 | 450,000 | (700,000) | - |
| ROY THEAN CHONG YEW | 125,000 | 125,000 | (250,000) | - |

## DIRECTORS' BENEFITS

Since the end of previous financial period, no director has received or become entitled to receive any benefits (other than a benefit included in the aggregate amount of emoluments received or due by the directors shown in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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

JIWA HOLDINGS SDN. BHD.
(Incorporated in Malaysia)

## OTHER STATUTORY INFORMATION

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

(a) that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and

(b) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and the Company which would render:

(a) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Group and the Company; and

(b) the values attributed to the current assets in the financial statements of the Group and the Company misleading.

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and the Company which would render any amount stated in the financial statements misleading.

As at the date of this report, there does not exist:

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

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

In the opinion of the directors:

(a) 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 will or may affect the ability of the Group and the Company to meet its obligations when they fall due; and

(b) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

**JIWA HOLDINGS SDN. BHD.**
(Incorporated in Malaysia)

**AUDITORS**

The auditors, K. H. KWONG & CO., have expressed their willingness to continue in office.

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

HARRIS HANS CHUA

ROY THEAN CHONG YEW

Date: 05 March 2012

Company No.: 884616 - A



**JIWA HOLDINGS SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS**
*[Pursuant to Section 169(15) of the Companies Act, 1965]*

We, the undersigned, being two of the directors of JIWA HOLDINGS SDN. BHD., do hereby state that in the opinion of the directors, the accompanying financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as at 30 September 2011 and of its financial performance and the cash flows of the Group and the Company for the financial year then ended.

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

HARRIS HANS CHUA

ROY THEAN CHONG YEW

Date: 05 March 2012

**STATUTORY DECLARATION**
*[Pursuant to Section 169(16) of the Companies Act, 1965]*

I, ROY THEAN CHONG YEW (I/C No.: 710923-04-5167), the director primarily responsible for the financial management of JIWA HOLDINGS SDN. BHD., do solemnly and sincerely declare that the accompanying financial statements 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.

Subscribed and solemnly declared by the abovenamed ROY THEAN CHONG YEW at Kuala Lumpur in the State of Wilayah Persekutuan on 05 March 2012 )

ROY THEAN CHONG YEW

Before me,

Commissioner for Oaths

PESURUHJAYA SUMPAH
No: W316
ZAINAL ABIDIN BIN NAN
MALAYSIA
NO. 8, JALAN PANDAN INDAH 4/4
PANDAN INDAH
55100 KUALA LUMPUR

**K. H. KWONG & CO.**
Chartered Accountants (AF 0692)
鄺會計公司 政府執照會計師 查賬師 政府特准所得稅代理
KWONG KUM HOONG CA(M), ACA(NZ) ACMA(NZ), B.COM

Member firm of
Malaysian Institute of Accountants

15-A, Jalan SS15/4C, 47500 Subang Jaya, Selangor Darul Ehsan.
Tel: 03-56358316 Fax: 03-56358308 e-mail: khkwongs@streamyx.com

**REPORT OF THE AUDITORS TO THE MEMBERS OF <u>JIWA HOLDINGS SDN. BHD.</u>** 
(884616 - A)
(Incorporated in Malaysia)

**Report on the Financial Statements**

We have audited the accompanying financial statements as at 30 September 2011, which comprise of the balance sheet, the income statement, statements of changes in equity and cash flow statement for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

**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 Private Entities Reporting 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. 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 evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Continued...

**K. H. KWONG & CO.**
Chartered Accountants (AF 0692)
鄺會計公司 政府執照會計師 審賬師 政府特准所得稅代理
KWONG KUM HOONG CA(M), ACA(NZ) ACMA(NZ), B.COM

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Malaysian Institute of Accountants

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Tel: 03-56358316 Fax: 03-56358308 e-mail: khkwongs@streamyx.com

**REPORT OF THE AUDITORS TO THE MEMBERS OF**
**JIWA HOLDINGS SDN. BHD.**
(884616 - A)
(Incorporated in Malaysia)



**Opinion**

In our opinion the financial statements have been drawn up in accordance with the provisions of the Companies Act 1965 in Malaysia and the applicable approved accounting standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2011 and of their financial performance and cash flows of the Group and the Company for 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 subsidiary have been properly kept in accordance with the provisions of the Act.

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

c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**Other Matters**

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

**K. H. KWONG & CO.**
**Firm No : AF 0692**
**Chartered Accountants (M)**

**KWONG KUM HOONG**
**Approval:1337/1/13/(J)**
**Principal**

Subang Jaya

Date: 05 March 2012

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KWONG KUM HOONG
PARTNER
*KH KWONG & CO AF 0692*
*Chartered Accountants*

Company No.: 884616 - A



**JIWA HOLDINGS SDN. BHD.**
(Incorporated in Malaysia)

**BALANCE SHEET**
**AS AT 30 SEPTEMBER 2011**

| | NOTE | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|---|
| **NON-CURRENT ASSET** | | | | | |
| Property, plant and equipment | 3 | 827,142 | 1,880 | 271 | 305 |
| Investment in subsidiaries | 4 | - | - | 985,000 | 35,000 |
| **CURRENT ASSETS** | | | | | |
| Inventories | | 918,176 | - | - | - |
| Trade receivables | | 2,610,748 | 1,898,887 | 2,107,122 | 1,898,887 |
| Other receivables, deposits and prepayments | | 135,214 | - | 48,600 | - |
| Receivable from related company | 5 | - | 420,544 | - | 420,544 |
| Receivable from a subsidiary | 6 | - | - | 163,096 | - |
| Cash and bank balances | | 416,320 | 5,624 | 174,822 | 4,298 |
| | | 4,080,458 | 2,325,055 | 2,493,640 | 2,323,729 |
| **LESS: CURRENT LIABILITIES** | | | | | |
| Trade payables | | 1,357,353 | 1,221,748 | 713,772 | 948,581 |
| Other payables and accruals | | 736,810 | 330,586 | 333,500 | 7,220 |
| Payable to directors | | 108,900 | 36,000 | - | - |
| Payable to a subsidiary | 6 | - | - | 970,854 | 712,520 |
| Hire purchase payable | 7 | 55,929 | - | - | - |
| Provision for taxation | | 109,337 | 47,546 | 114,393 | 39,050 |
| | | 2,368,329 | 1,635,880 | 2,132,519 | 1,707,371 |
| NET CURRENT ASSETS | | 1,712,129 | 689,175 | 361,121 | 616,358 |
| **LESS: NON-CURRENT LIABILITIES** | | | | | |
| Hire purchase payable | 7 | 362,285 | - | - | - |
| Deferred taxation | 8 | 110,200 | 230 | - | - |
| | | 472,485 | 230 | - | - |
| NET ASSETS | | 2,066,786 | 690,825 | 1,346,392 | 651,663 |
| **REPRESENTED BY:** | | | | | |
| Share capital | 9 | 1,000,000 | 500,000 | 1,000,000 | 500,000 |
| Retained profits | | 948,954 | 198,074 | 346,392 | 151,663 |
| Shareholders' equity | | 1,948,954 | 698,074 | 1,346,392 | 651,663 |
| Minority interest | | 117,832 | (7,249) | - | - |
| | | 2,066,786 | 690,825 | 1,346,392 | 651,663 |

The accompanying notes form an integral part of these financial statements.

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KWONG KUM HOONG
PARTNER
*KH KWONG & CO AF 0692*
*Chartered Accountants*



Company No.: 884616 - A

JIWA HOLDINGS SDN. BHD.
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2011
**[With comparative figures from 04.01.2010 (Date of incorporation) to 30.09.2010]**

| | NOTE | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|---|
| Revenue | | 10,675,155 | 4,342,634 | 8,729,813 | 3,415,114 |
| Cost of sales | | (9,448,613) | (3,860,345) | (7,983,208) | (3,165,750) |
| Gross profit | | 1,226,542 | 482,289 | 746,605 | 249,364 |
| Administration expenses | | (784,475) | (250,442) | (376,085) | (58,568) |
| Other operating expense | | (445) | (209) | (34) | (34) |
| Profit from operations | | 441,622 | 231,638 | 370,486 | 190,762 |
| Finance costs | | (581) | (64) | (414) | (49) |
| Profit before taxation | 10 | 441,041 | 231,574 | 370,072 | 190,713 |
| Taxation | 11 | (90,225) | (47,776) | (75,343) | (39,050) |
| Profit after taxation | | 350,816 | 183,798 | 294,729 | 151,663 |
| Minority interest | | (46,324) | 22,249 | - | - |
| Profit after tax and minority interest | | 304,492 | 206,047 | 294,729 | 151,663 |
| Pre-acquisition profit/(loss) | | 546,388 | (7,973) | - | - |
| Profit attributable to shareholders | | 850,880 | 198,074 | 294,729 | 151,663 |

The accompanying notes form an integral part of these financial statements.

Company No.: 884616 - A

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KWONG KUM HOONG
PARTNER
*KH KWONG & CO AF 0692*
*Chartered Accountants*



JIWA HOLDINGS SDN. BHD.
*(Incorporated in Malaysia)*

**STATEMENTS OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 30 SEPTEMBER 2011**
**[With comparative figures from 04.01.2010 (Date of incorporation) to 30.09.2010]**

| | Share capital RM | Retained profits RM | Total RM |
|---|---|---|---|
| **Group** | | | |
| As at 04 January 2010 (Date of incorporation) | 500,000 | - | 500,000 |
| Profit for the period | - | 198,074 | 198,074 |
| As at 30 September 2010 | 500,000 | 198,074 | 698,074 |
| As at 1 October 2010 | 500,000 | 198,074 | 698,074 |
| Allotment during the year (Note 9) | 500,000 | - | 500,000 |
| Profit for the year | - | 850,880 | 850,880 |
| Dividends (Note 13) | - | (100,000) | (100,000) |
| As at 30 September 2011 | 1,000,000 | 948,954 | 1,948,954 |
| **Company** | | | |
| As at 04 January 2010 (Date of incorporation) | 500,000 | - | 500,000 |
| Profit for the year | - | 151,663 | 151,663 |
| As at 30 September 2010 | 500,000 | 151,663 | 651,663 |
| As at 1 October 2010 | 500,000 | 151,663 | 651,663 |
| Allotment during the year (Note 9) | 500,000 | - | 500,000 |
| Profit for the year | - | 294,729 | 294,729 |
| Dividends (Note 13) | - | (100,000) | (100,000) |
| As at 30 September 2011 | 1,000,000 | 346,392 | 1,346,392 |

The accompanying notes form an integral part of these financial statements.

Company No.: 884616 - A

CERTIFIED TRUE COPY

KWONG KUM HOONG
PARTNER
KH KWONG & CO AF 0692
Chartered Accountants



JIWA HOLDINGS SDN. BHD.
(Incorporated in Malaysia)

**CASH FLOW STATEMENT**
**FOR THE YEAR ENDED 30 SEPTEMBER 2011**
**[With comparative figures from 04.01.2010 (Date of incorporation) to 30.09.2010]**

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM | 2010 RM | 2011 RM | 2010 RM |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Profit before taxation | 441,041 | 231,574 | 370,072 | 190,713 |
| Adjustments: | | | | |
| Depreciation of property, plant and equipment | 445 | 209 | 34 | 34 |
| Operating profit before working capital changes | 441,486 | 231,783 | 370,106 | 190,747 |
| Decrease/(Increase) in trade and other receivables | 328,809 | (1,898,887) | (256,835) | (1,898,887) |
| (Decreased)/Increase in trade and other payables | (252,275) | 1,544,361 | 91,471 | 955,801 |
| Cash generated from/(used in) operations | 518,020 | (122,743) | 204,742 | (752,339) |
| Dividend paid | (100,000) | - | (100,000) | |
| Tax paid | (8,335) | - | - | - |
| Net cash generated from/(used in) operating activities | 409,685 | (122,743) | 104,742 | (752,339) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Acquisition of a subsidiary | (917,175) | (35,000) | (950,000) | (35,000) |
| Purchase of property, plant and equipment | (2,358) | (2,089) | - | (339) |
| Net cash used in investing activities | (919,533) | (37,089) | (950,000) | (35,339) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Proceeds from issuance of shares | 500,000 | 500,000 | 500,000 | 500,000 |
| Directors' accounts | - | 36,000 | - | - |
| Advances from subsidiary company | - | - | 95,238 | 712,520 |
| Repayment from/(Advances to) related company | 420,544 | (420,544) | 420,544 | (420,544) |
| Net cash generated from financing activities | 920,544 | 115,456 | 1,015,782 | 791,976 |

The accompanying notes form an integral part of these financial statements.

CERTIFIED TRUE COPY

KWONG KUM HOONG
PARTNER
*KH KWONG & CO AF 0692*
*Chartered Accountants*

Company No.: 884616 - A



**JIWA HOLDINGS SDN. BHD.**
(Incorporated in Malaysia)

**CASH FLOW STATEMENT - CONTINUED**
**FOR THE YEAR ENDED 30 SEPTEMBER 2011**
**[With comparative figures from 04.01.2010 (Date of incorporation) to 30.09.2010]**

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM | 2010 RM | 2011 RM | 2010 RM |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 410,696 | (44,376) | 170,524 | 4,298 |
| CASH AND CASH EQUIVALENTS BROUGHT FORWARD | 5,624 | 50,000 | 4,298 | - |
| CASH AND CASH EQUIVALENTS CARRIED FORWARD | 416,320 | 5,624 | 174,822 | 4,298 |
| Cash and cash equivalents represented by cash and bank balances | 416,320 | 5,624 | 174,822 | 4,298 |

The accompanying notes form an integral part of these financial statements.

JIWA HOLDINGS SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2011

## 1 GENERAL INFORMATION

The Company is principally engaged in the business of project management and investment holding. The principal activities of the subsidiary companies are as disclosed in Note 4 to the financial statements.

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

The total number of employees, inclusive of directors, of the Group and the Company at the end of the financial year are 27 (2010: 4) and 2 (2010: 2) respectively.

The registered office is located at No. 11.3A, 11th Floor, Bangunan Yee Seng, 15, Jalan Raja Chulan, 50200 Kuala Lumpur.

The principal place of business is located at No. E709B, 6th Floor, Kelana Parkview Tower, No. 1, Jalan SS 6/2, 47301 Petaling Jaya, Selangor Darul Ehsan.

The financial statements were approved and authorised for issue by the board of directors on 05 March 2012.

## 2 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in the current financial statements.

### a. Basis of Preparation of Financial Statements

The financial statements of the Group and the Company have been prepared under historical cost convention and in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia unless otherwise indicated in these significant accounting policies.

### b. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries under Note 4 made up to the end of the financial period. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceased. Subsidiaries are consolidated using the acquisition method of accounting.

All significant intercompany transaction, balances and unrealised gains on transaction between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiary has been changed to ensure consistency with the policies adopted by the Group.

Minority interest in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

### c. Property, Plant, Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(j).

## 2 SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

### c. Property, Plant, Equipment and Depreciation - Continued

Depreciation of property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to is residual value over the estimated useful life at the following annual rates:

| | Rate |
|---|---|
| Computers and software | 33% |
| Furniture, fittings and office equipment | 10% |
| Plant and machinery | 10% |
| Motor vehicles | 20% |
| Renovations | 10% |

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

### d. Investment in subsidiaries

Subsidiaries are those companies controlled by the Company. Control exists when the Company free the power, directly or indirectly to govern the financial and operating policies of a company so as to derive benefits from its activities.

The Company's investments in subsidiaries are stated at cost less impairment losses, if any.

### e. Hire Purchase

Assets acquired under leases or hire purchase agreements which in substance transfer the risks and rewards of ownership of the assets to the company are capitalised under property, plant and equipment and depreciated over their estimated useful lives. Outstanding obligations due under the agreements after deducting finance charges are included as liabilities in the financial statements. The finance charges are charged to Income Statement over the period of the agreement.

### f. Cash and Cash Equivalents

Cash comprises cash on hand and cash at bank. Cash equivalents are short term, highly liquid investments that are readily convertible to known of cash and which are subject to an insignificant risk of changes in value.

### g. Revenue

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Revenue relating to sale of goods is recognised net of discounts and sales returns when the transfer of risks and rewards has been completed.

### h. Taxation

The tax expense in the income statement represents current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, in respect of all material timing differences except where there is reasonable evidence that these timing differences will not reverse in the foreseeable future. Deferred tax benefits are not provided for in the financial statements.

## 2 SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

### i. Employees Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Company. Short term accumulating compensate absences such paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

As required by law, the Company makes contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

### j. Impairment of Assets

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. An impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

### k. Financial Instruments

Financial instruments are recognised in the balance sheet when the Company has become a party to the contractual provisions of the instrument.

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

Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has legal enforceable right to offset and intends to settle on a net basis or realise the asset and settle the liability simultaneously.

(i) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the year in which they are identified. An estimate is made for doubtful debts on a review of all outstanding amounts at the year end.

(ii) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services costs.

(iii) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are approved for payment.

**JIWA HOLDINGS SDN. BHD.**
(Incorporated in Malaysia)

## 3 PROPERTY, PLANT AND EQUIPMENT

GROUP

| | Computers and software RM | Furniture, fittings and office equipment RM | Plant and machinery RM | Motor vehicles RM | Renovations RM | Total RM |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At the beginning of the year | - | 339 | 1,750 | - | - | 2,089 |
| Additions | 11,293 | 30,441 | 259,265 | 483,411 | 41,297 | 825,707 |
| At the end of the year | 11,293 | 30,780 | 261,015 | 483,411 | 41,297 | 827,796 |
| **Accumulated depreciation** | | | | | | |
| At the beginning of the year | - | 34 | 175 | - | - | 209 |
| Charge for the year | - | 34 | 411 | - | - | 445 |
| At the end of the year | - | 68 | 586 | - | - | 654 |
| **Net book value** | | | | | | |
| As at 30 September 2011 | 11,293 | 30,712 | 260,429 | 483,411 | 41,297 | 827,142 |
| As at 30 September 2010 | - | 305 | 1,575 | - | - | 1,880 |
| Depreciation charge for the year ended 30 September 2010 | - | 34 | 175 | - | - | 209 |

## 3 PROPERTY, PLANT AND EQUIPMENT - CONTINUED

### COMPANY

| | Furniture, fittings and office equipment RM | Total RM |
|---|---|---|
| **Cost** | | |
| At the beginning of the year | 339 | 339 |
| At the end of the year | 339 | 339 |
| **Accumulated depreciation** | | |
| At the beginning of the year | 34 | 34 |
| Charge for the year | 34 | 34 |
| At the end of the year | 68 | 68 |
| **Net book value** | | |
| As at 30 September 2011 | 271 | 271 |
| As at 30 September 2010 | 305 | 305 |
| Depreciation charge for the period ended 30 September 2010 | 34 | 34 |

Included under property, plant and equipment of the Group are motor vehicles with net book value of RM 483,411 (2010: RMNIL) acquired under hire purchase arrangements.

## 4 INVESTMENT IN SUBSIDIARIES

Details of the subsidiary companies in which incorporated in Malaysia are as follow:

| Name of Companies | Principal activities | Group equity interest 2011 % | 2010 % |
|---|---|---|---|
| Jiwa Furniture Marketing Sdn. Bhd. | Trading of industrial furniture, fixtures and appliances and dealer in wood furniture. | 70 | 70 |
| Jiwa Furniture Sdn. Bhd. | Project management, interior fit out, manufacturing and trading in wood furniture. | 95 | - |

## 5 RECEIVABLE FROM A RELATED COMPANY

The amount represents unsecured interest free advances and repayable on demand.

## 6 RECEIVABLE/PAYABLE TO A SUBSIDIARY

The amount represents unsecured interest free advances and repayable on demand.

## 7 HIRE PURCHASE PAYABLE

| | Group 2011 RM | Group 2010 RM |
|---|---|---|
| Amount outstanding | 495,656 | - |
| Less: Interest in suspense | (77,442) | - |
| Principal portion | 418,214 | - |
| Less: Portion due within one year | (55,929) | - |
| Non-current portion | 362,285 | - |

The non-current portion of the hire purchase obligation is payable as follows:

| | Group 2011 RM | Group 2010 RM |
|---|---|---|
| Later than 1 year but not later than 5 years | 190,887 | - |
| Later than 5 years | 171,398 | - |
| | 362,285 | - |

## 8 DEFERRED TAXATION

| | Group 2011 RM | Group 2010 RM |
|---|---|---|
| At the beginning of the year | 32,230 | - |
| Recognised in income statement (Note 11) | 77,970 | 230 |
| At the end of the year | 110,200 | 230 |

## 9 SHARE CAPITAL

| | Group and Company 2011 RM | Group and Company 2010 RM |
|---|---|---|
| Authorised share capital of RM1 each: | | |
| At the beginning of the year/date of incorporation | 1,000,000 | 1,000,000 |
| At the end of the year/period | 1,000,000 | 1,000,000 |
| Issued and fully paid ordinary shares of RM1 each: | | |
| At the beginning of the year/date of incorporation | 500,000 | 2 |
| Allotment during the year/period | 500,000 | 499,998 |
| At the end of the year/period | 1,000,000 | 500,000 |

**JIWA HOLDINGS SDN. BHD.**
(Incorporated in Malaysia)

## 10 PROFIT BEFORE TAXATION

| | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|
| Profit before taxation is arrived at after charging: | | | | |
| Auditors' remuneration | 14,600 | 7,000 | 8,200 | 4,500 |
| Depreciation of property, plant and equipment | 445 | 209 | 34 | 34 |
| **Directors' remuneration:** | - | | | |
| - Fees | 72,000 | 36,000 | 24,000 | - |
| - EPF and Socso contributions | 6,847 | - | - | - |
| - Other emoluments | 12,000 | 3,258 | - | - |
| - Salaries and bonus | 70,833 | 29,595 | - | - |
| Incorporation expenses written off | - | 5,880 | - | 5,880 |
| Rental of premises | 160,284 | 99,600 | 78,684 | 18,000 |
| | | | | |
| Staff costs consist of the followings: | | | | |
| Salaries, allowances, bonuses, incentives and wages | 284,610 | 37,387 | 142,305 | 8,000 |
| EPF and Socso contributions | 54,221 | - | 27,106 | - |
| Other staff related expenses | 1,847 | 2,024 | 1,464 | 955 |
| | 340,678 | 39,411 | 170,875 | 8,955 |

## 11 TAXATION

| | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|
| Malaysian income tax | 90,250 | 47,546 | 75,343 | 39,050 |
| Transfer to deferred tax (Note 8) | (30) | 230 | - | - |
| Over provision in prior years | 5 | - | - | - |
| | 90,225 | 47,776 | 75,343 | 39,050 |

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% of the estimated assessable profit for the year.

## 11 TAXATION - CONTINUED

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM | 2010 RM | 2011 RM | 2010 RM |
| Profit before taxation | 441,041 | 231,574 | 370,072 | 190,713 |
| Tax at the Malaysia statutory | 110,260 | 57,893 | 92,518 | 47,678 |
| Tax save due to effective tax rate at 20% for the first RM500,000 chargeable income for small and medium enterprise | (22,562) | (11,887) | (18,835) | (9,763) |
| Expenses not deductible for tax purposes | 2,813 | 1,821 | 1,660 | 1,267 |
| Utilisation of capital allowances | (261) | (281) | - | (132) |
| Over provision in prior years | 5 | - | - | - |
| Deferred taxation | (30) | 230 | - | - |
| Tax expense | 90,225 | 47,776 | 75,343 | 39,050 |

## 12 SIGNIFICANT RELATED PARTY TRANSACTIONS

The following are significant related party transactions with companies:

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM | 2010 RM | 2011 RM | 2010 RM |
| Sales to holding company | 3,969,753 | - | - | - |
| Sales to fellow subsidiary | 29,240 | - | - | - |
| Work charged from fellow subsidiary | 29,240 | - | - | - |
| Work charged from related company | - | 811,609 | - | 811,609 |
| Work charged from subsidiary | 3,969,753 | - | 3,969,753 | 927,520 |
| Net advances from related company | - | 668,668 | - | 438,544 |
| Net advances (to)/from subsidiary | - | - | (3,453,971) | 712,520 |

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

JIWA HOLDINGS SDN. BHD.
(Incorporated in Malaysia)

## 13 DIVIDENDS

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM | RM | RM | RM |
| Final single tier dividend of 20%, on 500,000 ordinary shares, declared and paid on 03 May 2011 | 100,000 | - | 100,000 | - |

## 14 FINANCIAL INSTRUMENTS

**Financial Risk Management Objective and Policies**
The Group's financial risk management policies seek to minimise the Group exposure to risk in the normal course of the Group's business. The board of directors of the Group ant the Company reviews and supervises each of these risks summarised as below:

**Credit Risks**
The Group is exposed to credit risks or default by counterparties, arises mainly from trade receivables. The Group manage its credit risk by monitor of credit approvals and credit limit on an ongoing basis. The Group's does not expect to incur material credit losses on its financial assets or other financial instruments.

At the balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset reported in the balance sheet.

**Liquidity and Cash Flow Risks**
The Group exposure to liquidity and cash flow risks arises mainly from general funding and business activities. The Group seek to achieve a balance between certainties of funding and a flexible, cost effective on equity or borrowing structure.

**Fair Values of Financial Instruments**
The fair values of the financial assets and liabilities reported in the balance sheet approximately the carrying amount of those assets and liabilities because of the immediate or short term maturity of such financial instruments.

## 15 COMPARATIVE FIGURES

The comparative figures of the Group and the Company related to the period 4 January 2010 (date of incorporation) to 30 September 2010 or a period of 9 months and hence are not comparable to that of the current financial year.

## 16 RECLASSIFICATION OF ACCOUNTS

Certain accounts have been reclassified to conform with current year's presentation.

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KWONG KUM HOONG
PARTNER
*KH KWONG & CO AF 0692*
*Chartered Accountants*

Company No.: 884616 - A

**JIWA HOLDINGS SDN. BHD.**
(Incorporated in Malaysia)

REPORTS AND AUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

# K. H. KWONG & CO.

CHARTERED ACCOUNTANTS (M)

Company No.: 884616 - A

**JIWA HOLDINGS SDN. BHD.**
(Incorporated in Malaysia)

**REPORTS AND AUDITED FINANCIAL STATEMENTS**
**30 SEPTEMBER 2012**

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Company No.: 884616 - A

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KWONG KUM HOONG
PARTNER
*KH KWONG & CO AF 0692*
*Chartered Accountants*



**JIWA HOLDINGS SDN. BHD.**
(Incorporated in Malaysia)

**DIRECTORS' REPORT**
**30 SEPTEMBER 2012**

The directors hereby submit their report together with the audited financial statements of the Group and the Company for the financial ended 30 September 2012.

**PRINCIPAL ACTIVITIES**

The Company is principally engaged in the business of project management and as investment holding. The principal activities of the subsidiary companies are as disclosed in Note 4 to the financial statements.

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

**FINANCIAL RESULTS**

| | Group RM | Company RM |
|---|---|---|
| Profit after taxation and minority interest | 2,167,517 | 1,879,766 |

In the opinion of the directors, the results of the operations of the Group and the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in Note 13 to the financial statements.

**DIVIDENDS**

Dividends paid or declared by the Company since the end of previous financial year were as follows:

| | RM |
|---|---|
| In respect of the financial year ended 30 September 2011: | |
| Final single tier dividend of 20%, paid on 31 July 2012 | 200,000 |

**RESERVES AND PROVISIONS**

There were no material transfers to or from reserves or provisions during the financial year.

**SHARES AND DEBENTURES**

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

**SHARES OPTIONS**

No options have been granted or issued 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 options to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under options.

**JIWA HOLDINGS SDN. BHD.**
(Incorporated in Malaysia)

## DIRECTORS

The directors of the Company in office since the date of the last report are:

HARRIS HANS CHUA
ROY THEAN CHONG YEW
CHUA KENG MING (Appointed on 9.3.2012; Resigned on 31.7.2012)
CHUA KENG MOH @ CHUA KENG BOH (Appointed on 9.3.2012; Resigned on 31.7.2012)

## DIRECTORS' INTERESTS IN SHARES

The shareholdings in the Company and its related companies of those who were directors at the end of the financial year, as recorded in the register of directors' shareholdings were as follows:

| | Number of Ordinary Shares of RM 1 each | | | |
|---|---|---|---|---|
| | Balance as at 1.10.2011 | Acquired | Disposed | Balance as at 30.9.2012 |
| HARRIS HANS CHUA | 500,000 | 200,000 | - | 700,000 |
| ROY THEAN CHONG YEW | 300,000 | - | - | 300,000 |

## DIRECTORS' BENEFITS

Since the end of previous financial year, no director has received or become entitled to receive any benefits (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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

## OTHER STATUTORY INFORMATION

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

(a) that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and

(b) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of

JIWA HOLDINGS SDN. BHD.
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**OTHER STATUTORY INFORMATION - CONTINUED**

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and the Company which would render:

(a) which necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Group and the Company; and

(b) the values attributed to the current assets in the financial statements of the Group and the Company misleading.

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

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

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

As at the date of this report, there does not exist:

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

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

In the opinion of the directors:

(a) 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 will or may affect the ability of the Group and the Company to meet its obligations when they fall due; and

(b) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

**SUBSEQUENT EVENT**

Subsequent to the balance sheet date, the company declared an interim single tier dividend of 20% amounting to RM200,000 in respect of the financial year ended 30 September 2012 and paid on 7 November 2012.

**JIWA HOLDINGS SDN. BHD.**
(Incorporated in Malaysia)

**AUDITORS**

The auditors, K. H. KWONG & CO., have expressed their willingness to continue in office.

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

HARRIS HANS CHUA

Date: 14 DEC 2012

ROY THEAN CHONG YEW

**JIWA HOLDINGS SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS**
*[Pursuant to Section 169(15) of the Companies Act, 1965]*

We, the undersigned, being two of the directors of JIWA HOLDINGS SDN. BHD., do hereby state that in the opinion of the directors, the accompanying financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as at 30 September 2012 and of its financial performance and the cash flows of the Group and the Company for the financial year then ended.

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

HARRIS HANS CHUA

ROY THEAN CHONG YEW

Date: 14 DEC 2012

**STATUTORY DECLARATION**
*[Pursuant to Section 169(16) of the Companies Act, 1965]*

I, ROY THEAN CHONG YEW (I/C No.: 710923-04-5167), the director primarily responsible for the financial management of JIWA HOLDINGS SDN. BHD., do solemnly and sincerely declare that the accompanying financial statements 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.

Subscribed and solemnly declared by the above named )
ROY THEAN CHONG YEW at Kuala Lumpur in the State of )
Wilayah Persekutuan on 14 DEC 2012 )
)
)

ROY THEAN CHONG YEW

Before me,

Commissioner for Oaths

PESURUHJAYA SUMPAH
No: W316
ZAINALABIDIN BIN MAN
MALAYSIA

NO. 8, JALAN PANDAN INDAH 4/4
PANDAN INDAH
55100 KUALA LUMPUR

**K. H. KWONG & CO.**
Chartered Accountants (AF 0692)
鄺會計公司 政府執照會計師 查賬師 政府特准所得稅代理
KWONG KUM HOONG CA(M), ACA(NZ) ACMA(NZ), B.COM

Member firm of
Malaysian Institute of Accountants

15-A, Jalan SS15/4C, 47500 Subang Jaya, Selangor Darul Ehsan.
Tel: 03-56358316 Fax: 03-56358308 e-mail: khkwongs@streamyx.com

REPORT OF THE AUDITORS TO THE MEMBERS OF
JIWA HOLDINGS SDN. BHD.
(884616 - A)
(Incorporated in Malaysia) 

**Report on the Financial Statements**

We have audited the accompanying financial statements as at 30 September 2012, which comprise of the balance sheet, income statement, statements of changes in equity and cash flow statement for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

**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 Private Entities Reporting 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. 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 evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Continued...

Company No. 655665-T


# K. H. KWONG & CO.

Chartered Accountants (AF 0692)

鄺 會 計 公 司 政府執照會計師 查賬師 政府特准所得稅代理

Member firm of
Malaysian Institute of Accountants

KWONG KUM HOONG CA(M), ACA(NZ) ACMA(NZ), B.COM

15-A, Jalan SS15/4C, 47500 Subang Jaya, Selangor Darul Ehsan.
Tel: 03-56358316 Fax: 03-56358308 e-mail: khkwongs@streamyx.com




**REPORT OF THE AUDITORS TO THE MEMBERS OF**
**JIWA HOLDINGS SDN. BHD.**
(884616 - A)
(Incorporated in Malaysia)

## Opinion

In our opinion the financial statements have been drawn up in accordance with the provisions of the Companies Act 1965 in Malaysia and the applicable approved accounting standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2012 and of their financial performance and cash flows of the Group and the Company 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 subsidiary have been properly kept in accordance with the provisions of the Act.

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

c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

## Other Matters

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

**K. H. KWONG & CO.**
**Firm No : AF 0692**
**Chartered Accountants (M)**

**KWONG KUM HOONG**
**Approval:1337/1/13/(J)**
**Principal**

Subang Jaya

Date: 14 DEC 2012

Company No. 655665-T

Company No.: 884616 - A

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8

KWONG KUM HOONG
PARTNER
*KH KWONG & CO AF 0692*
*Chartered Accountants*

**JIWA HOLDINGS SDN. BHD.**
(Incorporated in Malaysia)

**BALANCE SHEET**
**AS AT 30 SEPTEMBER 2012**

| | | Group | | Company | |
|---|---|---|---|---|---|
| | **NOTE** | **2012** | **2011** | **2012** | **2011** |
| | | **RM** | **RM** | **RM** | **RM** |
| **NON-CURRENT ASSETS** | | | | | |
| Property, plant and equipment | 3 | 1,232,441 | 827,142 | 401,193 | 271 |
| Investment in subsidiaries | 4 | - | - | 1,090,070 | 985,000 |
| **CURRENT ASSETS** | | | | | |
| Inventories | 5 | 1,776,421 | 918,176 | 920,381 | - |
| Trade receivables | | 5,356,538 | 2,610,748 | 4,430,619 | 2,107,122 |
| Other receivables, deposits and prepayments | | 316,841 | 135,214 | 207,850 | 48,600 |
| Receivable from subsidiaries | 6 | - | - | 90,592 | 163,096 |
| Tax recoverable | | 28,652 | - | - | - |
| Cash and bank balances | | 382,078 | 416,320 | 55,306 | 174,822 |
| | | 7,860,530 | 4,080,458 | 5,704,748 | 2,493,640 |
| **LESS: CURRENT LIABILITIES** | | | | | |
| Trade payables | | 2,291,730 | 1,357,353 | 1,643,638 | 713,772 |
| Other payables and accruals | | 500,671 | 736,810 | 478,130 | 333,500 |
| Payable to directors | 7 | 472,803 | 108,900 | 228,220 | - |
| Payable to a subsidiary | 6 | - | - | 734,477 | 970,854 |
| Hire purchase payables | 8 | 114,495 | 55,929 | 38,025 | - |
| Provision for taxation | | 783,457 | 109,337 | 694,732 | 114,393 |
| | | 4,163,156 | 2,368,329 | 3,817,222 | 2,132,519 |
| NET CURRENT ASSETS | | 3,697,374 | 1,712,129 | 1,887,526 | 361,121 |
| **LESS: NON-CURRENT LIABILITIES** | | | | | |
| Hire purchase payables | 8 | 719,182 | 362,285 | 296,631 | - |
| Deferred taxation | 9 | 181,300 | 110,200 | 56,000 | - |
| | | 900,482 | 472,485 | 352,631 | - |
| NET ASSETS | | 4,029,333 | 2,066,786 | 3,026,158 | 1,346,392 |
| **REPRESENTED BY:** | | | | | |
| Share capital | 10 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Retained profits | | 2,969,303 | 948,954 | 2,026,158 | 346,392 |
| Shareholders' equity | | 3,969,303 | 1,948,954 | 3,026,158 | 1,346,392 |
| Minority interest | | 60,030 | 117,832 | - | - |
| | | 4,029,333 | 2,066,786 | 3,026,158 | 1,346,392 |

The accompanying notes form an integral part of these financial statements.

Company No.: 884616 - A

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KWONG KUM HOONG
PARTNER
KH KWONG & CO AF 0692
Chartered Accountants

JIWA HOLDINGS SDN. BHD.
(Incorporated in Malaysia)

## INCOME STATEMENT
## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

| | NOTE | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|---|
| Revenue | | 10,601,774 | 10,675,155 | 8,659,958 | 8,729,813 |
| Cost of sales | | (5,693,503) | (9,448,613) | (5,168,639) | (7,983,208) |
| Gross profit | | 4,908,271 | 1,226,542 | 3,491,319 | 746,605 |
| Other operating income | | 14,000 | - | - | - |
| Administration expenses | | (1,553,221) | (784,475) | (812,559) | (376,085) |
| Other operating expense | | (291,503) | (445) | (107,959) | (34) |
| Profit from operations | | 3,077,547 | 441,622 | 2,570,801 | 370,486 |
| Finance costs | | (35,321) | (581) | (9,280) | (414) |
| Profit before taxation | 11 | 3,042,226 | 441,041 | 2,561,521 | 370,072 |
| Taxation | 12 | (874,709) | (90,225) | (681,755) | (75,343) |
| Profit after taxation | | 2,167,517 | 350,816 | 1,879,766 | 294,729 |
| Minority interest | | - | (46,324) | - | - |
| Profit after tax and minority interest | | 2,167,517 | 304,492 | 1,879,766 | 294,729 |
| Pre-acquisition profit | | 52,832 | 546,388 | - | - |
| Profit attributable to shareholders | | 2,220,349 | 850,880 | 1,879,766 | 294,729 |

The accompanying notes form an integral part of these financial statements.

Company No.: 884616 - A

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KWONG KUM HOONG
PARTNER
KH KWONG & CO AF 0692
Chartered Accountants

JIWA HOLDINGS SDN. BHD.
(Incorporated in Malaysia)

## STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

| | Share capital RM | Retained profits RM | Total RM |
|---|---|---|---|
| **Group** | | | |
| As at 1 October 2010 | 500,000 | 198,074 | 698,074 |
| Allotment during the financial year (Note 10) | 500,000 | - | 500,000 |
| Profit for the financial year | - | 850,880 | 850,880 |
| Dividends (Note 14) | - | (100,000) | (100,000) |
| As at 30 September 2011 | 1,000,000 | 948,954 | 1,948,954 |
| As at 1 October 2011 | 1,000,000 | 948,954 | 1,948,954 |
| Profit for the financial year | - | 2,220,349 | 2,220,349 |
| Dividends (Note 14) | - | (200,000) | (200,000) |
| As at 30 September 2012 | 1,000,000 | 2,969,303 | 3,969,303 |
| **Company** | | | |
| As at 1 October 2010 | 500,000 | 151,663 | 651,663 |
| Allotment during the financial year (Note 10) | 500,000 | - | 500,000 |
| Profit for the financial year | - | 294,729 | 294,729 |
| Dividends (Note 14) | - | (100,000) | (100,000) |
| As at 30 September 2011 | 1,000,000 | 346,392 | 1,346,392 |
| As at 1 October 2011 | 1,000,000 | 346,392 | 1,346,392 |
| Profit for the financial year | - | 1,879,766 | 1,879,766 |
| Dividends (Note 14) | - | (200,000) | (200,000) |
| As at 30 September 2012 | 1,000,000 | 2,026,158 | 3,026,158 |

The accompanying notes form an integral part of these financial statements.

Company No.: 884616 - A

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KWONG KUM HOONG
PARTNER
KH KWONG & CO AF 0692
Chartered Accountants



**JIWA HOLDINGS SDN. BHD.**
(Incorporated in Malaysia)

**CASH FLOW STATEMENT**
**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012**

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | RM | RM | RM | RM |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Profit before taxation | 3,042,226 | 441,041 | 2,561,521 | 370,072 |
| Adjustments: | | | | |
| Depreciation of property, plant and equipment | 334,171 | 445 | 107,959 | 34 |
| Interest expense | 33,386 | - | 7,846 | - |
| Operating profit before working capital changes | 3,409,783 | 441,486 | 2,677,326 | 370,106 |
| Increase in inventories | (858,245) | - | (920,381) | - |
| (Increase)/Decrease in trade and other receivables | (2,927,417) | 328,809 | (2,482,747) | (256,835) |
| Increase/(Decrease) in trade and other payables | 698,238 | (252,275) | 1,074,496 | 91,471 |
| Cash generated from operations | 322,359 | 518,020 | 348,694 | 204,742 |
| Dividend paid | (200,000) | (100,000) | (200,000) | (100,000) |
| Tax paid | (158,141) | (8,335) | (45,416) | - |
| Net cash generated from operating activities | (35,782) | 409,685 | 103,278 | 104,742 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Acquisition of a subsidiary | (4,970) | (917,175) | (105,070) | (950,000) |
| Purchase of property, plant and equipment | (739,470) | (2,358) | (508,881) | - |
| Net cash used in investing activities | (744,440) | (919,533) | (613,951) | (950,000) |

The accompanying notes form an integral part of these financial statements.

Company No.: 884616 - A

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KWONG KUM HOONG
PARTNER
*KH KWONG & CO AF 0692*
*Chartered Accountants*

**JIWA HOLDINGS SDN. BHD.**
(Incorporated in Malaysia)

**CASH FLOW STATEMENT - CONTINUED**
**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012**

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| | **RM** | **RM** | **RM** | **RM** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Proceeds from issuance of shares | - | 500,000 | - | 500,000 |
| Directors' accounts | 363,903 | - | 228,220 | - |
| (Advances to)/Repayment from subsidiaries | - | - | (163,873) | 95,238 |
| (Advances to)/Repayment from related company | - | 420,544 | - | 420,544 |
| Proceeds from hire purchase | 484,600 | - | 342,600 | - |
| Repayment of hire purchase payable | (69,137) | - | (7,944) | - |
| Interest on hire purchase | (29,506) | - | (3,966) | - |
| Proceed from short term borrowing | 300,000 | - | 300,000 | - |
| Repayment of short term borrowing | (300,000) | - | (300,000) | - |
| Interest on short term borrowing | (3,880) | - | (3,880) | - |
| Net cash generated from financing activities | 745,980 | 920,544 | 391,157 | 1,015,782 |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | (34,242) | 410,696 | (119,516) | 170,524 |
| CASH AND CASH EQUIVALENTS BROUGHT FORWARD | 416,320 | 5,624 | 174,822 | 4,298 |
| CASH AND CASH EQUIVALENTS CARRIED FORWARD | 382,078 | 416,320 | 55,306 | 174,822 |
| Cash and cash equivalents represented by cash and bank balances | 382,078 | 416,320 | 55,306 | 174,822 |

The accompanying notes form an integral part of these financial statements.

JIWA HOLDINGS SDN. BHD.
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS**
**30 SEPTEMBER 2012**

## 1 GENERAL INFORMATION

The Company is principally engaged in the business of project management and investment holding. The principal activities of the subsidiary companies are as disclosed in Note 4 to the financial statements.

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

The total number of employees, inclusive of directors, of the Group and the Company at the end of the financial year are 38 (2011: 27) and 4 (2011: 2) respectively.

The registered office is located at No. 11.3A, 11$^{th}$ Floor, Bangunan Yee Seng, 15, Jalan Raja Chulan, 50200 Kuala Lumpur.

The principal place of business is located at No. E709B, 6$^{th}$ Floor, Kelana Parkview Tower, No. 1, Jalan SS 6/2, 47301 Petaling Jaya, Selangor Darul Ehsan.

The financial statements were approved and authorised for issue by the board of directors on 14 December 2012.

## 2 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in the current financial statements.

### a. Basis of Preparation of Financial Statements

The financial statements of the Group and the Company have been prepared under historical cost convention and in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia unless otherwise indicated in these significant accounting policies.

### b. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries under Note 4 made up to the end of the financial year. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceased. Subsidiaries are consolidated using the acquisition method of accounting.

All significant intercompany transaction, balances and unrealised gains on transaction between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiary has been changed to ensure consistency with the policies adopted by the Group.

Minority interest in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

### c. Property, Plant, Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(j).

## 2 SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

### c. Property, Plant, Equipment and Depreciation - Continued

Depreciation of property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

| | Rate |
|---|---|
| Computers and software | 33% |
| Furniture, fittings and office equipment | 10% |
| Plant and machineries | 10% |
| Motor vehicles | 20% |
| Renovations | 10% |

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

### d. Investment in subsidiaries

Subsidiaries are those companies controlled by the Company. Control exists when the Company free the power, directly or indirectly to govern the financial and operating policies of a company so as to derive benefits from its activities.

The Company's investments in subsidiaries are stated at cost less impairment losses, if any.

### e. Hire Purchase

Assets acquired under leases or hire purchase agreements which in substance transfer the risks and rewards of ownership of the assets to the company are capitalised under property, plant and equipment and depreciated over their estimated useful lives. Outstanding obligations due under the agreements after deducting finance charges are included as liabilities in the financial statements. The finance charges are charged to Income Statement over the period of the agreement.

### f. Cash and Cash Equivalents

Cash comprises cash on hand and cash at bank. Cash equivalents are short term, highly liquid investments that are readily convertible to known of cash and which are subject to an insignificant risk of changes in value.

### g. Revenue

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Revenue relating to sale of goods is recognised net of discounts and sales returns when the transfer of risks and rewards has been completed.

## 2 SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

### h. Taxation

The tax expense in the income statement represents current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax asset are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly, in equity.

### i. Employees Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Company. Short term accumulating compensate absences such paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

As required by law, the Company makes contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

### j. Impairment of Assets

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. An impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

**2 SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**k. Financial Instruments**

Financial instruments are recognised in the balance sheet when the Company has become a party to the contractual provisions of the instrument.

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

Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has legal enforceable right to offset and intends to settle on a net basis or realise the asset and settle the liability simultaneously.

(i) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the year in which they are identified. An estimate is made for doubtful debts on a review of all outstanding amounts at the year end.

(ii) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services costs.

(iii) Interest bearing borrowing

Interest bearing borrowings are recorded at the amount of proceeds received, net of transaction costs.

All other borrowings costs are recognised as an expense in the income statement in the year in which they are incurred.

(iii) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are approved for payment.

**JIWA HOLDINGS SDN. BHD.**
(Incorporated in Malaysia)

## 3 PROPERTY, PLANT AND EQUIPMENT

### GROUP

| | Computers and software RM | Furniture, fittings and office equipment RM | Plant and machineries RM | Motor vehicles RM | Renovations RM | Total RM |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At the beginning of financial year | 11,293 | 30,780 | 261,015 | 483,411 | 41,297 | 827,796 |
| Additions | 72,956 | 1,390 | 34,000 | 597,231 | 33,893 | 739,470 |
| At the end of financial year | 84,249 | 32,170 | 295,015 | 1,080,642 | 75,190 | 1,567,266 |
| **Accumulated depreciation** | | | | | | |
| At the beginning of financial year | - | 68 | 586 | - | - | 654 |
| Charge for the financial year | 32,863 | 4,017 | 43,079 | 245,214 | 8,998 | 334,171 |
| At the end of financial year | 32,863 | 4,085 | 43,665 | 245,214 | 8,998 | 334,825 |
| **Net book value** | | | | | | |
| As at 30 September 2012 | 51,386 | 28,085 | 251,350 | 835,428 | 66,192 | 1,232,441 |
| As at 30 September 2011 | 11,293 | 30,712 | 260,429 | 483,411 | 41,297 | 827,142 |
| Depreciation charge for the financial year ended 30 September 2011 | - | 34 | 411 | - | - | 445 |

JIWA HOLDINGS SDN. BHD.
(Incorporated in Malaysia)

## 3 PROPERTY, PLANT AND EQUIPMENT

COMPANY

| | Computers and software RM | Furniture, fittings and office equipment RM | Motor vehicles RM | Renovations RM | Total RM |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At the beginning of financial year | - | 339 | - | - | 339 |
| Additions | 60,064 | - | 432,224 | 16,593 | 508,881 |
| At the end of financial year | 60,064 | 339 | 432,224 | 16,593 | 509,220 |
| **Accumulated depreciation** | | | | | |
| At the beginning of financial year | - | 68 | - | - | 68 |
| Charge for the financial year | 19,821 | 34 | 86,445 | 1,659 | 107,959 |
| At the end of financial year | 19,821 | 102 | 86,445 | 1,659 | 108,027 |
| **Net book value** | | | | | |
| As at 30 September 2012 | 40,243 | 237 | 345,779 | 14,934 | 401,193 |
| As at 30 September 2011 | - | 271 | - | - | 271 |
| Depreciation charge for the financial year ended 30 September 2011 | - | 34 | - | - | 34 |

JIWA HOLDINGS SDN. BHD.
(Incorporated in Malaysia)

## 3 PROPERTY, PLANT AND EQUIPMENT - CONTINUED

Included under property, plant and equipment of the Group and the Company are motor vehicles with net book value of RM835,428 (2011: RM483,411) and RM345,779 (2011: RM NIL) acquired under hire purchase arrangements respectively.

## 4 INVESTMENT IN SUBSIDIARIES

Details of the subsidiary companies in which incorporated in Malaysia are as follows:

| Name of Companies | Principal activities | Group equity interest 2012 % | Group equity interest 2011 % |
|---|---|---|---|
| Jiwa Furniture Marketing Sdn. Bhd. | Trading of industrial furniture, fixtures and appliances and dealer in wood furniture. | 100 | 70 |
| Jiwa Furniture Sdn. Bhd. | Project management, interior fit out, manufacturing and trading in wood furniture. | 100 | 95 |
| Jiwa Project Sdn. Bhd. | Dormant Company | 70 | - |
| Jiwa M&E Services Sdn Bhd | Mechanical and electrical maintenance services | 40 | - |

## 5 INVENTORIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| Raw materials | 326,427 | 227,775 | - | - |
| Work in progress | 1,121,068 | 168,012 | 920,381 | - |
| Finished goods | 328,926 | 522,389 | - | - |
| At the end of financial year | 1,776,421 | 918,176 | 920,381 | - |

## 6 RECEIVABLE FROM/(PAYABLE TO) SUBSIDIARIES

The amount represents unsecured, interest free advances and repayable on demand.

## 7 PAYABLE TO DIRECTORS

The amount represents unsecured, interest free advances and repayable on demand.

JIWA HOLDINGS SDN. BHD.
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## 8 HIRE PURCHASE PAYABLES

| | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|
| Amount outstanding | 980,125 | 495,656 | 395,704 | - |
| Less: Interest in suspense | (146,448) | (77,442) | (61,048) | - |
| Principal portion | 833,677 | 418,214 | 334,656 | - |
| Less: Portion due within one year | (114,495) | (55,929) | (38,025) | - |
| Non-current portion | 719,182 | 362,285 | 296,631 | - |
| The non-current portion of the hire purchase obligation is payable as follows: | | | | |
| Later than 1 year but not later than 5 years | 479,902 | 190,887 | 127,047 | - |
| Later than 5 years | 239,280 | 171,398 | 169,584 | - |
| | 719,182 | 362,285 | 296,631 | - |

## 9 DEFERRED TAXATION

| | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|
| At the beginning of financial year | 110,200 | 32,230 | - | - |
| Recognised in income statement (Note 12) | 71,100 | 77,970 | 56,000 | - |
| At the end of financial year | 181,300 | 110,200 | 56,000 | - |

## 10 SHARE CAPITAL

| | Group and Company 2012 RM | Group and Company 2011 RM |
|---|---|---|
| Ordinary shares of RM1 each: | | |
| Authorised share capital | 1,000,000 | 1,000,000 |
| Issued and fully paid ordinary shares of RM1 each: | | |
| At the beginning of financial year | 1,000,000 | 500,000 |
| Allotment during the financial year | - | 500,000 |
| At the end of financial year | 1,000,000 | 1,000,000 |

**JIWA HOLDINGS SDN. BHD.**
(Incorporated in Malaysia)

## 11 PROFIT BEFORE TAXATION

| | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|
| Profit before taxation is arrived at after charging: | | | | |
| Auditors' remuneration | 18,800 | 14,600 | 9,000 | 8,200 |
| Bad debts written off | 174,076 | - | - | - |
| Depreciation of property, plant and equipment | 334,171 | 445 | 107,959 | 34 |
| **Directors' remuneration:** | | | | |
| - Fees | 440,000 | 72,000 | 440,000 | 24,000 |
| - EPF and Socso contributions | - | 6,847 | - | - |
| - Other emoluments | 2,870 | 12,000 | 2,870 | - |
| - Salaries and bonus | - | 70,833 | - | - |
| Preliminary Incorporation expenses | 2,160 | - | - | - |
| Interest on hire purchase | 29,506 | - | 3,966 | - |
| Interest on short term borrowing | 3,880 | - | 3,880 | - |
| Rental of factory | 30,430 | - | - | - |
| Rental of motor vehicles | 45,600 | - | - | - |
| Rental of premises | 131,373 | 160,284 | 60,570 | 78,684 |
| Rental of site office | 77,081 | - | - | - |
| Rental of staff accommodation | 4,800 | - | - | - |
| Sub-contract wages | 256,341 | - | - | - |
| Staff costs consist of the followings: | | | | |
| Salaries, allowances, bonus, incentives and wages | 904,949 | 284,610 | 116,171 | 142,305 |
| EPF and Socso contributions | 104,746 | 54,221 | - | 27,106 |
| Other staff related expenses | 29,028 | 1,847 | 12,612 | 1,464 |
| | 1,038,723 | 340,678 | 128,783 | 170,875 |

## 12 TAXATION

| | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|
| Malaysian income tax | 807,270 | 90,250 | 625,775 | 75,343 |
| Transfer to/(from) deferred tax (Note 9) | 71,100 | (30) | 56,000 | - |
| Over provision in prior years | (3,661) | 5 | (20) | - |
| | 874,709 | 90,225 | 681,755 | 75,343 |

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% of the estimated assessable profit for the year.

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## 12 TAXATION - CONTINUED

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | RM | RM | RM | RM |
| Profit before taxation | 3,042,226 | 441,041 | 2,561,521 | 370,072 |
| Tax at the Malaysia statutory | 760,557 | 110,260 | 640,380 | 92,518 |
| Tax save due to effective tax rate at 20% for the first RM500,000 chargeable income for small and medium enterprise | (25,000) | (22,562) | (25,000) | (18,835) |
| Expenses not deductible for tax purposes | 120,534 | 2,813 | 32,325 | 1,660 |
| Utilisation of capital allowances | (50,712) | (261) | (21,930) | - |
| Loss not taxable | 1,891 | - | - | - |
| Over provision in prior years | (3,661) | 5 | (20) | - |
| Deferred taxation | 71,100 | (30) | 56,000 | - |
| Tax expense | 874,709 | 90,225 | 681,755 | 75,343 |

## 13 SIGNIFICANT RELATED PARTY TRANSACTIONS

The following are significant related party transactions with companies, in which the directors of the Company have interest.

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | RM | RM | RM | RM |
| Sales to holding company | 1,780,037 | 3,969,753 | - | - |
| Sales to fellow subsidiary | - | 29,240 | - | - |
| Rental advances to holding company | 60,570 | - | - | - |
| Work charged from fellow subsidiary | - | 29,240 | - | - |
| Work charged from related company | - | - | - | 811,609 |
| Work charged from subsidiary | 1,780,037 | 3,969,753 | 1,780,037 | 927,520 |
| Net advances from related company | 12,000 | - | - | 438,544 |
| Net advances from/(to) subsidiary | (13,260) | - | (163,874) | 712,520 |

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

## 14 DIVIDENDS

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | RM | RM | RM | RM |
| Final single tier dividend of 20%, on 1,000,000 ordinary shares, declared and paid on 31 July 2012 | 200,000 | 100,000 | 200,000 | 100,000 |

## 15 CONTINGENT LIABILITY

As at 30 September 2012, the Company had contingent liability of which in the ordinary course of business, the Company has given guarantee amounting of RM274,500 to third party in respect of contractors performance.

## 16 SUBSEQUENT EVENT

Subsequent to the balance sheet date, the company declared an interim single tier dividend of 20% amounting to RM200,000 in respect of the financial year ended 30 September 2012 and paid on 7 November 2012.

## 17 FINANCIAL INSTRUMENTS

### Financial Risk Management Objective and Policies

The Group's financial risk management policies seek to minimise the Group exposure to risk in the normal course of the Group's business. The board of directors of the Group ant the Company reviews and supervises each of these risks summarised as below:

### Credit Risks

The Group is exposed to credit risks or default by counterparties, arises mainly from trade receivables. The Group manage its credit risk by monitor of credit approvals and credit limit on an ongoing basis. The Group's does not expect to incur material credit losses on its financial assets or other financial instruments.

At the balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset reported in the balance sheet.

### Liquidity and Cash Flow Risks

The Group exposure to liquidity and cash flow risks arises mainly from general funding and business activities. The Group seek to achieve a balance between certainties of funding and a flexible, cost effective on equity or borrowing structure.

### Fair Values of Financial Instruments

The fair values of the financial assets and liabilities reported in the balance sheet approximately the carrying amount of those assets and liabilities because of the immediate or short term maturity of such financial instruments.

## 18 RECLASSIFICATION OF ACCOUNTS

Certain accounts have been reclassified to conform with current year's presentation.

Company No. 655665-T

*Company No. 884616-A*

CERTIFIED TRUE COPY

DATO' SIEW BOON YEONG
Partner
*Siew Boon Yeong & Associates*
*AF 0660*
Chartered Accountants

# JIWA HOLDINGS SDN. BHD.

(Incorporated in Malaysia)

## Reports and Financial Statements
## 30 September 2013

SIEW BOON YEONG & ASSOCIATES
Chartered Accountants [AF: 0660]

*Company No. 884616-A*

# JIWA HOLDINGS SDN. BHD.

(Incorporated in Malaysia)

## Reports and Financial Statements
## 30 September 2013

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# JIWA HOLDINGS SDN. BHD.

(Incorporated in Malaysia)

## DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 September 2013.

### PRINCIPAL ACTIVITIES

The principal activities of the Company are engaged in the business of project management and investment holding. The principal activities of the subsidiary companies are as set out in *Note 6* to the financial statements. There were no significant changes in the nature of these activities during the financial year.

### FINANCIAL RESULTS

| | *Group* RM | *Company* RM |
|---|---|---|
| Profit after taxation | 3,252,084 | 2,639,554 |
| | | |
| Attributable to: | | |
| Owners of the Company | 2,907,156 | 2,639,554 |
| Non-controlling interests | 344,928 | - |
| | 3,252,084 | 2,639,554 |

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

### DIVIDENDS

The dividends paid by the Company since the end of the previous financial year were as follows:

In respect of the financial year ended 30 September 2012:

| | RM |
|---|---|
| First interim single tier dividend of 20% on 1,000,000 ordinary shares, paid on 07 November 2012 | 200,000 |

The directors do not propose any final dividend in respect of the current financial year.

### ISSUE OF SHARES AND DEBENTURES

There was no issue of shares or debentures by the Company during the financial year.

**OPTIONS**

No option has been granted during the financial year to take up unissued shares of the Company.

**DIRECTORS**

The directors in office since the date of the last report are:

| | |
|---|---|
| Harris Hans Chua | |
| Roy Thean Chong Yew | |
| Ong Poh Leng | (appointed on 23.09.2013) |
| Chua Wye Man | (appointed on 30.04.2013, resigned on 15.05.2013, reappointed on 23.09.2013) |
| Tan Siew Ching (f) | (appointed on 30.04.2013, resigned on 15.05.2013, reappointed on 23.09.2013) |
| Rozita Binti Harun (f) | (appointed on 30.04.2013, resigned on 15.05.2013) |

**DIRECTORS' INTERESTS**

According to the Register of Directors' Shareholdings, particulars of interests of directors who held office at the end of the financial year in the shares in the Company and its related companies during the financial year are as follows:

| | ------------ *No. of Ordinary Shares of RM1 each* ------------ | | | |
|---|---|---|---|---|
| | *Balance 01.10.2012* | *Bought* | *Sold* | *Balance 30.09.2013* |
| The Company | | | | |
| *Direct interests* | | | | |
| Harris Hans Chua | 700,000 | - | 210,000 | 490,000 |
| Roy Thean Chong Yew | 300,000 | - | 90,000 | 210,000 |
| *Indirect interests* | | | | |
| Tan Siew Ching* | - | 300,000 | - | 300,000 |
| Chua Wye Man ^ | - | 300,000 | - | 300,000 |

| | ----------- *No. of Ordinary Shares of RM0.05 each* ----------- | | | |
|---|---|---|---|---|
| | *Balance 01.10.2012* | *Bought* | *Sold* | *Balance 30.09.2013* |
| Holding Company | | | | |
| *Direct interests* | | | | |
| Tan Siew Ching | - | 31,500,000 | - | 31,500,000 |
| *Indirect interests* | | | | |
| Chua Wye Man ^ | - | 31,500,000 | - | 31,500,000 |

| | No. of Warrants 2012/2017 | | | |
|---|---|---|---|---|
| | *Balance 01.10.2012* | *Bought* | *Sold* | *Balance 30.09.2013* |
| Direct interests | | | | |
| Tan Siew Ching | - | 14,661,800 | - | 14,661,800 |
| Indirect interests | | | | |
| Chua Wye Man ^ | - | 14,661,800 | - | 14,661,800 |

* *Deemed interest by virtue of her substantial shareholdings pursuant to Section 6A of the Companies Act in Flonic Hi-Tec Bhd.*

^ *Deemed interest by virtue of his spouse pursuant to Section 6A of the Companies Act, 1965.*

By virtue of their interests in the shares in the holding company, Mr Chua Wye Man and Madam Tan Siew Ching are also deemed to have an interest in the shares in the Company and its subsidiary companies to the extent the holding company has an interest during the financial year.

By virtue of their interests in the shares in the Company, Mr Harris Hans Chua and Mr Roy Thean Chong Yew are also deemed to have an interest in the shares in its subsidiary companies to the extent the Company has an interest during the financial year.

The other director holding office at the end of the year had no interest in shares in the Company during the year.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown 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 the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company a party to any arrangement whose object was to enable the directors to acquire benefits through the acquisition of shares in, or debentures of, the Company or any other body corporate.

## OTHER STATUTORY INFORMATION

Before the financial statements 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 satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; 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 expected realisable values.

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

(a) which would render the amounts written off of bad debts or the amount of the allowance for doubtful debts in the financial statements inadequate to any substantial extent or the values attributed to current assets misleading; and

(b) 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.

In the interval between the end of the financial year and the date of this report:

(a) no item, transaction or event of a material and unusual nature has arisen which, in the opinion of the directors, would substantially affect the results of the operations of the Group and of the Company for the current financial year; and

(b) no charge has arisen on the assets of the Group and of the Company which secures the liabilities of any other person nor has any contingent liability arisen in the Group and the Company.

No contingent or other liability of the Group and of the Company 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 affect the ability of the Group and of the Company to meet its obligations when they fall due.

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On 4 October 2012, the Company entered into an Option Agreement with OSA (M) Sdn. Bhd. ("OSA") where the Company was granted the option for the period from 1 June 2012 to 31 May 2014 ("Purchase Option Period") by OSA to purchase an office suite ("Property") for a purchase consideration of RM4,500,000 ("Option Agreement").

The Option Agreement also provides that the Company shall pay OSA monthly amount of RM28,000, during the Purchase Option Period, the amount paid shall be applied towards the purchase price as earnest deposit. In the event the option to purchase is not exercised during the Purchase Option Period, OSA shall return 50% of the amount paid to it pursuant to the Option Agreement.

On 29 April 2013, the Company exercised its option to purchase the Property and the acquisition of the Property was completed on 19 September 2013.

## HOLDING COMPANY

The directors regard *Flonic Hi-Tec Bhd.*, a company incorporated in Malaysia and listed on ACE Market of Bursa Malaysia Securities Berhad, as the Company's holding company.

## SIGNIFICANT EVENT AFTER REPORTING DATE

On 14 February 2014, a representative of the Company had resigned from the board of directors of Jiwa M & E Services Sdn. Bhd. ("JMES") resulting in the Company ceasing its control over the board and management of JMES.

**AUDITORS**

The auditors, Messrs Siew Boon Yeong & Associates, Chartered Accountants, have expressed their willingness to continue in office.

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

**HARRIS HANS CHUA**
Director

**ROY THEAN CHONG YEW**
Director

Kuala Lumpur,
Date: 1 7 MAR 2014

*Company No. 884616-A*

## JIWA HOLDINGS SDN. BHD.
(Incorporated in Malaysia)

## STATEMENT BY DIRECTORS

In the opinion of the directors, the financial statements set out on pages 10to 46 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to exhibit a true and fair view of the state of affairs of the Group and of the Company as at 30 September 2013 and of the results and cash flows of the Group and of the Company for the year ended on that date.

Signed in Kuala Lumpur on 17 MAR 2014

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

**HARRIS HANS CHUA**

**ROY THEAN CHONG YEW**

## STATUTORY DECLARATION

I, Roy Thean Chong Yew, being the director primarily responsible for the financial management of Jiwa Holdings Sdn. Bhd., do solemnly and sincerely declare that to the best of my knowledge and belief the financial statements set out on pages 10to 46 are 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.

Subscribed and solemnly declared in Kuala Lumpur on 17 MAR 2014

**ROY THEAN CHONG YEW**

Before me

PESURUHJAYA SUMPAH
No: W 599
Nama: ABD RAHMAN BIN ZAHARI
MALAYSIA

MEJ (B) ABD RAHMAN BIN ZAHARI
PESURUHJAYA SUMPAH
Commissioner for Oaths

**Lot 2.20, Tingkat 2**
**Kompleks Desa, Jalan Kepong,**
**52100 Kuala Lumpur.**

**SIEW BOON YEONG & ASSOCIATES**
**Chartered Accountants [AF: 0660]**
9-C, Jalan Medan Tuanku, Medan Tuanku, 50300 Kuala Lumpur, Malaysia.
Tel: 03-2693 8837 Fax: 03-2693 8836 Website: www.sby.com.my E-mail: audit@sby.com.my

*Company No. 884616-A*

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**
**JIWA HOLDINGS SDN. BHD.**
(Incorporated in Malaysia)

**Report on the Financial Statements**

We have audited the financial statements of Jiwa Holdings Sdn. Bhd., which comprise the statements of financial position as at 30 September 2013 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 10 to 46.

*Directors' Responsibility for the Financial Statements*

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

*Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 September 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

**SIEW BOON YEONG & ASSOCIATES**
Chartered Accountants [AF: 0660]

*Company No. 884616-A*

**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 subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of a subsidiary company which we have not acted as auditors, which is indicated in *Note 6* to the financial statements.

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

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

**Other Matters**

1. As stated in *Note 2* to the financial statements, Jiwa Holdings Sdn. Bhd. adopted Malaysian Financial Reporting Standards on 1 October 2012 with a transition date of 1 October 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 30 September 2012 and 1 October 2011, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year ended 30 September 2012 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 30 September 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 October 2012 do not contain misstatements that materially affect the financial position as of 30 September 2013 and financial performance and cash flows for the year then ended.

**SIEW BOON YEONG & ASSOCIATES**
Chartered Accountants [AF: 0660]

*Company No. 884616-A*

2. The financial statements of the Group and of the Company for the financial year ended 30 September 2012 were audited by another firm of Chartered Accountants, whose report dated 14 December 2012, expressed an unqualified opinion.

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

**SIEW BOON YEONG & ASSOCIATES**
[AF: 0660]
Chartered Accountants

**SIEW BOON YEONG**
[1321 / 7 / 14 (J)]

Kuala Lumpur,
Date: 17 March 2014

*Company No. 884616-A*

# JIWA HOLDINGS SDN. BHD.
(Incorporated in Malaysia)

## STATEMENTS OF FINANCIAL POSITION
## as at 30 September 2013

| | | Group | | | Company | | |
|---|---|---|---|---|---|---|---|
| | | *30.09.2013* | *30.09.2012* | *01.10.2011* | *30.09.2013* | *30.09.2012* | *01.10.2011* |
| | *Note* | RM | RM | RM | RM | RM | RM |
| ASSETS | | | | | | | |
| NON-CURRENT ASSETS | | | | | | | |
| Property, plant and equipment | *5* | 6,044,794 | 1,232,441 | 827,142 | 5,284,850 | 401,193 | 271 |
| Investment in subsidiary companies | *6* | - | - | - | 1,250,070 | 1,090,070 | 985,000 |
| | | 6,044,794 | 1,232,441 | 827,142 | 6,534,920 | 1,491,263 | 985,271 |
| CURRENT ASSETS | | | | | | | |
| Inventories | *7* | 2,592,271 | 1,776,421 | 918,176 | 1,515,887 | 920,381 | - |
| Trade receivables | *8* | 9,391,461 | 5,356,538 | 2,610,748 | 7,009,226 | 4,430,619 | 2,107,122 |
| Other receivables, deposits and prepayments | *9* | 118,764 | 345,493 | 135,214 | 66,610 | 207,850 | 48,600 |
| Amount owing by contract customers | *10* | 1,786,595 | - | - | 1,786,595 | - | - |
| Amount owing by subsidiary companies | *11* | - | - | - | 131,932 | 90,592 | 163,096 |
| Cash and bank balances | | 810,949 | 382,078 | 416,320 | 496,983 | 55,306 | 174,822 |
| | | 14,700,040 | 7,860,530 | 4,080,458 | 11,007,233 | 5,704,748 | 2,493,640 |
| TOTAL ASSETS | | 20,744,834 | 9,092,971 | 4,907,600 | 17,542,153 | 7,196,011 | 3,478,911 |

*Company No. 884616-A*

# JIWA HOLDINGS SDN. BHD.
(Incorporated in Malaysia)

## STATEMENTS OF FINANCIAL POSITION
**as at 30 September 2013**

| | | Group | | | Company | | |
|---|---|---|---|---|---|---|---|
| | | 30.09.2013 | 30.09.2012 | 01.10.2011 | 30.09.2013 | 30.09.2012 | 01.10.2011 |
| | Note | RM | RM | RM | RM | RM | RM |
| EQUITY AND LIABILITIES | | | | | | | |
| EQUITY | | | | | | | |
| Share capital | 12 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Retained profits | | 5,676,459 | 2,969,303 | 948,954 | 4,465,712 | 2,026,158 | 346,392 |
| Equity attributable to Owners of the Company | | 6,676,459 | 3,969,303 | 1,948,954 | 5,465,712 | 3,026,158 | 1,346,392 |
| Non-controlling interests | | 644,958 | 60,030 | 117,832 | - | - | - |
| TOTAL EQUITY | | 7,321,417 | 4,029,333 | 2,066,786 | 5,465,712 | 3,026,158 | 1,346,392 |
| LIABILITIES | | | | | | | |
| NON-CURRENT LIABILITIES | | | | | | | |
| Hire purchase payables | 13 | 597,323 | 719,182 | 362,285 | 256,444 | 296,631 | - |
| Term loans | 14 | 3,843,874 | - | - | 3,843,874 | - | - |
| Deferred tax liabilities | 15 | 101,613 | 181,300 | 110,200 | 21,452 | 56,000 | - |
| | | 4,542,810 | 900,482 | 472,485 | 4,121,770 | 352,631 | - |
| CURRENT LIABILITIES | | | | | | | |
| Trade payables | 16 | 3,452,508 | 2,291,730 | 1,357,353 | 2,453,119 | 1,643,638 | 713,772 |
| Other payables and accruals | 17 | 584,061 | 500,671 | 736,810 | 323,258 | 478,130 | 333,500 |
| Amount owing to contract customers | 18 | 1,657,426 | - | - | 1,288,943 | - | - |
| Amount owing to subsidiary companies | 19 | - | - | - | 1,194,870 | 734,477 | 970,854 |
| Amount owing to directors | 20 | 1,204,284 | 472,803 | 108,900 | 1,061,856 | 228,220 | - |
| Hire purchase payables | 13 | 121,859 | 114,495 | 55,929 | 40,187 | 38,025 | - |
| Term loans | 14 | 247,793 | - | - | 247,793 | - | - |
| Current tax liabilities | | 1,612,676 | 783,457 | 109,337 | 1,344,645 | 694,732 | 114,393 |
| | | 8,880,607 | 4,163,156 | 2,368,329 | 7,954,671 | 3,817,222 | 2,132,519 |
| TOTAL LIABILITIES | | 13,423,417 | 5,063,638 | 2,840,814 | 12,076,441 | 4,169,853 | 2,132,519 |
| TOTAL EQUITY AND LIABILITIES | | 20,744,834 | 9,092,971 | 4,907,600 | 17,542,153 | 7,196,011 | 3,478,911 |

The accompanying notes form an integral part of the financial statements.

*Company No. 884616-A*

# JIWA HOLDINGS SDN. BHD.

(Incorporated in Malaysia)

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the year ended 30 September 2013

| | | *Group* | | *Company* | |
|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 |
| | *Note* | RM | RM | RM | RM |
| REVENUE | *21* | 16,558,310 | 10,601,774 | 12,367,888 | 8,659,958 |
| COST OF SALES | | (9,427,872) | (5,693,503) | (7,292,048) | (5,168,639) |
| GROSS PROFIT | | 7,130,438 | 4,908,271 | 5,075,840 | 3,491,319 |
| OTHER OPERATING INCOME | | 103,325 | 14,000 | 377,825 | - |
| OTHER OPERATING EXPENSES | | (2,874,975) | (1,846,659) | (1,929,205) | (921,952) |
| PROFIT FROM OPERATIONS | | 4,358,788 | 3,075,612 | 3,524,460 | 2,569,367 |
| FINANCE COSTS | *22* | (44,503) | (33,386) | (17,521) | (7,846) |
| PROFIT BEFORE TAXATION | *23* | 4,314,285 | 3,042,226 | 3,506,939 | 2,561,521 |
| INCOME TAX EXPENSE | *25* | (1,062,201) | (874,709) | (867,385) | (681,755) |
| PROFIT AFTER TAXATION/ TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 3,252,084 | 2,167,517 | 2,639,554 | 1,879,766 |
| PRE-ACQUISITION PROFIT | | - | 52,832 | - | - |
| PROFIT ATTRIBUTABLE TO SHAREHOLDERS | | 3,252,084 | 2,220,349 | 2,639,554 | 1,879,766 |
| PROFIT AFTER TAXATION/ TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | | |
| Owners of the Company | | 2,907,156 | 2,220,349 | 2,639,554 | 1,879,766 |
| Non-controlling interests | | 344,928 | - | - | - |
| | | 3,252,084 | 2,220,349 | 2,639,554 | 1,879,766 |

The accompanying notes form an integral part of the financial statements.

*Company No. 884616-A*

# JIWA HOLDINGS SDN. BHD.

(Incorporated in Malaysia)

## STATEMENTS OF CHANGES IN EQUITY
## for the year ended 30 September 2013

| | *Note* | Share capital | Retained profits | Total |
|---|---|---|---|---|
| *Group* | | RM | RM | RM |
| Balance at 1 October 2011 | | 1,000,000 | 948,954 | 1,948,954 |
| Dividends | *29* | - | (200,000) | (200,000) |
| Total comprehensive income for the year | | - | 2,220,349 | 2,220,349 |
| Balance at 30 September 2012 | | 1,000,000 | 2,969,303 | 3,969,303 |
| Dividends | *29* | - | (200,000) | (200,000) |
| Total comprehensive income for the year | | - | 2,907,156 | 2,907,156 |
| Balance at 30 September 2013 | | 1,000,000 | 5,676,459 | 6,676,459 |
| *Company* | | | | |
| Balance at 1 October 2011 | | 1,000,000 | 346,392 | 1,346,392 |
| Dividends | *29* | - | (200,000) | (200,000) |
| Total comprehensive income for the year | | - | 1,879,766 | 1,879,766 |
| Balance at 30 September 2012 | | 1,000,000 | 2,026,158 | 3,026,158 |
| Dividends | *29* | - | (200,000) | (200,000) |
| Total comprehensive income for the year | | - | 2,639,554 | 2,639,554 |
| Balance at 30 September 2013 | | 1,000,000 | 4,465,712 | 5,465,712 |

The accompanying notes form an integral part of the financial statements.

# JIWA HOLDINGS SDN. BHD.

(Incorporated in Malaysia)

## STATEMENTS OF CASH FLOWS
## for the year ended 30 September 2013

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM | RM | RM | RM |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Profit before taxation | 4,314,285 | 3,042,226 | 3,506,939 | 2,561,521 |
| *Adjustments for:* | | | | |
| Bad debts written off | 124,160 | 174,076 | - | - |
| Depreciation | 408,934 | 334,171 | 142,454 | 107,959 |
| Interest expenses | 44,503 | 33,386 | 17,521 | 7,846 |
| Property, plant and equipment written off | 12,670 | - | - | - |
| *Operating profit before working capital changes* | 4,904,552 | 3,583,859 | 3,666,914 | 2,677,326 |
| Increase in inventories | (815,850) | (858,245) | (595,506) | (920,381) |
| Increase in receivables | (5,747,601) | (3,101,493) | (4,265,302) | (2,410,243) |
| Increase in payables | 3,633,075 | 1,062,141 | 3,237,581 | 1,066,339 |
| *Cash generated from operations* | 1,974,176 | 686,262 | 2,043,687 | 413,041 |
| Interest paid | (44,503) | (33,386) | (17,521) | (7,846) |
| Tax paid | (329,999) | (158,141) | (252,020) | (45,416) |
| Tax refund | 45,982 | - | - | - |
| *Net cash generated from operating activities* | 1,645,656 | 494,735 | 1,774,146 | 359,779 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Acquisition of additional shares in subsidiary company | - | (4,970) | (160,000) | (105,070) |
| Additional investments by non-controlling interests | 240,000 | - | - | - |
| Purchase of property, plant and equipment *(Note A)* | (5,233,957) | (254,870) | (5,026,111) | (166,281) |
| *Net cash used in investing activities* | (4,993,957) | (259,840) | (5,186,111) | (271,351) |

# JIWA HOLDINGS SDN. BHD.

(Incorporated in Malaysia)

## STATEMENTS OF CASH FLOWS
## for the year ended 30 September 2013

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM | RM | RM | RM |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Dividend paid | (200,000) | (200,000) | (200,000) | (200,000) |
| Proceeds from term loans | 4,100,000 | - | 4,100,000 | - |
| Repayment of hire purchase payables | (114,495) | (69,137) | (38,025) | (7,944) |
| Repayment of term loans | (8,333) | - | (8,333) | - |
| *Net cash generated from/(used in) financing activities* | 3,777,172 | (269,137) | 3,853,642 | (207,944) |
| *Net increase/(decrease) in cash and cash equivalents* | 428,871 | (34,242) | 441,677 | (119,516) |
| *Cash and cash equivalents at beginning of year* | 382,078 | 416,320 | 55,306 | 174,822 |
| *Cash and cash equivalents at end of year* | 810,949 | 382,078 | 496,983 | 55,306 |

**NOTES TO CASH FLOW STATEMENTS:**

| | | | | |
|---|---|---|---|---|
| (A) Purchase of property, plant and equipment | | | | |
| Aggregate cost | 5,233,957 | 739,470 | 5,026,111 | 508,881 |
| *Less:* Hire purchase financing | - | (484,600) | - | (342,600) |
| | 5,233,957 | 254,870 | 5,026,111 | 166,281 |
| **Cash and cash equivalents comprise:** | | | | |
| Cash and bank balances | 810,949 | 382,078 | 496,983 | 55,306 |

The accompanying notes form an integral part of the financial statements.

# JIWA HOLDINGS SDN. BHD.

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS - 30 September 2013

### 1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The principal activities of the Company are engaged in the business of project management and investment holding. The principal activities of the subsidiary companies are as set out in *Note 6* to the financial statements. There were no significant changes in the nature of these activities during the financial year.

The address of the registered office of the Company is No. 11.3A, 11th Floor, Bangunan Yee Seng, No. 15, Jalan Raja Chulan ,502000 Kuala Lumpur.

The address of the principal place of business of the Company is No. 10-1, Level 10, Menara One Mont Kiara, No. 1, Jalan Kiara, Mont Kiara, 50480 Kuala Lumpur.

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

### 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 1965 in Malaysia. These are the Group's and the Company's first financial statements prepared in accordance with MFRSs and MFRS 1, First Time Adoption of Malaysian Financial Reporting Standards has been applied. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

In the previous financial year, the Group and the Company prepared its financial statements using Private Entity Reporting Standards in Malaysia. The transition to MFRSs does not have any material financial impact on the financial statements of the Group and of the Company except for the following:

- MFRS 101: Presentation of Financial Statements

- MFRS 7: Financial Instruments: Disclosures

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

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

MFRS 101 also requires the Group and the Company to make new disclosures to enable users of the financial statements to evaluate the Group's and the Company's objectives, policies and processes for managing capital.

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

(ii) MFRS 7 requires additional disclosures about the financial instruments of the Group and of the Company. MFRS 7 requires the disclosures of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity to market risk.

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

The Group and the Company have not adopted the following standards, amendments and interpretations that have been issued but not yet effective:

**MFRSs that have been issued but are not yet effective**

| **MFRSs/Interpretations** | **Effective for annual periods beginning on or after** |
|---|---|
| MFRS 10 Consolidated Financial Statements | 1 January 2013 |
| MFRS 11 Joint Arrangements | 1 January 2013 |
| MFRS 12 Disclosure of Interests in Other Entities | 1 January 2013 |
| MFRS 13 Fair Value Measurement | 1 January 2013 |
| MFRS 119 Employee Benefits (2011) | 1 January 2013 |
| MFRS 127 Separate Financial Statements (2011) | 1 January 2013 |
| MFRS 128 Investment in Associates and Joint Ventures (2011) | 1 January 2013 |
| IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine | 1 January 2013 |
| Amendments to MFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities | 1 January 2013 |
| Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards – Government Loans | 1 January 2013 |
| Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle) | 1 January 2013 |
| Amendments to MFRS 101 Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle) | 1 January 2013 |
| Amendments to MFRS 116 Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle) | 1 January 2013 |

| | |
|---|---|
| Amendments to MFRS 132 Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle) | 1 January 2013 |
| Amendments to MFRS 134 Interim Financial Reporting (Annual Improvements 2009-2011 Cycle) | 1 January 2013 |
| Amendments to MFRS 10 Consolidated Financial Statements: Transition Guidance | 1 January 2013 |
| Amendments to MFRS 11 Joint Arrangements: Transition Guidance | 1 January 2013 |
| Amendments to MFRS 12 Disclosure of Interests in Other Entities: Transition Guidance | 1 January 2013 |
| Amendments to MFRS 132 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities | 1 January 2014 |
| MFRS 9 Financial Instruments (2009) | To be confirmed |
| MFRS 9 Financial Instruments (2010) | To be confirmed |
| Amendments to MFRS 7, Financial Instruments: Disclosures – Mandatory Date of MFRS 9 and Transition Disclosures | To be confirmed |

The adoption of these standards, amendments and interpretations that have been issued but not yet effective are not expected to have a material impact to the financial statements of the Group and of the Company except as discussed below:

MFRS 9, Financial Instruments replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost.

The adoption of MFRS 9 will result in a change in accounting policy. The Company is currently assessing the financial impact of adopting MFRS 9.

## 3. SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies are set out below:

(a) Basis Of Consolidation

The financial statements of the Group include the audited financial statements of the Company and its subsidiary companies made up to the end of the financial year. The financial statements of the subsidiary companies used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisition of subsidiaries is accounted for by applying the acquisition method. Under the acquisition method of accounting, identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects, for each individual business combination, whether to recognise non-controlling interest in the acquiree (if any) at fair value on the acquisition date, or the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statements of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Subsidiary companies are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Under the pooling-of-interests method of accounting, the results of entities or businesses under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired were recognised at the carrying amounts recognised previously in the Group's controlling shareholders' consolidated financial statements. The difference between the cost of acquisition and the nominal value of the shares acquired together with the share premium are taken to merger reserve or merger deficit. The other components of equity of the acquired entities are added to the same components within the Group's equity.

Non-controlling interest represents the equity in subsidiary companies not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated profit or loss and within equity in the consolidated of financial position, separately from equity attributable to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

(b) Property, Plant And Equipment

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

Property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset to their residual values over their estimated useful lives at the following annual rates:

| | % |
|---|---|
| Office property | 2 |
| Computers and software | 33 |
| Furniture, fittings and equipment | 10 |
| Plant and machineries | 10 |
| Motor vehicles | 20 |
| Renovation | 10 |

The residual value, useful lives and depreciation method of property, plant and equipment are reviewed at each statements of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

On disposal of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is credited or charged to the statements of profit or loss and other comprehensive income in determining profit from operations.

(c) Investments In Subsidiary Companies

Subsidiary companies are those companies in which the Group has a long term equity interest and where it has power to exercise control over their financial and operating activities so as to obtain benefits therefrom.

Investments in subsidiary companies are stated at cost and are written down when there is a permanent impairment in the value of the investments. The impairment loss is recognised in the profit or loss.

On disposal of an investment, the difference between net disposal proceeds and their carrying amounts is charged or credited to profit or loss.

(d) Financial Instruments

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

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

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

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

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

*(i) Financial Assets*

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

- *Financial Assets at Fair Value Through Profit or Loss*

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

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

- *Held-to-maturity Investments*

  Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with revenue recognised on an effective yield basis.

- *Loans and Receivables Financial Assets*

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

- *Available-for-sale Financial Assets*

  Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

  After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

  Dividends on available-for-sale equity instruments are recognised in profit or loss when the Company's right to receive payments is established.

  Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

*(ii) Financial Liabilities*

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

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

*(iii) Equity Instruments*

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

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

A financial asset is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Impairment

*(i) Impairment of Financial Assets*

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

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

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

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

*(ii) Impairment of Non-financial Assets*

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

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

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

(f) Amount Owing By/(To) Contract Customers

Construction contracts are stated at cost plus attributable profits less applicable progress billings and allowances for foreseeable losses, if any.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activities at the reporting date. The stage of completion is determined by the actual costs incurred for work performed to-date in relation to the estimated total contract costs.

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

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

The aggregate of the costs incurred and the profit or loss recognised on each contract is compared against the progress billings up to the period end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as amount owing by on contract customers. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount owing to contract customers.

(g) Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost is determined using the weighted average method. The cost of raw materials comprises the original cost of purchases plus the cost of bringing these inventories to their intended location and condition. The cost of finished goods and work-in-progress includes the cost of raw materials, direct labour and appropriate allocation of manufacturing overheads.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the estimated cost of selling expenses. Write down is made where necessary for damaged, obsolete and slow-moving inventories.

(h) Hire Purchase

Assets acquired under hire purchase arrangements are capitalised at their purchase cost and the total instalments payable less undue interests under hire purchase agreements are recorded as liabilities. The interests are allocated to the statements of profit or loss and other comprehensive income over the year of the respective agreements based on the remaining balance of liability for each period during the hire purchase term. Assets acquired under hire purchase arrangements are depreciated over the expected useful lives of equivalent owned assets.

(i) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

(j) Provisions For Liabilities

Provisions for liabilities are recognised when the Group have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and when a reliable estimate of the amount can be made. Provisions are reviewed at each statements of financial position date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(k) Related Parties

A party is related to an entity if:-

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

*(ii)* the party is an associate of the entity;

*(iii)* the party is a joint venture in which the entity is a venture;

*(iv)* the party is a member of the key management personnel of the entity or its parent;

*(v)* the party is a close member of the family of any individual referred to in (i) or (iv);

*(vi)* the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

*(vii)* the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

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

(l) Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services rendered in the ordinary course of the Group's activities. Revenue from sales of goods and services is recognised upon delivery of goods and customers' acceptance and services are performed, and where applicable, net of returns and trade discounts.

Interest income is recognised on an accrual basis.

(m) Income Tax Expense

Income taxes for the year comprise current and deferred tax.

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

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

Deferred tax is recognised in the statements of profit or loss and other comprehensive income, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs. The carrying amounts of deferred tax assets are reviewed at each end of the reporting period 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 deferred tax assets to be utilised.

(n) Employee Benefits

*(i)* Short Term Employee Benefits

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

*(ii)* Defined Contribution Plan

The Group's contributions to defined contribution plans regulated and managed by the government, are charged to the statements of profit or loss and other comprehensive income in the period to which they relate. Once the contributions have been paid, the Group has no further financial obligations.

(o) Cash And Cash Equivalents

For the purposes of the statements of cash flows, cash and cash equivalents comprise cash in hand, bank balances, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Depreciation of Property, Plant and Equipment

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

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

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

(b) Income Taxes

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

(c) Impairment of Non-financial Assets

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

(d) Impairment of Loans and Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment loss. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

## 5. PROPERTY, PLANT AND EQUIPMENT

The details of property, plant and equipment are as follows:

| | Office property | Computers and software | Furniture, fittings and equipment | Plant and machineries | Motor vehicles | Renovation | Total |
|---|---|---|---|---|---|---|---|
| *Group* | RM | RM | RM | RM | RM | RM | RM |
| *Cost* | | | | | | | |
| At 1 October 2011 | - | 11,293 | 30,780 | 261,015 | 483,411 | 41,297 | 827,796 |
| Additions | - | 72,956 | 1,390 | 34,000 | 597,231 | 33,893 | 739,470 |
| At 30 September 2012 | - | 84,249 | 32,170 | 295,015 | 1,080,642 | 75,190 | 1,567,266 |
| Additions | 4,718,542 | 216,070 | 162,687 | 25,380 | 6,000 | 105,278 | 5,233,957 |
| Written off | - | - | (7,950) | - | - | (10,150) | (18,100) |
| At 30 September 2013 | 4,718,542 | 300,319 | 186,907 | 320,395 | 1,086,642 | 170,318 | 6,783,123 |
| *Accumulated depreciation* | | | | | | | |
| At 1 October 2011 | - | - | 68 | 586 | - | - | 654 |
| Charge for the year | - | 32,863 | 4,017 | 43,079 | 245,214 | 8,998 | 334,171 |
| At 30 September 2012 | - | 32,863 | 4,085 | 43,665 | 245,214 | 8,998 | 334,825 |
| Charge for the year | - | 86,586 | 16,613 | 44,553 | 245,314 | 15,868 | 408,934 |
| Written off | - | - | (2,385) | - | - | (3,045) | (5,430) |
| At 30 September 2013 | - | 119,449 | 18,313 | 88,218 | 490,528 | 21,821 | 738,329 |
| *Net book value* | | | | | | | |
| At 30 September 2013 | 4,718,542 | 180,870 | 168,594 | 232,177 | 596,114 | 148,497 | 6,044,794 |
| At 30 September 2012 | - | 51,386 | 28,085 | 251,350 | 835,428 | 66,192 | 1,232,441 |
| At 1 October 2011 | - | 11,293 | 30,712 | 260,429 | 483,411 | 41,297 | 827,142 |

| | Office property | Computers and software | Furniture, fittings and equipment | Plant and machineries | Motor vehicles | Renovation | Total |
|---|---|---|---|---|---|---|---|
| | RM | RM | RM | RM | RM | RM | RM |
| *Company* | | | | | | | |
| *Cost* | | | | | | | |
| At 1 October 2011 | - | - | 339 | - | - | - | 339 |
| Additions | - | 60,064 | - | - | 432,224 | 16,593 | 508,881 |
| At 30 September 2012 | - | 60,064 | 339 | - | 432,224 | 16,593 | 509,220 |
| Additions | 4,718,542 | 55,514 | 161,251 | 380 | 6,000 | 84,424 | 5,026,111 |
| At 30 September 2013 | 4,718,542 | 115,578 | 161,590 | 380 | 438,224 | 101,017 | 5,535,331 |
| *Accumulated depreciation* | | | | | | | |
| At 1 October 2011 | - | - | 68 | - | - | - | 68 |
| Charge for the year | - | 19,821 | 34 | - | 86,445 | 1,659 | 107,959 |
| At 30 September 2012 | - | 19,821 | 102 | - | 86,445 | 1,659 | 108,027 |
| Charge for the year | - | 33,338 | 13,358 | 16 | 86,545 | 9,197 | 142,454 |
| At 30 September 2013 | - | 53,159 | 13,460 | 16 | 172,990 | 10,856 | 250,481 |
| *Net book value* | | | | | | | |
| At 30 September 2013 | 4,718,542 | 62,419 | 148,130 | 364 | 265,234 | 90,161 | 5,284,850 |
| At 30 September 2012 | - | 40,243 | 237 | - | 345,779 | 14,934 | 401,193 |
| At 1 October 2011 | - | - | 271 | - | - | - | 271 |

The net book value of property, plant and equipment includes the following assets held under hire purchase agreements:

| | *Group* | | | *Company* | | |
|---|---|---|---|---|---|---|
| | *30.09.2013* | *30.09.2012* | *01.10.2011* | *30.09.2013* | *30.09.2012* | *01.10.2011* |
| | RM | RM | RM | RM | RM | RM |
| Motor vehicles | 590,213 | 835,428 | 483,411 | 259,334 | 345,799 | - |

*Group*

A motor vehicle with carrying amount of RM122,281 (30.09.3012: RM183,421; 01.10.2011: RM244,560) is registered in the name of a director.

## 6. INVESTMENT IN SUBSIDIARY COMPANIES

| | *Company* | | |
|---|---|---|---|
| | *30.09.2013* | *30.09.2012* | *01.10.2011* |
| | RM | RM | RM |
| Unquoted shares, at cost | 1,250,070 | 1,090,070 | 985,000 |

Details of the subsidiary companies are as follows:

| Name of subsidiary companies | Country of incorporation | Effective equity interest 30.09.2013 | 30.09.2012 | 01.10.2011 | Principal activities |
|---|---|---|---|---|---|
| | | % | % | % | |
| Jiwa Furniture Marketing Sdn. Bhd. | Malaysia | 100 | 100 | 70 | Trading of industrial furniture, fixtures and appliances and dealer in wood furniture. |
| Jiwa Furniture Sdn. Bhd. | Malaysia | 100 | 100 | 95 | Project management, interior fit out, manufacturing and trading in wood furniture. |
| Jiwa Project Sdn. Bhd. | Malaysia | 70 | 70 | - | Dormant company. |
| Jiwa M&E Services Sdn. Bhd. * ^ | Malaysia | 40 | 40 | - | Mechanical and electrical maintenance services. |

* Subsidiary company not audited by Siew Boon Yeong & Associates.

^ Although the Group owns less than half of Jiwa M&E Services Sdn. Bhd. and consequentially has less than half of the voting power, it is able to govern the financial and operating policies of the company by control over the composition of the Board of Directors.

## 7. INVENTORIES

| | *Group* | | | *Company* | | |
|---|---|---|---|---|---|---|
| | *30.09.2013* | *30.09.2012* | *01.10.2011* | *30.09.2013* | *30.09.2012* | *01.10.2011* |
| | RM | RM | RM | RM | RM | RM |
| Raw materials | 168,824 | 326,427 | 227,775 | - | - | - |
| Work-in-progress | 1,216,269 | 1,121,068 | 168,012 | 1,126,707 | 920,381 | - |
| Finished goods | 1,207,178 | 328,926 | 522,389 | 389,180 | - | - |
| | 2,592,271 | 1,776,421 | 918,176 | 1,515,887 | 920,381 | - |

## 8. TRADE RECEIVABLES

*Group and Company*

The Group's and Company's normal trade credit terms ranged from 30 to 90 days (30.09.2012: 30 days to 90 days; 01.10.2011: 30 days to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

## 9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | *Group* | | | *Company* | | |
|---|---|---|---|---|---|---|
| | *30.09.2013* | *30.09.2012* | *01.10.2011* | *30.09.2013* | *30.09.2012* | *01.10.2011* |
| | RM | RM | RM | RM | RM | RM |
| Other receivables | 18,000 | 12,000 | - | - | - | - |
| Deposits | 99,499 | 302,064 | 135,214 | 65,690 | 207,850 | 48,600 |
| Prepayments | 1,265 | 2,777 | - | 920 | - | - |
| Tax recoverable | - | 28,652 | - | - | - | - |
| | 118,764 | 345,493 | 135,214 | 66,610 | 207,850 | 48,600 |

## 10. AMOUNT OWING BY CONTRACT CUSTOMERS

| | *Group and Company* | | |
|---|---|---|---|
| | 30.09.2013 | 30.09.2012 | 01.10.2011 |
| | RM | RM | RM |
| Aggregate cost incurred to date | 5,012,697 | - | - |
| *Add*: Attributable profits | 5,403,163 | - | - |
| | 10,415,860 | - | - |
| *Less*: Progress billings | (8,629,265) | - | - |
| Amount owing by contract customers | 1,786,595 | - | - |

## 11. AMOUNT OWING BY SUBSIDIARY COMPANIES

*Company*

The amount owing is non-trade in nature, unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

## 12. SHARE CAPITAL

| | *Group and Company* | | |
|---|---|---|---|
| | *30.09.2013* | *30.09.2012* | *01.10.2011* |
| | RM | RM | RM |
| Ordinary shares of RM1 each: | | | |
| Authorised: | 1,000,000 | 1,000,000 | 1,000,000 |
| Issued and fully paid: | 1,000,000 | 1,000,000 | 1,000,000 |

## 13. HIRE PURCHASE PAYABLES

The hire purchase payables are repayable as follows:

| *Group* | Future instalments payable | Undue interest | Principal payable |
|---|---|---|---|
| | RM | RM | RM |
| *30.09.2013* | | | |
| *Shown under current liabilities* | | | |
| Within 1 year | 156,564 | (34,705) | 121,859 |
| *Shown under non-current liabilities* | | | |
| Between 2 to 5 years | 573,307 | (66,379) | 506,928 |
| More than 5 years | 93,690 | (3,295) | 90,395 |
| | 666,997 | (69,674) | 597,323 |
| | 823,561 | (104,379) | 719,182 |
| *30.09.2012* | RM | RM | RM |
| *Shown under current liabilities* | | | |
| Within 1 year | 156,564 | (42,069) | 114,495 |
| *Shown under non-current liabilities* | | | |
| Between 2 to 5 years | 621,255 | (94,680) | 526,575 |
| More than 5 years | 202,306 | (9,699) | 192,607 |
| | 823,561 | (104,379) | 719,182 |
| | 980,125 | (146,448) | 833,677 |
| *01.10.2011* | RM | RM | RM |
| *Shown under current liabilities* | | | |
| Within 1 year | 78,372 | (22,443) | 55,929 |
| *Shown under non-current liabilities* | | | |
| Between 2 to 5 years | 356,468 | (52,547) | 303,921 |
| More than 5 years | 60,816 | (2,452) | 58,364 |
| | 417,284 | (54,999) | 362,285 |
| | 495,656 | (77,442) | 418,214 |

| *Company* | Future instalments payable | Undue interest | Principal payable |
|---|---|---|---|
| | RM | RM | RM |
| *30.09.2013* | | | |
| *Shown under current liabilities* | | | |
| Within 1 year | 53,112 | (12,925) | 40,187 |
| *Shown under non-current liabilities* | | | |
| Between 2 to 5 years | 212,448 | (30,079) | 182,369 |
| More than 5 years | 77,032 | (2,957) | 74,075 |
| | 289,480 | (33,036) | 256,444 |
| | 342,592 | (45,961) | 296,631 |
| *30.09.2012* | RM | RM | RM |
| *Shown under current liabilities* | | | |
| Within 1 year | 53,112 | (15,087) | 38,025 |
| *Shown under non-current liabilities* | | | |
| Between 2 to 5 years | 212,448 | (38,728) | 173,720 |
| More than 5 years | 130,144 | (7,233) | 122,911 |
| | 342,592 | (45,961) | 296,631 |
| | 395,704 | (61,048) | 334,656 |
| | RM | RM | RM |
| *01.10.2011* | - | - | - |

The effective interest rates of the Group and of the Company ranged from 4.51% to 7.55% (30.09.2012: 4.51% to 7.55%; 01.10.2011: 4.99% to 7.55%) per annum.

## 14. TERM LOANS

The term loans are repayable as follows:

| | *Group* | | | *Company* | | |
|---|---|---|---|---|---|---|
| | *30.09.2013* | *30.09.2012* | *01.10.2011* | *30.09.2013* | *30.09.2012* | *01.10.2011* |
| | RM | RM | RM | RM | RM | RM |
| *Shown under current liabilities* | | | | | | |
| Within 1 year | 247,793 | - | - | 247,793 | - | - |
| *Shown under non-current liabilities* | | | | | | |
| Between 2 to 5 years | 1,154,287 | - | - | 1,154,287 | - | - |
| More than 5 years | 2,689,587 | - | - | 2,689,587 | - | - |
| | 3,843,874 | - | - | 3,843,874 | - | - |
| | 4,091,667 | - | - | 4,091,667 | - | - |

The term loans are secured as follows:

(i) A first legal charge over the office property of the Group and the Company; and
(ii) Jointly and severally guaranteed by certain directors of the Company.

The term loans of the Group and of the Company bear interest rates ranging from 4.50% to 9.60% (30.09.2012: Nil; 01.10.2011: Nil) per annum.

## 15. DEFERRED TAX LIABILITIES

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | *2013* | *2012* | *2013* | *2012* |
| | RM | RM | RM | RM |
| Balance at 1 October 2012/2011 | 181,300 | 110,200 | 56,000 | - |
| Transfer (from)/to statements of profit or loss and other comprehensive income *(Note 25)* | (79,687) | 71,100 | (34,548) | 56,000 |
| Balance at 30 September | 101,613 | 181,300 | 21,452 | 56,000 |

The deferred tax liabilities are in respect of taxable temporary differences arising from the qualifying property, plant and equipment's total capital allowances claimed in excess of corresponding accumulated depreciation.

## 16. TRADE PAYABLES

*Group and Company*

The normal trade credit terms granted to the Group and the Company ranged from 30 to 90 days (30.09.2012: 30 days to 90 days; 01.10.2011: 30 days to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

## 17. OTHER PAYABLES AND ACCRUALS

| | *Group* | | | *Company* | | |
|---|---|---|---|---|---|---|
| | *30.09.2013* | *30.09.2012* | *01.10.2011* | *30.09.2013* | *30.09.2012* | *01.10.2011* |
| | RM | RM | RM | RM | RM | RM |
| Other payables | 171,308 | 102,991 | - | 33,301 | 100,000 | - |
| Accruals | 412,753 | 397,680 | 736,810 | 289,957 | 378,130 | 333,500 |
| | 584,061 | 500,671 | 736,810 | 323,258 | 478,130 | 333,500 |

## 18. AMOUNT OWING TO CONTRACT CUSTOMERS

| | *Group* | | | *Company* | | |
|---|---|---|---|---|---|---|
| | *30.09.2013* | *30.09.2012* | *01.10.2011* | *30.09.2013* | *30.09.2012* | *01.10.2011* |
| | RM | RM | RM | RM | RM | RM |
| Aggregate cost incurred to date | 3,531,375 | - | - | 3,899,858 | - | - |
| *Add:* Attributable profits | 2,454,536 | - | - | 2,454,536 | - | - |
| | 5,985,911 | - | - | 6,354,394 | - | - |
| *Less:* Progress billings | (7,643,337) | - | - | (7,643,337) | - | - |
| | (1,657,426) | - | - | (1,288,943) | - | - |

## 19. AMOUNT OWING TO SUBSIDIARY COMPANIES

*Company*

The amount owing is non-trade in nature, unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

## 20. AMOUNT OWING TO DIRECTORS

*Group and Company*

The amount owing is non-trade in nature, unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

## 21. REVENUE

| | *Group* 2013 RM | *Group* 2012 RM | *Company* 2013 RM | *Company* 2012 RM |
|---|---|---|---|---|
| Contracts | 11,829,700 | - | 11,829,700 | - |
| Sale of goods and services | 4,728,610 | 10,601,774 | 538,188 | 8,659,958 |
| | 16,558,310 | 10,601,774 | 12,367,888 | 8,659,958 |

## 22. FINANCE COSTS

| | *Group* 2013 RM | *Group* 2012 RM | *Company* 2013 RM | *Company* 2012 RM |
|---|---|---|---|---|
| Hire purchase interest | 41,272 | 29,506 | 14,290 | 3,966 |
| Term loan interest | 3,231 | 3,880 | 3,231 | 3,880 |
| | 44,503 | 33,386 | 17,521 | 7,846 |

## 23. PROFIT BEFORE TAXATION

| | *Group* 2013 RM | *Group* 2012 RM | *Company* 2013 RM | *Company* 2012 RM |
|---|---|---|---|---|
| Profit before taxation is stated *after charging*: | | | | |
| Auditors' remuneration | 35,700 | 18,800 | 15,000 | 9,000 |
| Bad debts written off | 124,160 | 174,076 | - | - |
| Depreciation | 408,934 | 334,171 | 142,454 | 107,959 |
| Property, plant and equipment written off | 12,670 | - | - | - |
| Rental of factory | 75,300 | 30,430 | - | - |
| Rental of motor vehicles | 15,200 | 45,600 | - | - |
| Rental of equipment | 9,830 | - | 7,730 | - |
| Rental of premises | 12,114 | 131,373 | - | 60,570 |
| Rental of site office | 55,898 | 77,081 | 55,898 | - |
| Rental of staff accommodation | - | 4,800 | - | - |
| Staff costs *(Note 24)* | 2,335,924 | 1,481,593 | 1,267,039 | 571,653 |
| *and crediting:* | | | | |
| Rental income | 13,500 | - | 148,500 | - |

## 24. STAFF COSTS

The staff costs recognised in the statements of profit or loss and other comprehensive income are as follows:

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | *2013* | *2012* | *2013* | *2012* |
| | RM | RM | RM | RM |
| Salaries and wages | 1,987,261 | 904,949 | 1,023,875 | 116,171 |
| Defined contribution plan | 217,212 | 104,746 | 124,529 | - |
| Other employee benefits | 131,451 | 471,898 | 118,635 | 455,482 |
| | 2,335,924 | 1,481,593 | 1,267,039 | 571,653 |

Included in staff costs are directors' remuneration who are the key management personnel of the Company:

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | *2013* | *2012* | *2013* | *2012* |
| | RM | RM | RM | RM |
| Directors' remuneration | | | | |
| - Fees | 80,000 | 440,000 | 80,000 | 440,000 |
| - Defined contribution plan | 24,000 | - | 24,000 | - |
| - Other emoluments | 200,000 | 2,870 | 200,000 | 2,870 |

## 25. INCOME TAX EXPENSE

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | *2013* | *2012* | *2013* | *2012* |
| | RM | RM | RM | RM |
| Malaysian income tax: | | | | |
| - current year's provision | 1,178,168 | 807,270 | 904,951 | 625,775 |
| - over provision in respect of prior years | (36,280) | (3,661) | (3,018) | (20) |
| Transfer (from)/to deferred tax liabilities (Note 15) | (79,687) | 71,100 | (34,548) | 56,000 |
| | 1,062,201 | 874,709 | 867,385 | 681,755 |

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

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | *2013* | *2012* | *2013* | *2012* |
| | RM | RM | RM | RM |
| Profit before taxation | 4,314,285 | 3,042,226 | 3,506,939 | 2,561,521 |
| Income tax expense at Malaysian statutory tax rate of 25% (2012: 25%) | 1,078,571 | 755,194 | 876,734 | 640,380 |
| • Adjustments for the following tax effects: | | | | |
| - expenses not deductible for tax purposes | 132,303 | 119,928 | 64,139 | 32,325 |
| - loss not subject to tax | - | 7,860 | - | - |
| - temporary differences not recognised during the year | 85,729 | 20,388 | - | 34,070 |
| - over provision of deferred tax liabilities in prior years | (109,928) | - | (45,470) | - |
| - lower tax rate for small and medium size industry | (88,194) | (25,000) | (25,000) | (25,000) |
| | 19,910 | 123,176 | (6,331) | 41,395 |
| • over provision in respect of prior years | (36,280) | (3,661) | (3,018) | (20) |
| | 1,062,201 | 874,709 | 867,385 | 681,755 |

## 26. RELATED PARTY DISCLOSURE

(a) Identities of related parties

(i) Flonic Hi-Tec Bhd., the holding company;

(ii) Direct and indirect subsidiaries of the holding company; and

(iii) The directors who are the key management personnel.

(b) In addition to the transactions detailed elsewhere in the financial statements, the Company carried out the following transactions with the related party during the financial year:-

(i) Subsidiary company

| | *Company* | |
|---|---|---|
| | *2013* | *2012* |
| | RM | RM |
| <u>With subsidiary companies</u> | | |
| Purchases | 1,673,470 | 1,780,037 |
| Rental income | 135,000 | - |
| Management fee income | 141,500 | - |

(ii) Key management compensation

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | *2013* | *2012* | *2013* | *2012* |
| | RM | RM | RM | RM |
| Short term employee benefits | | | | |
| - Fees | 80,000 | 440,000 | 80,000 | 440,000 |
| - Defined contribution plan | 24,000 | - | 24,000 | - |
| - Other emoluments | 200,000 | 2,870 | 200,000 | 2,870 |

## 27. FINANCIAL INSTRUMENTS

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

(a) <u>Financial Risk Management Policies</u>

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

i. Market Risk

*(i) Foreign Currency Risk*

The Company does not have material foreign currency transactions, assets or liabilities and hence there is no exposure to foreign currency risk.

*(ii) Interest Rate Risk*

The Group's and the Company's exposure to interest rate risk arises mainly from borrowings from licensed financial institutions and hire purchase. Its policy is to obtain the most favourable interest rates available.

*Interest Rate Risk Sensitivity Analysis*

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:-

| | *Group and Company* *30.09.2013* RM Increase/ (Decrease) |
|---|---|
| Effects on profit after taxation | |
| Increase of 100 basis points (bp) | (230) |
| Decrease of 100 bp | 230 |
| | |
| Effects of equity | |
| Increase of 100 basis points (bp) | (230) |
| Decrease of 100 bp | 230 |

*(iii) Equity Price Risk*

The Group and the Company do not have any quoted investments and hence there is no exposure to price risk.

ii. Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from receivables. The maximum exposure to credit risk is represented by the carrying amount of this financial asset in the statements of financial position reduced by the effects of any netting arrangements with counterparties.

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

Credit Risk Concentration Profile

The Group has no significant concentration of credit risk that may arise from exposure to a single receivable or to groups of receivables except for the amounts owing by three major customers constituting approximately 95.57% of the outstanding trade receivables of the Group at reporting date.

Exposure to Credit Risk

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

Ageing Analysis

The ageing analysis of the Group's and of the Company's trade receivables at the reporting date is as follows:-

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | Carrying amount *30.09.2013* RM | Carrying amount *30.09.2012* RM | Carrying amount *30.09.2013* RM | Carrying amount *30.09.2012* RM |
| Not past due | 7,422,857 | 2,464,336 | 6,240,199 | 2,379,863 |
| Past due | | | | |
| - less than 3 months | 962,995 | - | - | - |
| - more than 3 months | 1,075,609 | 2,892,202 | 769,027 | 2,050,756 |
| | 2,038,604 | 2,892,202 | 769,027 | 2,050,756 |
| | 9,461,461 | 5,356,538 | 7,009,226 | 4,430,619 |
| Individually impairment | (70,000) | - | - | - |
| Carrying amount | 9,391,461 | 5,356,538 | 7,009,226 | 4,430,619 |

Trade receivables of the Group and of the Company that are past due but not impaired are unsecured in nature. They are creditworthy receivables.

iii. Liquidity and Cash Flow Risk

The Group's and the Company's exposure to liquidity and cash flow risks arises mainly from general funding and business activities.

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

| *Group* | Weighted Average Effective Rate | Carrying Amount | Contractual Undiscounted Cash Flows | On demand or Within 1 year | 1 - 5 years | Over 5 years |
|---|---|---|---|---|---|---|
| *30.09.2013* | % | RM | RM | RM | RM | RM |
| Trade payables | - | 3,452,508 | 3,452,508 | 3,452,508 | - | - |
| Other payables and accruals | - | 584,061 | 584,061 | 584,061 | - | - |
| Amount owing to directors | - | 1,204,284 | 1,204,284 | 1,204,284 | - | - |
| Hire purchase payables | 4.51 - 7.55 | 719,182 | 823,561 | 156,564 | 573,307 | 93,690 |
| Term loans | 4.50 - 9.60 | 4,091,667 | 5,579,194 | 456,993 | 1,817,429 | 3,304,771 |
| | | 10,051,702 | 11,643,608 | 5,854,410 | 2,390,736 | 3.398,461 |

| *Company* | Weighted Average Effective Rate | Carrying Amount | Contractual Undiscounted Cash Flows | On demand or Within 1 year | 1 - 5 years | Over 5 years |
|---|---|---|---|---|---|---|
| *30.09.2013* | % | RM | RM | RM | RM | RM |
| Trade payables | - | 2,453,119 | 2,453,119 | 2,453,119 | - | - |
| Other payables and accruals | - | 323,258 | 323,258 | 323,258 | - | - |
| Amount owing to subsidiary companies | - | 1,194,870 | 1,194,870 | 1,194,870 | - | - |
| Amount owing to directors | - | 1,061,856 | 1,061,856 | 1,061,856 | - | - |
| Hire purchase payables | 4.51 - 7.55 | 296,631 | 342,592 | 53,112 | 212,448 | 77,032 |
| Term loans | 4.50 - 9.60 | 4,091,667 | 5,579,194 | 456,993 | 1,817,429 | 3,304,771 |
| | | 9,421,401 | 10,954,889 | 5,543,208 | 2,029,877 | 3,381,803 |

(b) <u>Capital Risk Management</u>

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

The Group manages its capital based on debt-to-equity ratio. The debt-to-equity ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents.

(c) Classification Of Financial Instruments

| | Group 30.09.2013 RM | Company 30.09.2013 RM |
|---|---|---|
| Financial assets | | |
| Loans and receivables financial assets | | |
| Trade receivables | 9,391,461 | 7,009,226 |
| Other receivables and deposits | 117,499 | 65,690 |
| Amounts owing by subsidiary companies | - | 131,932 |
| Cash and bank balances | 810,949 | 496,983 |
| | 10,319,909 | 7,703,831 |
| Financial liabilities | | |
| Other financial liabilities | | |
| Trade payables | 3,452,508 | 2,453,119 |
| Other payables and accruals | 584,061 | 323,258 |
| Amount owing to directors | 1,204,284 | 1,061,856 |
| Hire purchase payables | 719,182 | 296,631 |
| Term loans | 4,091,667 | 4,091,667 |
| | 10,051,702 | 8,226,531 |

(d) Fair Values Of Financial Instruments

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(e) Fair Value Hierarchy

As at 30 September 2013, there were no financial instruments measured at fair value in the statements of financial position.

## 28. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On 4 October 2012, the Company entered into an Option Agreement with OSA (M) Sdn. Bhd. ("OSA") where the Company was granted the option for the period from 1 June 2012 to 31 May 2014 ("Purchase Option Period") by OSA to purchase an office suite ("Property") for a purchase consideration of RM4,500,000 ("Option Agreement").

The Option Agreement also provides that the Company shall pay OSA monthly amount of RM28,000, during the Purchase Option Period, the amount paid shall be applied towards the purchase price as earnest deposit. In the event the option to purchase is not exercised during the Purchase Option Period, OSA shall return 50% of the amount paid to it pursuant to the Option Agreement.

On 29 April 2013, the Company exercised its option to purchase the Property and the acquisition of the Property was completed on 19 September 2013.

## 29. DIVIDENDS

*Group and Company*

| | 2013<br>RM | 2012<br>RM |
|---|---|---|
| *In respect of the financial year ended 30 September 2011:* | | |
| Final single tier dividend of 20% on 1,000,000 ordinary shares, paid on 31 July 2012 | - | 200,000 |
| *In respect of the financial year ended 30 September 2012:* | | |
| Interim single tier dividend of 20% on 1,000,000 ordinary shares, paid on 7 November 2012 | 200,000 | - |
| | 200,000 | 200,000 |

## 30. SIGNIFICANT EVENT AFTER REPORTING DATE

On 14 February 2014, a representative of the Company had resigned from the board of directors of Jiwa M & E Services Sdn. Bhd. ("JMES") resulting in the Company ceasing its control over the board and management of JMES.

## 31. COMPARATIVE FIGURES

Certain comparative figures in the financial statements have been reclassified to conform with the current year's presentation.

## 32. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 17 March 2014 by the Board of Directors.

## ADDITIONAL INFORMATION

### 1. SHARE CAPITAL

(i) Save for the Rights Shares, Warrants and the new Shares to be issued pursuant to the exercise of the Warrants, no securities shall be allotted or issued on the basis of this Abridged Prospectus later than twelve (12) months after the date of the issuance of this Abridged Prospectus.

(ii) As at the date of this Abridged Prospectus, there is no founder, management, deferred shares or preference shares in the share capital of our Company. There is only one (1) class of shares in our Company, namely ordinary shares of RM0.05 each, all of which rank *pari passu* with one another.

(iii) All the Rights Shares and the new Shares to be issued pursuant to the exercise of Warrants shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing issued and paid-up ordinary share capital, save and except that such Shares will not be entitled to any dividend, rights, allotment and/or other distribution, the entitlement date of which is prior to the date of allotment of such Shares.

(iv) As at the date of this Abridged Prospectus, save for the

(a) Entitled Shareholders who will be provisionally allotted the Rights Shares together with Warrants under the Rights Issue with Warrants;

(b) 125,301,430 outstanding warrants 2012/2017 in issue in Flonic pursuant to the deed poll dated 11 May 2012 as at the LPD; and

(c) Up to 8,353,428 new additional Existing Warrants arising from adjustment to the number of Existing Warrants pursuant to the Rights Issue with Warrants

no person has been or is entitled to be given an option to subscribe for any shares, stocks or debentures of our Company or our subsidiaries as of the date of this Abridged Prospectus.

(v) Save for the Rights Issue with Warrants and as disclosed in Appendix III of this Abridged Prospectus, none of our securities have been issued or agreed to be issued either as fully or partly paid-up otherwise than in cash, within the two (2) years immediately preceding the date of this Abridged Prospectus.

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## 2. ARTICLES OF ASSOCIATION

The provisions in our Articles of Association in relation to the remuneration of our Directors are as follows:

Pursuant to Article 94 of the Company's Articles of Association, the Directors shall be paid by way of remuneration for their services such fixed sum (if any) as shall from time to time be determined by the Company in General Meeting, and such remuneration shall be divided among the Directors in such proportions and manner as the Directors may determine, PROVIDED ALWAYS that:-

(a) The fees payable to the Directors shall from time to time be determined by a resolution of the Company in General Meeting PROVIDED ALWAYS that such fees shall not be increased except pursuant to a resolution passed at a General Meeting, where notice of the proposed increase has been given in the notice convening the General Meeting;

(b) Save as provided in Article 94(a) hereof, an executive Director shall, subject to the terms of any agreement (if any) entered into in any particular case, receive such remuneration (whether by way of salary, commission or participation in profits, or partly in one way and partly in another) as the Directors may determine. All remuneration, other than the fees provided for in Article 94(a) hereof, payable to the non-executive Directors shall be determined by a resolution of the Company in General Meeting;

(c) Fees payable to non-executive Directors shall be a fixed sum, and not by a commission on or percentage of profits or turnover;

(d) Salaries payable to executive Directors may not include a commission on or percentage of turnover; and

(e) Any fee paid to an alternate Director shall be such as shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

## 3. MATERIAL CONTRACTS

Save as disclosed below and the Deed Poll and Underwriting Agreement, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by our Group within the past two (2) years preceding the date of this Abridged Prospectus:

(i) the conditional share sale agreement dated 7 January 2013 entered into between Flonic and the Jiwa Vendors, in relation to the acquisition of 300,000 Jiwa Shares, representing 30% equity interest in Jiwa by Flonic for the purchase consideration of RM3.75 million ("SSA"). The acquisition was completed on 30 April 2014;

(ii) the option agreement dated 7 January 2013 entered into between Flonic and Jiwa Vendors for the option to purchase an additional 210,000 Jiwa Shares representing 21% equity interest in Jiwa from the Jiwa Vendors at the purchase consideration of RM2.625 million within twelve (12) months from the completion date of the SSA ("Option Period") ("Option Agreement"). In a letter dated 20 February 2014, the parties had agreed to extend the Option Period up to 31 October 2014. The Option

Period was further extended to 31 January 2015 in a letter dated 29 September 2014. As at the LPD, the Option Agreement is subsisting.

(iii) the shareholders agreement dated 7 January 2013 entered into between Flonic, Jiwa Vendors and Jiwa, for the following purposes:

(a) to set out the responsibilities and obligations of the parties as shareholders of Jiwa; and

(b) to record the terms and conditions governing the structure and organisation of the Jiwa and the parties' respective rights and obligations.

The shareholders agreement was effective upon completion of the SSA.

(iv) option agreement dated 4 October 2012 entered into between OSA (M) Sdn Bhd ("OSA") and Jiwa, where Jiwa was granted the right but not the obligation to purchase an office lot bearing an address of No. 10.1, Level 10, Menara One Mont Kiara, No.1, Jalan Kiara, 50480 Mont Kiara, Kuala Lumpur ("One Mont Kiara Property") during the period commencing 1 June 2012 and ending on 31 May 2014 ("Purchase Option Period") at RM4.5 million ("Purchase Price"). The option agreement also provides that Jiwa shall pay to OSA an amount of RM28,000.00 per month, during the Purchase Option Period the amount of which shall be applied towards the Purchase Price as earnest deposit. In the event the option to purchase is not exercised during the Purchase Option Period, OSA shall return 50% of the amount paid to OSA pursuant to the option agreement. This option agreement was exercised by Jiwa on 29 April 2013 via the execution of the sale and purchase agreement set out in Item (v) below.

(v) sale and purchase agreement dated 30 April 2013 entered into between between OSA and Jiwa for the purchase of the One Mont Kiara Property by Jiwa from OSA for the total consideration of RM4.5 million. The purchase of the One Mont Kiara Property was completed on 25 September 2013.

## 4. MATERIAL LITIGATION

Our Board confirms that neither our Company nor any of our subsidiaries are engaged in any material litigation, claims or arbitration as at the LPD, either as plaintiff or defendant, and there is no proceedings pending or threatened against our Group or any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of our Group.

## 5. GENERAL

(i) The nature of our business is set out in Section 1, Appendix III of this Abridged Prospectus. Save as disclosed in Section 5, Appendix III of this Abridged Prospectus, there are no corporations that are related to our Company by virtue of Section 6 of the Act as at the date of this Abridged Prospectus.

(ii) The total estimated expenses of or in connection with the Rights Issue with Warrants including professional fees, fees payable to the relevant authorities, registration and other incidental expenses of approximately RM600,000 will be borne by our Company.

(iii) None of our Directors have any existing or proposed service contracts with our Company or our subsidiaries, excluding contracts expiring or determinable by the employing company without payment or compensation (other than statutory compensation) within one (1) year of the date of this Abridged Prospectus.

(iv) Save as disclosed in this Abridged Prospectus, our Directors are not aware of any material information including trade factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Group.

(v) Save as disclosed in this Abridged Prospectus and to the best knowledge of our Board, the financial conditions and operations of our Group are not affected by any of the following:

(a) known trends or known demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group's liquidity increasing or decreasing in any material way;

(b) material commitments for capital expenditure;

(c) unusual of infrequent events or transactions or significant economic changes that will materially affect the amount of reported income from operations;

(d) known trends or uncertainties that have had or that our Group reasonably expects to have a material favourable or unfavourable impact of our Group's revenue or operating income; and

(e) substantial increase in revenue.

## 6. WRITTEN CONSENTS

The written consents of the Adviser and Underwriter, Company Secretaries, Principal Bankers, Independent Market Researcher, Share Registrar and the Solicitors for the Rights Issue with Warrants to the inclusion in this Abridged Prospectus of their names in the form and context in which they appear have been given before issuance of this Abridged Prospectus and have not subsequently been withdrawn.

The written consent of the Auditors/Reporting Accountants to the inclusion in this Abridged Prospectus of their names and letters relating to the audited consolidated financial statements of our Group for the FYE 31 January 2014 and the proforma consolidated statement of financial position of our Group as at 31 January 2014 respectively, in the form and context in which they appear have been given before the issuance of this Abridged Prospectus and have not subsequently been withdrawn.

The written consent of K. H. Kwong & Co., being the Auditors of Jiwa for FYEs 30 September 2011 and 2012 to the inclusion in this Abridged Prospectus of their names and letters relating to the audited consolidated financial statements of Jiwa for the FYEs 30 September 2011 and 2012, in the form and context in which they appear have been given before the issuance of this Abridged Prospectus and have not subsequently been withdrawn.

## 7. DOCUMENTS FOR INSPECTION

Copies of the following documents are made available for inspection at our Registered Office at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur during normal business hours from Monday to Friday (except public holidays) for a period of twelve (12) months from the date of this Abridged Prospectus:

(i) Our memorandum and articles of association;

(ii) Our audited consolidated financial statements for the FYE 31 January 2012, FYE 31 January 2013 and FYE 31 January 2014;

(iii) Our unaudited consolidated results for the six (6) months FPE 31 July 2014;

(iv) The proforma consolidated statement of financial position of our Group as at 31 January 2014 together with the notes and Reporting Accountants' letter thereon as set out in Appendix IV of this Abridged Prospectus;

(v) The Deed Poll;

(vi) The Interior Design Industry and Non-Ferrous Metal Building Materials Industry in Malaysia dated 1 October 2014 by Infobusiness Research & Consulting Sdn Bhd;

(vii) The Directors' Report as set out in Appendix VII of this Abridged Prospectus;

(viii) The consent letters referred to in Section 6 of this Appendix;

(ix) The Undertaking as referred to in Section 2.6 of this Abridged Prospectus;

(x) The Underwriting Agreement;

(xi) The material contracts referred to in Section 3 of this Appendix; and

(xii) The audited consolidated financial statements of Jiwa for the FYE 30 September 2011, 2012 and 2013.

## 8. RESPONSIBILITY STATEMENT

This Abridged Prospectus together with its accompanying documents have been seen and approved by our Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement herein false or misleading.

M&A Securities, being the Adviser and Underwriter for the Rights Issue with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning this Rights Issue with Warrants.

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