

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

**NOTES TO THE QUARTERLY REPORT – 31 OCTOBER 2011**

**A. EXPLANATORY NOTES AS PER FRS 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 FRS134 – Interim Financial Reporting, and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the ACE Market.

Except for the changes from the adoption of new Financial Reporting Standards (“FRSs”) applicable to the Group, 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 2011.

**A2. Auditors’ Report**

The auditors’ report on the audited annual financial statements for the financial year ended 31 January 2011 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**

No dividend was declared or paid in the current quarter ended 31 October 2011.

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**A. EXPLANATORY NOTES AS PER FRS 134 - INTERIM FINANCIAL REPORTING**

**A8. Segmental Information**

Financial data by geographical segment for the Group by customers' location :

	<u>Malaysia</u> RM'000	<u>Foreign Country</u> RM'000	<u>Total</u> RM'000
Revenue	4,233 =====	3,397 =====	7,630 =====
Result - Loss from operations	(157) =====	(127) =====	(284)
Finance cost			(11)
Share of loss in associate			-
Loss before taxation			(295)
Taxation			0
Loss after taxation			(295)

**A9. Valuation of Property, Plant and Equipment**

The property, plant and equipment of the Group have not been revalued for the current quarter under review.

**A10. Material Events Subsequent to the end of the Interim Reporting Period**

There were no material events subsequent to the end of the current quarter under review that have not been reflected in the financial statements.

**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**

As at 31 October 2011, the Company has no outstanding contingent liabilities.

**A13. Capital Commitments**

As at 31 October 2011, the Group did not have any capital commitments.

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**NOTES TO THE QUARTERLY REPORT – 30 OCTOBER 2011**

**B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS**

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**B1. Review of Performance**

For the period ended 31 October 2011, the Group incurred a loss before taxation of RM0.295 million compared to loss before taxation of RM2.026 million for the corresponding financial period ended 31 October 2010 mainly because the Company had managed to secure new market lines namely, the solar and semi-conductor lines.

Turnover for the period ended 31 October 2011 was RM7.630 million compared to a turnover of RM7.564 million for the financial period ended 31 October 2010 mainly due to cost saving measures taken on operating expenses.

**B2. Material Changes in Quarterly Results Compared to the Results of the Preceding Quarter**

	Current quarter ended 31/10/2011 RM'000	Preceding quarter ended 31/07/2011 RM'000
Turnover	1,180 =====	1,600 =====
(Loss)/Profit before taxation	(380) =====	27 =====

The Group recorded a pre-tax loss of RM0.380 million on turnover of RM1.180 million for the current quarter under review compared to pre-tax profit of RM0.027 million on turnover of RM1.600 million for the immediate preceding quarter.

**B3. Commentary on Prospects**

Based on works on hand and expected orders, the directors expect the prospect for the financial year ending 31 January 2012 to improve barring unforeseen circumstances.

**B4. Variance of Actual Profit from Forecast Profit**

This is not applicable as no profit forecast was published.

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**NOTES TO THE QUARTERLY REPORT – 31 OCTOBER 2011**

**B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS**

**B5. Income Tax Expense**

	<u>Individual Quarter</u>		<u>Cumulative Year-to-Date</u>	
	ended	ended	ended	Ended
	31/10/2011	31/10/2010	31/10/2011	31/10/2010
	RM	RM	RM	RM
Income tax				
Overprovision in prior year	-	-	-	22,257

**B6. Profits on Sale of Unquoted Investments and/or Properties**

There were no disposals of unquoted investments or properties during the current quarter under review.

**B7. Quoted Securities**

There were no purchases or disposal of quoted and marketable securities during the current quarter under review.

**B.8 Status of Corporate Proposal**

Hong Leong Investment Bank Berhad on behalf of the Board has announced on 3 November, 4 November and 8 November 2011 that the Company proposes to undertake the followings:-

- i) proposed renounceable rights issue of up to 210,000,000 new ordinary shares of RM0.10 each in Flonic (“Rights Shares”) on the basis of 3 Rights Shares for every 2 existing ordinary share of RM0.10 each held in Flonic (“Flonic Shares” or “Shares”) together with up to 140,000,000 free detachable warrants (“Warrants”) on the basis of 2 Warrants for every 3 Rights Shares subscribed on an entitlement date to be determined later (**“Proposed Rights Issue with Warrants”**);
- ii) proposed increase in the authorised share capital of Flonic from RM25,000,000 comprising 250,000,000 Flonic Shares to RM50,000,000 comprising 500,000,000 Flonic Shares (**“Proposed Increase In Authorised Share Capital”**); and
- iii) proposed amendments to the Memorandum of Association of Flonic (**“Proposed Amendments”**)

(collectively referred to as the **“Proposals”**).

**B9. Hire Purchase Liabilities**

As at 31 October 2011, the Group's hire purchases liabilities, which are all denominated in Ringgit Malaysia, were as follows:

	RM
Unsecured –	
Hire purchase creditors –	
Repayable within one year	39,741
Repayable after one year	31,221
	<hr/>
	70,962
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**B10. Off Balance Sheet Financial Instruments**

There were no off balance sheet financial instruments as at the date of this report.

**B11. Material Litigation**

There were no pending material litigation at the date of this report.

**B12. Earnings per Share**

The basic earnings per share was calculated by dividing the net loss for the period by the weighted average number of ordinary shares in issue during the period.

	Individual Quarter ended <u>31.10.2011</u>	Cumulative year to date Ended <u>31.10.2011</u>
Net loss for the financial period (RM)	(379,649)	(295,058)
Weighted average number of ordinary Shares of 10 sen each in issue	140,000,000	140,000,000
Basic loss per ordinary share of 10 sen (sen)	(0.27)	(0.21)

**B13. Realised and Unrealised Accumulated Losses**

	As at 31.10.2011	As at 31.07.2011
Total accumulated losses of the Company and its subsidiaries - Realised	(9,709,077)	(9,329,428)
Total share of accumulated losses from associated companies - Realised	(61,676)	(61,676)
	<u>(9,770,753)</u>	<u>(9,391,104)</u>
Less: Consolidation adjustments	1,632,488	1,632,488
Total Group accumulated losses as per Consolidated financial statement	<u>(8,138,265)</u>	<u>(7,758,616)</u>

BY ORDER OF THE BOARD

Yen Yoon Fah  
Executive Chairman  
20 December 2011