

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

**NOTES TO THE QUARTERLY REPORT – 31 JANUARY 2012**  
**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 January 2012.

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**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	3,889 =====	5,120 =====	9,009 =====
Result - Loss from operations	(190) =====	(236) =====	(426)
Finance cost			(3)
Share of loss in Associate			0
Loss before taxation			----- (429)
Taxation			0
Loss after taxation			----- (429) =====

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

The property, plant and equipment of the Group have not been revalue 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 January 2012, the Company has no outstanding contingent liabilities.

**A13. Capital Commitments**

As at 31 January 2012, the Group did not have any capital commitments.

**NOTES TO THE QUARTERLY REPORT – 31 JANUARY 2012**

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

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**B1. Review of Performance**

For the financial year ended 31 January 2012, the Group incurred a loss before taxation of RM0.429 million compared to loss before taxation of RM2.352 million for the corresponding financial year ended 31 January 2011. The cost saving measures taken on operating expenses contributed lower loss before taxation in financial year ended 31 January 2012. The higher loss before taxation of RM2.352 incurred for the financial year ended 31 January 2011 was mainly due to foreign exchange loss, finance cost, bad debts written off and inventory written down.

Turnover for the financial year ended 31 January 2012 was RM9.009 million compared to the turnover of RM10.707 million for the financial year ended 31 January 2011. The turnover for the current financial year decreased by 16% when compared to last financial year was due to rescheduling of delivery orders by a major customer.

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

	Current quarter ended 31-Jan-12 RM'000	Preceding quarter ended 31-Oct-11 RM'000
Turnover	1,379 =====	1,180 =====
Loss before taxation	(134) =====	(380) =====

The Group recorded a pre-tax loss of RM0.134 million on turnover of RM1.379 million for the current quarter under review compared to pre-tax loss of RM0.380 million on turnover of RM1.180 million for the immediate preceding quarter. The lower loss before taxation for the current quarter was mainly due to higher revenue achieved and lower operating cost incurred during the current 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 2013 to improve barring unforeseen circumstances.

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

This is not applicable as no profit forecast was published.

**NOTES TO THE QUARTERLY REPORT – 31 JANUARY 2012**

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

**B5. Income Tax Expense**

	<u>Individual Quarter</u>		<u>Cumulative Year-to-Date</u>	
	<u>ended</u>	<u>ended</u>	<u>ended</u>	<u>Ended</u>
	31-Jan-12	31-Jan-11	31-Jan-12	31-Jan-11
	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.

**B8. Status of Corporate Proposal**

Hong Leong Investment Bank Berhad on behalf of the Board has announced on 3 Nov 2011, 4 Nov 2011, 8 Nov 2011, 16 Jan 2012, 19 Jan 2012 and 8 Feb 2012 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 and Articles of Association of Flonic (“**Proposed Amendments**”)

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

On 8 Feb 2012, the Bank Negara Malaysia had approved the application for the issuance of Warrants to the non-resident shareholders of Flonic pursuant to the Proposed Rights Issue with Warrants.

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**B9. Hire Purchase Liabilities**

As at 31 January 2012, 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	50,733
Repayable after one year	0
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	50,733
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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-Jan-12</u>	Cumulative year to date Ended <u>31-Jan-12</u>
Net loss for the financial period / year (RM)	(133,858)	(428,916)
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)	(0.10)	(0.31)

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

**B13. Realised and Unrealised Accumulated Losses**

	As at 31-Jan-12	As at 31-Oct-11
Total accumulated losses of the Company and its subsidiaries – Realised	(9,842,935)	(9,709,077)
Total share of accumulated losses from associated companies – Realised	(61,676)	(61,676)
	<u>(9,904,611)</u>	<u>(9,770,753)</u>
Less: Consolidation adjustments	1,632,488	1,632,488
Total Group accumulated losses as per Consolidated financial statement	<u>(8,272,123)</u>	<u>(8,138,265)</u>

**B14. Notes to the Statement of Comprehensive Income**

	3 months ended		12 months ended	
	31-Jan-12 RM'000	31-Jan-11 RM'000	31-Jan-12 RM'000	31-Jan-11 RM'000
Interest expense	1	11	3	228
Depreciation & amortisation	153	153	608	606
Impairment loss on receivables	0	78	0	78
Inventories written down	0	41	0	41
Loss on disposal of property, plant and equipment	0	16	0	16
Foreign exchange (gain) / loss	6	556	28	712

Other than as disclosed above, the group does not have other material items that recognized as loss in the statement of comprehensive income.

BY ORDER OF THE BOARD

Yen Yoon Fah  
 Executive Chairman  
 27 March 2012