

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

**NOTES TO THE QUARTERLY REPORT – 31 JULY 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 2012.

**A2. Auditors’ Report**

The auditors’ report on the audited annual financial statements for the financial year ended 31 January 2012 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 July 2012.

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**A8. Segmental Information**

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

|                                  | <u>Malaysia</u><br>RM'000 | <u>Foreign Country</u><br>RM'000 | <u>Total</u><br>RM'000    |
|----------------------------------|---------------------------|----------------------------------|---------------------------|
| Revenue                          | 1,020<br>=====            | 846<br>=====                     | 1,866<br>=====            |
| Result -<br>Loss from operations | (1,289)<br>=====          | (1,054)<br>=====                 | (2,343)                   |
| Finance cost                     |                           |                                  | (2)                       |
| Share of loss in Associate       |                           |                                  | 0                         |
| Loss before taxation             |                           |                                  | -----<br>(2,345)          |
| Taxation                         |                           |                                  | 0                         |
| Loss after taxation              |                           |                                  | -----<br>(2,345)<br>===== |

**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 July 2012, the Company has no outstanding contingent liabilities.

**A13. Capital Commitments**

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

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

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**B1. Review of Performance**

The turnover for the current quarter and period to date under review was RM1.208 million and RM1.866 million respectively as compared to RM1.600 million and RM6.449 million in the respective corresponding period in year 2011. The turnover for the current quarter decrease by 25% when compared to the corresponding period in year 2011 was due to rescheduling of delivery orders by customers and lower sales from regular customers.

The Group posted loss before tax of RM1.375 million and RM2.345 million for the current quarter and period to date respectively as compared to profit before taxation of RM0.027 million and RM0.085 million in the corresponding period in year 2011.

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

|                      | Current quarter<br>ended 31-Jul-12<br>RM'000 | Preceding quarter<br>ended 30-Apr-12<br>RM'000 |
|----------------------|--|--|
| Turnover             | 1,208<br>=====                               | 658<br>=====                                   |
| Loss before taxation | (1,375)<br>=====                             | (970)<br>=====                                 |

The Group recorded a pre-tax loss of RM1.375 million on turnover of RM1.208 million for the current quarter under review compared to pre-tax loss of RM0.970 million on turnover of RM0.658 million for the immediate preceding quarter. The loss before taxation for the current quarter was mainly due to rescheduling of the delivery orders by customers and low production.

**B3. Commentary on Prospects**

In the coming financial quarters, the Group will face a challenging time due to prolong sovereign debts in Europe, expected slow down in emerging markets and downturn in solar industries which will result in tightening of capital expenditure.

The Group has to find competitive edge to face new competitors, both locally and from other countries such as China and European countries to compete in the tightening market.

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

This is not applicable as no profit forecast was published.

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

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

**B5. Income Tax Expense**

|                    | <u>Individual Quarter</u> |           | <u>Cumulative Year-to-Date</u> |           |
|--------------------|---------------------------|-----------|--------------------------------|-----------|
|                    | 3 months ended            |           | 6 months ended                 |           |
|                    | 31-Jul-12                 | 31-Jul-11 | 31-Jul-12                      | 31-Jul-11 |
|                    | RM                        | RM        | RM                             | RM        |
| Income tax expense | -                         | -         | -                              | -         |

**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. Corporate Proposals**

(a) Status of Corporate Proposal

During the current quarter review, the following corporate proposals previously announced had been completed:-

- 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 RM100,000,000 comprising 1,000,000,000 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”**).

Hong Leong Investment Bank Berhad, on behalf of the Board of directors announced that the Right Issues with Warrants have been completed on 22 June 2012.

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

(b) The utilisation of proceeds

The Gross proceeds from Rights Issue of RM 20.994 million is expected to be utilised as follows:

| <u>Purpose</u>                                      | <u>Proposed to be utilised</u><br>RM'000 | <u>Actual Utilisation as at 31 July 2012</u><br>RM'000 | <u>Intended timeframe for utilisation</u> | <u>Deviation / Unutilised</u><br>RM'000 | <u>%</u> |
|---|--|--|---|---|----------|
| i) Working capital requirements                     | 11,787                                   | 7,023  | Within 24 mths                            | 4,764                                   | 40       |
| ii) Repayment of Advances                           | 2,607                                    | 2,607  | Immediate                                 | -                                       |          |
| iii) Overseas expansion                             | 6,000                                    | 0  | Within 24 mths                            | 6,000                                   | 100      |
| iv) Estimated expenses in relation to the Proposals | 600                                      | 480  | Within 1 mth                              | 120                                     | 20       |
|   | <u>20,994</u>                            | <u>10,110</u>  |   | <u>10,884</u>                           |          |

**B9. Hire Purchase Liabilities**

As at 31 July 2012, the Group's hire purchase liability, which are all denominated in Ringgit Malaysia, were as follows:

|                           | RM            |
|---------------------------|---------------|
| Unsecured –               |               |
| Hire purchase creditor –  |               |
| Repayable within one year | 14,520        |
| Repayable after one year  | 0             |
|                           | <u>14,520</u> |

**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.

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**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.

|  | 3 months<br>ended<br><u>31-Jul-12</u> | 6 months<br>ended<br><u>31-Jul-12</u> |
|--|---------------------------------------|---------------------------------------|
| Net loss for the financial period (RM)                             | (1,375,176)                           | (2,344,720)                           |
| Weighted average number of ordinary Shares of 10 sen each in issue | 349,944,931                           | 349,994,931                           |
| Basic loss per ordinary share of 10 sen (sen)                      | (0.39)                                | (0.67)                                |

**B13. Realised and Unrealised Accumulated Losses**

|   | As at<br>31-Jul-12  | As at<br>30-Apr-12  |
|---|---------------------|---------------------|
| Total accumulated losses of the Company and its subsidiaries – Realised | (12,187,655)        | (10,812,479)        |
| Total share of accumulated losses from associated companies – Realised  | (61,676)            | (61,676)            |
|   | <u>(12,249,331)</u> | <u>(10,874,155)</u> |
| Less: Consolidation adjustments   | 1,632,488           | 1,632,488           |
| Total Group accumulated losses as per Consolidated financial statement  | <u>(10,616,843)</u> | <u>(9,241,667)</u>  |

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

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

|                             | 3 months ended |           | 6 months ended |           |
|-----------------------------|----------------|-----------|----------------|-----------|
|                             | 31-Jul-12      | 31-Jul-11 | 31-Jul-12      | 31-Jul-11 |
|                             | RM'000         | RM'000    | RM'000         | RM'000    |
| Interest expense            | 1              | 1         | 2              | 1         |
| Depreciation & amortisation | 157            | 153       | 310            | 304       |

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

Heng Hock Meng  
Executive Director  
25 September 2012