

**NOTES TO THE QUARTERLY REPORT – 31 JANUARY 2013**  
**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 January 2013.

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**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.

<b>Business segment analysis</b>	<b>Manufacture of precision cleaning system</b>	<b>Trading of aluminium &amp; machine parts</b>	<b>Investment holdings &amp; others</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Individual Quarter</b>				
<u>3 months ended 31 January 2013</u>				
Revenue	295	3,854	-	4,149
Inter-segment revenue	-	-	-	-
	<u>295</u>	<u>3,854</u>	<u>-</u>	<u>4,149</u>
Result from Operations	(4,353)	(102)	(564)	(5,019)
Finance Cost	-	-	-	-
<b>Loss before taxation</b>	<u>(4,353)</u>	<u>(102)</u>	<u>(564)</u>	<u>(5,019)</u>
<b>Cumulative Quarter</b>				
<u>12 months ended 31 January 2013</u>				
Revenue	2,390	9,712	-	12,102
Inter-segment revenue	-	-	-	-
	<u>2,390</u>	<u>9,712</u>	<u>-</u>	<u>12,102</u>
Result from Operations	(6,959)	26	(766)	(7,699)
Finance Cost	(3)	-	-	(3)
<b>(Loss)/profit before taxation</b>	<u>(6,962)</u>	<u>26</u>	<u>(766)</u>	<u>(7,702)</u>
<b>Individual Quarter</b>				
<u>3 months ended 31 January 2012</u>				
Revenue	1,379	-	-	1,379
Inter-segment revenue	-	-	-	-
	<u>1,379</u>	<u>-</u>	<u>-</u>	<u>1,379</u>
Result from Operations	76	-	(209)	(133)
Finance Cost	(1)	-	-	(1)
<b>Profit/loss before taxation</b>	<u>75</u>	<u>-</u>	<u>(209)</u>	<u>(134)</u>
<b>Cumulative Quarter</b>				
<u>12 months ended 31 January 2012</u>				
Revenue	9,009	-	-	9,009
Inter-segment revenue	-	-	-	-
	<u>9,009</u>	<u>-</u>	<u>-</u>	<u>9,009</u>
Result from Operations	(123)	-	(303)	(426)
Finance Cost	(3)	-	-	(3)
<b>Loss before taxation</b>	<u>(126)</u>	<u>-</u>	<u>(303)</u>	<u>(429)</u>

**NOTES TO THE QUARTERLY REPORT – 31 JANUARY 2013**  
**A. EXPLANATORY NOTES AS PER FRS 134 - INTERIM FINANCIAL REPORTING**

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**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 2013, the Company has no outstanding contingent liabilities.

**A13. Capital Commitments**

As at 31 January 2013, the Group did not have any capital commitments.

**NOTES TO THE QUARTERLY REPORT – 31 JANUARY 2013**  
**B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS**

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**B1. Review of Performance**

The turnover for the current quarter and year to date under review was RM4.149 million and RM12.102 million respectively as compared to RM1.379 million and RM9.009 million in the respective corresponding period in year 2012. The turnover for the current quarter increase significantly when compared to the corresponding period in year 2012 was due to sales contribution from trading of aluminium and machine parts sector during the current quarter.

The Group posted loss before tax of RM5.019 million and RM7.702 million for the current quarter and year to date respectively as compared to loss before taxation of RM0.134 million and RM0.429 million in the corresponding period in year 2012.

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

	Current quarter ended 31-Jan-13 RM'000	Preceding quarter ended 31-Oct-12 RM'000
Turnover	4,149 =====	6,087 =====
Loss before taxation	(5,019) =====	(339) =====

The Group recorded a loss before taxation of RM5.019 million on turnover of RM4.149 million for the current quarter under review compared to loss before taxation of RM0.339 million on turnover of RM6.087 million for the immediate preceding quarter. The higher loss before taxation for the current quarter was mainly due to lower sales contributed from manufacture of precision cleaning system sector during the current quarter.

**B3. Commentary on Prospects**

In the coming financial quarters, for its precision cleaning systems business, the Group is expected to face a challenging time due to the weak economic, business and financial conditions in Europe, slow down in emerging markets and downturn in solar industries which will result in tightening of capital expenditure.

In its precision cleaning systems business, the Group has to find a competitive edge to face new competitors, both locally and from other countries such as China and European countries to compete in the tightening market.

Further to the announcement made on 28 February 2013, the resolutions in relation to the following corporate proposals previously announced were approved by the shareholders of the Company:-

i) Proposed acquisition of 300,000 ordinary shares of RM1.00 each in Jiwa Holdings Sdn Bhd (“Jiwa”) (“Jiwa Shares”) representing 30% equity interest in Jiwa by the Company for a total cash consideration of RM3.75 million (“**Proposed Acquisition**”);

ii) Proposed option to acquire an additional 210,000 Jiwa Shares representing 21% equity interest in Jiwa for a total purchase consideration of RM2,625,000 via a mode of satisfaction to be determined (“**Proposed Option**”); and

iii) Proposed diversification of the principal activities of the Company and its subsidiaries to include project management, interior fit out, manufacturing and trading in wood furniture (“**Proposed Diversification**”).

The Proposed Diversification represents part of the Company’s long term strategy to diversify its business to project management operations and interior design instead of cleaning system operations which have been adversely impacted by the global economic downturn.

The Proposed Diversification is also part of the Company’s plan to mitigate the overdependence on its existing core business and to diversify its revenue sources. Based on the profit guarantee by the vendors of the Jiwa Shares that the profit after taxation attributable to the shareholders of Jiwa for the financial year ending 30 September 2013 shall not be less than RM2.90 million (“**Profit Guarantee**”) under the Proposed Acquisition, the Proposed Diversification is expected contribute positively to the Company’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. Income Tax Refund**

	<u>Individual Quarter</u>		<u>Cumulative Year-to-Date</u>	
	3 months ended 31-Jan-13	3 months ended 31-Jan-12	12 months ended 31-Jan-13	12 months ended 31-Jan-12
	RM	RM	RM	RM
Income tax refund	1,755	-	1,755	-

**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.

**NOTES TO THE QUARTERLY REPORT – 31 JANUARY 2013**  
**B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS**

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**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.

Further to the announcement made on 28 February 2013, the resolutions in relation to the following corporate proposals previously announced were approved by the shareholders of the Company:-

- i) Proposed acquisition of 300,000 ordinary shares of RM1.00 each in Jiwa Holdings Sdn Bhd (“Jiwa”) (“Jiwa Shares”) representing 30% equity interest in Jiwa by the Company for a total cash consideration of RM3.75 million (“**Proposed Acquisition**”);
- ii) Proposed option to acquire an additional 210,000 Jiwa Shares representing 21% equity interest in Jiwa for a total purchase consideration of RM2,625,000 via a mode of satisfaction to be determined (“**Proposed Option**”); and
- iii) Proposed diversification of the principal activities of the Company and its subsidiaries to include project management, interior fit out, manufacturing and trading in wood furniture (“**Proposed Diversification**”).

**NOTES TO THE QUARTERLY REPORT – 31 JANUARY 2013**

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

**B8. Corporate Proposals**

(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>	Proposed	Actual	Intended	(Deviation) /	
	to be	Utilisation as	timeframe	Unutilised	
	utilised	at 31 Jan	for		
		2013	utilisation		
	RM'000	RM'000		RM'000	%
i) Working capital requirements	11,787	11,787	Within 24 mths	-	
ii) Repayment of Advances	2,607	2,607	Immediate	-	
iii) Overseas expansion	6,000	751	Within 24 mths	5,249	87
iv) Estimated expenses in relation to the Proposals	600	600	Within 1 mth	-	
	<u>20,994</u>	<u>15,745</u>		<u>5,249</u>	

**B9. Hire Purchase Liabilities**

As at 31 January 2013, 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	0
Repayable after one year	0
	<u>0</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 as at the date of this report.

**NOTES TO THE QUARTERLY REPORT – 31 JANUARY 2013**  
**B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS**

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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 ended <u>31-Jan-13</u>	12 months ended <u>31-Jan-13</u>
Net loss for the financial period (RM)	(5,017,019)	(7,700,613)
Weighted average number of ordinary Shares of 10 sen each in issue	349,944,931	267,917,267
Basic loss per ordinary share of 10 sen (sen)	(1.43)	(2.87)

**B13. Realised and Unrealised Accumulated Losses**

	As at 31-Jan-13	As at 31-Oct-12
Total accumulated losses of the Company and its subsidiaries – Realised	(18,155,039)	(12,526,530)
Total share of accumulated losses from associated companies – Realised	(61,676)	(61,676)
	<u>(18,216,715)</u>	<u>(12,588,206)</u>
Less: Consolidation adjustments	1,632,488	1,632,488
Total Group accumulated losses as per Consolidated financial statement	<u>(16,584,227)</u>	<u>(10,955,718)</u>



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

**NOTES TO THE QUARTERLY REPORT – 31 JANUARY 2013**  
**B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS**

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

	3 months ended		12 months ended	
	31-Jan-13	31-Jan-12	31-Jan-13	31-Jan-12
	RM'000	RM'000	RM'000	RM'000
Interest expense	-	1	3	3
Interest income	(22)	-	(88)	-
Depreciation & amortisation	155	151	643	608
Property, plant & equipment written off	303	0	303	0
Impairment for trade receivables	383	0	383	0
Bad debts written off	18	0	18	0
Impairment for inventories	455	0	455	0
Gain on disposal of property, plant and equipment	(35)	0	(56)	0

Other than as disclosed above, the Group does not have other material items that recognized as loss in the Statements of Comprehensive Income.

BY ORDER OF THE BOARD

Chua Wye Man  
Chairman / Executive Director  
28 March 2013