

NOTES TO THE QUARTERLY REPORT – 31 JULY 2013

A. EXPLANATORY NOTES AS PER MFRS 134 - INTERIM FINANCIAL REPORTING

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 2013.

A2. Auditors’ Report

The auditors’ report on the audited annual financial statements for the financial year ended 31 January 2013 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 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.

	Six months ended 31 July 2013 RM'000	Six months ended 31 July 2012 RM'000
Segment Revenue		
Manufacture of precision cleaning system	1,070	1,866
Trading of aluminium and machine parts	6,660	0
Investment holding & others	37	0
Project management services	3,701	0
Manufacture of furniture	873	0
Provision of M&E services	1,326	0
	<u>13,667</u>	<u>1,866</u>
Elimination of inter-segment revenue	(925)	0
Total revenue	<u>12,742</u>	<u>1,866</u>
Segment Results		
Manufacture of precision cleaning system	(311)	(2,281)
Trading of aluminium and machine parts	(504)	0
Investment holding & others	(469)	(62)
Project management services	1,363	0
Manufacture of furniture	877	0
Provision of M& E services	299	0
Results from operations	<u>1,255</u>	<u>(2,343)</u>
Finance Cost	(101)	(2)
Profit/(Loss) before taxation	<u>1,154</u>	<u>(2,345)</u>

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

On 19 September 2013 the Company's subsidiary, Jiwa Holdings Sdn Bhd, completed the acquisition of an office suite at Menara One Mont Kiara, Kuala Lumpur valued at RM4.5 million via a term loan financing from RHB Bank Berhad of RM3.6 million.

As disclosed in Note B7, the Proposed Par Value Reduction was completed on 23 September 2013 giving rise to a credit of RM17,497,246.50 which will be utilised to set-off against the accumulated losses of the Company.

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current quarter under review.

FLONIC HI-TEC BHD.
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A12. Contingent Liabilities

As at 31 July 2013, the Group has no outstanding contingent liabilities.

A13. Capital Commitments

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

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B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS

B1. Review of Performance

The turnover for the current quarter under review was RM9,333 million as compared to RM1,207 million in the corresponding period in year 2012. The significant increase in the turnover for the current quarter when compared to the corresponding period in year 2012 is attributed to the consolidation of revenue from the Jiwa Group of companies.

The Group posted a profit before tax of RM1.765 million for the current quarter as compared to a loss before taxation of RM1.375 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 July-13 RM'000	Preceding quarter ended 30-Apr-13 RM'000
Turnover	9,333 =====	3,409 =====
Profit/(Loss)before taxation	1,765 =====	(611) =====

The Group recorded a profit before taxation of RM1.765 million on a turnover of RM9.333 million for the current quarter under review compared to loss before taxation of RM0.611 million on a turnover of RM3.409 million for the immediate preceding quarter. The improvement in the Group's performance is mainly due to the consolidation of the results of Jiwa Group.

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. This is evident from the improvement in the Group's performance during the current quarter ended 31 July 2013.

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.

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B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS

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 resolutions in relation to the following corporate proposals (“Proposals”) previously announced were approved by the shareholders of the Company at the Extraordinary General Meeting on 28 February 2013:-

i) Proposed acquisition of 300,000 ordinary shares of RM1.00 each in Jiwa Holdings Sdn Bhd (“Jiwa”) (“Jiwa Shares”) representing a 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 a 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 Acquisition and Proposed Diversification were completed on 30 April 2013.

i) Proposed reduction of the Company’s existing issued and paid-up share capital from RM34,994,493 comprising 349,944,931 ordinary shares of RM0.10 each in the Company to RM17,497,246.50 comprising 349,944,931 ordinary shares of RM0.05 each in the Company via the cancellation of RM0.05 from the par value of each existing ordinary share of RM0.10 each in the Company pursuant to Section 64 of the Companies Act, 1965 (“**Proposed Par Value Reduction**”);

ii) Proposed variation to the utilisation of listing proceeds from the Company’s Rights Issue with Warrants (“**Proposed Variation To The Utilisation Of Proceeds**”); and

iii) Proposed amendment to the Memorandum of Association of the Company for the Proposed Par Value Reduction (“**Proposed Amendment**”).

The resolutions in relation to the above corporate proposals previously announced were approved by the shareholders of the Company at the Extraordinary General Meeting on 26 July 2013.

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B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS

The High Court of Malaya granted an order confirming the Proposed Par Value Reduction on 18 September 2013. The Proposed Par Value Reduction was completed on 23 September 2013 upon the lodgement of an office copy of the sealed order of the High Court of Malaya confirming the Proposed Par Value Reduction with the Companies Commission of Malaysia.

(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:

<u>Purpose</u>	<u>Proposed to be utilised</u> RM'000	<u>Actual Utilisation as at 31 July 2013</u> RM'000	<u>Intended timeframe for utilisation</u>	<u>(Deviation) / Unutilised</u> RM'000	<u>%</u>
i) Working capital requirements	16,733	11,787	Within 24 mths	4,946	29.56
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		-	
	<u>20,994</u>	<u>16,048</u>		<u>4,946</u>	

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.

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B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS

B10. Earnings/(Loss) per Share

The basic loss 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.

	Quarter Ended		Year to date	
	31 July 2013	31 July 2012	31 July 2013	31 July 2012
Net loss for the financial period (RM'000)	(108)	(1,375)	(719)	(2,345)
Weighted average number of ordinary shares of 10 sen each in issue ('000)	349,945	349,945	349,945	349,945
Basic loss per ordinary share of 10 sen each (sen)	(0.03)	(0.39)	(0.21)	(0.67)

B11. Realised and Unrealised Accumulated Losses

	As at 31 July 2013 RM'000	As at 31 Jan 2013 RM'000
Total accumulated losses of the Group		
- Realised	(19,274)	(18,548)
- Unrealised	0	(7)
	<u>(19,274)</u>	<u>(18,555)</u>
Total share of accumulated losses from associated companies		
- Realised	(61)	(61)
- Unrealised	0	0
	<u>(61)</u>	<u>(61)</u>
Less: Consolidation adjustments	1,632	1,632
Total accumulated losses as per Statement of Financial Position	<u>(17,703)</u>	<u>(16,984)</u>

B12. Notes to the Statements of Profit or Loss and Other Comprehensive Income

	Current quarter ended 31 July 2013 RM'000	Current year to date 31 July 2013 RM'000
Interest expense	17	101
Depreciation & amortisation	269	435
Gain on disposal of property, plant and equipment	0	(21)

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.

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B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS

BY ORDER OF THE BOARD

Chua Wye Man
Chairman / Executive Director
26 September 2013