

NOTES TO THE QUARTERLY REPORT – 31 JANUARY 2014
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

Save for the private placement of 34,994,493 new ordinary shares of RM0.05 each in Flonic as disclosed in section B7(a) below, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities in the current quarter under review.

A7. Dividend Paid

There was no dividend declared or paid by the Company during the quarter under review.

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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.

	12 months ended 31 Jan 2014 RM'000	12 months ended 31 Jan 2013 RM'000
Segment Revenue		
Manufacture of precision cleaning system	1,174	2,390
Trading of aluminium and machine parts	13,115	9,712
Investment holding & others	147	0
Project management services	10,215	0
Marketing	162	0
Manufacture of furniture	2,185	0
Provision of M&E services	7,135	0
	<u>34,133</u>	<u>12,102</u>
Elimination of inter-segment revenue	<u>(488)</u>	<u>0</u>
Total revenue	<u>33,685</u>	<u>12,102</u>
Segment Results		
Manufacture of precision cleaning system	(3,658)	(7,636)
Trading of aluminium and machine parts	(1,792)	31
Investment holding & others	(880)	(490)
Project management services	1,725	0
Marketing	13	0
Manufacture of furniture	808	0
Provision of M& E services	2,012	0
	<u>(1,772)</u>	<u>(8,095)</u>
Results from operations	<u>(1,772)</u>	<u>(8,095)</u>
Finance Cost	<u>(367)</u>	<u>(7)</u>
Loss before taxation	<u>(2,139)</u>	<u>(8,102)</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

There were no materials events since the end of the current quarter to the date of this announcement that have not been reflected in the interim financial statements.

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

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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 2014, the Group has no outstanding contingent liabilities.

A13. Capital Commitments

As at 31 January 2014, the Group did not have any capital commitments.

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B1. Review of Performance

The turnover for the current quarter and year under review was RM9.149 million and RM33.685 million respectively as compared to RM4.149 million and RM12.102 million in the respective corresponding period in year 2013. The significant increase in the turnover for the current quarter when compared to the corresponding period in year 2013 is attributed to the consolidation of revenue from the Jiwa Group of companies.

The Group posted a loss before tax of RM6.255million and RM2.138 million for the current quarter and year to date respectively as compared to a loss before taxation of RM5.419 million and RM8.102 million in the respective corresponding period in year 2013.

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

	Current quarter ended 31 Jan-14 RM'000	Preceding quarter ended 31 Oct-13 RM'000
Turnover	9,149 =====	11,794 =====
(Loss)/Profit before taxation	(6,255) =====	2,963 =====

The Group recorded a loss before taxation of RM6.255 million on a turnover of RM9.149 million for the current quarter under review compared to profit before taxation of RM2.963 million on a turnover of RM11.794 million for the immediate preceding quarter.

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.

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.

B6. Quoted Securities

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

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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.

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. The Par Value Reduction is deemed completed.

The Company had on 27 September 2013, 8 October 2013, 6 November 2013, 8 November 2013 and 11 December 2013 announced that the Company proposes to implement a private placement of up to 34,994,493 new ordinary shares of RM0.05 each in Flonic to independent third party investors. Bursa Malaysia Securities Berhad had, vide its letter dated 7 November 2013, approved the listing of and quotation for up to 34,994,493 new ordinary shares of RM0.05 each in Flonic representing not more than

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10% of the enlarged issued and paid-up share capital of Flonic. The Company has fixed the issue price at RM0.085 per Placement Share to be issued pursuant to the Private Placement. The listing date of the 34,994,493 new ordinary shares of RM0.05 each in the Company issued for the Private Placement is on 23 December 2013.

(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>	<u>Actual Utilisation as at 31 Jan 2014</u>	<u>Intended timeframe for utilisation</u>	<u>(Deviation) / Unutilised</u>	
	<u>RM'000</u>	<u>RM'000</u>		<u>RM'000</u>	<u>%</u>
i) Working capital requirements	16,733	12,606	Within 24 mths	4,127	24.66
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>16,867</u>		<u>4,127</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.

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 Jan 2014	31 Jan 2013	31 Jan 2014	31 Jan 2013
Net loss for the financial period (RM'000)	(4,774)	(5,417)	(5,912)	(8,101)
Weighted average number of ordinary shares of 5 sen each (2013:10 sen) in issue ('000)	399,601	349,945	399,601	349,945
Basic loss per ordinary share of 5 sen each (sen) (2013:10 sen)	(1.19)	(1.55)	(1.48)	(2.31)

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B11. Realised and Unrealised Accumulated Losses

	As at 31 Jan 2014 RM'000	As at 31 Jan 2013 RM'000
Total accumulated losses of the Group		
- Realised	(6,970)	(18,548)
- Unrealised	0	(7)
	<u>(6,970)</u>	<u>(18,555)</u>
Total share of accumulated losses from associated companies		
- Realised	(61)	(61)
- Unrealised	0	0
	<u>(7,031)</u>	<u>(18,616)</u>
Less: Consolidation adjustments	1,632	1,632
Total accumulated losses as per Statement of Financial Position	<u>(5,399)</u>	<u>(16,984)</u>

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

	Current quarter ended 31 Jan 2014 RM'000	Current year to date 31 Jan 2014 RM'000
Interest expense	170	367
Depreciation & amortisation	552	1,246
Loss/(Gain) on disposal of property, plant and equipment	2	(19)
Provision for and write off of receivable	938	938
Provision for and write off of inventories	1,054	451
Impairment of property, plant and equipment	981	981

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.

BY ORDER OF THE BOARD

Chua Wye Man
Chairman / Executive Director