

NOTES TO THE QUARTERLY REPORT – 31 OCTOBER 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 2014.

A2. Auditors’ Report

The auditors’ report on the audited annual financial statements for the financial year ended 31 January 2014 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

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.

	9 months ended 31 Oct 2014 RM'000	9 months ended 31 Oct 2013 RM'000
Segment Revenue		
Manufacture of precision cleaning system	36	1,145
Trading of aluminium and machine parts	8,961	9,647
Investment holding & others	68	87
Project management services	3,296	9,192
Marketing	3	162
Manufacture of furniture	479	1,754
Provision of M&E services	0	4,274
	<u>12,843</u>	<u>26,261</u>
Elimination of inter-segment revenue	(814)	(1,725)
Total revenue	<u>12,029</u>	<u>24,536</u>
Segment Results		
Manufacture of precision cleaning system	(377)	(473)
Trading of aluminium and machine parts	(447)	(966)
Investment holding & others	(429)	(680)
Project management services	602	3,480
Marketing	(17)	104
Manufacture of furniture	(1,164)	1,342
Provision of M&E services	0	1,506
	<u>(1,832)</u>	<u>4,313</u>
Results from operations	(1,832)	4,313
Finance Cost	(327)	(197)
Loss before taxation	<u>(2,159)</u>	<u>4,116</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

Subsequent to the end of the current quarter to the date of this announcement, the Company announced on 2 December 2014 that the Company has on 1 December 2014 exercised the Option for a total cash consideration of RM2.625 million, which was raised vide the recently completed Rights Issue with Warrants exercise to acquire an additional 210,000 ordinary shares of RM1.00 each in Jiwa Holdings Sdn. Bhd. ("Jiwa") representing 21% equity interest in Jiwa.

FLONIC HI-TEC BHD.
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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

A contract work undertaken by a subsidiary company of which the completion date based on the agreement was on 28 October 2012 and was further extended to 28 February 2013. The liquidated ascertained damages (“LAD”) calculated from 1 March 2013 at RM3,000 a day up to 31 January 2014 was RM1,011,000. However, there is no valid LAD claim from the customer.

The management represented that the work was completed in May 2013. However, the customer has withheld the issuance of certificate of practical completion pending rectification work.

A13. Capital Commitments

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

NOTES TO THE QUARTERLY REPORT – 31 OCTOBER 2014
A. EXPLANATORY NOTES AS PER MFRS 134 - INTERIM FINANCIAL REPORTING

B1. Review of Performance

The turnover for the current quarter under review was RM3.768 million as compared to RM11.794 million in the corresponding period last year. The turnover for current quarter decreased significantly due to Jiwa M&E Services Sdn Bhd becoming an associate of Jiwa Holdings Sdn Bhd with effect from 7 February 2014 and lower turnover in project management services segment.

The Group posted a loss before tax of RM0.969 million for the current quarter as compared to a profit before taxation of RM2.962 million in the corresponding period last year.

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

	Current quarter ended 31 Oct-14 RM'000	Preceding quarter ended 31 Jul-14 RM'000
Turnover	3,768 =====	4,561 =====
Loss before taxation	(969) =====	(7) =====

Turnover for current quarter was RM3.768 million as compared to immediate preceding quarter of RM4.561 million. There was a decrease of RM0.793 million of turnover for the current quarter as compared to immediate preceding quarter. The decrease in turnover was due to lower sales in trading segment.

The Group recorded a loss before taxation of RM0.969 million on a turnover of RM3.768 million for the current quarter under review compared to loss before taxation of RM0.007 million on a turnover of RM4.561 million for the immediate preceding quarter.

B3. Commentary on Prospects

The Management continues to work hard to secure a few major projects to ensure the future viability of the Group. We are also hopeful that the outcome from some other projects that we have been pursuing will be favourable to our Group.

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

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 Company had on 17 April 2014, 20 May 2014, 17 July 2014, 14 August 2014 and 29 August 2014 announced that the Company proposes to undertake a renounceable rights issue of up to 524,902,678 new ordinary shares of RM0.05 each in Flonic ("Rights Shares") together with up to 349,935,118 free detachable warrants ("Warrants") at an issue price of RM0.07 per Rights Share on the basis of one (1) Rights Share for every one (1) existing ordinary share of RM0.05 each held in Flonic together with two (2) Warrants for every three (3) Rights Shares subscribed at an entitlement date to be determined later ("Proposed Rights Issue with Warrants").

Bursa Securities had, vide its letter dated 16 July 2014, approved the Proposed Rights Issue with Warrants.

The Proposed Rights Issue with Warrants was deemed completed on 14 November 2014 following with the listing of and quotation for the 399,457,437 Rights Shares issued, 266,304,708 Warrants issued and 8,353,180 new additional Warrants 2012/2017 arising from the adjustment to the number of outstanding Warrants 2012/2017 pursuant to the Rights issue with Warrants.

Further to the announcement made on 7 January 2013, 30 April 2013, 27 February 2014 and 17 April 2014, the Company had on 29 September 2014 announced that, further to the Option Agreement dated 7 January 2013 for an option to acquire an additional 210,000 ordinary shares of RM1.00 each in Jiwa Holdings Sdn. Bhd. ("Jiwa") representing 21% equity interest in Jiwa for a total purchase consideration of RM2,625,000 via a mode of satisfaction to be determined ("Option"), an extension of time of the Option Period for an additional three calendar months for expiry at the end of the day of 31 January 2015 was agreed and confirmed by the Company with Mr. Harris Hans Chua and Mr. Roy Thean Chong Yew (the Grantors under the Option Agreement).

The Company announced on 2 December 2014 that the Company has on 1 December 2014 exercised the Option for a total cash consideration of RM2.625 million, which was raised vide the recently completed Rights Issue with Warrants exercise. With the exercise of the Option by the Company, the Proposals (as defined in the Company's announcement on 2 December 2014) have been deemed to be duly completed.

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(b) Utilisation of proceeds from Rights Issue

The gross proceeds from the Rights Issue of RM 27.962 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 Oct 2014</u> RM'000	<u>Intended timeframe for utilisation</u>	<u>(Deviation) / Unutilised</u> RM'000	<u>%</u>
i) Acquisition of 21% equity interest in Jiwa	2,625	-	Within 3 months	2,625	100
ii) Working capital and capital expenditure	24,737	-	Within 24 months	24,737	100
iii) Expenses for the Rights Issue with Warrants	600	-	Within 1 month	600	100
	<u>27,962</u>	<u>-</u>		<u>27,962</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. 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 Oct 2014	31 Oct 2013	31 Oct 2014	31 Oct 2013
Net loss for the financial period (RM'000)	(836)	(201)	(1,425)	(920)
Weighted average number of ordinary shares of 5 sen each (2014:5 sen) in issue ('000)	399,601	364,607	399,601	364,607
Basic loss per ordinary share of 5 sen each (sen) (2014:10 sen)	(0.21)	(0.06)	(0.36)	(0.25)

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B11. Realised and Unrealised Accumulated Losses

	As at 31 Oct 2014 RM'000	As at 31 Jan 2014 RM'000
Total accumulated losses of the Group		
- Realised	(8,396)	(6,971)
- Unrealised	0	0
	<u>(8,396)</u>	<u>(6,971)</u>
Total share of accumulated losses from associated companies		
- Realised	(61)	(61)
- Unrealised	0	0
	<u>(8,457)</u>	<u>(7,032)</u>
Less: Consolidation adjustments	1,632	1,632
Total accumulated losses as per Statements of Financial Position	<u>(6,825)</u>	<u>(5,400)</u>

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

	Current quarter ended 31 Oct 2014 RM'000	Current year to date 31 Oct 2014 RM'000
Interest expense	100	327
Depreciation & amortisation	233	706

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

Executive Chairman
Dato' Chua Wye Man
10 December 2014

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10 December 2014