

NOTES TO THE QUARTERLY REPORT – 31 OCTOBER 2015
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 2015.

A2. Auditors’ Report

The auditors’ report on the audited annual financial statements for the financial year ended 31 January 2015 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.

NOTES TO THE QUARTERLY REPORT – 31 OCTOBER 2015
A. EXPLANATORY NOTES AS PER MFRS 134 - INTERIM FINANCIAL REPORTING

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 2015	9 months ended 31 Oct 2014
	RM'000	RM'000
Segment Revenue		
Manufacture of precision cleaning system	0	36
Trading of aluminium and machine parts	11,638	8,961
Investment holding & others	1	68
Project management services	4,101	3,296
Marketing	0	3
Manufacture of furniture	413	479
	<u>16,153</u>	<u>12,843</u>
Elimination of inter-segment revenue	<u>(1,882)</u>	<u>(814)</u>
Total revenue	<u>14,271</u>	<u>12,029</u>
Segment Results		
Manufacture of precision cleaning system	(5)	(377)
Trading of aluminium and machine parts	8	(447)
Investment holding & others	(49)	(429)
Project management services	(376)	602
Marketing	(4)	(17)
Manufacture of furniture	(512)	(1,164)
Results from operations	<u>(938)</u>	<u>(1,832)</u>
Share of results in associated company	365	487
Finance Cost	<u>(220)</u>	<u>(327)</u>
Loss before taxation	<u>(793)</u>	<u>(1,672)</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 material events since the end of the current quarter to the date of this announcement that have not been reflected in the interim financial statements.

NOTES TO THE QUARTERLY REPORT – 31 OCTOBER 2015
A. EXPLANATORY NOTES AS PER MFRS 134 - INTERIM FINANCIAL REPORTING

A11. Changes in the Composition of the Group

The Company has on 20 October 2015 completed an internal re-organisation of its group structure via Flonic Engineering Sdn Bhd (“FESB”), a wholly-owned subsidiary of the Company, by FESB’s acquisition of 200,000 ordinary shares of RM1/- each in Jiwa M & E Services Sdn. Bhd.(“JMES”), equivalent to 40% equity interest in JMES, from Jiwa Holdings Sdn. Bhd. (“JHSB”), a 51%-owned subsidiary of the Company, at a consideration of RM2.7 million.

Further, the Company has on 4 December 2015 entered into a Share Sale Agreement for the disposal of 510,000 ordinary shares of RM1/- each, representing 51% equity interest held in JHSB to Jong Ching Nien at a total cash consideration of RM2.725 million.

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 October 2015 was RM2,925,000. 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 2015, the Group did not have any capital commitments.

A14. Related party transactions

Related parties are those defined under MFRS124 : Related Party Disclosures. The directors are of the opinion that the related party transactions described below were carried out in the ordinary course of business and on commercial terms that are no more favourable than those available to other third parties.

	Current year to date 31 Oct 2015 RM’000	Preceding year Corresponding Period 31 Oct 2014 RM’000
Transactions with companies in which certain Directors have substantial financial interests:		
Purchase from Jaring Metal Industries Sdn Bhd	382	-

NOTES TO THE QUARTERLY REPORT – 31 OCTOBER 2015
A. EXPLANATORY NOTES AS PER MFRS 134 - INTERIM FINANCIAL REPORTING

B1. Review of Performance

The turnover for the current quarter under review was RM5.720 million as compared to RM3.768 million in the corresponding period last year. The turnover for current quarter increased by 51.8% compared to the corresponding period last year due to increase sales in trading segment.

The Group posted a loss before taxation of RM0.474 million for the current quarter as compared to a loss before taxation of RM0.935 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-15 RM'000	Preceding quarter ended 31 Jul-15 RM'000
Turnover	5,720 =====	4,497 =====
Loss before taxation	(474) =====	(269) =====

Turnover for current quarter was RM5.720 million as compared to immediate preceding quarter of RM4.497 million. There was an increase of RM1.223 million in turnover for the current quarter as compared to immediate preceding quarter. The increase in turnover was due to increase sales in trading segment and manufacturing of furniture segment.

The Group recorded a loss before taxation of RM0.474 million on a turnover of RM5.720 million for the current quarter under review compared to loss before taxation of RM0.269 million on a turnover of RM4.497 million for the immediate preceding quarter.

B3. Commentary on Prospects

The current states of uncertainties in the local and world economies arising from, among others, weakening of Malaysian Ringgit, volatile commodity prices and effects from implementation of Goods and Services Tax in Malaysia are not expected to be allayed in the short term. The Group will continue to focus on providing best possible service to our diverse customers, adopting proactive measures in handling our business.

The performance of the Group is expected to move in tandem with the competitive business environment where growth in the markets we serve has shown signs of slowing. As at the date of this announcement, it is expected to be less likely for the Group to see a rapid change in prospects for the financial year based on, among others, the challenges faced under such economic conditions.

NOTES TO THE QUARTERLY REPORT – 31 OCTOBER 2015
A. EXPLANATORY NOTES AS PER MFRS 134 - INTERIM FINANCIAL REPORTING

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. **Borrowings and Debt Securities**

The Group's borrowing as at 31 October 2015 are as follows:-

	Group RM'000
<u>Short-term Borrowings</u>	
<i>Secured</i>	
- Term Loan	256
- Bank overdraft	1,388
	<u>1,644</u>
<i>Unsecured</i>	
- Hire purchase and lease creditors	137
	<u>1,781</u>
<u>Long-term Borrowings</u>	
<i>Secured</i>	
- Term Loan	3,302
<i>Unsecured</i>	
- Hire purchase and lease creditors	326
	<u>3,628</u>
	<u>5,409</u>

NOTES TO THE QUARTERLY REPORT – 31 OCTOBER 2015
A. EXPLANATORY NOTES AS PER MFRS 134 - INTERIM FINANCIAL REPORTING

B7. Corporate Proposals

(a) Status of Corporate Proposals

The Company had on 13 November 2015 announced that the Company proposes to implement a special issue of up to 172,000,000 new ordinary shares of RM0.05 each in Flonic to independent third party Bumiputera investor(s) to be identified.

Further, the Company has on 4 December 2015 entered into a Share Sale Agreement for the disposal of 510,000 ordinary shares of RM1/- each, representing 51% equity interest held in JHSB to Jong Ching Nien at a total cash consideration of RM2.725 million.

(b) Status of utilisation of Rights Issue Proceeds

The utilisation of proceeds as at 31 October 2015.

<u>Purpose</u>	Proposed to be utilised	Actual Utilisation as at 31 Oct 2015	Intended timeframe for utilisation	(Deviation) / Unutilised	%
	<u>RM'000</u>	<u>RM'000</u>		<u>RM'000</u>	
i) Acquisition of 21% equity interest in JHSB	2,625	2,625	Within 3 months	-	-
ii) Working capital and capital expenditure	24,808	3,726	Within 24 months	21,082	85
iii) Expenses for the Rights Issue with Warrants	529	529	Within 1 month	-	-
	<u>27,962</u>	<u>6,880</u>		<u>21,082</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 2015	31 Oct 2014	31 Oct 2015	31 Oct 2014
Net loss for the financial period (RM'000)	(1,348)	(836)	(1,391)	(1,425)
Weighted average number of ordinary shares of 5 sen each (2015:5 sen) in issue ('000)	799,059	399,601	799,059	399,601

NOTES TO THE QUARTERLY REPORT – 31 OCTOBER 2015
A. EXPLANATORY NOTES AS PER MFRS 134 - INTERIM FINANCIAL REPORTING

Basic loss per ordinary share of 5 sen each (sen) (2015:5 sen)	(0.17)	(0.21)	(0.17)	(0.36)
---	--------	--------	--------	--------

B11. Realised and Unrealised Accumulated Losses

	As at 31 Oct 2015 RM'000	As at 31 Jan 2015 RM'000
Total accumulated losses of the Group		
- Realised	(13,850)	(12,459)
- Unrealised	17	17
	<u>(13,833)</u>	<u>(12,442)</u>
Total share of accumulated losses from associated companies		
- Realised	(45)	(45)
- Unrealised	0	0
	<u>(13,878)</u>	<u>(12,487)</u>
Less: Consolidated adjustments	(1,737)	(1,737)
Total accumulated losses as per Statements of Financial Position	<u>(15,615)</u>	<u>(14,224)</u>

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

	Current quarter ended 31 Oct 2015 RM'000	Current year to date 31 Oct 2015 RM'000
Interest expense	71	220
Depreciation & amortisation	204	564
Interest income	(180)	(557)
Recoverable of impairment loss on receivables	0	(596)

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