

NOTES TO THE QUARTERLY REPORT – 31 JANUARY 2016
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.

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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 2016	12 months ended 31 Jan 2015
	RM'000	RM'000
Segment Revenue		
Manufacture of precision cleaning system	0	36
Trading of aluminium and machine parts	14,763	12,731
Investment holding & others	1	68
Project management services	5,276	4,808
Marketing	0	3
Manufacture of furniture	556	622
	<u>20,596</u>	<u>18,268</u>
Elimination of inter-segment revenue	<u>(2,809)</u>	<u>(2,682)</u>
Total revenue	<u>17,787</u>	<u>15,586</u>
Segment Results		
Manufacture of precision cleaning system	(74)	(1,624)
Trading of aluminium and machine parts	(581)	(2,176)
Investment holding & others	(2,654)	(2,163)
Project management services	710	(1,267)
Marketing	(4)	(22)
Manufacture of furniture	(468)	(1,233)
	<u>(3,071)</u>	<u>(8,485)</u>
Results from operations	492	697
Share of results in associated company	(306)	(420)
Finance Cost	<u>(2,885)</u>	<u>(8,208)</u>
Loss before taxation	<u>(2,885)</u>	<u>(8,208)</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.

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A11. Changes in the Composition of the Group

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

As at 31 January 2016, the Group has no outstanding contingent liabilities.

A13. Capital Commitments

As at 31 January 2016, 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 January 2016 RM'000	Preceding year Corresponding Period 31 January 2015 RM'000
Transactions with companies in which certain Directors have substantial financial interests:		
Purchase from Jaring Metal Industries Sdn Bhd	335	-

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B1. Review of Performance

The turnover for the current quarter under review was RM3.516 million as compared to RM3.557 million in the corresponding period last year. The turnover for current quarter decreased by 1.15% compared to the corresponding period last year due to decrease sales in trading segment and project management services segment.

The Group posted a loss before taxation of RM2.092 million for the current quarter as compared to a loss before taxation of RM6.536 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 Jan-16 RM'000	Preceding quarter Ended 31 Oct-15 RM'000
Turnover	3,516 =====	5,720 =====
Loss before taxation	(2,092) =====	(474) =====

Turnover for current quarter was RM3.516 million as compared to immediate preceding quarter of RM5.720 million. There was decrease of RM2.204 million in turnover for the current quarter as compared to immediate preceding quarter. The decrease in turnover was due to decrease sales in trading segment, manufacturing of furniture segment and project management services segment.

The Group recorded a loss before taxation of RM2.092 million on a turnover of RM3.516 million for the current quarter under review compared to loss before taxation of RM0.474 million on a turnover of RM5.720 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.

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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.. Corporate Proposals

(a) Status of Corporate Proposals

The Company had on 13 November 2015 announced that the Company proposed 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 (“the Special Issue”). On 1 March 2016, the Company had applied for waiver from the Securities Commission in relation to the Special Issue and the relevant announcement was made on 2 March 2016.

Further, on 4 December 2015 the Company entered into a Share Sale Agreement for the disposal of 510,000 ordinary shares of RM1/- each, representing 51% equity interest held in Jiwa Holdings Sdn Bhd (“JHSB”) to Jong Ching Nien at a total cash consideration of RM2.725 million (“the Disposal”). The Disposal was completed on 18 December 2015 with the relevant announcement was made on the same day.

(b) Status of utilisation of Rights Issue Proceeds

The utilisation of proceeds as at 31 January 2016.

<u>Purpose</u>	<u>Proposed to be utilised</u> RM'000	<u>Actual Utilisation as at 31-Jan 2016</u> RM'000	<u>Intended timeframe for utilisation</u>	<u>(Deviation) / Unutilised</u> RM'000	<u>%</u>
i) Acquisition of 21% equity interest in JHSB	2,625	2,625	Within 3 months	-	-
ii) Working capital and capital expenditure	24,808	3,362	Within 24 months	21,446	86
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>	

B7. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at the date of this report.

B8. Material Litigation

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There was no pending material litigation as at the date of this report.

B9. 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 2016	31 Jan 2015	31 Jan 2016	31 Jan 2015
Net loss for the financial period (RM'000)	(2,583)	(5,262)	(3,974)	(6,687)
Weighted average number of ordinary shares of 5 sen each (2015:5 sen) in issue ('000)	799,059	799,509	799,059	799,059
Basic loss per ordinary share of 5 sen each (sen) (2015:5 sen)	(0.32)	(0.66)	(0.50)	(0.84)

B10. Realised and Unrealised Accumulated Losses

	As at 31 Jan 2016 RM'000	As at 31 Jan 2015 RM'000
Total accumulated losses of the Group		
- Realised	(16,433)	(12,459)
- Unrealised	17	17
	<u>(16,416)</u>	<u>(12,442)</u>
Total share of accumulated losses from associated companies		
- Realised	(45)	(45)
- Unrealised	0	0
	<u>(16,461)</u>	<u>(12,487)</u>
Less: Consolidated adjustments	(1,737)	(1,737)
Total accumulated losses as per Statements of Financial Position	<u>(18,198)</u>	<u>(14,224)</u>

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

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B11. Notes to the Statements of Profit or Loss and Other Comprehensive Income

	Current quarter ended 31 Jan 2016 RM'000	Current year to date 31 Jan 2016 RM'000
Interest expense	86	306
Depreciation & amortisation	65	629
Interest income	(181)	(738)
Recoverable of impairment loss on receivables	(154)	(750)
Fixed assets written down	670	670
Bad debt written off	101	101
Inventories written down	245	245

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

Managing Director
LOH BOON GINN