FLONIC HI-TEC BHD
(Company No: 655665-T)
(Incorporated in Malaysia under the Companies Act, 1965)

Annual Report 2012

YOUR TOTAL PRECISION **CLEANING** SOLUTION PROVIDER

OUR MISSION

To continually strive for EXCELLENCE in our quality and environmental management system while being the leader of precision cleaning solution.

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Corporate Information

FORM OF LEGAL ENTITY

Incorporated in Malaysia on 10 June 2004
as a private limited company
Converted to a public limited company
on 22 July 2004

COMPANY NUMBER

655665-T

STOCK EXCHANGE LISTING

Listed on ACE Market of
Bursa Malaysia Securities
Berhad on 29 November 2005
Stock Code : 0109
Stock Name : Flonic
Sector : Industrial Products

SECRETARY

Tong Siut Moi
MAICSA 7024173

SHARE REGISTRAR

ShareWorks Sdn Bhd
(Company No. 229948-U)
No. 10-1, Jalan Sri Hartamas 8
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50480 Kuala Lumpur
Telephone no. : 03 6201 1120
Facsimile no. : 03 6201 5959

REGISTERED OFFICE

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Lot 3, Jalan Halba 16/16, Section 16
Shah Alam Industrial Estate
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Selangor Darul Ehsan
Telephone no. : 03 5511 9198
Facsimile no. : 03 5511 9113

PRINCIPAL OFFICE

Wisma Little, Unit OG1
Lot 3, Jalan Halba 16/16, Section 16
Shah Alam Industrial Estate
40000 Shah Alam
Selangor Darul Ehsan
Telephone no. : 03 5511 9198
Facsimile no. : 03 5511 9113
Website : www.flonic.com

AUDITORS

Messrs Morison AnuarulAzizanChew
(AF 001977)
Chartered Accountants
18, Jalan 1/64
Off Jalan Kolam Air/Jalan Ipoh
51200 Kuala Lumpur
Telephone no. : 03 4048 2888
Facsimile no. : 03 4048 2999

PRINCIPAL BANKERS

Hong Leong Bank Berhad
RHB Bank Berhad
AmBank (M) Berhad

Board of Directors and Board Committees

BOARD OF DIRECTORS

Yen Yoon Fah
Executive Chairman

Heng Hock Meng
Executive Director

Soh Chee Beng
Executive Director

Lee Kok Wah
Independent, Non-Executive Director

Lim Joo Ming
Independent, Non-Executive Director

Rozita binti Harun
Independent, Non-Executive Director

Chua Wye Man
Independent, Non-Executive Director

Ng Yaw Long
Independent, Non-Executive Director

AUDIT COMMITTEE

Lee Kok Wah
Chairman

Lim Joo Ming
Member

Rozita binti Harun
Member

NOMINATION COMMITTEE

Lim Joo Ming
Chairman

Lee Kok Wah
Member

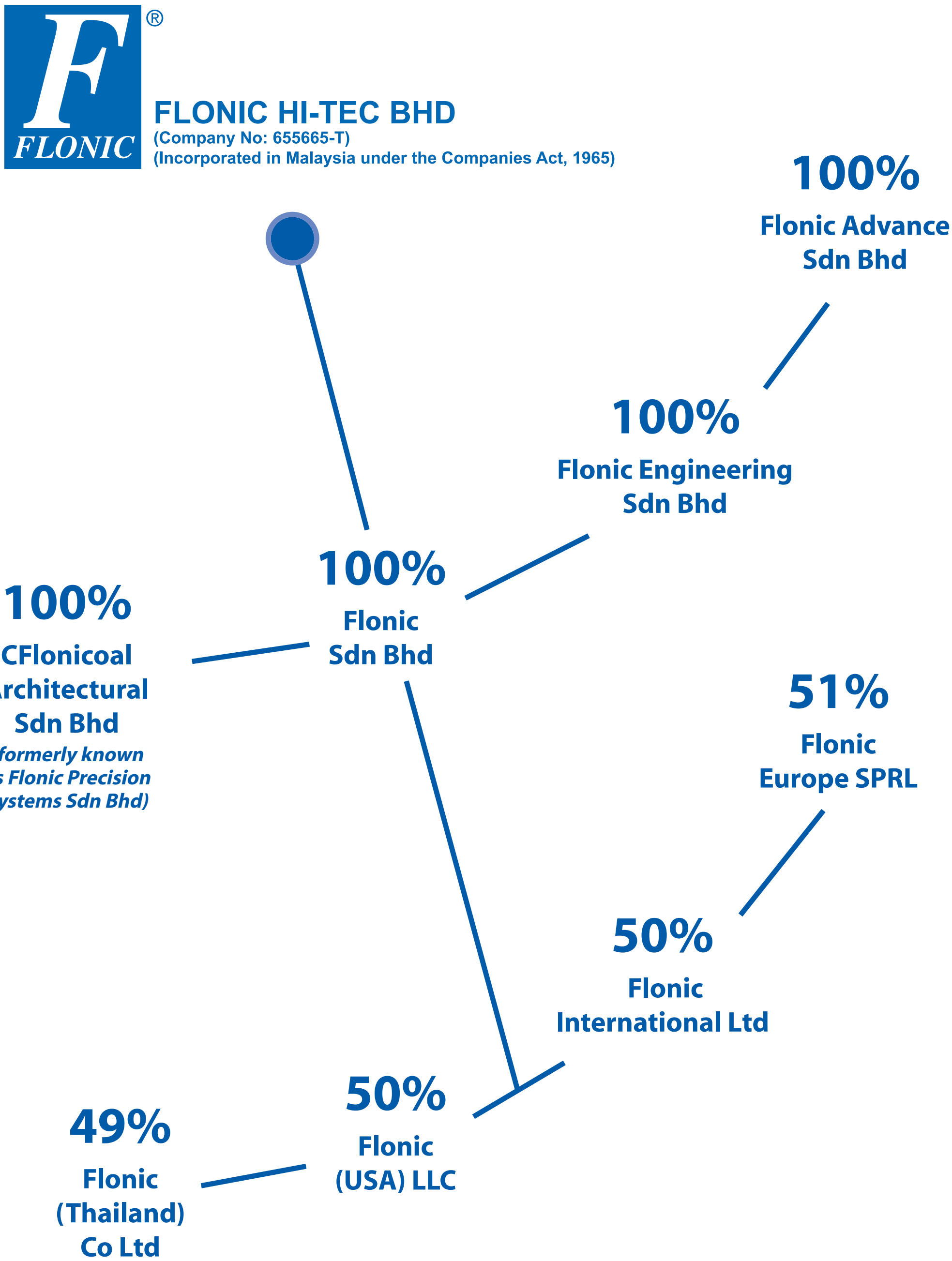
REMUNERATION COMMITTEE

Lee Kok Wah
Chairman

Lim Joo Meng
Member

Yen Yoon Fah
Member

Group Corporate Structure



Chairman's Statement to the Shareholders

Dear shareholders,

On behalf of the Board of Directors ("Board") of Flonic Hi-Tec Bhd ("the Company"), I am pleased to present to you the Annual Report and Audited Financial Statements of the Company and its subsidiaries ("Group") for the financial year ended ("FYE") 31 January 2012.

FINANCIAL PERFORMANCE

The FYE 31 January 2012 presented yet another challenging year for the Group. The Group recorded a revenue of approximately RM9.01 million and a loss after tax ("LAT") of approximately RM0.43 million. Despite a slight decrease in revenue, the Group performed better with an improved Group's LAT mainly due to lower operating cost incurred in the FYE 31 January 2012.

INDUSTRY TREND AND DEVELOPMENT

The global economy continues with its trend of uncertainty due to the sovereign debt levels particularly in Europe, a flat GDP outlook in advanced economy markets and an expected slowdown in emerging markets. This combination of factors has given rise to yet another year of global economic slowdown. Such economy sentiment has put efforts in expansion of capacity in a cautious mode, resulting in the Group's adoption of prudent capital expenditure.

CORPORATE PROPOSALS

The Company's renounceable rights issue of up to 210,000,000 new ordinary shares of RM0.10 each in the Company ("Rights Shares") on the basis of 3 Rights Shares for every 2 existing ordinary shares of RM0.10 each held in the Company together with up to 140,000,000 free detachable warrants ("Warrants") on the basis of 2 Warrants for every 3 Rights Shares subscribed has been completed.

On 22 June 2012, the Rights Shares and Warrants were listed on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

PROSPECTS

For the coming year, the Group shall continue with its long-range cost cutting measures; to build on operational excellence for purposes of gaining competitive advantage and, to focus on selective growth industrial sectors and geographically growth areas. The increased paid-up capital arising from the completion of the Company's Rights Issue with Warrants provides opportunities for the Company to utilise the resources to make improvements for the coming year.

CORPORATE AND SOCIAL RESPONSIBILITY

Whilst pursuing its corporate goals, the Group recognises and acknowledges the importance of a corporate culture that emphasises on being a good corporate citizen. In that regard, the Group is committed and endeavours on an ongoing basis, to integrate corporate social responsibility ("CSR") practices into its day-to-day business operations.

The Group's CSR contributes to the following areas:-

a. Environment

The Group takes great measures to comply with the environmental laws and regulations. The Group endeavours to ensure it does not flout any of the environmental laws and regulations at all times.

b. Workplace

The importance of ensuring a conducive and safe environment for its employees to work in has always been recognised by the Group. The Group's concern in this area is shown by the provision of consistent education, training, counseling and the organising of industrial accident prevention programmes for its employees, just so as to ensure a high level of safety requirements awareness is disseminated to all employees at all levels.

In addition, the Group also constantly upgrades its employees' skills, knowledge and experiences which would enhance all individual employees' competency. Monthly contributions are made to the Human Resource Development Fund to support the Government's effort to encourage corporate bodies to invest in training and upgrading of skills for employees.

APPRECIATION

The Board wishes to express its sincere appreciation and gratitude to all the Group's loyal and valued customers, bankers, business associates, good suppliers, shareholders and most of all, its dedicated and loyal employees for their untiring support, efforts and contribution to the Group over the past year.

YEN YOON FAH
Chairman

Date : 5 July 2012

Board of Directors' Profile

YEN YOON FAH

Executive Chairman
Malaysian, aged 48

Mr Yen Yoon Fah was appointed to the Board as the Executive Chairman on 7 July 2005. He is a member of the Remuneration Committee. His direct and deemed interests in the Company are as shown on page 67 of this Annual Report.

Mr Yen has more than 19 years of experience in the precision cleaning systems industry. The founder of the Company via its subsidiary, Flonic Sdn Bhd, Mr Yen has been the driving force behind the development, growth and expansion of the Company and its group of companies ("Group"). His responsibilities as the Executive Chairman include overall strategic management and business development of the Group. Mr Yen is also actively involved in the Group's Research and Development activities.

He attended all the seven Board Meetings of the Company held in the FYE 31 January 2012.

HENG HOCK MENG

Executive Director
Malaysian, aged 56

Mr Heng Hock Meng joined the Board on 7 July 2005 as an Executive Director. He does not sit on any Committee of the Board. His direct and deemed interests in the Company are as shown on page 67 of this Annual Report.

Similar to the Executive Chairman, Mr Heng also possesses more than 19 years of experience in the precision cleaning systems industry. He started his career with the Company by joining Flonic Sdn Bhd in 1990 as the Sales and Purchase Director, being tasked with the responsibilities of overseeing system installation, after sales services as well as purchasing.

Mr Heng attended all seven Board Meetings of the Company held in the FYE 31 January 2012.

SOH CHEE BENG

Executive Director
Malaysian, aged 54

Mr Soh Chee Beng was appointed as an Executive Director on 17 January 2012. He is not a member of any Committee of the Board. His direct interest in the Company is as shown on page 67 of this Annual Report.

Mr Soh graduated with a Bachelor of Science (Honours) degree in Chemistry from the University of Malaya and, attended and passed the examination of Masters of Business Administration at the University Kebangsaan Malaysia.

Mr Soh has 30 years working experience in the semiconductor industry. He was last engaged as the Group Chief Operating Officer with a local group of companies involving in the manufacturing and trading of ferrous and non-ferrous metal products. At present, he also sits on the Board of Super Enterprise Holdings Berhad as an Independent Non-Executive Director.

As Mr Soh came on board only after the end of the financial year, he did not attend any of the Board Meetings of the Company held in the FYE 31 January 2012.

LEE KOK WAH

Independent, Non-Executive Director
Malaysian, aged 46

Mr Lee Kok Wah joined the Board on 30 June 2011 as an Independent Non-Executive Director. He is the Chairman of the Audit Committee, and a member of the Nomination Committee as well as the Remuneration Committee.

Mr Lee is a member of the Malaysian Institute of Accountants (MIA) and the Association of Chartered Certified Accountants, United Kingdom (ACCA). Mr Lee has extensive experience in the professional services sector where he has built his career in over the past 20 years.

As Mr Lee was only appointed on 30 June 2011, he attended only four out of the seven Board Meetings of the Company held in the FYE 31 January 2012.

Board of Directors' Profile (cont'd)

LIM JOO MING

Independent, Non-Executive Director
Malaysian, aged 52

Mr Lim Joo Ming was appointed to the Board as an Independent Non-Executive Director on 28 September 2011. He is the Chairman of the Nomination Committee, and a member of the Audit Committee and the Remuneration Committee.

Mr Lim holds a Diploma in Management (MIM). He has, since year 1980 until 2009, been with the group of companies of Toyo Ink Mfg. Co., Ltd. Japan, an international printing inks and chemicals company; with the last position held as the Commercial and Procurement Director in Toyo Ink Australia Pty. Ltd. located in Melbourne. Mr Lim is at present an Executive Director of a local company specialising in the provision of fire protection services and installation.

He attended three out of the seven Board Meetings of the Company held in the FYE 31 January 2012 as he only came on Board in the third quarter of the financial year.

ROZITA BINTI HARUN

Independent, Non-Executive Director
Malaysian, aged 48

Cik Rozita binti Harun joined the Board on 8 November 2011 as an Independent Non-Executive Director. She serves as a member of the Audit Committee.

Cik Rozita graduated with a Bachelor of Science (Honours) degree in Economics from the University of Buckingham, United Kingdom. In addition, she obtained her qualification as a Certified Financial Planner (CFP) from the Institute of Management Studies.

She possesses over 20 years of working experience mainly in the international and local real estate, public relations and financial sectors. As a Certified Financial Planner, Cik Rozita has comprehensive knowledge in a spectrum of financial products, offerings and services. Currently, she is a director of a private investment holding, trading and consultancy company.

As Cik Rozita just came on board on 8 November 2011, she attended only two out of the seven Board Meetings of the Company held in the FYE 31 January 2012.

Notes:-
Save as disclosed above, none of the Directors has:-
(a) directorship in other public companies;
(b) any family relationship with any Director and/or major shareholder of the Company;
(c) any conflict of interest with the Company; and
(d) any conviction for offences (other than traffic offences) within the past ten years.

CHUA WYE MAN

Independent, Non-Executive Director
Malaysian, aged 46

Mr Chua Wye Man was appointed to the Board as an Independent Non-Executive Director on 29 June 2012. He is not a member of any of the Board Committees.

Mr Chua graduated with a First Class Honours degree in Economics from Queen Mary College, University of London, United Kingdom. He is a member of the Institute of Chartered Accountants in England and Wales and the Malaysian Institute of Accountants.

Mr Chua trained and qualified as a Chartered Accountant with the accountancy firm of Touche Ross & Co. in London, United Kingdom. He has over 25 years working experience in accounting, auditing, finance and management. Mr Chua has been a non-Executive Director of a public company listed on the then Second Board of Bursa Malaysia Securities Berhad. He is at present a director of a number of private limited companies.

As Mr Chua only came on board in June this year, he did not attend any of the Board Meetings of the Company held in the FYE 31 January 2012.

NG YAW LONG

Independent, Non-Executive Director
Malaysian, aged 35

Mr Ng Yaw Long also joined the Board on 29 June 2012 as an Independent Non-Executive Director. He does not sit on any of the Board Committees.

Mr Ng obtained a Bachelor of Computing in 1998 and subsequently a Masters degree in Practicing Accounting in year 2000 from Monash University, Australia. He received his Microsoft Certified System Engineer (MCSE) certification in 2002. Mr Ng is also qualified as an ISO lead internal auditor in quality management system.

Mr Ng started his career as the Information Technology ("IT") Manager managing IT, hardware and software systems with a local metal recycling company in year 2000. He was subsequently promoted in 2007 to be the Operations Director. Over the years, his job scope has grown to include overseeing various departments such as human resource, production, plant facilities, legal compliance, government affairs, environmental, health and quality management systems and administration department. With over 12 years of working experience in the metal recycling industry, Mr Ng has gained a wide knowledge in business development and management.

Mr Ng did not attend any of the Board Meetings of the Company held in the FYE 31 January 2012 as he only came on board in June this year.

Corporate Governance Statement

This statement serves to provide investors with an overview of the Corporate Governance ("CG") practices of the Company under the stewardship of the Board. It explains the manner in which the Company has applied the Principles and the state of compliance in accordance with the Best Practice provisions of the Malaysian Code on Corporate Governance ("CG Code"). This statement also provides compliance with Rule 15.25 of the ACE Market Listing Requirements ("AMLR") of Bursa Securities.

THE BOARD OF DIRECTORS

1. Principal Responsibilities of the Board

The Board, being assisted by a management team relevant to the Group's business operations, plays an active role in the development of the Company's strategy which covers the main perspectives of financial, customer, internal process and growth. The Board takes full responsibility for the overall performance and management of the Group by ensuring that the Company's strategy targets reflect industry trends and internal capabilities, and provide sufficient stretch for the management. During the FYE 31 January 2012, the Board reviewed the sustainability, effectiveness and implementation of the strategic plans for the year and provided guidance and input to the management. To ensure the effective discharge of its function and duties, the principal responsibilities of the Board include the following specific areas:-

- reviewing and adopting strategic business continuity plans for the Group;
- overseeing the conduct of the Group's businesses to evaluate whether the business is being properly managed;
- identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- succession planning including appointing, training, fixing of compensation and, where appropriate, replacing senior management;
- developing and implementing an investor relations programme or shareholder communications policy for the Company, as it is important that the Company is able to communicate effectively with its shareholders; and
- reviewing the adequacy and integrity of the Group's internal control systems and management information systems; including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

2. Constitution of an Effective Board

a. Board Composition and Balance

The Board comprises eight (8) members. Five (5) are Independent Non-Executive Directors ("INEDs"), two (2) are Executive Directors ("EDs") and there is one Executive Chairman ("EC"). The size of INEDs on Board forms more than one-third of the entire Board structure.

The Board opines that even though two (2) of the Board members namely the EC, Mr Yen Yoon Fah and an ED, Mr Heng Hock Meng have indirect interests being the largest shareholder in the Company, the Board size is appropriate, reflecting fairly the investment in the Company by the shareholders at large.

The members of the Board consist of professionals and entrepreneurs with diverse skills, expertise and experiences from various industries, such as precision cleaning system and system installation industry, quality control, production operation and supply chain in the semiconductor industry, commercial and procurement in the international printing inks and chemicals industry, fire protection services and installation, international and local real estates, public relations and financial sectors, investment holding, trading and consultancy industries, metal recycling industry, management, accounting as well as auditing. Their diverse backgrounds, mix of skills, wide range of functional knowledge, experience and strength in those qualities which are relevant enable the Board to carry out its responsibilities in an effective and competent manner.

2. Constitution of an Effective Board (cont'd)

a. Board Composition and Balance (cont'd)

The INEDs are all independent of management and free from any business or other relationship which could materially interfere with the exercise of their objectivity and independent judgement. Through the Directors' Self and Peer Assessment of the Board Effectiveness Evaluation ("BEE"), the INEDs have indicated their satisfaction with the level of independence of each of their peers and their ability to act in the best interests of the Company in decision-making. The Directors have made valuable contributions to the Company through their business acumen and the application of a wide range of functional knowledge and skills from their respective experiences.

The profile of each Director is as set out in the Board of Directors' Profile on pages 7 and 8 of this Annual Report.

b. Separation of Chairman and Chief Executive Officer ("CEO")

In this transition period to the full compliance of the CG Code 2012, the Board plans to separate the roles of the Chairman and the CEO and/or EDs, so that the Chairman who will be an INED, leads the Board with a keen focus on governance and compliance, whilst the Board as a whole, monitors the functions of the Board Committees in accordance with their respective Terms of Reference ("TORs") to ensure its own effectiveness, and the CEO and/or EDs manage the business and operations of the Company and implement the Board's decisions. The future distinct and separate roles of the Chairman and CEO and/or EDs, with a clear division of responsibilities, will ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

c. Senior Independent Non-Executive Director ("SID")

The Board did not view the need to appoint an SID as it is able to act independently and objectively due to its balance composition, power and authority. No one individual or group of individuals dominates the Board's decision-making process.

3. Board Structures and Procedures

a. Board and Board Committee Meetings

The Board had convened a total of seven (7) Board Meetings during the FYE 31 January 2012, for the purposes of deliberating on the Company's quarterly financial results at the end of every quarter and discussing important matters which demanded immediate attention and decision-making, amongst others, the Proposed Rights Issue with Warrants.

During the Board Meetings, the Board reviewed the operation and performance of the Company and other strategic issues that may affect the Company's business. Senior Management staffs were invited to attend some of the Board Meetings to provide the Board with their views and clarifications on issues raised by the Directors.

The attendance record of each Director at Board of Directors' Meetings during the last financial year is as follows:-

Name of Directors	Total no. of meetings held during tenure of office	Total no. of meetings attended	% of attendance
Mr Wong Kam Heng *(resigned on 17.01.12)*	7	7	100
Mr Yen Yoon Fah	7	7	100
Mr Heng Hock Meng	7	7	100
Mr Lee Kok Wah *(appointed on 30.06.11)*	4	4	100
Mr Lim Joo Ming *(appointed on 28.09.11)*	4	3	75
Cik Rozita binti Harun *(appointed on 08.11.11)*	2	2	100
Mr Soh Chee Beng *(appointed on 17.01.12)*	–	–	–

3. Board Structures and Procedures (cont'd)

a. Board and Board Committee Meetings (cont'd)

The EC finalises the agenda of each Board Meeting. Meeting papers are prepared to provide relevant facts, analysis and recommendations for supporting the proposals to enable informed decision-making by the Board. The Directors and Board Committee members are furnished with agenda and papers for meetings in advance to enable them ample time to prepare for the meetings.

The Directors are given the chance to freely express their opinions or share information with their peers in the course of deliberation as a participative Board because constructive and healthy debates are encouraged by the Board at all meetings. Any Director/Board Committee member who has a direct or deemed interest in the subject matter to be deliberated shall abstain from deliberation and voting on the same during the meeting.

The Company Secretary would ensure the presence of a quorum for all meetings and that such meetings are convened in accordance with the relevant Board Committee's TOR. The proceedings of all meetings including pertinent issues, the substance of inquiries (if any) and responses thereto, members' suggestions and the decisions made, as well as the rationale for those decisions are recorded by the Company Secretary. By doing so, the Company Secretary keeps the Board updated on the follow-up actions arising from the Board's decisions and/or requests at subsequent meetings. The Board is therefore able to perform its fiduciary duties and fulfill its oversight role towards instituting a culture of transparency and accountability in the Company.

b. Supply of and Access to Information

All Directors have individual and independent access to the advice and support services of the Company Secretary and External Auditors and, may seek advice from the management on issues under their respective purview. This is to ensure the effective functioning of the Board. The Directors may also interact directly with, or request further explanation, information or updates, on any aspect of the Company's operations or business concerns from the management to enable the Board to discharge its duties in relation to the matters being deliberated.

Whether as a full board or in their individual capacity, the Directors are encouraged to seek independent professional advice at the Company's expense on specific issues and gain access to relevant information whenever required to enable the Board to discharge its duties in connection with specific matters.

c. Training for Directors

The Company made relevant training programmes available for Directors' continuing education as the Board recognises the importance of continuing education for its Directors to ensure they are continually equipped with the necessary skills and knowledge to meet the challenges of the Board from time to time. The Directors may also request to attend additional training courses according to their individual needs as a Director or member of Board Committees on which they serve. The Company Secretary arranges for the Directors' attendance at these training programmes which are conducted by external service providers.

All the Directors appointed during the financial year have completed the Mandatory Accreditation Programme as prescribed by the AMLR of Bursa Securities. In addition, the Directors also attended development and training programmes and other professionally conducted seminars relevant to the Company's business and/or their respective skills during the year. The Directors will continue to attend training programmes endorsed by Bursa Securities to keep abreast of industry developments and trends.

4. Appointments to the Board and Board Committees

a. Appointments to the Board

The Nomination Committee ("NC") comprising two (2) INEDs, is tasked with the responsibility to identify and select potential new Directors and to make recommendations to the Board for the appointment of Directors.

For appointment as Directors, the NC reviews candidates based on criteria such as their qualifications, skills, functional knowledge, experience, character, integrity and professionalism. The NC also evaluates the candidate's ability to discharge his or her responsibilities as expected from an INED and whether the test of independence under the AMLR is satisfied.

The NC also considered, in its review of the candidates, the overall composition of the Board and the combination of skills of existing Directors to ensure the selected candidate would help close any possible gaps in the Board. The recommendations of the NC would be submitted to the Board for its consideration and approval. During the FYE 31 January 2012, the Board approved the appointment of Mr Soh Chee Beng as an ED, Mr Lee Kok Wah, Mr Lim Joo Ming and Cik Rozita binti Harun as INED as well as Chairman/members of the respective Board Committees namely, Audit Committee ("AC"), NC and the Remuneration Committee ("RC"), based on the NC's recommendation.

In addition, any shareholder may propose a candidate for directorship subject to Article 87 of the Articles of Association of the Company ("AA"). The appointment of a candidate for directorship proposed by a shareholder will be put to vote at a general meeting. As at the date of this Statement, there was no such proposal received by the Company.

b. Appointments to the Board Committees

The NC is also responsible for reviewing candidates for appointment to the Board Committees, and making recommendations to the Board for approval. The review is conducted on an annual basis, and as and when the need arises, such as when a new Director is appointed. Various factors are considered by the NC in determining the candidates for appointment to the Board Committees to ensure the requirements of the Committees are addressed. These include, amongst others, the results of the BEE for the Board Committees.

5. Retirement and Re-election of Directors

Pursuant to Article 85 of the AA, an election of Directors shall take place each year at its Annual General Meeting ("AGM") where one-third (1/3) of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to one-third (1/3) who are longest in office shall retire, and be eligible to offer themselves for re-election. The NC is responsible for making recommendation to the Board on the eligibility of the Directors to stand for re-election at the AGM. In determining the Director's eligibility, the NC carries out a formal review of the performance of the Director, taking into account the results of the latest BEE, the level of contribution to the Board through his/her skills, experience and strength in qualities, his/her level of independence and ability to act in the best interest of the Company in decision-making.

Pursuant to Article 92 of the AA, any Director appointed by the Board either to fill a casual vacancy or as an addition to the existing Directors, shall hold office until the next following AGM and shall then be eligible for re-election. At the last AGM held in July 2011, the Board approved the recommendation of the NC, to support the proposed re-election of Mr Lee Kok Wah who was appointed as an INED during the period from the 2010 AGM to the date of the 2011 AGM, and retired thereat. Mr Lee was subsequently re-elected by the shareholders at the said meeting.

DIRECTORS' REMUNERATION

1. Level and Make-up of Remuneration

The remuneration of each Director reflects the level of responsibility and commitment, which goes with Board membership. The full Board determines the remuneration of each Director.

The EDs are not entitled to Director's fee. Their remuneration packages comprise a fixed component which includes monthly salary and benefits-in-kind.

It is the Board's duty to ensure that the level of remuneration is adequately sufficient to attract and retain the Directors needed to run the Company successfully. The EDs play no part in deciding their own remuneration and the respective Board members shall abstain from all discussions pertaining to their remuneration.

2. Procedure for Approving Board Remuneration

The RC is responsible for reviewing and making recommendations to the Board for approval, the framework and remuneration packages of the NEDs as well as the EDs in all forms, drawing from outside advice whenever necessary prior to making the relevant recommendations to the Board such that the levels of remuneration are sufficient to attract and retain the Directors needed to run the Company successfully. In its review, the RC considers various factors including the Directors' fiduciary duties, time commitments expected of them and the Company's financial performance.

The RC had recently considered the proposed increase to the Director's fee in respect of the FYE 31 January 2012, which is subject to the shareholders' approval at the forthcoming AGM. The Board agreed with the RC's recommendation for revision based on a comparative analysis of the remuneration of NEDs in public listed companies in Malaysia.

3. Disclosure of Board Remuneration

A summary of remuneration packages of the Directors of the Company for the FYE 31 January 2012 which includes the figures for the Directors who have resigned and/or retired during the year is as follows:-

Directors' Remuneration	**Executive Directors (RM)**	**Non-Executive Directors (RM)**
Fees	–	–
Salaries	138,536	–
Percentages	–	–
Bonuses	–	–
Commission	–	–
Compensation for loss of office	–	–
Benefits-in-kind	–	–
Meeting Expenses	–	–
Total	**138,536**	**–**

3. Disclosure of Board Remuneration (cont'd)

The details of remuneration for Directors of the Company received/receivable for the FYE 31 January 2012 by category and in bands of RM50,000 are as shown below:-

Range of Remuneration Per Annum	No. of Directors (Executive)	No. of Directors (Non-Executive)
Below RM50,000	1	–
RM50,001 to RM100,000	1	–

SHAREHOLDERS

1. Dialogue between Company and Investors

The Board acknowledges the importance of accurate and timely dissemination of information to its shareholders, potential investors and the public in general. Therefore, the maintenance of an effective communication policy between members of the public and the Company is important. The Company communicates regularly with shareholders and investors through annual reports, quarterly financial reports and various announcements made via Bursa Listing Information Network ("Bursa LINK").

The several channels used by the Company to disseminate information on a timely basis are as follows:-

- the AGM which is used as the main forum of dialogue for shareholders to raise any issues pertaining to the Company;
- annual report, quarterly financial results and various announcements made via Bursa LINK; and
- the Company's website www.flonic.com which provides corporate information on the Group.

2. Annual General Meeting

In accordance with the provisions of the Companies Act, 1965 ("Act"), the AGM is held once in every calendar year. All the Board members attend the AGM to account to the shareholders for their stewardship of the Company.

At the AGM, the Company's operating and financial performances for the year as well as the External Auditors' report to the shareholders are presented. There is also a question and answer session in which the Chairman of the Meeting would invite shareholders to raise questions on the Company's financial statements and other items for adoption at the Meeting, before putting a resolution to vote. The EDs ensure that sufficient opportunities are given for shareholders to raise issues relating to the affairs of the Company and that adequate responses are given.

At the last AGM held on 30 July 2011, all the Directors who are shareholders of the Company and entitled to Directors' fees abstained from voting on the resolution concerning their remuneration. The External Auditors and share registrar were on standby to act as independent scrutineers and poll administrator respectively, but there was no demand for a poll. The results of the resolutions as set out in the Notice of the last AGM were announced on the same day via Bursa LINK, which is accessible on Bursa Securities's website.

Full information of the Directors who are retiring at the AGM and willing to serve if re-elected are disclosed in the AGM Notice and the Statement accompanying therewith. An explanatory note facilitating full understanding and evaluation of issues involved in the proposed resolution accompanying each item of special business is also included in the AGM Notice.

ACCOUNTABILITY AND AUDIT

1. Financial Reporting

The Company's audited financial statements are prepared in accordance with the requirements of the applicable approved accounting standards in Malaysia and the provisions of the Act. The Board is responsible to ensure that the shareholders are provided with a balanced evaluation of the Company's financial performance, its position and its future prospects, through the issuance of the annual Audited Financial Statements, quarterly financial reports and corporate announcements on significant developments affecting the Company in accordance with the AMLR.

In this respect:-
- the Finance Manager presented to the AC and the Board, details of the Company's financial statements which include amongst others, revenues and expenditures, for review of quarter-to-quarter and year-to-date financial performance; and
- the AC discharged its function in reviewing the financial statements of the Company with the assistance of the External Auditors, prior to recommending the statements for the Board's approval and issuance to shareholders.

2. Directors' Responsibility Statement

The Directors of a company are required pursuant to the Act to prepare the financial statements for each financial year in accordance with the applicable Financial Reporting Standards ("FRSs") in Malaysia and the provisions of the Act and AMLR to give a true and fair view of the state of affairs of the Company and the Group as at the financial year end and of the results and cash flows of the Company and the Group for that period.

In preparing the financial statements, the Directors have ensured that:-

- appropriate accounting policies have been adopted and applied consistently;
- the statements are supported by reasonable and prudent judgements and estimates; and
- a going-concern basis has been adopted.

To ensure the financial statements comply with the provisions of the Act, proper accounting records which disclose the financial position of the Company and the Group with reasonable accuracy at any time, have been kept.

3. Internal Control

To ensure the protection of its assets and its shareholders' investments as far as possible, the Company always strives to maintain and review its internal control procedures. Information of the Company's internal control system and framework are presented in the Internal Control Statement on pages 21 and 22 of this Annual Report.

4. Relationship with Auditors

a. Internal Auditors

The outsourced Internal Auditors communicate regularly with and report directly to the AC. The outsourced Internal Auditors' representative attends meetings of the AC whenever appropriate.

The Internal Audit Review of the Company's operations encompasses an independent assessment of the Company's compliance with its internal controls and makes recommendations for improvement.

4. Relationship with Auditors (cont'd)

b. External Auditors

The Company's External Auditors play an essential role by enhancing the reliability of the Company's financial statements and giving assurance of that reliability to users of these financial statements. The relationship between the Company and its External Auditors is primarily maintained through the AC and the Board. The AC has explicit authority to communicate directly with the External Auditors.

The AC held two (2) meetings with the External Auditors during the FYE 31 January 2012 to discuss management's cooperation in the audit process, quality and competency in the financial reporting function, sharing of information and audit issues in relation to appropriate accounting treatment.

The External Auditors are given direct access to the AC and the Board at all times to highlight any issues of concern, significant defects in the Company's system of control and compliance. This includes the communication of fraud.

COMPLIANCE STATEMENT

The Board is satisfied that during the FYE 31 January 2012, the Company has complied with the Best Practices of the CG Code save for the appointment of an SID for the reasons stated in point 2(c) on page 10 of this Annual Report.

Other Disclosures

The following information is provided in accordance with Rule 9.25 of the AMLR as set out in Appendix 9C thereto.

1. Utilisation of Proceeds Raised from Corporate Proposals

There were no corporate proposals approved and completed during the financial year.

2. Share Buy-Back

The Company did not undertake any share buy-back exercise during the financial year.

3. Options, Warrants or Convertible Securities

The Company did not grant any options to any parties to take up unissued shares in the Company and did not issue any warrants or convertible securities during the financial year.

4. American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme

The Company did not sponsor any ADR or GDR programme during the financial year.

5. Related Party Transactions

Significant related party transactions of the Group for the financial year are disclosed in Note 27 to the Financial Statements.

6. Sanctions and/or Penalties

There were no sanctions and/or penalty imposed on the Company, its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year.

7. Non-Audit Fees

No non-audit fees were incurred for services rendered to the Company or its subsidiaries by the Company's auditors, or a firm or company affiliated to the auditors' firm for the FYE 31 January 2012.

8. Variation in Results

The annual audited financial statements of the Company/Group for the FYE 31 January 2012 did not vary by 10% or more from the unaudited financial results announced to Bursa Securities on 27 March 2012.

9. Profit Guarantee

There was no profit guarantee for the financial year.

10. Material Contracts Involving Directors' and Major Shareholders' Interests

There was no material contract entered into by the Group involving the interest of Directors and major shareholders, either still subsisting as at the end of the financial year or entered into since the end of the previous financial year.

Audit Committee Report

The Board of Flonic Hi-Tec Bhd is pleased to present the Report of the Audit Committee for the year ended 31 January 2012.

COMPOSITION

The AC is composed of three (3) members, all of whom are INEDs who satisfy the test of independence under the AMLR. This meets the requirements of the CG Code. The composition of the AC and their attendance records are as set out on pages 3 and 19 of this Annual Report respectively.

The AC Chairman, Mr Lee Kok Wah is a member of the Malaysian Institute of Accountants (MIA) and the Association of Chartered Certified Accountants, United Kingdom (ACCA). He has 20 years working experience in providing professional services. In this respect, the Company complies with Rule 15.09(1)(c)(i) of the AMLR of Bursa Securities.

The performances of the AC and its members are assessed by the Board through a board committee effectiveness evaluation. The Board is satisfied that the AC members are able to discharge their functions, duties and responsibilities in accordance with the TOR of the AC, thereby supporting the Board in ensuring appropriate CG standards within the Group.

TERMS OF REFERENCE

The summary of the AC's TOR consists of two (2) major areas:-

1. Authority

The AC has unrestricted access to all of the Group's records, properties and personnel to enable it to discharge its duties. It may seek outside legal or independent advice and secure attendance of external experts as and when it considers necessary.

The AC shall have the authority to:-

i. approve any appointment or termination of senior staff members of the internal audit function;
ii. investigate any matter within its TOR, having the resources which it needs to do so, full and unrestricted access to information pertaining to the Group and the management;
iii. have direct communication channels with the Internal and External Auditors, and also to engage the senior management on a continuous basis, such as the EC, the CEO and the Chief Financial Officer in order to be kept informed of matters affecting the Group;
iv. have the right to obtain external professional advice at the Company's expense and invite persons with relevant experience to attend its meetings, if necessary; and
v. have the right to convene meetings with the Internal and External Auditors, excluding the attendance of other Directors or employees of the Group, whenever deemed necessary. Such meetings with the External Auditors shall be held at least twice a year.

2. Responsibilities

The AC members are able to effectively discharge their functions, duties and responsibilities in accordance with the TOR of the AC, which include the following:-

a. Financial Reporting Review

- review the quarterly and annual financial statements and make recommendations to the Board on the adoption and release of the same, focusing particularly on:-
  - going concern assumption
  - compliance with accounting standards and other regulatory requirements
  - changes in or implementation of major accounting policy
  - significant and unusual issues
  - significant adjustments arising from the audit; and
- review and assess the appropriateness of the Group's accounting policies and the adequacy of management reporting requirements.

TERMS OF REFERENCE (CONT'D)

2. Responsibilities (cont'd)

b. External Audit

- discuss and liaise with the External Auditors on the nature and scope of audit and to ensure smooth implementation of audit plans;
- review and make recommendations to the Board concerning the External Auditors, the audit fees and any questions of appointment, resignation, suggestions of their dismissal or replacement; and
- determine whether there is reason (supported by grounds) to believe that the External Auditors are not suitable for re-appointment.

c. Internal Audit

- review the effectiveness of the internal control systems and the findings of the Internal Auditors; and
- review the adequacy of the scope, functions, competency and resources of the Internal Auditors.

d. Internal Control

- review the annual Internal Control Statement to be included in the Annual Report; and
- assess the Group's processes and procedures for the purposes of compliance with all laws, regulations and rules, directives and guidelines established by the relevant regulatory bodies.

e. Related Party Transactions

- review any related party transactions and conflict of interest situations that may arise within the Group including any transaction, procedure or course of conduct that raises a question of management integrity.

f. Employee Share Scheme

- verify any allocation of options pursuant to the Share Issuance Scheme and/or Share Grant Scheme at the end of each financial year as being in compliance with the criteria disclosed to the employees.

g. Other Matters

- review the Company's business ethics and compliance with the requirements of the laws and, where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Committee to promptly report such matter to the Securities Commission; and
- carry out any other duties and functions as may be mutually agreed upon by the Committee and the Board.

MEETINGS

During the FYE 31 January 2012, the Committee held a total of five (5) meetings. The Accounts Manager was invited to attend the AC Meetings during the financial year as requested by the AC to facilitate direct communication and to seek clarifications on some audit issues.

The details of attendance of AC Meetings during the financial year are as below:-

Members	**Total no. of meetings held during tenure of office**	**Total no. of meetings attended**
Mr Chin Soon Nyen *(retired on 30.07.2011)*	5	3
Mr Wong Kam Heng *(resigned on 17.01.2012)*	5	5
Mr Lee Kok Wah	2	2
Mr Lim Joo Ming	2	2
Cik Rozita binti Harun	–	–

MEETINGS (CONT'D)

The lead audit partner of the External Auditors responsible for the Group attended two (2) AC meetings during the financial year to present the Audit Committee Report summarising the significant audit, accounting and business issues/matters identified during the course of the statutory audit for the FYE 31 January 2011 performed by the External Auditors, to review the Report of the Internal Auditors, as well as the auditors' report on the annual audited financial statements for the FYE 31 January 2011.

The AC encouraged the External Auditors to raise with the AC any matter they considered important to bring to the AC's attention. The AC Chairman also sought information on the communication flow between the External Auditors and the management which was necessary to allow unrestricted access to information for the External Auditors to effectively perform their duties.

During the AC meetings, all deliberations including the issues tabled and the rationale adopted for decisions, were duly minuted. Minutes of the AC meetings were tabled for confirmation at the next following AC meeting. The AC Chairman presented the AC's recommendations together with the respective rationale to the Board for approval of the annual and quarterly financial statements. As and when necessary, the AC Chairman would convey to the Board matters of significant concern raised by the Internal or External Auditors.

SUMMARY OF ACTIVITIES

During the FYE 31 January 2012, the activities undertaken by the AC comprised the followings:-

- reviewed the quarterly financial results for the quarters ended 31 January 2011, 30 April 2011, 31 July 2011 and 31 October 2011 before recommending the same for the Board's approval;
- reviewed the audited financial statements for the financial year ended 31 January 2011 before recommending the same for the Board's approval;
- reviewed and discussed with the External Auditors their scope of work, the results of their examination, the auditors' report and management letters in relation to the audit and accounting issues arising from the audit, as well as new developments on accounting standards and regulatory requirements;
- reviewed related party transactions, if any, entered into by the Company and its group of companies;
- reviewed the Group's compliance with the accounting standards and regulatory requirements;
- reviewed and approved the internal audit plan for the year ended 31 January 2012;
- reviewed the adequacy and performance of the Internal Audit function and its comprehensive coverage of the Group's activities; and
- reviewed the annual Audit Committee Report and Internal Control Statement to be included in the Annual Report.

INTERNAL AUDIT FUNCTION

The outsourced internal audit function is independent and performs audit assignments with impartiality, proficiency and due professional care. Reporting directly to the AC, it provides the Board with a reasonable assurance of the effectiveness of the system of internal control in the Group and that the internal control system is operating satisfactorily.

During the financial year, the Internal Auditors reviewed compliance with policies, procedures and standards, relevant external rules and regulations, as well as assessed the adequacy and effectiveness of the Group's system of internal control and recommended appropriate actions to be taken where necessary. The audits performed met the objective of highlighting any weaknesses in the Group's internal control system and ensuring that these weaknesses are appropriately addressed and that recommendations from the internal audit reports are duly acted upon by the management within the required time frame.

No cost was incurred for the outsourced internal audit function of the Group for the FYE 31 January 2012.

Internal Control Statement

This Internal Control Statement is included in the Annual Report pursuant to Rule 15.26(b) of the AMLR of Bursa Securities with regards to the Group's compliance with The Principle and Best Practices provisions relating to internal controls provided in the CG Code.

The Board is committed to maintaining a sound system of internal control in the Group, and is pleased to provide the following statement of internal control outlining the scope and nature of internal control system of the Group.

BOARD RESPONSIBILITY

The Board ensures the discharge of its overall responsibility for safeguarding the shareholders' investment and the assets of the Company by implementing a sound and effective system of internal control and risk management, and reviewing the integrity and adequacy of those systems. The Board endeavors to fulfill its objective vide an effective and efficient governance, risk management, financial, organisational, operational and compliance control. It is committed to provide a system that gives reasonable, though not absolute assurance against the occurrence of any material misstatements or losses, or infringement against the laws or regulations.

KEY INTERNAL CONTROL PROCESSES

The Group's internal control system consists of the following key processes:-

1. Authority and Responsibility

Certain responsibilities are delegated to Board Committees through clearly defined TORs which are reviewed annually.

2. Planning, Monitoring and Reporting

(a) An annual planning and budgetary exercise is undertaken requiring the preparation of business plans and budgets for the forthcoming year, which are deliberated upon and approved by the senior management and the EDs before implementation.

(b) The ED in charge of the Group's financial affairs is required to give assurance to the AC that adequate processes and controls are in place in the preparation of each quarterly financial statements, including consolidated condensed financial statements, and that appropriate accounting policies are adopted and applied consistently to give a true and fair view of the state of affairs of the Group and to ensure compliance with the Financial Reporting Standards.

3. Internal Audit

The outsourced internal audit functions support the Board in an independent capacity to examine and evaluate the Company's business and operational processes, assess compliance with policies and procedures as well as relevant laws and regulations, and provide a reasonable assurance that the internal control system is adequate, effective and functional. The Internal Auditors provide reports on issues relating to internal controls and the associated risks together with recommendations for appropriate actions to the AC.

4. External Audit

The Board has always maintained a formal and transparent relationship with the Company's External Auditors. From time to time, the External Auditors highlight to the AC and the Board on matters that require the Board's attention.

Internal Control Statement (cont'd)

5. Employees Competency

The Company provides constant training and development programmes to ensure that the employees are kept up-to-date with the necessary competencies to carry out their responsibilities towards achieving the Group's objectives.

6. Insurance

There exists sufficient insurance coverage and physical safeguards on major assets to ensure that assets of the Group are adequately covered against any mishap that could result in material loss. A yearly policy-renewal exercise is undertaken in which the management reviews the cover based on the fixed assets, inventory and the respective net book values and "replacement value" namely, the prevailing market price for the same or similar item, where applicable.

REVIEW OF THIS STATEMENT

The External Auditors have reviewed this Internal Control Statement for inclusion in the Annual Report pursuant to Rule 15.23 of the AMLR, and reported to the Board that nothing has come to their attention that causes them to believe that this Internal Control Statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the system of internal controls. This Statement was approved by the Board on 21 May 2012.

CONCLUSION

The Board opines that the system of internal controls in place for the year under review and up to the date of approval of this Statement, is sufficient to safeguard the shareholders' investment, the interests of stakeholders, customers, regulators and employees.

The Board members acknowledge that they are ultimately responsible for ensuring the proper implementation of appropriate control system even though this responsibility has been delegated to the management.

FINANCIAL STATEMENTS

Directors' Report

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 January 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiary companies and associated companies are stated in Note 4 and Note 5 to the financial statements respectively.

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	GROUP RM	COMPANY RM
Loss attributable to :-		
Owners of the Company	(428,917)	(1,122,924)

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year. The Board of Directors does not recommend any dividend in respect of the current financial year under review.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year under review other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

There were no issues of shares or debentures during the financial year under review.

DIRECTORS

The Directors who served since the date of the last report are as follows:-

Yen Yoon Fah	
Heng Hock Meng	
Lee Kok Wah	(Appointed on 30.06.2011)
Lim Joo Ming	(Appointed on 28.09.2011)
Rozita binti Harun	(Appointed on 08.11.2011)
Soh Chee Beng	(Appointed on 17.01.2012)
Chin Soon Nyen	(Retired on 30.07.2011)
Wong Kam Heng	(Resigned on 17.01.2012)

DIRECTORS' INTERESTS

Details of holdings and deemed interest in the share capital and options over the shares of the Company or its related corporations by the Directors holding office at the end of the financial year, according to the register required to be kept under Section 134 of the Companies Act, 1965, were as follows: -

	Number of ordinary shares of RM1.00 each			
	As at 1.2.2011	**Acquired**	**Dosposed**	**As at 31.1.2012**
The Company				
Direct interest:-				
Yen Yoon Fah	4,559,600	–	4,000,000	**559,600**
Heng Hock Meng	3,042,780	–	3,042,700	**80**
Soh Chee Beng	–	100,000	–	**100,000**
Indirect interest: -				
Yen Yoon Fah	63,101,640	–	36,000,000	**27,101,640**^
Heng Hock Meng	63,001,640	–	36,000,000	**27,001,640**^

^ Deemed interested by virtue of their substantial shareholdings in Novatige Sdn Bhd ("NSB") of which NSB is the registered owner of the share's in the Company.

Yen Yoon Fah and Heng Hock Meng by virtue of their interest in shares in the Company are also deemed interested in shares in all the Company's subsidiaries to the extent the Company has an interest.

None of the other Directors holding office at the end of the financial year had any interest in the ordinary shares or warrants of the Company or its related corporations during the financial year under review.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year, was the Company a party to any arrangement the object of which is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps: -

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

OTHER STATUTORY INFORMATION (CONT'D)

(b) At the date of this report, the Directors are not aware of any circumstances:-

(i) that would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(ii) that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

(c) No contingent or other liabilities of the Group and of the Company have become enforceable, or are likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or the Company to meet their obligations as and when they fall due.

(d) At the date of this report, there does not exist:

(i) any charge on the assets of the Group or the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

(ii) any contingent liability in respect of the Group or the Company which has arisen since the end of the financial year.

(e) In the opinion of the Directors:

(i) the results of the operations of the Group and of the Company for the financial year ended 31 January 2012 have not been substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS AND SUBSEQUENT EVENTS

The significant events and subsequent events are disclosed in Note 34 and Note 35 to the financial statements respectively.

AUDITORS

The auditors, Morison Anuarul Azizan Chew, have expressed their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors.

YEN YOON FAH

HENG HOCK MENG

SHAH ALAM
21 May 2012

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, YEN YOON FAH and HENG HOCK MENG, the Directors of FLONIC HI-TEC BHD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 30 to 66 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 January 2012 and of their financial performance and cash flows for the financial year then ended.

Signed in accordance with a resolution of the Directors.

YEN YOON FAH **HENG HOCK MENG**

SHAH ALAM
21 May 2012

Statutory Declarration

Pursuant to Section 169(16) of the Companies Act, 1965

I, YEN YOON FAH, being the Director primarily responsible for the financial management of FLONIC HI-TEC BHD, do solemnly and sincerely declare that the financial statements set out on pages 30 to 66 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed YEN YOON FAH at Kuala Lumpur)
in the Federal Territory this 21 May 2012)

YEN YOON FAH

Before me,

COMMISSIONER FOR OATHS

Independent Auditors' Report to the Members of FLONIC HI-TEC BHD

(Company No: 655665-T) (Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Flonic Hi-Tec Bhd, which comprise the statements of financial position as at 31 January 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flow of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 30 to 66.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards in Malaysia and the Companies Act, 1965 and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of the financial statement that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards in Malaysia and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 January 2012 and of their financial performance and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report on the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies have been properly kept in accordance with the provisions of the Act.

(b) We have not considered the financial statements of a subsidiary company of which we have not acted as auditors, for reasons indicated in Note 4(b) to the financial statements.

(c) We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The independent auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Independent Auditors' Report to the Members of FLONIC HI-TEC BHD (cont'd)

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 33 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the Directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the Directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

The financial statements of the Group and of the Company for the financial year ended 31 January 2011 were audited by another firm of Chartered Accountants, whose report dated 30 May 2011, expressed an unqualified opinion.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

MORISON ANUARUL AZIZAN CHEW
Firm Number: AF 001977
Chartered Accountants

SATHIEA SEELEAN A/L MANICKAM
Approved Number: 1729/05/14 (J/PH)
Partner of Firm

KUALA LUMPUR
21 May 2012

Statements of Financial Position

As at 31st January 2012

	Note	GROUP 2012 RM	GROUP 2011 RM	COMPANY 2012 RM	COMPANY 2011 RM
Non-Current Assets					
Property, plant and equipment	3	**2,659,458**	3,267,043	**–**	–
Investment in subsidiary companies	4	**–**	–	**3,208,065**	6
Investment in associated companies	5	**–**	–	**–**	–
		2,659,458	3,267,043	**3,208,065**	6
Current Assets					
Inventories	6	**4,589,542**	3,758,348	**–**	–
Trade receivables	7	**3,685,556**	3,686,440	**–**	–
Other receivables	8	**421,282**	325,912	**–**	–
Tax recoverable		**875**	875	**–**	–
Amount owing by subsidiary companies	9	**–**	–	**771,273**	5,387,027
Amount owing by an associated company	10	**18,250**	18,250	**–**	–
Cash and bank balances		**23,926**	20,994	**2,761**	2,909
		8,739,431	7,810,819	**774,034**	5,389,936
Current Liabilities					
Trade payables	11	**2,733,582**	3,013,340	**–**	–
Other payables	12	**2,035,560**	2,564,132	**446,079**	366,989
Amount owing to related companies	13	**2,607,000**	200,896	**100,000**	–
Amount owing tdirectors	14	**65,655**	857,358	**24,000**	488,009
Hire purchase payables	15	**50,733**	104,912	**–**	–
		7,492,530	6,740,638	**570,079**	854,998
Net current assets		**1,246,901**	1,070,181	**203,955**	4,534,938
		3,906,359	4,337,224	**3,412,020**	4,534,944
Financed By:					
Share Capital	16	**14,000,000**	14,000,000	**14,000,000**	14,000,000
Reserves	17	**(10,093,641)**	(9,707,636)	**(10,587,980)**	(9,465,056)
Equity attributable to owners of the parent		**3,906,359**	4,292,364	**3,412,020**	4,534,944
Non-Current Liability					
Hire purchase payables	15	**–**	44,860	**–**	–
		3,906,359	4,337,224	**3,412,020**	4,534,944

The accompanying notes form an integral part of the financial statements.

Statements of Comprehensive Income

For the financial year ended 31st January 2012

	Note	GROUP 2012 RM	GROUP 2011 RM	COMPANY 2012 RM	COMPANY 2011 RM
Revenue	18	**9,008,804**	10,707,066	**–**	–
Other operating income	19	**174,193**	625	**–**	–
Material consumed and changes in inventory of finished goods and work in progress		**(4,224,005)**	(6,565,844)	**–**	–
Staff cost		**(2,907,791)**	(2,928,319)	**–**	(26,656)
Other operating expenses		**(2,476,766)**	(3,359,523)	**(1,122,924)**	(9,712,075)
Loss from operations		**(425,565)**	(2,145,995)	**(1,122,924)**	(9,738,731)
Finance costs	20	**(3,352)**	(227,806)	**–**	–
Loss before taxation	21	**(428,917)**	(2,373,801)	**(1,122,924)**	(9,738,731)
Taxation	22	**–**	22,257	**–**	–
Net loss for the financial year		**(428,917)**	(2,351,544)	**(1,122,924)**	(9,738,731)
Other comprehensive income:-					
- Exchange differences arising from translation of foreign operation		**42,912**	174,182	**–**	–
Total comprehensive loss for the financial year		**(386,005)**	(2,177,362)	**(1,122,924)**	(9,738,731)
Net loss for the financial year attributable to:-					
Owners of the Company		**(428,917)**	(2,351,544)	**(1,122,924)**	(9,738,731)
Total comprehensive loss for the financial year attributable to:-					
Owners of the Company		**(386,005)**	(2,177,362)	**(1,122,924)**	(9,738,731)
Basic loss per share attributable to owners of the parent (sen)	24	**(0.31)**	(1.68)		

The accompanying notes form an integral part of the financial statements.

Statements of Changes in Equity

For the financial year ended 31st January 2012

	<----- Attributable to Equity Holders of the Parent					---->
	<----- Non Distributable			---->	Distributable	
Group	Share capital RM	Share premium RM	Foreign exchange translation reserve RM	Merger reserve RM	Accumulated losses RM	Total equity RM
At 1 February 2011	14,000,000	550,571	160,050	(2,575,050)	(7,843,207)	4,292,364
Net loss for the financial year	–	–	–	–	(428,917)	(428,917)
Other comprehensive income	–	–	42,912	–	–	42,912
At 31 January 2012	**14,000,000**	**550,571**	**202,962**	**(2,575,050)**	**(8,272,124)**	**3,906,359**
At 1 February 2010	14,000,000	550,571	(14,132)	(2,575,050)	(5,491,663)	6,469,726
Net loss for the financial year	–	–	–	–	(2,351,544)	(2,351,544)
Other comprehensive income	–	–	174,182	–	–	174,182
At 31 January 2011	14,000,000	550,571	160,050	(2,575,050)	(7,843,207)	4,292,364

		Non Distributable	Distributable	
Company	Share capital RM	Share premium RM	Accumulated losses RM	Total RM
At 1 February 2011	14,000,000	550,571	(10,015,627)	4,534,944
Total comprehensive loss	–	–	(1,122,924)	(1,122,924)
At 31 January 2012	**14,000,000**	**550,571**	**(11,138,551)**	**3,412,020**
At 1 February 2010	14,000,000	550,571	(276,896)	14,273,675
Total comprehensive loss	–	–	(9,738,731)	(9,738,731)
At 31 January 2011	14,000,000	550,571	(10,015,627)	4,534,944

The accompanying notes form an integral part of the financial statements.

Statements of Cash Flow

For the financial year ended 31st January 2012

	Note	GROUP 2012 RM	GROUP 2011 RM	COMPANY 2012 RM	COMPANY 2011 RM
Cash Flows From Operating Activities					
Loss before taxation		**(428,917)**	(2,373,801)	**(1,122,924)**	(9,738,731)
Adjustments for:					
Impairment for trade receivables		**–**	78,134	**–**	–
Impairment for investment in subsidiary companies		**–**	–	**5,791,941**	4,575,050
Impairment loss for amount owing by subsidiary companies		**–**	–	**–**	5,000,000
Impairment loss for amount owing by subsidiary companies written back		**–**	–	**(5,000,000)**	–
Trade creditors written off		**(83,952)**	–	**–**	–
Unrealised gain on foreign exchange		**(24,914)**	(9,029)	**–**	–
Depreciation of property, plant and equipment		**607,585**	606,242	**–**	–
Inventories written off		**1**	41,471	**–**	–
Loss on disposal of property, plant and equipment		**–**	16,390		–
		–			
Interest expense		**3,352**	227,806	**–**	–
Operating profit/(loss) before working capital changes		**73,155**	(1,412,787)	**(330,983)**	(163,681)
Decrease/(Increase) in working capital					
Inventories		**(831,195)**	(1,777,938)	**–**	–
Trade and other receivables		**(95,909)**	581,927	**–**	–
Trade and other payables		**(652,112)**	2,949,741	**79,090**	56,459
Amount owing by subsidiary companies		**–**	–	**615,754**	103,773
Amount owing to directors		**(791,703)**	(1,560,175)	**(464,009)**	–
Amount owing to related companies		**2,406,104**	200,896	**100,000**	–
		35,185	394,451	**330,835**	160,232
Cash generated from/(used in) operations		**108,340**	(1,018,336)	**(148)**	(3,449)
Interest paid		**(3,352)**	(227,806)	**–**	–
Tax refunded		**–**	22,257	**–**	–
		(3,352)	(205,549)	**–**	–
Net cash from/(used in) operating activities		**104,988**	(1,223,885)	**(148)**	(3,449)
Cash Flows From Investing Activities					
Purchase of property, plant and equipment	3	**–**	(41,607)	**–**	–
Proceeds from disposal of property, plant and equipment		**–**	7,207,127	**–**	–
Net cash from investing activities		**–**	7,165,520	**–**	–

Statements of Cash Flow (cont'd)

	GROUP		COMPANY	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Cash Flows From Financing Activities				
Repayment of term loans	**–**	(4,862,824)	**–**	–
Repayment of hire purchase payables	**(99,039)**	(117,527)	**–**	–
Net cash used in financing activities	**(99,039)**	(4,980,351)	**–**	–
Net increase/(decrease) in cash and cash equivalents	**5,949**	961,284	**(148)**	(3,449)
Effect of exchange rate changes	**(3,017)**	–	**–**	–
Cash and cash equivalents at beginning of the financial year	**20,994**	(940,290)	**2,909**	6,358
Cash and cash equivalents at end of the financial year	**23,926**	20,994	**2,761**	2,909
Cash and cash equivalents at end of the financial year comprises:				
Cash and bank balances	**23,926**	20,994	**2,761**	2,909

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiary companies and associated companies are disclosed in Note 4 and Note 5 to the financial statements respectively.

The Company is a public limited liability company, incorporated under the Companies Act, 1965 and domiciled in Malaysia and is listed on the ACE Market of Bursa Malaysia Securities Berhad.

The registered office and principal place of business is located at Wisma Little, Unit OGI, Lot 3, Jalan Halba 16/16, Seksyen 16 Shah Alam Industrial Estate, 40000 Shah Alam, Selangor Darul Ehsan.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise stated in the accounting policies below and in accordance with Financial Reporting Standards ("FRSs") and the provisions of the Companies Act, 1965 in Malaysia.

During the financial year, the Group and the Company have adopted the following new FRSs, revised FRSs, Issues Committee Interpretations ("IC Int"), amendments to FRSs and IC issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to their operations:-

	Effective date for financial periods beginning on or after
Amendments to FRS 132: Financial Instruments: Presentation:- paragraphs 11,16 and 97E	1 March 2010
FRS 3: Business Combination (Revised)	1 July 2010
FRS 127: Consolidated and Separate Financial Statements (Revised)	1 July 2010
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRSs contained in the documents entitled "Improvements to FRSs (2010)"	1 January 2011
IC Interpretation 4: Determining Whether An Arrangement Contains a Lease	1 January 2011

The adoption of the above new FRSs, revised FRSs, IC Int, amendments to FRSs and IC Int did not have a significant impact on the financial statements of the Company except as disclosed in Note 29.

To converge with International Financial Reporting Standards ("IFRS") in 2012, the MASB had on 19 November 2011, issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRSs"), which are mandatory for annual financial periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretations 15 Agreements for the Construction of Real Estate, including its parent, significant investor and venturer ("Transitioning Entities").

Transitioning Entities will be allowed to defer the adoption of the new MFRSs for an additional one year. Consequently, adoption of MFRSs by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2013. However, the Group and Company do not qualify as Transitioning Entities and is therefore required to adopt the MFRSs for the financial period beginning on or after 1 January 2012.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

MFRSs effective on 1 January 2012

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 2	Share-based Payment
MFRS 3	Business Combinations
MFRS 4	Insurance Contracts
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations
MFRS 6	Exploration for and Evaluation of Mineral Resources
MFRS 7	Financial Instruments: Disclosures
MFRS 8	Operating Segments
MFRS 101	Presentation of Financial Statements
MFRS 102	Inventories
MFRS 107	Statement of Cash Flows
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
MFRS 110	Events After the Reporting Period
MFRS 111	Construction Contracts
MFRS 112	Income Taxes
MFRS 116	Property, Plant and Equipment
MFRS 117	Leases
MFRS 118	Revenue
MFRS 119	Employee Benefits
MFRS 120	Accounting for Government Grants and Disclosure of Government Assistance
MFRS 121	The Effects of Changes in Foreign Exchange Rates
MFRS 123	Borrowing Costs
MFRS 124	Related Party Disclosures
MFRS 126	Accounting and Reporting by Retirement Benefit Plans
MFRS 127	Consolidated and Separate Financial Statements
MFRS 128	Investments in Associates
MFRS 129	Financial Reporting in Hyperinflationary Economies
MFRS 131	Interests in Joint Ventures
MFRS 132	Financial Instruments : Presentation
MFRS 133	Earnings per Share
MFRS 134	Interim Financial Reporting
MFRS 136	Impairment of Assets
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
MFRS 138	Intangible Assets
MFRS 139	Financial Instruments : Recognition and Measurement
MFRS 140	Investment Property
IC Int 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Int 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Int 4	Determining whether an Arrangement contains a Lease
IC Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IC Int 7	Applying the Restatement Approach under MFRS 129 Financial Reporting in Hyperinflationary Economies
IC Int 9	Reassessment of Embedded Derivatives
IC Int 10	Interim Financial Reporting and Impairment
IC Int 12	Service Concession Arrangements
IC Int 13	Customer Loyalty Programmes
IC Int 14	MFRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IC Int 16	Hedges of a Net Investment in a Foreign Operation
IC Int 17	Distributions of Non-cash Assets to Owners
IC Int 18	Transfers of Assets from Customers
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments
IC Int 107	Introduction of the Euro

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

MFRSs effective on 1 January 2012 (cont'd)

IC Int 110	Government Assistance – No Specific Relation to Operating Activities
IC Int 112	Consolidation – Special Purpose Entities
IC Int 113	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
IC Int 115	Operating Leases – Incentives
IC Int 125	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
IC Int 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IC Int 129	Service Concession Arrangements: Disclosures
IC Int 131	Revenue – Barter Transactions Involving Advertising Services
IC Int 132	Intangible Assets – Web Site Costs

MFRSs effective on on 1 July 2012

MFRS 101	Presentation of Financial Statements – Amendments to MFRS 101 Presentation of Items of Other Comprehensive Income

MFRSs effective on 1 January 2015

MFRS 9	Financial Instruments (International Financial Reporting Standards ("IFRS") 9 issued by International Accounting Standards Board ("IASB") in November 2009)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)

MFRSs effective on 1 January 2013

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (International Accounting Standard ("IAS") 19 as amended by IASB in June 2011)
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine

		Effective for financial periods beginning on or after
Amendments to MFRSs		
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 9 and MFRS 7	Mandatory Effective Date of MFRS 9 and Transition Disclosures	1 January 2015
New FRSs		
FRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2013
FRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)	1 January 2013
FRS 10	Consolidated Financial Statements	1 January 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

		Effective for financial periods beginning on or after
Revised FRS		
FRS 11	Joint Arrangements	1 January 2013
FRS 12	Disclosure of Interests in Other Entities	1 January 2013
FRS 13	Fair Value Measurement	1 January 2013
FRS 119	Employee Benefits (as amended in November 2011)	1 January 2013
FRS 124	Related Party Disclosures	1 January 2012
FRS 127	Separate Financial Statements (as amended in November 2011)	1 January 2013
FRS 128	Investments in Associates and Joint Ventures (as amended in November 2011)	1 January 2013
Amendments/Improvements to FRSs		
FRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2012
FRS 7	Disclosures-Transfer of Financial Assets	1 January 2012
FRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
FRS 112	Deferred Tax : Recovery of Underlying Assets	1 January 2012
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to FRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to FRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to FRS 9 and FRS 7	Mandatory Effective Date of FRS 9 and Transition Disclosures	1 January 2015
Amendments to IC Int		
IC Int 14	Prepayments of a Minimum Funding Requirement	1 July 2011

Withdrawal of FRSs and IC Int

The following FRSs and IC Int will be withdrawn upon the adoption of the new/revised standards as disclosed above:

FRSs

FRS 119	Employee Benefits (2007)
FRS 127	Consolidated and Separate Financial Statements (2010)
FRS 128	Investments in Associates (2005)
FRS 131	Interests in Joint Venturers (2005)

IC Int

IC Int 9	Reassessment of Embedded Derivatives (2008)
IC Int 112	Consolidation – Special Purpose Entities (2005)
IC Int 113	Jointly Controlled Entities – Non-Monetary Contributions by Ventures (2005)
IC Int 121	Income Taxes – Recovery of Revalued Non-depreciable Assets (2005)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

The Group and the Company's next set of financial statements for annual period beginning on 1 February 2012 will be prepared in accordance with the MFRS issued by the MASB that will also comply with IFRSs. As a result, the Company will not be adopting the above FRSs, Ic Int and amendments that are effective for annual periods beginning on or after 1 February 2012.

Technical Release Guidance on Disclosure of Transition to IFRSs ("TR3") provides voluntary disclosure requirements on the potential impact of adoption of MFRSs. However, the Group is currently in the process of assessing the financial effects of the difference between the current FRS framework and accounting standards under the MFRS framework and as such, the disclosure would be reflected in the subsequent year financial statements.

(b) Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on historical experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation or uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

(i) Income taxes

There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is involved especially in determining tax base allowances and deductibility of certain expenses in determining the Group-wide provision for income taxes. The Group recognised liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will have impact on the income tax and deferred tax provisions in the period in which such determination is made.

(ii) Impairment of financial assets

<u>Investment in subsidiary companies</u>

In the determination of the value in use of the investment, the Group is required to estimate the expected future cash flows to be generated by the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

<u>Loans and receivables</u>

The impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. This is determined based on the ageing profile, expected collection patterns of individual receivable balances, credit quality and credit losses incurred. Management carefully monitors the credit quality of receivable balances and makes estimates about the amount of credit losses that have been incurred at each financial statements reporting date. Any changes to the ageing profile, collection patterns, credit quality and credit losses can have an impact on the impairment recorded.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Significant accounting estimates and judgements (cont'd)

(iii) Impairment of non-financial assets

The Group assesses impairment of property, plant and equipment when the events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. In assessing such impairment, the recoverable amount of the assets is estimated using the latest available fair value after taking into account the costs to sell or expected value in use of the relevant assets.

(iv) Depreciation of property, plant and equipment

The costs of property, plant and equipment are depreciated on a straight-line basis over the useful lives of the property, plant and equipment. Management estimates the useful lives of the property, plant and equipment as stated in Note 2(e).

These are common life expectancies applied in the industries. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(v) Allowance for inventory write down

Allowance for inventory write down is made based on an analysis of the ageing profile and expected sales patterns of individual items held in inventory. This requires an analysis of inventory usage based on expected future sales transactions taking into account current market prices, useful lives of vehicle models and expected cost to sell. Changes in the inventory ageing and expected usage profiles can have an impact on the allowance recorded.

(vi) Provision for liabilities

Provisions for liabilities are recognised in accordance with accounting policy in Note 2(o). To determine whether it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made, the Group takes into consideration factors such as existence of legal/contractual agreements, past historical experience, external advisors' assessments and other available information.

(c) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies, which are made up to the end of the financial year.

(i) Subsidiary companies

Subsidiary companies are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Company's separate financial statements, investment in subsidiary companies is stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amount is included in the statements of comprehensive income.

The merger method of accounting is used to account for the acquisition of subsidiaries except for Flonic Europe SPRL. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Basis of consolidation (cont'd)

(i) Subsidiary companies (cont'd)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any non-controlling interest. Any cost directly attributable to the acquisition is included in administrative expenses in profit and loss as incurred.

The excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If the cost of business combination is less than the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, the Group will:-

(a) reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and

(b) recognise immediately in profit or loss any excess remaining after that reassessment.

Subsidiaries are consolidated from the date on which control is transferred to the Group to the date on which that control ceases.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's assets in the event of liquidation are measured at either the fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests should be measured at their acquisition date fair values. The choice of measurement basis is made on a transaction-by-transaction basis. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquire is remeasured to fair value at the acquisition date when the Group attains control and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

When increases or decreases in ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are dealt with in equity and attributed to the owners of the parent, with no impact on goodwill or profit or loss. When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group derecognises all assets, liabilities and non-controlling interests at their carrying amounts. Any retained interest in the former subsidiary is recognised at its fair value at the date when control is lost, with the resulting gain or loss being recognised in profit or loss.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its fair value on acquisition date. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Basis of consolidation (cont'd)

(ii) Associated companies

Associated companies are entities over which the Group has significant influence and that are neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policies decision of the investee but not control or joint control over those policies.

Investments in associated companies are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amount is included in the statements of comprehensive income.

Investments in associated companies are accounted for using the equity method of accounting. Investments in associated companies include goodwill identified on acquisition, net of any accumulated impairment loss in accordance with Note 2(k).

Equity accounting involves recording investments in associated companies initially at cost, and recognising the Group's share of its associated companies' post-acquisition results and its share of post-acquisition movements in reserves against the carrying amount of the investments. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers.

The Group does not recognise its share of results from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party.

However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. When necessary, in applying the equity method, adjustments are made to the financial statements of the jointly controlled entity to ensure consistency of accounting policies with those of the Group.

Unrealised gains on transactions between the Group and its jointly controlled entity are eliminated to the extent of the Group's interest in the jointly controlled entity; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of the jointly controlled entity to ensure consistency of accounting policies with those of the Group.

(iii) Transactions eliminated on consolidation

Intra-group balances including any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iv) Transaction costs

Costs directly attributable to an acquisition are included as part of the cost of acquisition.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional and presentation currency.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(k).

The property, plant and equipment are depreciated on a straight line basis to write off the cost of the assets to their residual values over their estimated useful lives at the following annual rates:-

Plant and machinery	10%
Furniture and fittings	10% – 33.33%
Motor vehicles	12.5% – 20%
Office Equipment	10% – 33.33%
Research and development equipment	10%

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

Gains or losses on disposals are determined by comparing net disposal proceeds with carrying amount and are recognised in the statement of comprehensive income

(f) Investment in subsidiary companies

Investment in subsidiary companies is stated at cost less accumulated impairment losses. The policy of the recognition and measurement of impairment losses is in accordance with Note 2(k).

On disposal of such investments, the difference between net disposal proceeds and their carrying amount is recognised in the statement of comprehensive income.

(g) Leases

Operating lease payments are recognised as an expense on a straight line basis over the term of the relevant lease.

(h) Impairment of non financial assets

The carrying values of assets are reviewed for impairment when there is an indication that the assets might be impaired. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

The recoverable amount is the higher of an asset's net selling price and its value in use, which is measured by reference to discounted future cash flows. An impairment loss is charged to the statements of comprehensive income immediately.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Impairment of non financial assets (cont'd)

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the statements of comprehensive income immediately.

(i) Inventories

Inventories are valued at the lower of cost and net realisable value after adequate allowance has been made for all deteriorated, damage, obsolete or slow-moving inventories.

Cost is determined using the weighted average method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(j) Financial assets

Financial assets are recognised in the statements of financial position when the Group and the Company have become a party to the contractual provisions of the instruments.

The Group classifies its financial assets as loan and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this at every reporting date except for financial assets at fair value through profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are unquoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the statements of financial position.

Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method. Gains and losses are recognised in statements of comprehensive income when the loans and receivables are derecognised or impaired, and through the amortisation process.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in statements of comprehensive income.

(k) Impairment of financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. For an equity instrument, a significant or prolonged declined in fair value below its cost is also considered objective evidence of impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment of financial assets (cont'd)

All impairment losses are recognised in statements of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised costs, the reversal is recognised in statements of comprehensive income.

(l) Cash and cash equivalents

Cash and cash equivalents include cash and bank balances, deposits and other short term highly liquid investments that are readily convertible to cash and are subject to insignificant risk of changes in value. For the purpose of the statements of cash flow, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(m) Financial liabilities

Trade and other payables are classified as financial liabilities in the statements of financial position as there is a contractual obligation to make cash payments to another entity and is contractually obliged to settle the liabilities in cash.

Financial liabilities are initially recognised at fair value plus transaction costs, and are subsequently measured at amortised cost using the effective interest method, except when the Group designates the liabilities at fair value through profit or loss. Financial liabilities are designated at fair value through profit or loss when:

(i) they are acquired or incurred for the purpose of selling or repurchasing in the near term;
(ii) the designation eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial liabilities or recognising gains or losses on them; or
(iii) the financial liability contain an embedded derivative that would need to be separately recorded.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

(n) Hire purchase

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the statements of financial position as liabilities. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the hire purchase, when it is practical to determine; otherwise, the Group's incremental borrowing rate is used.

Hire purchase payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the statements of comprehensive income over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for hire purchase assets is consistent with that for depreciable property, plant and equipment which are owned.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Provisions for liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(p) Foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of comprehensive income.

Translation differences on non-monetary items, such as financial assets held for trading held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non monetary items, such as equities classified as available-for-sale financial assets, are included in the exchange fluctuation reserve in the equity.

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:-

(i) assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of that reporting date;

(ii) income and expenses for each statements of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the statements of comprehensive income as part of the gain or loss on sale.

The closing exchange rates used for each unit of the main foreign currency in the Group is:

	2012 RM	2011 RM
United States Dollar (USD)	**3.0455**	3.0595
Euro	**4.0159**	4.159

(q) Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable, net of returns and trade discount.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Revenue recognition (cont'd)

(i) Revenue from sale of goods

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in statements of comprehensive income when the significant risks and rewards of ownership have been transferred to the customer.

(ii) Revenue from maintenance and services

Revenue from maintenance and services are recognised as and when the services are rendered.

(r) Employee benefits

(i) Short term employee benefits

Salaries, wages, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur. Non-monetary benefits such as medical care, housing, and other staff related expenses are charged to the statements of comprehensive income as and when incurred.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the reporting date.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the statements of comprehensive income as incurred.

(s) Income taxes

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is recognised on the liability method for all temporary differences between the carrying amount of an asset or liability in the statements of financial position and its tax base at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax asset and liability is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the reporting date. The carrying amount of a deferred tax asset is reviewed at each reporting date and is reduced to the extent that it becomes probable that sufficient future taxable profit will be available.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Income taxes (cont'd)

Deferred tax is recognised in the statements of comprehensive income, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(t) Earnings per share

The Group presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares.

(u) Operating segments

For management purposes, the Group is organised into operating segment based on their business activities. An operating segment's results are reviewed regularly by the chief operating decision maker, who will make decisions to allocate resources to the segments and assess the segment performance.

(v) Reserves

(i) Share Premium

Share Premium represent the excess of the consideration received over the nominal value of the share issued by the Group.

(ii) Merger Reserve

The merger reserve represents the differences between the nominal value of shares plus any cash paid as consideration for the merger and the nominal value of the share capital of the subsidiary company acquired.

(iii) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(w) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

3. PROPERTY, PLANT AND EQUIPMENT

Group	Plant and machinery RM	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Research and development equipment RM	Total RM
Cost						
At 1.2.2011/31.1.2012	**1,851,353**	**838,673**	**693,606**	**650,334**	**1,927,818**	**5,961,784**
Accumulated depreciation						
At 1.2.2011	836,755	411,299	317,905	285,893	842,889	2,694,741
Charge for the financial year	185,135	77,327	86,701	65,034	193,388	607,585
At 31.1.2012	**1,021,890**	**488,626**	**404,606**	**350,927**	**1,036,277**	**3,302,326**
Carrying amount						
At 31.1.2012	**829,463**	**350,047**	**289,000**	**299,407**	**891,541**	**2,659,458**

The carrying amount of motor vehicles under hire-purchase arrangement is RM230,378 (2011: RM334,526).

Group	Plant and machinery RM	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Research and development equipment RM	Total RM
Cost						
At 1.2.2010:	1,841,153	853,514	798,140	650,334	1,927,818	6,070,959
Additions	10,200	26,407	5,000	–	–	41,607
Disposals	–	(41,248)	(109,534)	–	–	(150,782)
At 31.01.2011	1,851,353	838,673	693,606	650,334	1,927,818	5,961,784
Accumulated depreciation						
At 1.2.2010:	651,790	373,598	320,016	220,859	649,501	2,215,764
Charge for the financial year	184,965	76,206	86,649	65,034	193,388	606,242
Disposals	–	(38,505)	(88,760)	–	–	(127,265)
At 31.01.2011	836,755	411,299	317,905	285,893	842,889	2,694,741
Carrying amount						
At 31.01.2011	1,014,598	427,374	375,701	364,441	1,084,929	3,267,043

4. INVESTMENT IN SUBSIDIARY COMPANIES

(a) Investment in subsidiary companies

	COMPANY 2012 RM	COMPANY 2011 RM
Unquoted shares, at cost	**4,575,056**	4,575,056
Additional investment in subsidiary companies	**9,000,000**	–
Impairment losses	**(10,366,991)**	(4,575,050)
	3,208,065	6

(b) The subsidiary companies and shareholdings therein are as follows:

Name of company	Country of incorporation	Effective interest 2012 %	Effective interest 2011 %	Principal activities
Direct holding:				
Flonic Sdn. Bhd.	Malaysia	**100**	100	Design and distribute precision cleaning system
Flonic Advance Sdn. Bhd.	Malaysia	**100**	100	Design and manufacture precision cleaning system
Flonic Precision Systems Sdn. Bhd.	Malaysia	**100**	100	Temporarily ceased operations
Flonic Engineering Sdn. Bhd.	Malaysia	**100**	100	Temporarily ceased operations
Indirect holding:				
Subsidiary company of Flonic Sdn. Bhd.				
* Flonic Europe SPRL	Belgium	**51**	51	Temporarily ceased operations

* Subsidiary company not audited by Morison Anuarul Azizan Chew.

The audited financial statements for the financial year ended 31 January 2012 of this subsidiary company were not available at the date the financial statements of the Group were authorised for issue, as there is no statutory requirement in the country of incorporation of this subsidiary. As such, the management accounts of the said subsidiary company for the financial year ended 31 January 2012 have been used for consolidation purposes. However, the Directors are of the opinion that the financial results of this subsidiary company was not material to the Group as the subsidiary company been temporarily ceased operation.

5. INVESTMENT IN ASSOCIATED COMPANIES

(a) Investment in associated companies

	GROUP 2012 RM	GROUP 2011 RM
Unquoted shares outside Malaysia, at cost	**61,677**	61,677
Share of net assets	**(61,677)**	(61,677)
	–	–

5. INVESTMENT IN ASSOCIATED COMPANIES (CONT'D)

(b) The associated companies and shareholdings therein are as follows:-

Name of company	Country of incorporation	Effective interest 2012 %	Effective interest 2011 %	Principal activities
Direct holding:				
* Flonic International Ltd	Bahamas	**50**	50	Trading of precision cleaning system
* Flonic (USA) LLC	United States	**50**	50	Trading of precision cleaning system
* Flonic (Thailand) Co. Ltd	Thailand	**49**	49	Trading of precision cleaning system

* Associated companies not audited by Morison Anuarul Azizan Chew

These are entities formed with the local partners in the respective countries under joint venture arrangement with the objective to developed, market and distribute precision cleaning system in designated countries. All the associates were either dormant or did not have significant activities and transactions during the financial year. The financial statements used for the purpose of equity accounting have not been audited. The net assets of the associates as at the reporting date are insignificant to the Group.

6. INVENTORIES

	GROUP 2012 RM	GROUP 2011 RM
Raw materials	**1,583,444**	1,498,830
Work-in-progress	**2,088,188**	1,571,318
Finished goods	**917,910**	688,200
	4,589,542	3,758,348

Inventory amounting to RM1 (2011: RM41,471) was written off during the financial year.

7. TRADE RECEIVABLES

	GROUP 2012 RM	GROUP 2011 RM
Trade receivables	**6,233,200**	6,234,084
Impairment for trade receivables	**(2,547,644)**	(2,547,644)
	3,685,556	3,686,440

The Group's normal trade credit term range from 30 to 60 days (2011: 30 to 60 days). Other credit terms are assessed and approved on a case by case basis.

7. TRADE RECEIVABLES (CONT'D)

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:-

	GROUP 2012 RM	GROUP 2011 RM
Neither past due or impaired	**905,224**	2,182,039
1 to 30 days past due but not impaired	**4,536**	180,843
31 to 60 days past due but not impaired	**996,724**	253,750
61 to 90 days past due but not impaired	**300**	314,905
91 to 120 days past due but not impaired	**1,778,772**	754,903
	2,780,332	1,504,401
	3,685,556	3,686,440
Individually impaired	**2,547,644**	2,547,644
	6,233,200	6,234,084

The Group has no significant concentration of credit risk that may arise from exposure to a single receivable or to groups of receivables except for the amounts owing by 5 major customers amounting to RM2,086,364 (2011: RM2,265,579) which accounts for 57% (2011: 61%) of the total trade receivables of the Group.

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Company. These debtors are mostly long term customers with no history of default in payments.

The Group's trade receivables of RM2,780,332 (2011: RM1,504,401) that are past due at the reporting date but not impaired relate mainly to customers who however have never defaulted on payments but are slow paymasters hence, periodically monitored. None of the trade receivables that are past due but not impaired have been renegotiated during the financial period.

Allowance for impairment

	GROUP 2012 RM	GROUP 2011 RM
At 1 February	**2,547,644**	2,469,510
Addition during the financial year	**–**	78,134
At 31 January	**2,547,644**	2,547,644

The currency exposure profiles of trade receivables are as follows:

	GROUP 2012 RM	GROUP 2011 RM
Ringgit Malaysia	**1,740,154**	1,093,183
United States Dollar	**1,945,402**	2,593,257
	3,685,556	3,686,440

8. OTHER RECEIVABLES

	GROUP	
	2012	**2011**
	RM	**RM**
Other receivables	**43,306**	43,306
Deposits	**371,723**	239,710
Staff advances	**6,253**	42,896
	421,282	325,912

9. AMOUNT OWING BY SUBSIDIARY COMPANIES

	GROUP	
	2012	**2011**
	RM	**RM**
At 1 February	**5,387,027**	10,387,027
Repayment during the financial year	**(615,754)**	–
Impairment written back	**5,000,000**	–
Capitalisation for additional investment in subsidiary companies	**(9,000,000)**	–
Impairment made during the financial year	**–**	(5,000,000)
At 31 January	**771,273**	5,387,027

These represent unsecured interest free advances which are repayable on demand.

10. AMOUNT OWING BY AN ASSOCIATED COMPANY

These represent unsecured interest free advances which are repayable on demand.

11. TRADE PAYABLES

	GROUP	
	2012	**2011**
	RM	**RM**
Trade payables	**2,733,582**	3,013,340

11. TRADE PAYABLES (CONT'D)

The currency exposure profiles of trade payables are as follows:

	GROUP	
	2012	**2011**
	RM	**RM**
Ringgit Malaysia	**2,524,859**	2,841,996
United States Dollar	**208,723**	171,344
	2,733,582	3,013,340

The normal trade credit terms granted to the Group range from 30 to 60 days (2011: 30 to 60 days).

12. OTHER PAYABLES

	GROUP		COMPANY	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Other payables	**796,199**	770,158	**237,499**	93,995
Accruals	**1,207,961**	873,227	**208,580**	272,994
Customer deposit and advance payment	**31,400**	920,747	**–**	–
	2,035,560	2,564,132	**446,079**	366,989

13. AMOUNT OWING TO RELATED COMPANIES

These represent unsecured interest free advances which are repayable on demand.

14. AMOUNT OWING TO DIRECTORS

These represent unsecured interest free advances which are repayable on demand.

15. HIRE PURCHASE PAYABLES

	GROUP 2012 RM	GROUP 2011 RM
(a) Minimum hire purchase payments		
Within one year	**51,030**	108,011
Between one and five years	**–**	45,112
	51,030	153,123
Future finance charges	**(297)**	(3,351)
Present value of hire purchase liabilities	**50,733**	149,772
(b) Present value of hire purchase liabilities		
Within one year	**50,733**	104,912
Between one and five years	**–**	44,860
	50,733	149,772
Analysed as:		
Repayable within twelve months	**50,733**	104,912
Repayable after twelve months	**–**	44,860
	50,733	149,772

The effective interest rates of the Group are between 2.40% and 2.75% (2011: 2.40% and 2.75%) per annum.

16. SHARE CAPITAL

	NUMBER OF ORDINARY SHARES OF RM0.10 EACH		AMOUNT	
	2012 RM	2011 RM	2012 RM	2011 RM
Authorised share capital				
At 1 February/31 January	**250,000,000**	250,000,000	**25,000,000**	25,000,000
Issued and fully paid				
At 1 February/31 January	**140,000,000**	140,000,000	**14,000,000**	14,000,000

17. RESERVES

	GROUP		COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Non-distributable:				
Share Premium	**550,571**	550,571	**550,571**	550,571
Foreign exchange translation reserve	**202,962**	160,050	**–**	–
Merger reserve	**(2,575,050)**	(2,575,050)	**–**	–
	(1,821,517)	(1,864,429)	**550,571**	550,571
Distributable:-				
Accumulated losses	**(8,272,124)**	(7,843,207)	**(11,138,551)**	(10,015,627)
	(10,093,641)	(9,707,636)	**(10,587,980)**	(9,465,056)

The movements in the reserves are reflected in the statements of changes in equity.

18. REVENUE

	GROUP		COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Sale of goods	**7,615,807**	9,731,158	**–**	–
Maintenance services and other sales	**1,392,997**	975,908	**–**	–
	9,008,804	10,707,066	**–**	–

19. OTHER OPERATING INCOME

Other operating income includes:-

	GROUP	
	2012 RM	2011 RM
Interest received	**–**	4
Trade creditors written off	**83,952**	–
Unrealised gain on foreign exchange	**24,914**	–
Reversal of accrued commission	**60,737**	–
Others	**4,590**	621
	174,193	625

20. FINANCE COSTS

	GROUP	
	2012	**2011**
	RM	**RM**
Interest expense on :		
Bank overdrafts	–	29,606
Banker acceptance	–	38,055
Hire purchase	**3,352**	11,027
Term loans	–	149,118
	3,352	227,806

21. LOSS BEFORE TAXATION

Loss before taxation is derived after charging/(crediting):

	GROUP		COMPANY	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Auditors' remuneration				
- current year	**30,000**	25,000	**10,000**	8,000
- over provision in prior year	**(830)**	–	**(4,820)**	–
Impairment for trade Receivables	–	78,134	–	–
Impairment loss for investment in subsidiary companies	–	–	**5,791,941**	4,575,050
Impairment loss for amount owing by subsidiary companies	–	–	–	5,000,000
Impairment loss for amount owing by subsidiary companies written back	–	–	**(5,000,000)**	–
Depreciation of property, plant and equipment	**607,585**	606,242	–	–
Directors remuneration				
- fees	**20,724**	30,000	–	30,000
- salaries and other emoluments	**82,403**	122,449	–	22,400
- EPF	**35,409**	39,312	–	4,256
Rental of warehouse	**720,000**	453,200	–	–
Rental of equipment	–	6,008	–	–
Trade creditors written off	**83,952**	-	–	–
Unrealised gain on foreign exchange	**(24,914)**	(9,029)	–	–
Realised loss on foreign Exchange	**53,565**	711,587	–	–
Loss on disposal of property, plant and equipment	–	16,390	–	–
Inventories written off	**1**	41,471	–	–

22. TAXATION

	GROUP 2012 RM	GROUP 2011 RM	COMPANY 2012 RM	COMPANY 2011 RM
Current income tax				
- Over provision in prior year	–	(22,257)	–	–

Income tax is calculated at the Malaysian statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the financial year.

A reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	GROUP 2012 RM	GROUP 2011 RM	COMPANY 2012 RM	COMPANY 2011 RM
Loss before taxation	**(428,917)**	(2,373,801)	**(1,122,924)**	(9,738,731)
Taxation at Malaysian statutory tax rate of 25% (2011: 25%)	**(107,231)**	(593,450)	**(280,731)**	(2,434,683)
Expenses not deductible for tax purposes	**92,572**	231,640	**280,731**	2,434,683
Income not subject to tax	**(25,090)**	–	–	–
Over provision of current taxation in prior year	–	(22,257)	–	–
Utilisation of prior years unrecognised deferred tax assets	**(14,428)**	–	–	–
Deferred tax assets not recognised during the financial year	**54,177**	361,810	–	–
Tax savings for the financial year	–	(22,257)	–	–

The Company has unused tax losses and unutilised capital allowance amounting to approximately RM12,963,607 (2011: RM12,139,946) and RM2,368,189 (2011: RM2,356,252) respectively available for carry forward to set-off against future taxable profits. The said amount is subject to approval by the tax authorities.

23. DEFERRED TAX ASSETS

Deferred tax assets have not been recognised in respect of the following temporary differences:-

	GROUP 2012 RM	GROUP 2011 RM
Unused tax losses	**(3,237,487)**	(3,321,329)
Unutilised capital allowances	**(573,336)**	(582,002)
Accelerated capital allowances	**599,322**	566,014
	(3,211,501)	(3,337,317)

The unused tax losses and unutilised capital allowances are available indefinitely for offset against future taxable profits of the respective subsidiary companies.

24. BASIC LOSS PER SHARE

The basic loss per share which has been calculated based on the consolidated loss after taxation for the financial year attributable to owners of the parent of RM428,917 (2011: RM2,351,544) for the Group and the weighted average number of ordinary shares in issue during the financial year of 140,000,000 (2011: 140,000,000) is as follows:

	GROUP	
	2012 RM	**2011 RM**
Net loss for the financial year attributable to owners of the parent	**(428,917)**	(2,351,544)
Weighted average number of ordinary shares in issue	**140,000,000**	140,000,000
Basic loss per share (sen)	**(0.31)**	(1.68)

25. STAFF COSTS

	GROUP	
	2012 RM	**2011 RM**
Staff costs (excluding Directors)	**2,907,791**	2,928,319

Included in the staff costs above are contributions made to the Employees Provident Fund under a defined contribution plan for the Group amounting to RM251,622 (2011: RM229,232).

26. KEY MANAGEMENT PERSONNEL COMPENSATION

	GROUP		COMPANY	
	2012 RM	**2011 RM**	**2012 RM**	**2011 RM**
Short-term employee benefits				
- Fees	**20,724**	30,000	–	30,000
- Salaries and other emoluments	**82,403**	122,449	–	22,400
	103,127	152,449	–	52,400
Post employment benefits				
- Defined contribution plan	**35,409**	39,312	–	4,256
	138,536	191,761	–	56,656

Key management personnel comprise Directors and Executives of the Company, who have authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly.

27. SIGNIFICANT RELATED PARTIES TRANSACTIONS

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:-

	GROUP 2012 RM	GROUP 2011 RM
Sale to a subsidiary company:-		
- Flonic Sdn. Bhd.	**342,517**	228,295
Purchase from a subsidiary company:-		
- Flonic Advance Sdn. Bhd.	**342,517**	228,295

	COMPANY 2012 RM	COMPANY 2011 RM
Impairment loss for amount owing by subsidiary companies written back:-		
- Flonic Sdn. Bhd.	**1,000,000**	–
- Flonic Advance Sdn. Bhd.	**4,000,000**	–
Impairment loss for amount owing by subsidiary companies:-		
- Flonic Sdn. Bhd.	**–**	1,000,000
- Flonic Advance Sdn. Bhd.	**–**	4,000,000

The Directors are of the opinion that the above transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

28. OPERATING LEASE COMMITMENT

	2012 RM	2011 RM
The future minimum lease payment under a cancellable operating lease are as follows :		
- not later than 1 year	**720,000**	720,000
- later than 1 year and not later than 5 years	**–**	1,020,000
	720,000	1,740,000

The company leased the factory building from a third party for operation purpose under a cancellable operating lease agreement. The company is required to give a 3 month notice period for the demand of the agreement.

29. EFFECTS ON FINANCIAL STATEMENTS ON ADOPTION OF NEW REVISED FRSS

The effects on adoption of the following revised FRSs and amendments to FRSs in 2011 are set out below:-

Amendments to FRS 101: Presentation of Financial Statements

The amendments clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statements of changes in equity or in the notes to the financial statements.

This is a disclosure standard and hence does not have any impact on the financial position and performance of the Company.

FRS 3: Business Combinations (Revised)

(i) This revised standard allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority interests') either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree;

(ii) It changes the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss;

(iii) It requires the recognition of a settlement gain or loss where the business combination in effect settles a pre-existing relationship between the Group and the acquiree; and

(iv) It requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the business combination.

Amendments to FRS 7: "Financial Instruments: Disclosures"

The Amendments requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendments require disclosure of fair value measurements by level of a fair value measurement hierarchy.

This is a disclosure standard and hence does not have any impact on the financial position and performance of the Company.

FRS 127: Consolidated and Separate Financial Statements (Revised)

The revised Standard will affect the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in a change in control. Previously, in the absence of specific requirements in FRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, where appropriate; for decreases in interests in existing subsidiaries regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss.

29. EFFECTS ON FINANCIAL STATEMENTS ON ADOPTION OF NEW REVISED FRSS (CONT'D)

FRS 127: Consolidated and Separate Financial Statements (Revised) (cont'd)

Under FRS 127 (Revised), increases or decreases in ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are dealt with in equity and attributed to the owners of the parent, with no impact on goodwill or profit or loss. When control of a subsidiary is lost as a result of a transaction, event or other circumstance, FRS 127 (Revised) requires that the Group derecognise all assets, liabilities and non-controlling interests at their carrying amounts. Any retained interest in the former subsidiary is recognised at its fair value at the date when control is lost, with the resulting gain or loss being recognised in profit or loss.

30. SEGMENT INFORMATION – GROUP

Segment information is primarily presented in respect of the Group's business segment which is based on the Group's management and internal reporting structure. Management monitors the operating results of its business segment separately for the purposes of making decision about resource allocation and performance assessment.

(a) Business segment

The principal businesses of the Group are carrying on the business to design, manufacturing precision system and related activities which are substantially within a single business segment. As such, segmental reporting by business segment is deemed not necessary. Accordingly the information regarding its financial position and results is represented by the financial statements as a whole.

(b) Geographical segments

(i) Revenue by geographical location of customers

	GROUP	
	2012 RM	**2011 RM**
Malaysia	**3,887,399**	2,706,446
China	**3,067,917**	1,290,844
Philippines	**881,455**	3,104,138
Others	**1,172,033**	3,605,638
	9,008,804	10,707,066

(ii) Non-current assets by geographical location of assets are as follows:

	GROUP	
	2012 RM	**2011 RM**
Malaysia	**2,659,457**	3,267,043

30. SEGMENT INFORMATION – GROUP (CONT'D)

(b) Geographical segments (cont'd)

(iii) Current assets by geographical location of assets are as follows:

	GROUP	
	2012 **RM**	**2011** **RM**
Malaysia	**8,484,351**	7,579,172
Europe	**223,677**	231,647
	8,708,028	7,810,819

(c) Information about major customers

Revenue from 3 (2011: 1) major customers amount to RM3,463,167 (2011: RM3,057,388).

31. FINANCIAL INSTRUMENTS

The Group's and the Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its financial risk. The Group and the Company operates within guidelines that are approved by the Directors and the Group's policy is not to engage in speculative transactions.

The main areas of financial risks faced by the Group and the Company policy in respect of the major areas of treasury activity are set out as follows:-

(a) Foreign currency exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group and the Company is exposed mainly to the United States Dollar (USD). The company maintains a natural hedge in which certain purchases and sales are transacted using USD.

The Group's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period was:-

	UNITED STATES DOLLAR	
Functional Currency	**2012** **RM**	**2011** **RM**
Trade receivables	**1,945,402**	2,593,257
Trade Payables	**(208,723)**	(171,344)
	1,736,679	2,421,913

31. FINANCIAL INSTRUMENTS (CONT'D)

(a) Foreign currency exchange risk

Currency risk sensitivity analysis

The following table shows the sensitivity of the Group's equity and loss net of tax to a reasonably possible change in the USD exchange rates against the respective functional currencies of the Group entities, with all other variables remain constant.

	LOSS NET OF TAX RM
USD/RM – strengthening/weakening 5%	86,834

(b) Credit risk

Exposure to credit risk

The Group's exposure to credit risk arises mainly from receivables. Receivables are monitored on an ongoing basis via management reporting procedure and action is taken to recover debts when due.

Credit risk concentration profile

At reporting date, there were no significant concentrations of credit risk other than disclosed in Note 7. The maximum exposure to credit risk for the Group is the carrying amount of the financial assets shown in the statements of financial position.

(c) Liquidity and cash flow risk

The Group seeks to achieve a flexible and cost effective borrowing structure to ensure that the projected net borrowing needs are covered by available committed facilities. Debt maturities are structured in such a way to ensure that the amount of debt maturing in any one year is within the Group's ability to repay and/or refinance.

The Group also maintains a certain level of cash and cash convertible investments to meet its working capital requirements.

All financial liabilities of the Group and of the Company are shown in the statements of financial position are on demand and repayable with the next 12 months.

(d) Fair values

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables, amount owing to related companies, amount owing to directors, amount owing by subsidiary companies and amount owing by an associated company approximate their respective fair values at the reporting date due to the relatively short term nature of these financial instruments.

32. CAPITAL MANAGEMENT

The objective of the Group on capital management is to ensure that it maintains a strong credit rating and safeguard the Group's ability to continue as a going concern, so as to support its business, maintain the market confidence and maximise shareholder value.

To manage and maintain its capital structure, the Group and the Company may acquire their funding from issue of new shares.

33. REALISED AND UNREALISED PROFITS/LOSSES (SUPPLEMENTARY INFORMATION)

The breakdown of the accumulated losses of the Group and of the Company as at 31 January into realised and unrealised amounts is as follows:

	GROUP	
	2012 RM	2011 RM
Total accumulated losses of the Company and its subsidiary companies:-		
Realised losses	**(9,867,850)**	(9,423,048)
Unrealised gains	**24,914**	9,029
	(9,842,936)	(9,414,019)
Total share of accumulated losses from associated companies:-		
Realised losses	**(61,676)**	(61,676)
Less: Consolidation adjustments	**1,632,488**	1,632,488
	(8,272,124)	(7,843,207)

	COMPANY	
	2012 RM	2011 RM
Total accumulated losses :-		
Realised losses	**(10,346,610)**	(440,577)
Unrealised losses	**(791,941)**	(9,575,050)
	(11,138,551)	(10,015,627)

The above disclosure of realised and unrealised losses is made solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and is not made for any other purposes.

34. SIGNIFICANT EVENTS

During the financial year end, the following significant events took place:-

i. In June 2011, the Company had increased its investment in its subsidiary companies Flonic Advance Sdn Bhd and Flonic Sdn Bhd by the issue of 7,500,000 and 1,500,000 ordinary shares respectively by capitalisation of the amount owing by subsidiary companies.

ii. In November 2011, the Company had proposed to implement renounceable rights issue of up to 210,000,000 new ordinary shares of RM0.10 each in Flonic Hi-Tec Bhd ("Flonic") on the basis of 3 rights shares for every 2 existing ordinary share of RM0.10 each held in the company together with up to 140,000,000 free detachable warrants on the basis of 2 warrants for every 3 rights shares. In addition the Company also made a proposal to increase its authorised share capital to RM 100,000,000 comprising of 1,000,000,000 ordinary shares by creating of an additional 750,000,000 ordinary shares to facilitate the implementation of the proposed right issue with warrants.

35. SUBSEQUENT EVENTS

The following proposals of the Company were approved by the shareholders in the Extraordinary General Meeting held on 10 May 2012: -

i. The Company through it merchant bank Hong Leong Investment Bank Berhad proposed renounceable rights issue of up to 210,000,000 new ordinary shares of RM0.10 each in Flonic Hi-Tec Bhd ("Flonic") on the basis of 3 rights shares for every 2 existing ordinary share of RM0.10 each held in Flonic together with up to 140,000,000 free detachable warrants on the basis of 2 warrants for every 3 rights shares subscribed at an issue price of RM0.10 per rights shares and at an exercise price of RM0.10 per warrant. The right issue will be listed and quoted as the existing securities of the same class. The date of commencement of trading of the rights issue will be commenced on 28 May 2012 and ceasation of trading will be on 4 June 2012.

ii. The Company also proposed to increased in the authorised share capital of Flonic from RM25,000,000 comprising 250,000,000 Flonic shares to RM100,000,000 comprising 1,000,000,000 Flonic shares of RM0.10 each. In addition the Company also proposed amendment to the memorandum of association of Flonic to facilitate and to effect the proposed increased in authorised share capital.

36. COMPARATIVE FIGURES

The financial statements of the previous financial year which are presented for comparative purpose were examined and reported on by another firm of auditors.

37. DATE OF AUTHORISATION FOR ISSUE

The financial statements of the Group and of the Company for the financial year ended 31 January 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 21 May 2012.

Statistics of Shareholdings

as at 7 June 2012 (as per Record of Depositors)

Authorised Share Capital	:	RM100,000,000.00 divided into 1,000,000,000 ordinary shares of RM0.10 each
Share Capital Issued	:	140,000,000 ordinary shares of RM0.10 each
Paid-Up Share Capital	:	RM14,000,000.00
Class of Shares	:	Ordinary shares of RM0.10 each
Voting Rights	:	One vote per shareholder on show of hands or one vote per ordinary share on a poll

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Holdings	No. of Holders	No. of Shares Held	% of Issued Shares
Less than 100	3	180	*
100 to 1,000	462	95,200	0.07
1,001 to 10,000	250	1,697,800	1.21
10,001 to 100,000	687	33,039,880	23.60
100,001 to less than 5% of issued shares	216	78,165,300	55.83
5% and above of issued shares	1	27,001,640	19.29
Total	**1,619**	**140,000,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS according to the Register of Substantial Shareholders as at 7 June 2012

		Direct Interest <-------------------->		Deemed Interest <---------------------->	
No.	**Name**	**No. of Issued Shares**	**% of Issued Shares**	**No. of Issued Shares**	**% of Issued Shares**
1.	MercSec Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Novatige Sdn Bhd*	27,001,640	19.29	–	–
2.	Yen Yoon Fah	559,600	0.40	27,101,640 (1)(2)	19.36 (1)(2)
3.	Heng Hock Meng	80	*	27,001,640 (3)	19.29 (3)

Notes:

(1) Deemed interested by virtue of his shareholding in Novatige Sdn Bhd (27,001,640 shares)

(2) Deemed interested by virtue of his spouse's shareholding in the Company (100,000 shares)

(3) Deemed interested by virtue of his shareholding in Novatige Sdn Bhd

* negligible

DIRECTORS' DIRECT AND DEEMED INTERESTS in the Company and/or its Related Corporations as at 7 June 2012

	Direct Interest <-------------------->		Deemed Interest <---------------------->	
Name of Directors	**No. of Issued Shares**	**% of Issued Shares**	**No. of Issued Shares**	**% of Issued Shares**
Yen Yoon Fah	559,600	0.40	27,101,640 (1)(2)	19.36 (1)(2)
Heng Hock Meng	80	*	27,001,640 (3)	19.29 (3)
Soh Chee Beng	100,000	0.07	–	–
Lee Kok Wah	–	–	–	–
Lim Joo Ming	–	–	–	–
Rozita binti Harun	–	–	–	–

Notes:

(1) Deemed interested by virtue of his shareholding in Novatige Sdn Bhd (27,001,640 shares)

(2) Deemed interested by virtue of his spouse's shareholding in the Company (100,000 shares)

(3) Deemed interested by virtue of his shareholding in Novatige Sdn Bhd

* negligible

Statistics of Shareholdings (cont'd)

TOP 30 SECURITIES ACCOUNT HOLDERS as per Record of Depositors as at 7 June 2012

No.	Name	No. of Issued Shares	% of Issued Shares
1.	MercSec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Novatige Sdn Bhd*	27,001,640	19.29
2.	Darryl, Francis Donovan	5,769,400	4.12
3.	JF Apex Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chin Yoke Wah*	3,206,000	2.29
4.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Wong Su Yong*	2,013,000	1.44
5.	Maybank Securities Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Leong Yee Keong (REM 166)*	1,605,400	1.15
6.	Tang Sze Chen	1,250,000	0.89
7.	Chuan Hooi Chai	1,200,000	0.86
8.	Maybank Nominees (Tempatan) Sdn Bhd *Ho Chong Min*	1,200,000	0.86
9.	Yeap Hon-En	1,000,000	0.71
10.	Lee Kung Meng	1,000,000	0.71
11.	Wong Chan Kong	1,000,000	0.71
12.	Chong Kong Meng	900,000	0.64
13.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Koh Ah Hai (E-TSA)*	785,000	0.56
14.	Yap Kheng Keong	750,000	0.54
15.	Wong Geok Tiong	700,000	0.50
16.	CimSec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Selina Dang Siew Ping (Desa Jaya-CL)*	700,000	0.50
17.	Maybank Nominees (Tempatan) Sdn Bhd *Tay Soo Cheng*	700,000	0.50
18.	CimSec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Teh Bee Lan (Penang-CL)*	700,000	0.50
19.	Public Invest Nominees (Tempatan) Sdn Bhd *Exempt AN for Phillip Securities Pte Ltd (Clients)*	677,300	0.48
20.	Ngoo Ah Choo @ Ngoo Kay Choo	667,700	0.48
21.	Siti Junainah binti Dewa	620,000	0.44
22.	Siew Yau Wai @ Siew Ah Why	602,000	0.43
23.	Son Kat Pee @ Soin Kat Pee	600,000	0.43
24.	Kheng Robert	600,000	0.43
25.	Siah Eng Fong	600,000	0.43
26.	Siti Junainah binti Dewa	600,000	0.43
27.	Heng Peng Kee	575,100	0.41
28.	Yen Yoon Fah	559,600	0.40
29.	AmSec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Aik Yun Kim @ Yek Yue Kiew*	550,000	0.39
30.	Yong Siong Ming	520,000	0.37
	Total	**58,652,140**	**41.89**

Notice of 8th Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 8th Annual General Meeting of the Company will be held at Room Arcadia I, Level 3, Hotel Armada Petaling Jaya, Lot 6, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan on Friday, 27 July 2012 at 10.00 a.m. for the transaction of the following business:-

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 January 2012 together with the Reports of the Directors and Auditors thereon. **RESOLUTION 1**

2. To re-elect Mr Yen Yoon Fah who retires by rotation in accordance with Article 85 of the Company's Articles of Association and who being eligible offers himself for re-election. **RESOLUTION 2**

3. To re-elect the following Directors who retire in accordance with Article 92 of the Company's Articles of Association and who being eligible offer themselves for re-election:-

   (i) Mr Lim Joo Ming **RESOLUTION 3**
   (ii) Cik Rozita binti Harun **RESOLUTION 4**
   (iii) Mr Soh Chee Beng **RESOLUTION 5**
   (iv) Mr Chua Wye Man **RESOLUTION 6**
   (v) Mr Ng Yaw Long **RESOLUTION 7**

4. To appoint Messrs Siew Boon Yeong & Associates, who have consented to act, as Auditors of the Company in place of the retiring Auditors to hold office until the conclusion of the next Annual General Meeting and to authorise the Board of Directors of the Company to fix their remuneration. *** RESOLUTION 8**

Special Business

5. To approve the increase in annual Director's fee payable to each non-Executive Director of the Company for the financial year ended 31 January 2012 to RM12,000. **RESOLUTION 9**

6. To consider and, if thought fit, pass the following Ordinary Resolution:-

   Authority to issue shares pursuant to Section 132D of the Companies Act, 1965 **RESOLUTION 10**

   "**THAT** subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals from the relevant governmental and/or regulatory authorities, where such approval is necessary, the Directors of the Company be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors of the Company may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total issued share capital of the Company for the time being **AND THAT** such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.

   AND THAT the Directors of the Company, whether solely or jointly, be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the ACE Market of Bursa Malaysia Securities Berhad AND be hereby authorised to do all such acts and things including executing all relevant documents as he/they may consider expedient or necessary to complete and give full effect to the abovesaid mandate."

7. To consider and, if thought fit, pass the following Special Resolution:-

   Proposed Amendments to Articles of Association of the Company **SPECIAL RESOLUTION**

   "**THAT** the proposed amendments to the Articles of Association of the Company in the manner as set out in Appendix II attached to the Notice of 8th Annual General Meeting of the Company be hereby approved and adopted.

   AND THAT the Directors of the Company, whether solely or jointly, be and are hereby authorised to assent to any modifications, variations and/or amendments as may be considered necessary to complete and give full effect to the Proposed Amendments to the Articles of Association of the Company."

8. To transact any other business that may be transacted at an Annual General Meeting, due notice of which shall have been given in accordance with the Companies Act, 1965 and the Articles of Association of the Company.

Notice of 8th Annual General Meeting (cont'd)

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this 8th Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 61(b) of the Articles of Association of the Company and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors ("ROD") as at 23 July 2012. Only a depositor whose name appears on the ROD as at 23 July 2012 shall be entitled to attend the said meeting or appoint proxies to attend and/or speak and/or vote on his/her behalf.

BY ORDER OF THE BOARD

TONG SIUT MOI
MAICSA 7024173
Secretary

Selangor Darul Ehsan
5 July 2012

Notes:

Proxy

1. *A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy/proxies who may but need not be a member/members of the Company. The provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply, which means in the event the proxy/proxies is/are not a member/members he/she needs not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.*
2. *A member shall be entitled to appoint more than two (2) proxies to attend and vote at the Annual General Meeting. Where a member appoints more than two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his/her shareholding to be represented by each proxy.*
3. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint at least one (1) proxy in respect of each securities account it holds which is credited with ordinary shares of the Company.*
4. *Where a member of the Company is an exempt authorised nominee holding ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account") as defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
5. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing. In the event the appointer is a corporation, the instrument appointing a proxy must be either under the appointer's Common Seal or under the hand of its officer or attorney duly authorised and be supported by a certified true copy of the resolution appointing such officer or certified true copy of the power of attorney.*
6. *The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a notarially certified copy thereof, must be deposited at the Registered Office of the Company at Wisma Little, Unit OG1, Lot 3, Jalan Halba 16/16, Section 16, Shah Alam Industrial Estate, 40000 Shah Alam, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time set for holding the Annual General Meeting or any adjournment thereof.*
7. *For the purpose of determining a member who shall be entitled to attend this 8th Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 61(b) of the Articles of Association of the Company and Section 34(1) of SICDA to issue a General Meeting ROD as at 23 July 2012. Only a depositor whose name appears on the ROD as at 23 July 2012 shall be entitled to attend the said meeting or appoint proxies to attend and/or speak and/or vote on his/her behalf.*

**** Ordinary Resolution 8 – Appointment of Auditors pursuant to Section 172 of the Companies Act, 1965 ("the Act")***

8. *The Ordinary Resolution 8 under agenda 4 above is proposed as the Company has on 30 May 2012 received a Notice of Nomination as Auditors pursuant to Section 172(11) of the Act from Mr Lim Willie, a member of the Company, to nominate Messrs Siew Boon Yeong & Associates for appointment as auditors of the Company in place of the retiring auditors, Messrs Morison AnuarulAzizanChew. Messrs Siew Boon Yeong & Associates have given their written consent to act pursuant to Section 9(6) of the Act. A copy of the Notice of Nomination as Auditors pursuant to Section 172(11) of the Act dated 30 May 2012 is enclosed herein as Appendix I attached to the Notice of 8th Annual General Meeting of the Company.*

Abstention from Voting

9. *All the non-Executive Directors who are shareholders of the Company will abstain from voting on Ordinary Resolution 9 concerning the proposed increase in annual Director's Fee.*

Special Business

10. ***Ordinary Resolution 9 – Proposed Increase in Annual Director's Fee***

    The Ordinary Resolution 9 under agenda 5 above is proposed based on a comparative analysis of the remuneration of Non-Executive Directors in public listed companies in Malaysia.

    The proposed Ordinary Resolution 9, if passed, will grant the Directors of the Company the authority to increase the annual Director's fee payable to each non-Executive Director of the Company for the financial year ended 31 January 2012 to RM12,000.

11. ***Ordinary Resolution 10 – Authority to issue shares pursuant to Section 132D of the Companies Act, 1965***

    The Ordinary Resolution 10 proposed under agenda 6 above is a renewal of the general mandate for issuance of new ordinary shares pursuant to Section 132D of the Companies Act, 1965, which was granted by the shareholders at the last Annual General Meeting. As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 30 July 2011, which will lapse at the conclusion of this 8th Annual General Meeting.

    The proposed Ordinary Resolution 10, if passed, will give the Directors of the Company, from the date of the above Meeting, the authority to issue and allot ordinary shares from the unissued share capital of the Company up to an amount not exceeding in total ten per centum (10%) of the total issued share capital of the Company for the time being for such purposes as the Directors of the Company consider would be in the best interest of the Company. There will be no adverse effect on the share price in such cases, as the new issuance would not be priced at a discount of more than ten per centum (10%) of the weighted average market price for five (5) market days before the price-fixing date. This authority will, unless revoked or varied at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

    The abovesaid mandate will provide the Directors certain flexibilities when the need arises to issue additional shares for any possible fund raising activities, including but not limited to funding future investment projects, working capital and/or acquisitions and, in addition to enhancing efficiency in implementing the same, it will reduce the time and cost that would be involved in seeking shareholders' approval for such issue of shares.

12. ***Special Resolution – Proposed Amendments to Articles of Association of the Company***

    The Special Resolution under agenda 7 above is proposed so as to be in line with the amendments to the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

Appendix I
attached to the Notice of 8th AGM

RHB

RHB Capital Nominees (Tempatan) Sdn Bhd 24915-H
Level 3A, Tower One, RHB Centre, Jalan Tun Razak
50400 Kuala Lumpur, Malaysia
TEL +603 9287 3888 FAX +603-2141 2324

Our Ref : RHNT/FLONIC/AGM/2012

30 May 2012

RECEIVED
30 MAY 2012
Secretarial Dept.

30/5

The Company Secretary
FLONIC HI-TEC BERHAD
Wisma Little Unit OG1
Lot 3 Jalan Halba 16 / 16
Section 16 Shah Alam Industrial Estate
40000 Shah Alam
Selangor
(Attn.: Ms Teresa Tong)

Dear Sir

REQUISITION FOR RESOLUTION AT EIGHTH ANNUAL GENERAL MEETING TO NOMINATE AUDITORS

We received a request from our client, Lim Willie (NRIC no. 521015-01-5445) being a shareholder of Flonic Hi-Tec Berhad ("FLONIC")(0109) to give a notice pursuant to Section 172(11) of the Companies Act, 1965 to nominate Messrs Siew Boon Yeong & Associates for appointment as auditors of FLONIC in place of the retiring auditors, Messrs Morison AnuarulAzizanChew. The intention is to move the motion to change auditors to be passed as an Ordinary Resolution at the forthcoming Annual General Meeting of FLONIC.

In this regard, a notice of the following resolution which is intended to be moved thereat as an Ordinary Resolution:-

"CHANGE OF AUDITORS
THAT Messrs Siew Boon Yeong & Associates, having consented to act, be and are hereby appointed auditors of the Company in place of the retiring auditors, Messrs Morison AnuarulAzizanChew, to hold office until the conclusion of the next Annual General Meeting at a remuneration to be agreed upon between the Directors and the auditors."

According to our records as of today, the client's holdings in the above Company are as follow:-

No.	CDS A/C No. **087 – 001 -**	CDS A/C Name **RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD**	Holdings
1.	051737435	PLEDGED SECURITIES ACCOUNT FOR LIM WILLIE	400,000
2.	053323770	LIM WILLIE	200,000

Thank you

Yours faithfully

Albert Kong Ching Wah
Assistant Vice President
Custody & Nominees Services

Appendix II attached to the Notice of 8th AGM

EXISTING ARTICLES	PROPOSED AMENDMENTS TO EXISTING ARTICLES
Article 4(e)(i) and (ii)	**Article 4(e)(i)**
4. Allotment of Shares	**4. Allotment of Shares**
Without prejudice to any special rights previously conferred on the Holders of any existing shares or class of shares, and subject to the provisions of these Articles and the Act and to the provisions of any resolution of the Company, shares in the Company may be issued by the Directors who may allot, or otherwise dispose of such shares to such persons, on such terms and conditions, which such preferred, deferred or other special rights, and subject to such restrictions and at such times as the Directors may determine but the Directors in making any issue of shares shall comply with the following conditions:-	***(No change)***
(e) ***(To delete in its entirety)*** every issue of shares or options to employees and/or Directors of the Company shall be approved by the Members in General Meeting and no Director shall participate in such issues of shares or options unless:- (i) the Members in General Meeting have approved of the specific allotment to be made to such Directors; and (ii) he holds office in the Company in an executive capacity PROVIDED ALWAYS that a Director not holding office in an executive capacity may so participate, in an issue of shares pursuant to a public issue or public offer.	***(e) every issue of shares or options to employees and/or Directors of the Company pursuant to a Share Issuance Scheme shall be approved by the Members in General Meeting and no Director shall participate in such issue of shares or options unless the Members in General Meeting have approved of the specific allotment to be made to such Director. A Share Issuance Scheme refers to a scheme involving a new issuance of shares to the employees as defined in Rule 1.01 of Chapter 1 of the Listing Requirements.***
Article 72 - Voting Rights of Proxy	**Article 72 - Rights of Proxy**
(To delete in its entirety) A proxy shall be entitled to vote on a show of hands on any question at any General Meeting.	***A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to speak and vote at the meeting.***
Article 78 – Instrument Appointing Proxy to be in Writing	**Article 78 – Instrument Appointing Proxy to be in Writing**
The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under Seal or under the hand of an officer or an attorney duly authorised. A proxy may but need not be a Member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.	The instrument appointing a proxy shall be in writing ***(in the common or usual form)*** under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised. A proxy may but need not be a Member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll. ***A Member shall not be precluded from attending and voting in person at any General Meeting after lodging the form of proxy however such attendance shall automatically revoke the proxy's authority.***

Appendix II
attached to the Notice of 8th AGM (cont'd)

Existing	Proposed
Article 79 – Form of Proxy	**Article 79 – Form of Proxy**
The instrument appointing a proxy shall be in the following form with such variations as circumstances may require or the Statutes permit or in such other form as the Exchange may approve:- *[Format of Form of Proxy]*	***(No change)***
(To delete in its entirety) Notes: A proxy may but need not be a member of the Company and the provisions of section 149(1)(b) of the Act shall not apply to the Company. To be valid, this form duly completed must be deposited at the registered office of the Company not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof. A member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meetings. Where a member appoints more than two (2) proxies the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy in a poll and the proxy who shall be entitled to vote on a show of hands. Where a member is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account. If the appointer is a corporation, this form must be executed under its Common Seal or under the hand of an attorney duly authorised.	***(New insertion)*** ***(a) A Member of the Company who is entitled to attend and vote at a General Meeting, or at a meeting of any class of Members of the Company, may appoint not more than two (2) proxies to attend and vote instead of the Member at the meeting.*** ***(b) Where a Member appoints two (2) proxies, the appointment shall be invalid unless the Member specifies the proportion of his/her shareholding to be represented by each proxy.*** ***(c) Multiple Proxies*** ***(i) Where a Member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint not more than two (2) proxies in respect of each Securities Account it holds with ordinary Shares of the Company standing to the credit of the said Securities Account.*** ***(ii) Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) Securities Account ("omnibus account"), there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*** ***(iii) An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act.*** ***(iv) Where the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.***
Article 85 – Retirement of Directors	**Article 85 – Retirement of Directors**
At the First Annual General Meeting of the Company all the Directors shall retire from office, and at the Annual General Meeting in every subsequent year an election of Directors shall take place and one-third (1/3) of the Directors for the time being, or, if their number is not three (3), or a multiple of three (3), then the number nearest to one-third (1/3) shall retire from office and be eligible for re-election PROVIDED ALWAYS that all Directors except the Managing Director shall retire from office once at least in each three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the General Meeting at which he retires.	At the First Annual General Meeting of the Company all the Directors shall retire from office, and at the Annual General Meeting in every subsequent year an election of Directors shall take place and one-third (1/3) of the Directors for the time being, or, if their number is not three (3), or a multiple of three (3), then the number nearest to one-third (1/3) shall retire from office and be eligible for re-election PROVIDED ALWAYS that all Directors ~~***except the Managing Director***~~ shall retire from office once at least in each three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the General Meeting at which he retires.

Statement Accompanying Notice of 8th Annual General Meeting

Further details of the Directors who are standing for re-election as per Agenda 2 and 3 of the Notice of AGM:-

1. Pursuant to Article 85 of the Articles of Association of the Company, Mr Yen Yoon Fah will be retiring by rotation and standing for re-election at the 8th AGM.

2. Pursuant to Article 92 of the Articles of Association of the Company, the following Directors will be retiring and standing for re-election at the 8th AGM:-

   (i) Mr Lim Joo Ming
   (ii) Cik Rozita binti Harun
   (iii) Mr Soh Chee Beng
   (iv) Mr Chua Wye Man
   (v) Mr Ng Yaw Long

3. The details of the Directors standing for re-election are as set out in "Profile of Directors" on pages 7 to 8 of this Annual Report. Save as disclosed therein, the above Directors have no family relationship with any Director and/or major shareholder of the Company, have no conflict of interest with the Company and have not been convicted for any offence (other than traffic offences) within the past ten (10) years.

4. No notice of nomination has been received to date from any member nominating any individual for election as a Director at the AGM of the Company.

Information for Shareholders on 8th Annual General Meeting

The 8th AGM will be held at Room Arcadia I, Level 3, Hotel Armada Petaling Jaya, Lot 6, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan on Friday, 27 July 2012 at 10.00 a.m.

Details of the 8th AGM are set out in the Notice of 8th AGM in the 2012 Annual Report together with a Form of Proxy. They are also available on Bursa Malaysia Securities Berhad's website, www.bursamalaysia.com

The Company has requested Bursa Malaysia Depository Sdn Bhd in accordance with Article 61(b) of the Articles of Association of the Company and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting ROD as at 23 July 2012, for the purpose of determining the member who shall be entitled to attend the 8th AGM. Only a depositor whose name appears on the ROD as at 23 July 2012 shall be entitled to attend the 8th AGM or appoint proxies to attend and/or speak and/or vote on his/her behalf.

Abbreviations

AA	Articles of Association of the Company
Act	Companies Act, 1965
AC	Audit Committee
AMLR	ACE Market Listing Requirements
AGM	Annual General Meeting
BEE	Board Effectiveness Evaluation
Board	Board of Directors
Bursa LINK	Bursa Listing Information Network
Bursa Securities	Bursa Malaysia Securities Berhad
CEO	Chief Executive Officer
CG	Corporate Governance
CG Code	Malaysian Code on Corporate Governance
Company	Flonic Hi-Tec Bhd
CSR	Corporate Social Responsibility
EC	Executive Chairman
ED/EDs	Executive Director or its plural
FRS/FRSs	Financial Reporting Standard or its plural
FYE	Financial year ended
Group	Flonic Hi-Tec Bhd and its subsidiaries
INED/INEDs	Independent and Non-Executive Director or its plural
IT	Information Technology
LAT	Loss After Tax
NC	Nomination Committee
NED/NEDs	Non-Executive Director or its plural
RC	Remuneration Committee
RM	Ringgit Malaysia
ROD	Record of Depositors
SICDA	Securities Industry (Central Depositories) Act, 1991
SID	Senior Independent Non-Executive Director
TOR/TORs	Terms of Reference or its plural

FORM OF PROXY

FLONIC HI-TEC BHD
(Company No: 655665-T)
(Incorporated in Malaysia under the Companies Act, 1965)

No. of Shares held ....

CDS Account No. ....

*I/We...
(full name as per NRIC/Certificate of Incorporation in capital letters)

Company No./NRIC No. .... of ....
(full address)

....
(full address)

being a member of **FLONIC HI-TEC BHD** hereby appoint ....
(full name as per NRIC in capital letters)

.... NRIC No. ....

or failing him/her, ...
(full name as per NRIC in capital letters)

NRIC No. .... or failing him/her the Chairman of the Meeting as *my/our proxy, to vote for *me/us on *my/our behalf at the 8th AGM of the Company to be held at Room Arcadia I, Level 3, Hotel Armada Petaling Jaya, Lot 6, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan on Friday, 27 July 2012 at 10.00 a.m. and at any adjournment thereof, on the following resolutions referred to in the Notice of 8th AGM.

*My/Our proxy(ies) *is/are to vote as indicated below:-

Ordinary Business		**FOR**	**AGAINST**
Resolution 1	To receive Audited Financial Statements for the year ended 31 January 2012 and Reports of Directors and Auditors thereon		
Resolution 2	To re-elect Mr Yen Yoon Fah as Director (Article 85)		
Resolution 3	To re-elect Mr Lim Joo Ming as Director (Article 92)		
Resolution 4	To re-elect Cik Rozita binti Harun as Director (Article 92)		
Resolution 5	To re-elect Mr Soh Chee Beng as Director (Article 92)		
Resolution 6	To re-elect Mr Chua Wye Man as Director (Article 92)		
Resolution 7	To re-elect Mr Ng Yaw Long as Director (Article 92)		
Resolution 8	To appoint Messrs Siew Boon Yeong & Associates as auditors of the Company in place of the retiring auditors and to authorise the Board of Directors to determine their remuneration		
Special Business			
Resolution 9	To approve increase in annual Director's fee payable to each non-Executive Director for financial year ended 31 January 2012		
Resolution 10	Authority to issue shares pursuant to Section 132D of the Companies Act, 1965		
Special Resolution	Proposed Amendments to Articles of Association of the Company		

(Please indicate with an "X" in the appropriate box against each Resolution how you wish your vote to be cast. If no specific direction as to how the proxy shall vote, the proxy shall vote as he/she thinks fit or, at his/her discretion, abstain from voting.)

Signed this .... day of 2012

....
Signature(s)/Common Seal of Member(s)

For appointment of two proxies, percentage of shareholdings to be represented by the proxies

	No. of shares	**Percentage**
Proxy 1		
Proxy 2		
Total		100%

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy/proxies who may but need not be a member/members of the Company. The provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply, which means in the event the proxy/proxies is/are not a member/members he/she needs not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.
2. A member shall be entitled to appoint more than two (2) proxies to attend and vote at the Annual General Meeting. Where a member appoints more than two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his/her shareholding to be represented by each proxy.
3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint at least one (1) proxy in respect of each securities account it holds which is credited with ordinary shares of the Company.
4. Where a member of the Company is an exempt authorised nominee holding ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account") as defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing. In the event the appointer is a corporation, the instrument appointing a proxy must be either under the appointer's Common Seal or under the hand of its officer or attorney duly authorised and be supported by a certified true copy of the resolution appointing such officer or certified true copy of the power of attorney.
6. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a notarially certified copy thereof, must be deposited at the Registered Office of the Company at Wisma Little, Unit OG1, Lot 3, Jalan Halba 16/16, Section 16, Shah Alam Industrial Estate, 40000 Shah Alam, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time set for holding the Annual General Meeting or any adjournment thereof.
7. For the purpose of determining a member who shall be entitled to attend this 8th Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 61(b) of the Articles of Association of the Company and Section 34(1) of SICDA to issue a General Meeting ROD as at 23 July 2012. Only a depositor whose name appears on the ROD as at 23 July 2012 shall be entitled to attend the said meeting or appoint proxies to attend and/or speak and/or vote on his/her behalf.

Delete if not applicable

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POSTAGE

Company Secretary
FLONIC HI-TEC BHD (655665-T)
Wisma Little, Unit OG1, Lot 3,
Jalan Halba 16/16, Section 16,
Shah Alam Industrial Estate,
40000 Shah Alam,
Selangor Darul Ehsan

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FLONIC HI-TEC BHD
(Company No: 655665-T)
(Incorporated in Malaysia under the Companies Act, 1965)
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Website : www.flonic.com

An ISO 9001 Certified Company