www.flonic.com

An ISO 9001 Certified Company

Flonic Hi-tec Bhd
(Company No: 655665-T)
(Incorporated in Malaysia under the Companies Act, 1965)

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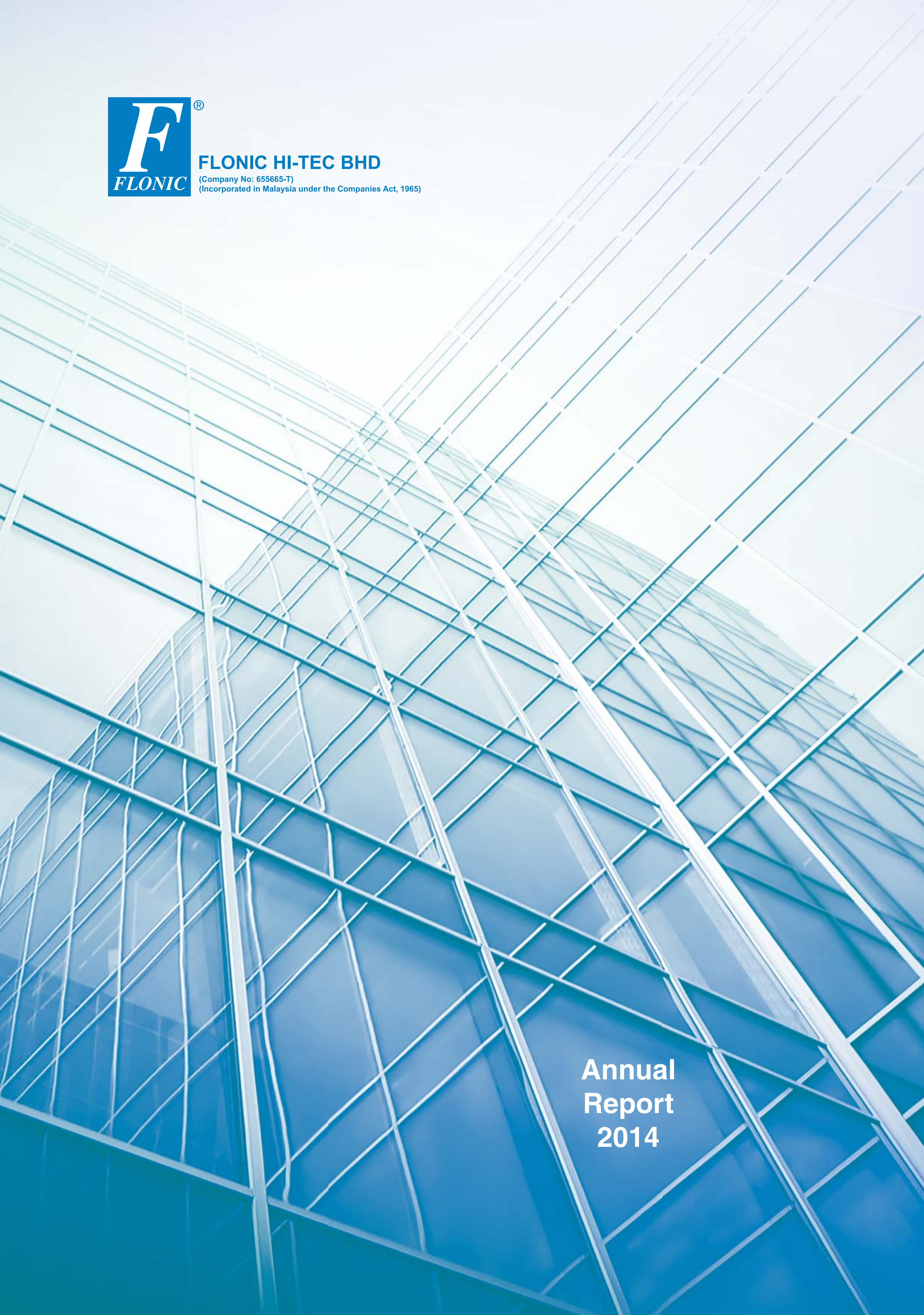
1, Jalan Kiara, Mont Kiara 50480 Kuala Lumpur
Tel : 603 6205 2225   Fax: 603 6205 2221   Email: sales@flonic.com

FLONIC HI-TEC BHD (Company No: 655665-T)

Annual Report 2014



FLONIC HI-TEC BHD
(Company No: 655665-T)
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Annual Report 2014

CONTENTS

Notice of **Tenth Annual General Meeting**

NOTICE IS HEREBY GIVEN THAT the Tenth Annual General Meeting of the Company will be held at the Tun H. S. Lee Room, The Royal Commonwealth Society, No. 4 Jalan Birah, 50490 Kuala Lumpur, Selangor on Wednesday, 23 July 2014 at 10:00 a.m. for the transaction of the following business:-

AGENDA

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 January 2014 together with the Reports of the Directors and Auditors thereon. ***[Please refer to Explanatory Note 1]***

2. To re-elect Mr. Ng Yaw Long, the Director who retires in accordance with Article 85 of the Company's Articles of Association and being eligible, has offered himself for re-election. ***(Resolution 1)***

3. To re-elect Ms. Voon Wee Li, the Director who retires in accordance with Article 92 of the Company's Articles of Association and being eligible, has offered herself for re-election. ***(Resolution 2)***

4. To re-appoint Messrs. Siew Boon Yeong & Associates as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. ***(Resolution 3)***

5. **As Special Business**

   To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:-

   Ordinary Resolution No. 1
   - **Payment of Directors' Fees**

   "THAT the Directors' Fees amounting to RM60,000/- (Ringgit Malaysia: Sixty Thousand) only for the financial year ended 31 January 2014 be and is hereby approved for payment." ***(Resolution 4)***

   Ordinary Resolution No. 2
   - **Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965**

   "THAT subject to Section 132D of the Companies Act, 1965 and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company." ***(Resolution 5)***

Notice of **Tenth Annual General Meeting**
cont'd

6. 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.

BY ORDER OF THE BOARD

CHUA SIEW CHUAN *(MAICSA 0777689)*
CHENG CHIA PING *(MAICSA 1032514)*
Company Secretaries

Kuala Lumpur
1 July 2014

Explanatory Notes to Ordinary and Special Business:

1. *Item 1 of the Agenda*

   This Agenda item is meant for discussion only, as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

2. *Payment of Directors' Fees*

   The proposed adoption of the Resolution 4, if approved, will authorise payment of Directors' Fees pursuant to Article 62 of the Company's Articles of Association.

3. *Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965*

   The Company wishes to renew the mandate on the authority to issue shares pursuant to Section 132D of the Companies Act, 1965 at the Ninth Annual General Meeting of the Company (hereinafter referred to as the "General Mandate").

   The Company had been granted a general mandate by its shareholders at the Ninth Annual General Meeting of the Company held on 26 July 2013 to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of shares issued does not exceed 10% of the issued share capital of the Company (hereinafter referred to as the "Previous Mandate"). Pursuant to the Previous Mandate, the Company has undertaken a private placement exercise which has been completed on 23 December 2013 where 34,994,493 new ordinary shares of RM0.05/- each have been issued at the issued price of RM0.085 per placement share. The proceeds raised from the said private placement exercise was RM2,974,531.90. The details of utilisation of the proceeds from the said private placement exercise were as follow:-

Details of Utilisation	***Status of Utilisation***	***Amount Allocated (RM)***	***Amount Utilised (RM)***
Repayment of Bank Borrowings	*Fully*	*2,914,532*	*2,914,532*
Expenses in relation to Private Placement Exercise	*Fully*	*60,000*	*60,000*
	TOTAL	*2,974,532*	*2,974,532*

Notice of **Tenth Annual General Meeting**
cont'd

The Company has utilised the proceeds raised to repay its Bank Borrowings and to settle the expenses incurred in relation to Private Placement Exercise.

The purpose to seek the General Mandate is to enable the Directors of the Company to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting as it would be both time and cost-consuming to organise a general meeting. This authority unless revoked or varied by the Company in general meeting, will expire at the next Annual General Meeting. The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

Notes:-

1. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 16 July 2014 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.*

2. *A member entitled to attend and vote at the Meeting is entitled to appoint more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(a),(b),(c) and (d) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.*

3. *Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he or she specifies the proportion of his or her holdings to be represented by each proxy.*

4. *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 its seal or under the hand of an officer or attorney duly authorised.*

5. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

6. *The instrument appointing a proxy must be deposited at the Company's Registered Office at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than 48 hours before the time for holding the Meeting or at any adjournment thereof.*

Abstention from Voting

7. *All the Directors who are shareholders of the Company and entitled to Directors' fees will abstain from voting on **Ordinary Resolution Nos.1** concerning Directors' fees at the Annual General Meeting.*

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

COMPANY SECRETARIES

Chua Siew Chuan
(MAICSA 0777689)

Chin Mun Yee
(MAICSA 7019243)
(Resigned w.e.f. 01/04/2014)

Cheng Chia Ping
(MAICSA 1032514)
(Appointed w.e.f. 01/04/2014)

SHARE REGISTRAR

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

REGISTERED OFFICE

Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Wilayah Persekutuan
Telephone No. : 03-2084 9000
Facsimile No. : 03-2094 9940/
03-2095 0292

PRINCIPAL OFFICE

#10-1, Level 10
Menara One Mont' Kiara
1 Jalan Kiara, Mont' Kiara
50480 Kuala Lumpur
Wilayah Persekutuan
Telephone No. : 03-6205 2225
Facsimile No. : 03-6205 2221

CORPORATE WEBSITE

www.flonic.com

AUDITORS

Messrs. Siew Boon Yeong & Associates
(AF: 0660)
Chartered Accountants
No. 9-C, Jalan Medan Tuanku
Medan Tuanku
50300 Kuala Lumpur
Wilayah Persekutuan
Telephone No. : 03-2693 8837
Facsimile No. : 03-2693 8836

PRINCIPAL BANKERS

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

Board of Directors and **Board Committees**

BOARD OF DIRECTORS

Dato' Chua Wye Man
(Executive Chairman)

Ng Yaw Long
(Senior Independent Non-Executive Director)
(Re-designated w.e.f. 23/12/2013)

Lee Kok Wah
(Independent Non-Executive Director)

Voon Wee Li
(Independent Non-Executive Director)
(Appointed w.e.f. 23/12/2013)

Rozita Binti Harun
(Independent Non-Executive Director)
(Resigned w.e.f. 27/09/2013)

Heng Hock Meng
(Executive Director)
Resigned w.e.f. 30/04/2013

Lim Joo Ming
(Independent Non-Executive Director)
Resigned w.e.f. 01/05/2013

AUDIT COMMITTEE

Lee Kok Wah
(Chairman)

Ng Yaw Long
(Member)

Voon Wee Li
(Member)
(Appointed w.e.f. 23/12/2013)

Rozita Binti Harun
(Member)
(Ceased w.e.f. 27/09/2013)

NOMINATION COMMITTEE

Ng Yaw Long
(Chairman)
(Elected w.e.f. 20/06/2013)

Lee Kok Wah
(Member)

Voon Wee Li
(Member)
(Appointed w.e.f. 23/12/2013)

Rozita Binti Harun
(Member)
(Ceased w.e.f. 27/09/2013)

REMUNERATION COMMITTEE

Ng Yaw Long
(Chairman)

Lee Kok Wah
(Member)

Dato' Chua Wye Man
(Member)

Voon Wee Li
(Member)
(Appointed w.e.f. 29/05/2014)

Group Corporate **Structure**

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

- (100%) Flonic Architectural Sdn. Bhd.
- (100%) Flonic Advance Sdn. Bhd.
  - (51%) Flonic Europe SPRL
  - (50%) Flonic International Ltd
  - (50%) Flonic (USA) LLC
  - (49%) Flonic (Thailand) Co. Ltd.
- (100%) Flonic Sdn. Bhd.
- (100%) Flonic Engineering Sdn. Bhd.
- (30%) Jiwa Holdings Sdn. Bhd.
  - (100%) Jiwa Furniture Sdn. Bhd.
  - (100%) Jiwa Furniture Marketing Sdn. Bhd.
  - (70%) Jiwa Project Sdn. Bhd.
  - (40%) Jiwa M&E Service Sdn. Bhd.

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 2014

CORPORATE DEVELOPMENT

The Group has undertaken the following corporate proposals, with the ultimate aim to restore the financial health of the Group in the long term:-

Corporate Proposals 1

I am pleased to inform that the following corporate proposals, save for the Option, were completed on 30 April 2013:-

- Acquisition of 300,000 ordinary shares of RM1/- each in Jiwa Holdings Sdn. Bhd. (**"Jiwa"**) (**"Jiwa shares"**) representing 30% equity interest in Jiwa by the Company for a total cash consideration of RM3.75 million (**"Jiwa Acquisition"**);

- Option to acquire an additional 210,000 Jiwa shares representing 21% equity interest in Jiwa for a total purchase consideration of RM2,625,000/- via a mode of satisfaction to be determined (**"Option"**); and

- Diversification of the principal activities of the Company and its subsidiaries to include project management, interior fit-out and manufacturing of and trading in wood furniture (**"Diversification"**) (collectively, the **"Proposals"**).

Pursuant to the Option, the Company as Grantee shall be entitled to exercise the Option at any time commencing from the date of completion of the Share Sale Agreement for a period of twelve (12) months from the date of completion of the Share Sale Agreement (which commenced on 30 April 2013 and expires on 30 April 2014) or any such extended period as the parties may agree to in writing ("the Option Period").

An extension of time of the Option Period for an additional six (6) calendar months for expiry at the end of the day of 31 October 2014 was agreed and confirmed by the Company with Mr. Harris Hans Chua and Mr. Roy Thean Chong Yew ("the Grantors") on 27 February 2014.

Corporate Proposals 2

I am pleased to inform that the following corporate proposals, save for the Par Value Reduction which was completed on 23 September 2013, have been deemed completed on 26 July 2013 following the approval by the shareholders at the Extraordinary General Meeting of the Company held on 26 July 2013:-

(i) Reduction of the Company's existing issued and paid-up share capital from RM34,994,493 comprising 349,944,931 ordinary shares of RM0.10 each in the Company to RM17,497,246.50 comprising 349,944,931 ordinary shares of RM0.05 each in the Company via the cancellation of RM0.05 from the par value of each existing ordinary share of RM0.10 each in the Company pursuant to Section 64 of the Companies Act, 1965 (**"Par Value Reduction"**);

Chairman's Statement **to the Shareholders**

cont'd

(ii) Variation to the utilisation of listing proceeds from the Company's Rights Issue with Warrants (**"Variation To The Utilisation Of Proceeds"**); and

(iii) Amendment to the Memorandum of Association of the Company for the Proposed Par Value Reduction (**"Amendment"**).

The resolutions in relation to the above corporate proposals previously announced were approved by the shareholders of the Company at the Extraordinary General Meeting on 26 July 2013.

The High Court of Malaya granted an order confirming the Par Value Reduction on 18 September 2013. The Par Value Reduction was completed on 23 September 2013 upon the lodgement of an office copy of the sealed order of the High Court of Malaya confirming the Par Value Reduction with the Companies Commission of Malaysia.

Corporate Proposal 3

I am pleased to inform that the following corporate proposal, has been deemed completed following the listing of and quotation for 34,994,493 Placement Shares on the ACE Market of Bursa Malaysia Securities Berhad with effect from 23 December 2013:-

The Company on 27 September 2013, 8 October 2013, 6 November 2013, 8 November 2013 and 11 December 2013 announced a proposal to implement a private placement of up to 34,994,493 new ordinary shares of RM0.05 each in the Company to independent third party investors (the "Private Placement"). Bursa Malaysia Securities Berhad had, vide its letter dated 7 November 2013, approved the listing of and quotation for up to 34,994,493 new ordinary shares of RM0.05 each in the Company representing not more than 10% of the enlarged issued and paid-up share capital of the Company. The Company fixed the issue price at RM0.085 per Placement Share to be issued pursuant to the Private Placement.

The listing date of the 34,994,493 new ordinary shares of RM0.05 each in the Company issued for the Private Placement was on 23 December 2013.

Corporate Proposal 4

The Company on 17 April 2014 announced a proposal for a renounceable rights issue of up to 524,902,678 new ordinary shares of RM0.05 each in the Company ("Rights Shares") together with up to 349,935,118 free detachable warrants ("Warrants") at an issue price of RM0.07 per Rights Share on the basis of one (1) Rights Share for every one (1) existing ordinary share of RM0.05 each held in the Company together with two (2) Warrants for every three (3) Rights Shares subscribed at an entitlement date to be determined later (**"Proposed Rights Issue with Warrants"**). The listing application for the listing of and quotation for the Rights Shares and Warrants to be issued pursuant to the Proposed Rights Issue with Warrants was submitted to Bursa Malaysia Securities Berhad on 20 May 2014.

Changes to Group Structure

With the completion of Jiwa Acquisition, the principal activities of the Group have been diversified to include the principal activities of Jiwa comprising project management, interior fit-out and manufacturing of and trading in wood furniture.

The Company on 14 February 2014 announced that Jiwa M&E Services Sdn. Bhd. was to be treated as an associate company of Jiwa with effect from 7 February 2014 following its cessation as a deemed subsidiary of Jiwa.

Chairman's Statement **to the Shareholders**

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FINANCIAL PERFORMANCE

For the FYE 31 January 2014, the Group recorded a turnover of RM33.685 million, a substantial 178.3% increase as compared with RM12.102 million registered for the preceding year corresponding period. The significant increase in the turnover was attributable to the consolidation of revenue from Jiwa.

In consequence thereto, for the FYE 31 January 2014, the Group posted a loss after taxation ("LAT") of RM3.34 million, a 58.8% reduction as compared to LAT of RM8.1 million recorded for the preceding year corresponding period.

PROSPECTS

The Jiwa Acquisition represents the Company's long term business strategy to diversify its business to include project management, interior fit-out and manufacturing of and trading in wood furniture, with the aim of improving the financial position of the Group through Jiwa's contribution to the financial results of the Group.

DIVIDEND

The Directors do not recommend a dividend for FYE 31 January 2014.

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 this 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 significant 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. Community

   Being a socially responsible corporate citizen, the Group is active in its contributions to community welfare. To achieve its corporate social objectives, the Group supports the needy in the communities in which its businesses operate and its employees live and work.

c. 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, to ensure a high level of safety requirements awareness is disseminated to all employees at all levels.

In addition, the Group upgrades its employees' skills and knowledge 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.

Chairman's Statement **to the Shareholders**
cont'd

APPRECIATION & ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to take this opportunity to extend our sincere appreciation to our shareholders, customers, staff, suppliers, business associates, the financiers, the government agencies and regulatory authorities for their continued support to our Group.

DATO' CHUA WYE MAN
Executive Chairman

Dated: 1 July 2014

Board of **Directors' Profile**

DATO' CHUA WYE MAN
Executive Chairman
Malaysian, age 48

Dato' Chua Wye Man was appointed to the Board as an Independent Non-Executive Director on 29 June 2012. He was subsequently re-designated to Executive Director and Executive Chairman on 1 November 2012 and 20 December 2012 respectively. He was appointed as a member of Remuneration Committee on 20 December 2012.

Dato' 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.

Dato' 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. He is at present a director of a number of private limited companies.

Dato' Chua attended all the Board Meetings of the Company held in the financial year ended 31 January 2014.

LEE KOK WAH
Independent Non-Executive Director
Malaysian, age 48

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, 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.

Mr Lee attended all the Board Meetings of the Company held in the financial year ended 31 January 2014.

Board of **Directors' Profile**
cont'd

NG YAW LONG
Independent Non-Executive Director
Malaysian, age 37

Mr Ng Yaw Long joined the Board on 29 June 2012 as an Independent Non-Executive Director. He serves as a member of the Audit Committee and he was elected as the Chairman of Nomination Committee and Remuneration Committee on 20 June 2013. He was subsequently re-designated to Senior Independent Non-Executive Director on 23 December 2013.

Mr Ng obtained a Bachelor of Business Information Systems 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 attended all the Board Meetings of the Company held in the financial year ended 31 January 2014.

VOON WEE LI
Independent Non-Executive Director
Malaysian, age 40

Ms. Voon Wee Li joined the Board on 23 December 2013 as an Independent Non-Executive Director. She was appointed as a member of Nomination Committee and Audit Committee on 23 December 2013. She was subsequently appointed as a member of Remuneration Committee on 29 May 2014.

Ms. Voon graduated with a Bachelor of Laws (Hons) from University of London and she was called to the Malaysian Bar in 2001.

Ms. Voon has been in active practice since year 2001 and currently is a partner at Messrs. Voon & Malathi (Advocates & Solicitors). Her areas of practice include corporate advisory, property conveyance and litigation.

There was no Board meeting held subsequent to her appointment as Independent Non-Executive Director of the Company in the financial year ended 31 January 2014.

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.

Statement on **Corporate Governance**

The Board is pleased to present this statement to provide investors with an overview of the extent of compliance with the Principles as set out in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") of the Company under the stewardship of the Board. It demonstrates the Board's emphasis to show the manner in which the Company has applied the Principles and the Recommendations of the MCCG 2012. This statement also serves as a compliance with Rule 15.25 of the ACE Market Listing Requirements ("ACE LR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

THE BOARD OF DIRECTORS

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1. Clear Functions of the Board and Management

The Board is responsible for the leadership, oversight and the long-term success of the Group. The Board fully understands their collective responsibilities in guiding the business activities of the Group in reaching an optimum balance of a sound and sustainable business operation in order to safeguard shareholders' value.

The Board has reserved certain items for its review including the approval of Group strategic plans, financial statements, dividend policy, risk management, significant acquisitions and disposals, investments in significant joint ventures, significant property transactions, significant capital expenditure, dividends and board appointments.

The Board has also delegated certain responsibilities to other Board Committees, which operate within clearly defined terms of reference. Standing committees of the Board include the Audit Committee, Nomination Committee and Remuneration Committee. The Board receives reports at its meetings from the Chairman of each committee on current activities and it is the general policy of the Company that all major decisions be considered by the Board as a whole.

2. Clear Roles and Responsibilities

During the financial year ended ("FYE") 31 January 2014, 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; 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.

Statement on **Corporate Governance**
cont'd

THE BOARD OF DIRECTORS *cont'd*

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES *cont'd*

3. Composition of the Board

The Board comprises four (4) members. Three (3) are Independent Non-Executive Directors ("INEDs") and there is one Executive Chairman. The size of INEDs on Board forms more than one-third of the entire Board structure, thereby in compliance with Rule 15.02(1) of the ACE LR of Bursa Securities and Recomendation 3.5 of the MCCG 2012.

The INEDs are all independent from the management and are free from any business or other relationships that 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 spectrum of knowledge and skills from their respective experiences.

The members of the Board consist of professionals and entrepreneurs with diverse skills, expertise and experiences from various industries, such as total waste management solutions, legal, management as well as accounting. 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.

The profile of each Director is as set out in the Board of Directors' Profile on pages 12 to 13 of this Annual Report.

4. Code of Conduct

With the completion of Jiwa Acquisition, the Board has moved into an integration phrase to consolidate and streamline its business operations (hereinafter referred to as "**the Integration**"). The Board is aware of the need to establish a corporate culture that would foster common goal of achieving business profitability, whilst cultivating ethical business conducts.

Upon completion of the Integration, the Board would formalise ethical business conduct through a code of conduct and to ensure the implementation of appropriate internal systems by the Management to support, promote and ensure its compliance of the code of conduct.

5. Strategies to Promote Sustainability

The Board views the commitment to sustainability and Environmental, Social and Governance ("ESG") performance as part of its broader responsibility to clients, shareholders and the communities in which it operates.

The Group recognises the importance of its corporate and social responsibility whilst pursuing its corporate goals. The Group continues to invest in its staff through continuous training to develop in-house capability and also a united workforce that assists in the Group realising its goals and objectives. The Group, however, is unable to undertake any social activities to fulfill its corporate responsibility at this juncture. Upon the completion of the integration, the Company would be in a better position to carry out social activities for the benefits of the public.

Statement on **Corporate Governance**
cont'd

THE BOARD OF DIRECTORS *cont'd*

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES *cont'd*

6. Access to Information and Advice

In ensuring an effective functioning of the Board, 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. 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.

The Directors, whether as a full board or in their individual capacity, 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.

7. Company Secretary

The appointment and removal of the Company Secretary is a matter for the Board. All directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that board procedures are followed and that applicable rules and regulations are complied with.

The Board is satisfied with the support rendered by the Company Secretary to the Board in discharge of its roles and responsibility. The Company Secretary plays an advisory role to the Board on the Company's contribution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. Also, the Company Secretary ensures that the deliberations at the Board meetings are well captured and minuted.

8. Board Charter

The Company has adopted a Board Charter which governs how the Company conducts its affairs and it is also available on the Company's website. The Board Charter is applicable to all Directors of the Company and, amongst other things, provides that all Directors must avoid conflicts of interest between their private financial activities and their part in the conduct of company business.

The Board Charter sets out the authority, responsibilities, membership and operation of the Board of the Company, adopting principles of good corporate governance and practice, in accordance with applicable laws in Malaysia. The Board Charter entails the following:-

- Authority;
- Role of Board;
- Delegation to Committees;
- Relationship with Management;
- Board Responsibilities; and
- Structure.

A full text copy of the Board Charter is available for viewing at the Company's corporate website at *www.flonic.com/boardcharter.pdf*

Statement on **Corporate Governance**
cont'd

STRENGTHEN COMPOSITION

1. Board Committee

The Board has put in place the following Committees to assist in carrying out its fiduciary duties. All of these Committees have written terms of reference clearly outlining their objectives, duties and powers. The final decisions on all matters are determined by the Board as a whole.

2. Audit Committee

The membership and Terms of Reference of the Audit Committee is stated in the Audit Committee Report of this Annual Report. A summary of the activities of the Audit Committee during the year, including an evaluation of the independent audit process, is set out in the Audit Committee Report on pages 31 to 35 of this Annual Report.

3. Nomination Committee

The Nomination Committee comprises exclusively of three (3) Independent Non-Executive Directors as follows:-

Nomination Committee	Number of Nomination Committee Meetings attended/held in the financial year under review
Ng Yaw Long (Chairman) *(Elected w.e.f. 20/06/2013)*	2/2
Lee Kok Wah (Member)	2/2
Voon Wee Li (Member) *(Appointed w.e.f. 23/12/2013)*	N/A
Rozita Binti Harun (Chairman) *(Ceased w.e.f. 27/09/2013)*	1/1

The Nomination Committee shall meet at least once a year or as and when deemed fit and necessary.

The duties and responsibilities of the Nomination Committee are as follows:-

- To nominate and recommend to the Board, suitable candidates for directorships. In making such recommendations, to consider candidates proposed by chief executive officer and within the bounds of practicability, by any other senior executives or any director or shareholder;
- To nominate and recommend to the Board, the nominees to fill seats on Board committees;
- To assist the Board in its annual review of its required mix of skills and experience and other qualities, including core competencies which non-executive Directors should bring to the Board; and
- To assist the Board in implementing an assessment programme to assess the effectiveness of the Board as a whole, the committees of the Board and the individual director on an annual basis.

Statement on **Corporate Governance**
cont'd

STRENGTHEN COMPOSITION *cont'd*

3. Nomination Committee *cont'd*

The following activities were undertaken by the Nomination Committee during the financial year:-

(i) Conducted the Board evaluation to assess the effectiveness of the Board as a whole and Board Committees in accordance with the eight (8) principles of the MCCG 2012;

(ii) Evaluated the contribution and performance of each individual Director;

(iii) Examined the size of the Board and mix of skills set possessed by the Board of Directors with the conclusion that the current size of the Board was adequate, taking into account the current business operations of the Group;

(iv) Review and recommendation to the Board, the adoption of "Declaration by Independent Directors" to confirm the "independence" of the Independent Directors on an annual basis;

(v) Review and recommendation to the Board, the re-election of the Directors who will be retiring at the forthcoming Annual General Meeting ("AGM") of the Company;

(vi) Nomination and recommendation to the Board, the appointment of Ms. Voon Wee Li as the new Independent Non-Executive Director, replacing Puan Rozita Binti Harun, who has resigned earlier;

(vii) Nomination and recommendation to the Board, the appointment of Ms. Voon Wee Li members of the Audit Committee and Nomination Committee, respectively;

(viii) Election of Mr. Ng Yaw Long as the Chairman of the Nomination Committee, replacing Puan Rozita Binti Harun, who has vacated the Chair upon her resignation as Director of the Company; and

(ix) Recommendation to the Board, the re-designation of Mr. Ng Yaw Long as the "Senior Independent Non-Executive Director" from "Independent Non-Executive Director".

4. Appointments of the Board and Re-Election

The Nomination Committee comprising three (3) 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.

<u>Appointment to the Board</u>

For appointment as Directors, the Nomination Committee will undertake a three-staged process as follows:-

Statement on **Corporate Governance**
cont'd

STRENGTHEN COMPOSITION *cont'd*

4. Appointments of the Board and Re-Election *cont'd*

(1) Stage 1 - Review of the potential candidates based on the following criteria:-

- qualifications;
- skills;
- functional knowledge;
- experience;
- character;
- gender;
- integrity and professionalism;
- time commitment; and
- in the case of the candidates for the position of the INEDs, whether the test of independence under the ACE LR is satisfied.

(2) Stage 2 - Board Gaps Review

The Nomination Committee will conduct the following reviews to ensure the selected candidate would help close any possible gaps in the Board:-

- The overall composition of the Board;
- Combination of skills of existing Directors; and
- Any regulatory requirements and/or best practices available.

(3) Stage 3 - Recommendation to the Board

The recommendations of the Nomination Committee would be submitted to the Board for its consideration and approval.

Nomination by Shareholder

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.

Appointment to Board Committees

The Nomination Committee is 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. In determining the candidates for appointment to the Board Committees, various factors are considered by the Nomination Committee, including the results of the BEE for the Board Committees, to ensure the requirements of the Committees are addressed.

During the financial year ended 31 January 2014, the Board approved the appointment of Chairman and/or members of the respective Board Committees namely, Audit Committee and Nomination Committee, based on the Nomination Committee's recommendation.

Statement on **Corporate Governance**
cont'd

STRENGTHEN COMPOSITION *cont'd*

4. Appointments of the Board and Re-Election *cont'd*

Election/Re-election of Directors

Pursuant to Article 85 of the AA, an election of Directors shall take place each year at its AGM where one-third (1/3) of the Directors who are longest in office shall retire, and, if eligible, may offer themselves for re-election. The Nomination Committee 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 for re-election, the Nomination Committee conducted the following assessments:-

(i) 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;

(ii) In the case of INED, whether the test of independence under the ACE LR has been continuously satisfied; and

(iii) Ability to act in the best interest of the Company in decision-making.

5. Gender Diversity

The Board recognises the importance and benefit of diversity, in particular, the gender diversity at the Boardroom level, as duly promulgated by the Malaysian government to the corporate sector in Malaysia.

The Board has yet to develop any gender diversity policies and targets and the measures to meet the targets. Nonetheless, on its review of the potential candidates for Board appointment, gender diversity is one of criteria being considered by the Board. For the financial year ended 31 January 2014, the Board has appointed Ms. Voon Wee Li as the new INED, replacing Puan Rozita Binti Harun who has resigned earlier.

6. Remuneration Committee

The Remuneration Committee comprises three (3) INEDs and an Executive Chairman.

Remuneration Committee	Number of Remuneration Committee Meetings attended/held in the financial year under review
Ng Yaw Long (Chairman) *(Elected w.e.f. 20/06/2013)*	N/A
Lee Kok Wah (Member)	1/1
Dato' Chua Wye Man (Member)	1/1
Voon Wee Li (Member) *(Appointed w.e.f. 29/05/2014)*	N/A

Statement on **Corporate Governance**
cont'd

STRENGTHEN COMPOSITION *cont'd*

6. Remuneration Committee *cont'd*

The duties and responsibilities of the Remuneration Committee are as follows:-

- To review and assess the remuneration packages of the Executive Directors in all forms, with or without other independent professional advice or other outside advice;
- To ensure the levels of remuneration be sufficiently attractive and be able to retain Directors needed to run the Company successfully;
- To structure the component parts of remuneration so as to link rewards to corporate and individual performance and to assess the needs of the Company for talent at Board level at a particular time; and
- To recommend to the Board the remuneration packages of the Executive Directors.

7. Remuneration Policy

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

The Executive Chairman is not entitled to Director's fee. His 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 sufficient to attract and retain the Director(s) needed to run the Company successfully. The Executive Chairman plays no part in deciding his own remuneration and he has abstained from all discussions pertaining to his remuneration.

The Remuneration Committee is responsible for reviewing and making recommendations to the Board for approval, the framework and remuneration packages of the Non-Executive Directors as well as the Executive Chairman 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 Remuneration Committee considers various factors including the Directors' fiduciary duties, time commitments expected of them and the Company's financial performance.

Statement on **Corporate Governance**
cont'd

STRENGTHEN COMPOSITION *cont'd*

7. Remuneration Policy *cont'd*

A summary of remuneration packages of the Directors of the Company for the financial year ended 31 January 2014 which includes the figures for the Directors who have resigned and/or retired during the year is as follows:

Directors' Remuneration	Executive Director (RM)	Non-Executive Directors (RM)
Fees	-	60,000/-
Salaries	122,000/-	-
Percentages	-	-
Bonuses	-	-
Commission	-	-
Compensation for loss of office	-	-
Benefits-in-kind	-	-
Meeting Expenses	-	16,500/-
Total	**122,000/-**	**76,500/-**

The details of remuneration for Directors of the Company received/receivable for the financial year ended 31 January 2014 by category and in bands of RM50,000.00 are as shown below:-

Range of Remuneration Per Annum	No. of Director (Executive)	No. of Directors (Non-Executive)
Below RM50,000	1	5
RM50,001 to RM100,000	1	-
RM100,001 to RM150,000	-	-

REINFORCE INDEPENDENCE

1. Annual Assessment of Independence of Directors

The Board adopts the concept of independence in tandem with the definition of Independent Director in Section 1.01 of the ACE LR of Bursa Securities through the assistance of the Nomination Committee. The Board also carries out an annual assessment of the independence of its Independent Directors.

The Board considers that its Independent Directors provide an objective and independent views on various issues dealt with at the Board and Board Committee level. All Non-Executive Directors are independent of management and free from any relationship. The Board is of the view that the current composition of independent directors fairly reflects the interest of minority shareholders in the Company through the Board representation.

The Board is satisfied with the level of independence demonstrated by the INEDs and their ability to act in the best interest of the Company.

Statement on **Corporate Governance**
cont'd

REINFORCE INDEPENDENCE *cont'd*

2. Tenure of Independent Directors

One of the recommendations of the MCCG 2012 states that the tenure of an Independent Director should not exceed a cumulative terms of nine (9) years. Upon completion of the nine (9) years' terms, an Independent Director may continue to serve on the board subject to the director's re-designations as a non-independent director.

In line with recommendations of the MCCG 2012, the Nomination Committee had performed an annual review on the independency of the Independent Directors by adopting the concept of independence in tandem with the definition of Independent Director in Section 1.01 of the ACE LR of Bursa Securities and there were no Independent Directors whose tenure exceeds a cumulative term of nine (9) years in the Company.

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

The Board recognises the importance of having a clearly accepted division of power and responsibilities at the head of the Company to ensure a balance of power and authority. At present, the Company does not have a Chief Executive Officer but Executive Chairman to assist in the turnaround of the Company. The current arrangement is to provide strong leadership with the ability to marshal the Board's priorities objectively while keeping a lean Board composition.

The Board may re-visit the need to keep the roles of the Chairman and the Executive Directors separate upon the successful turnaround of the Company.

4. Board Composition and Balance

The Board noted the Recommendation 3.5 of the MCCG 2012 stating that the Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director.

At present, the Board comprises three (3) INEDs out of its four (4) members which complied with this recommendation. Although all the Directors have equal responsibility for the Company and the Group's operations, the role of the Independent Directors are particularly important in ensuring that the strategies proposed by the Executive Director are deliberated on and have taken into account the interest, not only of the Company, but also that of the shareholders, employees, customers, suppliers and the community.

FOSTER COMMITMENT

1. Time Commitment

The Board requires its members to devote sufficient time to the workings of the Board, to effectively discharge their duties as Directors of the Company, and to use their best endeavours to attend meetings.

The Board had convened a total of five (5) Board Meetings during the financial year ended 31 January 2014, 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.

Statement on **Corporate Governance**
cont'd

FOSTER COMMITMENT *cont'd*

1. Time Commitment *cont'd*

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
Dato' Chua Wye Man	5	5	100%
Lee Kok Wah	5	5	100%
Heng Hock Meng *(Resigned w.e.f. 30/04/2013)*	1	1	100%
Lim Joo Ming *(Resigned w.e.f. 01/05/2013)*	1	1	100%
Rozita binti Harun *(Resigned w.e.f. 27/09/2013)*	4	4	100%
Ng Yaw Long	5	5	100%
Voon Wee Li *(Appointed 23/12/2013)*	N/A	N/A	N/A

The Executive Chairman 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 is present for all meetings and that such meetings are convened in accordance with the relevant Board Committee's Terms of Reference. 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.

Statement on **Corporate Governance**
cont'd

FOSTER COMMITMENT *cont'd*

2. Training

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 ACE LR 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.

Some of the training/courses attended by the Directors during the financial year ended 31 January 2014 are as follows:-

Directors	Training Programme/Workshop
Dato' Chua Wye Man	➤ Tax Audit and Investigation - Case Study Approach (Malaysian Institute of Accountants)
	➤ 2014 Budget Seminar (Malaysian Institute of Accountants)
Lee Kok Wah	➤ Goods and Services Tax (GST) - A Preparatory Course for GST Consultants (10 days courses plus examination)
	➤ Advocacy sessions on Corporate Disclosure for Directors
Ng Yaw Long	➤ Goods and Services Tax ("GST") + Accounting Implementation Guide (KL)
Voon Wee Li	➤ Mandatory Accreditation Programme for directors of public listed companies

Statement on **Corporate Governance**
cont'd

UPHOLD INTEGRITY IN FINANCIAL REPORTING

1. Compliance with Applicable Financial Reporting Standards

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 Companies Act, 1965. 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 ACE LR.

In this respect:-

- Management presented to the Audit Committee 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 Audit Committee 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. Assessment of Sustainability and Independence of External Auditors

The Board vide the Audit Committee will conduct annual assessment of the suitability and independence of External Auditors.

The Audit Committee has received assurance from Messrs. Siew Boon Yeong & Associates, the External Auditors of the Company confirming that the firm, its engagement partner and the audit team's independence, integrity and objectivity comply with the relevant ethical, professional and regulatory requirements.

The Audit Committee was satisfied with Messrs. Siew Boon Yeong & Associates' technical competency and audit independence during the financial year under review.

RECOGNISE AND MANAGE RISKS

1. Sound Framework to Manage Risks

The Group's risk management system was updated with assistance of an independent professional firm appointed by the Audit Committee. The framework of the risk management encompasses the following key elements:-

- Risks identified were individually assessed and ranked as either extreme, high, medium or low based on its magnitude of impact and likelihood of occurrence within the Group; and

- Individual risk profiles created from the above assessment were endorsed by the Board and subsequently cascaded to the Senior Management of the Group for implementation of action plans required to mitigate or maintain the risk impact of the Group at an acceptable level.

The risk management and internal control system is regularly reviewed by Management and relevant recommendations are made to the Audit Committee and Board for approval.

Statement on **Corporate Governance**
cont'd

RECOGNISE AND MANAGE RISKS *cont'd*

2. Internal Audit Function

The outsourced Internal Auditors, namely Morison AAC Corporate Solutions Sdn Bhd communicate regularly with and report directly to the Audit Committee. The outsourced Internal Auditors' representative attended two (2) meetings of the Audit Committee for the financial year ended 31 January 2014.

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.

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

1. Corporate Disclosure Policy

The Company recognises the value of transparent, consistent and coherent communications with investment community consistent with commercial confidentiality and regulatory considerations.

The Board has yet to formalise a corporate disclosure policy. Nonetheless, the Board is committed to ensuring that communications to the investing public regarding the business, operations and financial performance of the Company are accurate, timely, factual, informative, consistent, broadly disseminated and where necessary, information filed with regulators is in accordance with applicable legal and regulatory requirements.

2. Leverage on Information Technology for Effective Dissemination of Information

The Company's corporate website provides all relevant information on the Company and is accessible by the public.

The Company's corporate website is accessible at www.flonic.com
Jiwa's corporate website is accessible at www.jiwa.com.my

As part of the Integration, the Board is considering the option to consolidate and/or streamline both the corporate websites so as to avoid duplication and confusion.

STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

1. Shareholders' Participation at General Meetings

The Company communicates regularly with shareholders and investors through annual reports, quarterly financial reports and various announcements made via Bursa LINK as the Board acknowledges the importance of accurate and timely dissemination of information to its shareholders, potential investors and the public in general.

Several channels are used to disseminate information on a timely basis, such as:-

- 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 and Jiwa's corporate website www.jiwa.com.my which provide corporate information on the Group.

Statement on **Corporate Governance**
cont'd

STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS *cont'd*

2. Poll Voting

The Board noted the Recommendation 8.2 of the MCCG 2012 states that the Board should encourage poll voting. In line with this recommendation, the Executive Chairman will inform the shareholders of their right to demand a poll vote at the commencement of the general meeting.

The Board will consider and explore the suitability and feasibility of adopting electronic voting in coming years to facilitate greater shareholders participation at general meeting, and to ensure accurate and efficient outcomes of the poll voting process.

3. Shareholders' Communication and Investor Relations

The AGM is held once in every calendar year. All the Board members attended the AGM to account to the shareholders for their stewardship of the Company.

The proceedings of the AGM included the presentation of the Company's operating and financial performances for the year, the presentation of the External Auditors' report to the shareholders, and 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 Executive Chairman ensures that sufficient opportunities are given for shareholders to raise issues relating to the affairs of the Company and that adequate responses are given.

All Non-Executive Directors abstained from voting on the resolution concerning their fees. The External Auditors and share registrar will be on standby to act as independent scrutineers and poll administrator respectively, showed a demand for a poll be requested. The results of all the resolutions set out in the Notice of the AGM will be announced on the same day via Bursa LINK, which is accessible on Bursa Securities' website.

The Board ensures that full information of the Directors who are retiring at the AGM and willing to serve if re-elected are disclosed in the Notice of the AGM.

An explanatory note facilitating full understanding and evaluation of issues involved in the proposed resolution accompanying each item of special business is included in the Notice of the AGM.

Designated Contact Person

The Board has designated Mr. Ng Yaw Long as the Senior Independent Non-Executive Director to receive, examine and respond to shareholders' enquiries. Such enquiries should be made in writing and directed to him as follows:-

Mr. Ng Yaw Long
Senior Independent Non-Executive Director
Flonic Hi-Tec Berhad
#10-1, Level 10, Menara One Mont' Kiara
1 Jalan Kiara, Mont' Kiara, 50480 Kuala Lumpur
Telephone No. : 03-6205 2225
Facsimile No. : 03-6205 2221
Email: tonyngyl@gmail.com

This Statement on Corporate Governance is made in accordance with a resolution of the Board of Directors dated 13 June 2014.

Other **Disclosures**

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

1. Utilisation of Proceeds Raised from Corporate Proposals

During the financial year, the Company raised a net sum of RM2,974,531.90 through a private placement of 34,994,493 shares at an issue price of RM0.085 per share. The proceeds were fully utilised for repayment of bank borrowings and defraying expenses in relation to this private placement.

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 during the financial year.

A total of 14,661,824 Warrants were exercised and the number of outstanding Warrants as at 31 January 2014 is 125,301,430 (year 2013: 139,963,254) 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 34 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

The amount of non-audit fees incurred for services rendered to the Company or its subsidiaries for the financial year ended 31 January 2014 by the Company's auditors, or a firm or company affiliated to the auditors' firm were RM30,000.

8. Variation in Results

The annual audited financial statements of the Company/Group for the financial year ended 31 January 2014 did not vary by 10% or more from the unaudited financial results announced to Bursa Malaysia Securities Berhad on 31 March 2014.

Other **Disclosures**
cont'd

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 financial year ended 31 January 2014.

COMPOSITION

The Audit Committee is composed of three (3) members, all of whom are Independent Non-Executive Directors who satisfy the test of independence under ACE Market Listing Requirements ("ACE LR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). The composition of the Audit Committee and their attendance records are as set out on pages 6 and 33 of this Annual Report respectively.

The Audit Committee 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 ACE LR of Bursa Securities.

The performance of the Audit Committee and its members are assessed by the Board through a board committee effectiveness evaluation. The Board is satisfied that the Audit Committee members are able to discharge their functions, duties and responsibilities in accordance with the Terms of Reference of the Audit Committee, thereby supporting the Board in ensuring appropriate Corporate Governance standards within the Group.

TERMS OF REFERENCE

The summary of the Audit Committee's Terms of Reference consists of two (2) major areas:-

1. Authority

The Audit Committee 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 Audit Committee 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 Terms of Reference, 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 Executive Chairman, the Chief Executive Officer 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.

Audit **Committee Report**
cont'd

TERMS OF REFERENCE *cont'd*

2. Responsibilities

The Audit Committee members are able to effectively discharge their functions, duties and responsibilities in accordance with the Terms of Reference of the Audit Committee, 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.

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 Statement on Risk Management and Internal Control 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.

Audit **Committee Report**
cont'd

TERMS OF REFERENCE *cont'd*

2. Responsibilities *cont'd*

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 financial year ended 31 January 2014, the Committee held a total of five (5) meetings. The Accounts Manager was invited to attend the Audit Committee Meetings during the financial year as requested by the Audit Committee to facilitate direct communication and to seek clarifications on some audit issues.

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

Members	Total no. of meetings held during tenure of office	Total no. of meetings attended
Mr. Lee Kok Wah *(Chairman)*	5	5
Mr. Ng Yaw Long	5	5
Cik Rozita Binti Harun *(Ceased w.e.f. 27/09/2013)*	2	2
Ms. Voon Wee Li *(Appointed w.e.f. 23/12/2013)*	N/A	N/A

The lead audit partner of the External Auditors responsible for the Group attended three (3) Audit Committee 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 financial year ended 31 January 2014 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 financial year ended 31 January 2014.

Audit **Committee Report**
cont'd

MEETINGS *cont'd*

For the financial year ended 31 January 2014, the Audit Committee had held two (2) meetings with the External Auditors without the presence of the Executive Board member and Management. The Audit Committee noted the External Auditors' had declared their compliance with the ethical requirements regarding independence with respect to the audit of the Company in accordance with the International Federation of Accountants' Code of Ethics for Professional Accountants and the Malaysian Institute of Accountants' By-Laws (On Professional Ethics, Conduct and Practice).

The Audit Committee encouraged the External Auditors to raise with the Audit Committee any matter they considered important to bring to the Audit Committee's attention. The Audit Committee 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 Audit Committee meetings, all deliberations including the issues tabled and the rationale adopted for decisions, were duly minuted. Minutes of the Audit Committee meetings were tabled for confirmation at the next following Audit Committee meeting. The Audit Committee Chairman presented the Audit Committee's recommendations together with the respective rationale to the Board for approval of the annual and quarterly financial statements. As and when necessary, the Audit Committee Chairman would convey to the Board matters of significant concern raised by the Internal and/or External Auditors.

SUMMARY OF ACTIVITIES

During the financial year ended 31 January 2014, the activities undertaken by the Audit Committee comprised the followings:-

- Reviewed the quarterly financial results for the quarters ended 31 January 2013, 30 April 2013, 31 July 2013 and 31 October 2013 before recommending the same for the Board's approval;
- Reviewed the audited financial statements for the financial year ended 31 January 2014 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 the Audit Planning Memorandum for the financial year ending 31 January 2014, presented by the External Auditors;
- 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 2014;
- Reviewed the adequacy and performance of the Internal Audit function and its comprehensive coverage of the Group's activities; and
- Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control to be included in the Annual Report.

Audit **Committee Report**

cont'd

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 Audit Committee, 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.

The total costs incurred for the outsourced internal audit function of the Group for the financial year ended 31 January 2014 amounted to RM11,500/-.

Statement on Risk Management and **Internal Control**

The Board of Directors ("the Board") of Flonic Hi-Tec Bhd is pleased to provide the following Statement on Risk Management and Internal Control, which outlines the nature and features of internal controls within the Group to safeguard shareholders' investments and assets for the financial year ended 31 January 2014.

RESPONSIBILITIES

The Board recognizes the importance of maintaining a sound system of internal control and risk management. The Board acknowledges its responsibilities to: -

a) Identify key risks and ensure implementation of appropriate control measures to manage the risks; and

b) Review the adequacy and integrity of the internal control system.

The system is designed to manage rather than eliminate the risk of failure to achieve the corporate objectives and to provide reasonable but not absolute assurance against material misstatement or loss.

RISK MANAGEMENT FRAMEWORK

Key management staff and Heads of Department are delegated with the responsibility to manage risks of their respective areas of responsibilities. In the periodic management meetings, key risks and mitigating controls are deliberated. Significant risks affecting the Group's strategic and business plans are escalated to the Board at their scheduled meetings.

The above mentioned risk management practices of the Group serve as the on-going process used to identify, evaluate and manage significant risks. The Board shall continue to develop and evaluate the Group's risk management process to ensure it remains relevant to the Group's requirements.

INTERNAL AUDIT

The Group's internal audit function is outsourced to an independent professional firm who assesses the adequacy and integrity of the internal control system and reports directly to the Audit Committee. An internal audit plan for 2014 was approved by the Audit Committee and carried out. The results of the internal audit review and the recommendations for improvement were presented to the Audit Committee. The cost of outsourcing the internal audit function for the year ended 31 January 2014 was RM11,500/-.

KEY FEATURES OF INTERNAL CONTROL

The key features of the Group's internal control are as follows:

1. An annual budget is prepared to facilitate the monitoring of Group's financial performance and review its actual performance against the budget.

2. Quarterly review of the financial performance of the Group by the Board and the Audit Committee.

3. The Group has established policies and procedures.

Statement on Risk Management and **Internal Control**

cont'd

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.

REVIEW OF THIS STATEMENT

The External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report pursuant to Rule 15.23 of the ACE LR, and reported to the Board that nothing has come to their attention that causes them to believe that this Statement on Risk Management and Internal Control 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 a resolution of the Board of Directors dated 13 Jube 2014.

Statement of Directors' Responsibility **in Relation to the Financial Statements**

The Directors are required by the Companies Act, 1965 to prepare annual financial statements which are in accordance with applicable approved accounting standards and give a true and fair view of the financial position of the Group and of the Company at the end of the financial year and of the results and cash flows of the Group and of the Company for that financial year.

The Directors have reviewed the accounting policies to ensure that they are consistently applied throughout the year and are of the view that relevant approved accounting standards have been followed in the preparation of these financial statements. In cases where judgment and estimates were made, they were based on reasonableness and prudence.

The Directors have relied on the system of internal controls to ensure that the information generated for the preparation of the financial statements from the underlying accounting records is accurate and reliable. The Directors are responsible for ensuring that the Group keeps accounting records which discloses with reasonable accuracy the financial position of the Group, and which enable them to ensure that the financial statements comply with the provisions of the Companies Act, 1965.

The Directors have overall responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

This Statement on Directors' Responsibility is made in accordance with the resolution of the Board of Directors dated 27 May 2014.

FINANCIAL STATEMENTS

FINANCIAL REPORTS

Directors' **Report**

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 January 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are as set out in Note 6 to the financial statements. There were no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM	Company RM
(Loss)/profit attributable to:		
Owners of the Company	(5,913,369)	(12,098,407)
Non-controlling interests	2,576,864	-
	(3,336,505)	(12,098,407)

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDEND

No dividend has been paid or declared since the end of the previous financial year. The directors do not recommend the payment of any dividend in respect of the current financial year.

MOVEMENTS ON RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company:

(a) reduced the par value of its issued and paid-up ordinary share capital by the cancellation of RM0.05 of the par value of each existing ordinary share of RM0.10 each in the Company and thereby reducing the issued and paid-up share capital of the Company from RM34,994,493 comprising 349,944,931 ordinary shares of RM0.10 each to RM17,497,247 comprising of 349,944,931 ordinary shares of RM0.05 each;

ISSUE OF SHARES AND DEBENTURES *cont'd*

During the financial year, the Company: *cont'd*

(b) increased its issued and paid-up ordinary share capital from RM17,497,247 to RM19,980,062 by way of:

  (i) issuance of 14,661,824 ordinary shares of RM0.05 each at par value arising from the exercised of Warrants 2012/2017; and
  (ii) issuance 34,994,493 ordinary shares of RM0.05 each pursuant to private placement at an issue price RM0.085 per ordinary share. The shares were issued for the purpose of working capital ("Private Placement").

The newly issued shares rank pari passu in all respects with the previously issued shares.

There was no issue of debentures by the Company during the financial year.

OPTIONS

No option has been granted during the financial year to take up unissued shares of the Company.

WARRANTS 2012/2017

On 22 June 2012, the Company listed and quoted 139,963,254 free detachable warrants ("Warrants") pursuant to the Rights Issue with Warrants Exercise on the basis of two (2) Warrants for every three (3) Rights Shares subscribed.

The Warrants are constituted by the Deed Poll dated 11 May 2012 ("Deed Poll").

Salient features of the Warrants are as follows:

(a) Each Warrant entitles the registered holder thereof ("Warrant holder(s)") to subscribe for one (1) new ordinary share of RM0.05 (prior to par value reduction exercise, the par value of ordinary share was RM0.10) in the Company at an adjusted exercise price of RM0.05 (prior to par value reduction exercise, the exercise price was RM0.10) during the 5-year period expiring on 18 June 2017 ("Exercise Period"), subject to the adjustments as set out in the Deed Poll;

(b) At the expiry of the Exercise Period, any Warrants which have not been exercised shall automatically lapse and cease to be valid for any purposes; and

(c) Warrant holders must exercise the Warrants in accordance with the procedures set out in the Deed Poll and shares allotted and issued upon such exercise shall rank pari passu in all respects with the then existing shares of the Company, and shall be entitled to any dividends, rights, allotments and/or other distributions after the issue and allotment thereof.

    During the financial year, a total of 14,661,824 Warrants were exercised and the number of outstanding Warrants as at 31 January 2014 is 125,301,430 (2013: 139,963,254).

Directors' **Report**
cont'd

DIRECTORS

The directors in office since the date of the last report are:

Dato' Chua Wye Man
Lee Kok Wah
Ng Yaw Long
Voon Wee Li (f) *(appointed on 23.12.2013)*
Rozita Binti Harun (f) *(resigned on 27.09.2013)*

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, particulars of interests of directors who held office at the end of the financial year in the shares in the Company and its related companies during the financial year are as follows:

	No. of Ordinary Shares of RM0.05 each			
	Balance 01.02.2013	**Bought**	**Sold**	**Balance 31.01.2014**
The Company				
Indirect interests				
Dato' Chua Wye Man ^	6,500,000	39,661,824	-	46,161,824

^ Deemed interest by virtue of his spouse pursuant to Section 6A of the Companies Act, 1965.

By virtue of his interests in the shares in the Company, Dato' Chua Wye Man is also deemed to have an interest in the shares in its subsidiary companies to the extent the Company has an interest during the financial year.

The other directors holding office at the end of the year had no interest in shares in the Company during the year.

	No. of Warrants 2012/2017			
	Balance 01.02.2013	**Bought**	**Sold**	**Balance 31.01.2014**
The Company				
Indirect interests				
Dato' Chua Wye Man^	14,661,824	-	14,661,824	-

^ Deemed interest by virtue of his spouse pursuant to Section 6A of the Companies Act, 1965.

The other directors holding office at the end of the year had no interest in Warrants 2012/2017 in the Company during the year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a 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, or the fixed salary of a full-time employee of the Company) 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 whose object was to enable the directors to acquire benefits through the acquisition of shares in, or debentures of, the Company or any other body corporate.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:

(a) 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

(b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their expected realisable values.

At the date of this report, the directors are not aware of any circumstances:

(a) which would render the amounts written off of bad debts or the amount of the allowance for doubtful debts in the financial statements inadequate to any substantial extent or the values attributed to current assets misleading; and

(b) 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.

In the interval between the end of the financial year and the date of this report:

(a) no item, transaction or event of a material and unusual nature has arisen which, in the opinion of the directors, would substantially affect the results of the operations of the Group and of the Company for the current financial year; and

(b) no charge has arisen on the assets of the Group and of the Company which secures the liabilities of any other person nor has any contingent liability arisen in the Group and of the Company.

No contingent or other liability of the Group and of the Company has become enforceable or is 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 and of the Company to meet its obligations when they fall due.

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

Directors' **Report**
cont'd

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 39 to the financial statements.

SIGNIFICANT EVENTS OCCURING AFTER THE REPORTING DATE

The significant events occurring after the reporting date are disclosed in Note 40 to the financial statements.

AUDITORS

The auditors, Messrs Siew Boon Yeong & Associates, Chartered Accountants, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors

DATO' CHUA WYE MAN
Director

LEE KOK WAH
Director

Kuala Lumpur,
Date: 27 May 2014

Statement by **Directors**

In the opinion of the directors, the financial statements set out on pages 48 to 114 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to exhibit a true and fair view of the state of affairs of the Group and of the Company as at 31 January 2014 and of the results and cash flows of the Group and of the Company for the year ended on that date.

The information set out in *Note 43* on page 114 to the financial statements have been prepared in accordance with the 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.

Signed in Kuala Lumpur on 27 May 2014

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors

DATO' CHUA WYE MAN

LEE KOK WAH

Statutory **Declaration**

I, Dato' Chua Wye Man, being the director primarily responsible for the financial management of Flonic Hi-Tec Bhd, do solemnly and sincerely declare that to the best of my knowledge and belief the financial statements set out on pages 48 to 114 are 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 in Kuala Lumpur on 27 May 2014

Before me

DATO' CHUA WYE MAN

Commissioner for Oaths

ABD RAHMAN BIN ZAHARI
No: W599

Independent **Auditors' Report**

to the Members of **Flonic Hi-Tec Bhd** (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 2014 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 48 to 114.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is 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 about 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 our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements 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 entity'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 audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at 31 January 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report 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 of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts of a subsidiary company which we have not acted as auditors, as disclosed in Note 6 to the financial statements.

Independent **Auditors' Report**

to the Members of **Flonic Hi-Tec Bhd** (Incorporated in Malaysia)
cont'd

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS *cont'd*

(c) We are satisfied that the accounts 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) Our audit reports on the accounts of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in *Note 43* on page 114 is disclosed to meet the requirements 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

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.

SIEW BOON YEONG & ASSOCIATES
[AF: 0660]
Chartered Accountants

DATO' SIEW BOON YEONG
[1321 / 7 / 14 (J)]

Kuala Lumpur,
Date: 27 May 2014

Statements of **Financial Position**
as at 31 January 2014

		Group		Company	
		2014	2013	2014	2013
	Note	RM	RM	RM	RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and and equipment	5	7,553,234	3,318,924	-	-
Investment in subsidiary companies	6	-	-	6,479,337	3,208,062
Investment in associated companies	7	-	-	-	-
Goodwill on consolidation	8	3,124,277	-	-	-
		10,677,511	3,318,924	6,479,337	3,208,062
CURRENT ASSETS					
Inventories	9	5,972,867	5,239,551	-	-
Trade receivables	10	11,048,241	5,642,371	-	-
Amount due from contract customers	11	447,179	-	-	-
Other receivables, deposits and prepayments	12	267,274	1,026,138	-	375,000
Amount owing by subsidiary companies	13	-	-	5,566,748	16,341,748
Cash and bank balances		5,041,341	5,249,069	3,187,504	3,786,287
		22,776,902	17,157,129	8,754,252	20,503,035
TOTAL ASSETS		33,454,413	20,476,053	15,233,589	23,711,097

Statements of **Financial Position**

as at 31 January 2014

cont'd

	Note	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
EQUITY AND LIABILITIES					
EQUITY					
Share capital	14	19,980,062	34,994,493	19,980,062	34,994,493
Share premium	15	1,384,855	95,991	1,384,855	95,991
Warrants reserve		547,433	611,490	547,433	611,490
Foreign exchange translation reserve	16	145,907	145,907	-	-
Merger deficit		(2,575,050)	(2,575,050)	-	-
Accumulated losses		(5,400,351)	(16,984,228)	(6,836,587)	(12,235,426)
Total equity attributable to owners of the Company		14,082,856	16,288,603	15,075,763	23,466,548
Non-controlling interests		3,971,008	-	-	-
TOTAL EQUITY		18,053,864	16,288,603	15,075,763	23,466,548
LIABILITIES					
NON-CURRENT LIABILITIES					
Term loans	17	3,791,210	-	-	-
Hire purchase payables	18	554,098	-	-	-
Deferred tax liabilities	19	101,497	-	-	-
		4,446,805	-	-	-
CURRENT LIABILITIES					
Trade payables	20	5,867,534	2,502,332	-	-
Amount due to contract customers	11	783,594	-	-	-
Other payables and accruals	21	1,313,964	1,669,192	157,826	244,549
Amount owing to an associated company	22	14,871	14,871	-	-
Amount owing to directors	23	-	1,055	-	-
Hire purchase payables	18	124,312	-	-	-
Term loans	17	251,337	-	-	-
Bank overdraft	24	917,295	-	-	-
Current tax liabilities		1,680,837	-	-	-
		10,953,744	4,187,450	157,826	244,549
TOTAL LIABILITIES		15,400,549	4,187,450	157,826	244,549
TOTAL EQUITY AND LIABILITIES		33,454,413	20,476,053	15,233,589	23,711,097

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

Statements of Profit or Loss and
Other Comprehensive Income

for the year ended 31 January 2014

	Note	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
REVENUE	25	33,685,098	12,101,842	-	-
COST OF SALES	26	(27,287,030)	(14,698,863)	-	-
GROSS PROFIT/(LOSS)		6,398,068	(2,597,021)	-	-
OTHER OPERATING INCOME		316,969	411,681	124,678	87,821
ADMINISTRATIVE EXPENSES	27	(8,343,866)	(5,910,119)	(12,003,633)	(573,206)
LOSS FROM OPERATIONS		(1,628,829)	(8,095,459)	(11,878,955)	(485,385)
FINANCE COSTS	28	(364,374)	(6,910)	(219,452)	-
LOSS BEFORE TAXATION	29	(1,993,203)	(8,102,369)	(12,098,407)	(485,385)
INCOME TAX EXPENSE	31	(1,343,302)	1,755	-	-
LOSS AFTER TAXATION		(3,336,505)	(8,100,614)	(12,098,407)	(485,385)
OTHER COMPREHENSIVE LOSS NET OF TAX:					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		-	(57,055)	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(3,336,505)	(8,157,669)	(12,098,407)	(485,385)
(LOSS)/PROFIT ATTRIBUTABLE TO:					
Owners of the company		(5,913,369)	(8,100,614)	(12,098,407)	(485,385)
Non-controlling interests		2,576,864	-	-	-
		(3,336,505)	(8,100,614)	(12,098,407)	(485,385)
TOTAL COMPREHENSIVE (LOSS)/ PROFIT ATTRIBUTABLE TO:					
Owners of the company		(5,913,369)	(8,157,669)	(12,098,407)	(485,385)
Non-controlling interests		2,576,864	-	-	-
		(3,336,505)	(8,157,669)	(12,098,407)	(485,385)
LOSS PER SHARE (sen)					
- Basic	32 (a)	(1.65)	(3.02)		
- Diluted	32 (b)	(1.41)	Not applicable		

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

Statements of **Changes in Equity**

for the year ended 31 January 2014

Group	Share capital	Share premium	Capital reserve	Warrants reserve	Foreign exchange translation reserve	Merger deficit	Accumulated losses	Attributable to owners of the Company	Non-controlling interests ("NCI")	Total equity
	← Attributable to owners of the Company →									
	← Non-distributable →									
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Balance at 1 February 2012	14,000,000	550,571	-	-	202,962	(2,575,050)	(8,272,124)	3,906,359	-	3,906,359
Transactions with owners of the Company:-										
Issuance of shares pursuant to Rights Issue with Warrants	20,994,493	-	-	-	-	-	-	20,994,493	-	20,994,493
Expenses incurred in relation to Rights Issue with Warrants	-	(454,580)	-	-	-	-	-	(454,580)	-	(454,580)
Adjustment for fair value of Warrants	-	-	-	611,490	-	-	(611,490)	-	-	-
Total transactions with owners	20,994,493	(454,580)	-	611,490	-	-	(611,490)	20,539,913	-	20,539,913
Loss after taxation	-	-	-	-	-	-	(8,100,614)	(8,100,614)	-	(8,100,614)
Other comprehensive loss										
- Foreign currency translation difference	-	-	-	-	(57,055)	-	-	(57,055)	-	(57,055)
Total comprehensive loss for the year	-	-	-	-	(57,055)	-	(8,100,614)	(8,157,669)	-	(8,157,669)
Balance at 31 January 2013	34,994,493	95,991	-	611,490	145,907	(2,575,050)	(16,984,228)	16,288,603	-	16,288,603

Statements of **Changes in Equity**
for the year ended 31 January 2014
cont'd

	Attributable to owners of the Company									
	Non-distributable									
Group	**Share capital RM**	**Share premium RM**	**Capital reserve RM**	**Warrants reserve RM**	**Foreign exchange translation reserve RM**	**Merger deficit RM**	**Accumulated losses RM**	**Attributable to owners of the Company RM**	**Non-controlling interests ("NCI") RM**	**Total equity RM**
Transactions with owners of the Company:-										
Par value reduction	(17,497,246)	-	17,497,246	-	-	-	-	-	-	-
NCI share of the acquiree's net identifiable assets	-	-	-	-	-	-	-	-	1,334,144	1,334,144
Subscription of shares in subsidiary company by NCI	-	-	-	-	-	-	-	-	240,000	240,000
Dividend paid	-	-	-	-	-	-	-	-	(180,000)	(180,000)
Exercised of Warrants	733,091	64,057	-	(64,057)	-	-	-	733,091	-	733,091
Issuance of shares pursuant to Private Placement	1,749,724	1,224,807	-	-	-	-	-	2,974,531	-	2,974,531
Elimination of accumulated losses	-	-	(17,497,246)	-	-	-	17,497,246	-	-	-
Total transactions with owners	(15,014,431)	1,288,864	-	(64,057)	-	-	17,497,246	3,707,622	1,394,144	5,101,766
Loss after taxation, representing total comprehensive loss for the year	-	-	-	-	-	-	(5,913,369)	(5,913,369)	2,576,864	(3,336,505)
Balance at 31 January 2014	19,980,062	1,384,855	-	547,433	145,907	(2,575,050)	(5,400,351)	14,082,856	3,971,008	18,053,864

Statements of **Changes in Equity**

for the year ended 31 January 2014

cont'd

	Attributable to owners of the Company					
	Non-distributable					
	Share capital	Share premium	Capital reserve	Warrants reserve	Accumulated losses	Total equity
Company	RM	RM	RM	RM	RM	RM
Balance at 1 February 2012	14,000,000	550,571	-	-	(11,138,551)	3,412,020
Transactions with owners of the Company:-						
Issuance of shares pursuant to Rights Issue with Warrants	20,994,493	-	-	-	-	20,994,493
Expenses incurred in relation to Rights Issue with Warrants	-	(454,580)	-	-	-	(454,580)
Adjustment for fair value of Warrants	-	-	-	611,490	(611,490)	-
Total transactions with owners	20,994,493	(454,580)	-	611,490	(611,490)	20,539,913
Loss after taxation/Total comprehensive loss for the year	-	-	-	-	(485,385)	(485,385)
Balance at 31 January 2013	34,994,493	95,991	-	611,490	(12,235,426)	23,466,548
Transactions with owners of the Company:-						
Par value reduction	(17,497,246)	-	17,497,246	-	-	-
Exercised of Warrants	733,091	64,057	-	(64,057)	-	733,091
Issuance of shares pursuant to Private Placement	1,749,724	1,224,807	-	-	-	2,974,531
Elimination of accumulated losses	-	-	(17,497,246)	-	17,497,246	-
Total transactions with owners	(15,014,431)	1,288,864	-	(64,057)	17,497,246	3,707,622
Loss after taxation/Total comprehensive loss for the year	-	-	-	-	(12,098,407)	(12,098,407)
Balance at 31 January 2014	19,980,062	1,384,855	-	547,433	(6,836,587)	15,075,763

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

Statements of **Cash Flows**
for the year ended 31 January 2014

	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before taxation	(1,993,203)	(8,102,369)	(12,098,407)	(485,385)
Adjustments for:				
Bad debts written off	124,160	-	-	-
Deposit written off	30,000	-	-	-
Depreciation	1,016,525	642,625	-	-
Impairment loss for investment in subsidiary companies	-	-	10,978,725	-
Impairment loss on property, plant and equipment	981,405	-	-	-
Impairment loss on trade receivables	938,385	783,035	-	-
Interest expenses	364,374	6,910	219,452	-
Inventories written down	1,074,480	455,144	-	-
Loss on foreign exchange - unrealised	-	8,652	-	-
Property, plant and equipment written off	12,670	303,054	-	-
Gain on disposal of property, plant and equipment	(20,573)	(57,759)	-	-
Gain on foreign exchange - unrealised	-	(1,675)	-	-
Interest income	(84,984)	(87,836)	(84,678)	(87,821)
Operating profit/(loss) before working capital changes	2,443,239	(6,050,219)	(984,908)	(573,206)
Decrease/(increase) in inventories	656,856	(1,105,153)	-	-
(Increase)/decrease in receivables	(1,729,880)	(3,351,683)	375,000	(375,000)
Decrease in payables	(1,460,579)	(654,673)	(86,723)	(201,530)
Cash used in operations	(90,364)	(11,161,728)	(696,631)	(1,149,736)
Interest paid	(364,374)	(6,910)	(219,452)	-
Interest received	84,984	87,836	84,678	87,821
Tax (paid)/refund	(394,735)	2,630	-	-
Net cash used operating activities	(764,489)	(11,078,172)	(831,405)	(1,061,915)

Statements of **Cash Flows**
for the year ended 31 January 2014
cont'd

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in subsidiary companies	-	-	(14,250,000)	-
Net cash outflow from acquisition of subsidiary companies *(Note 33)*	(3,292,584)	-	-	-
Repayment from/(advances to) subsidiary companies	-	-	10,775,000	(15,570,475)
Repayment from an associated company	-	18,250	-	-
Purchase of property, plant and equipment	(4,828,996)	(1,785,386)	-	-
Proceeds from disposal of investment in a subsidiary company	-	-	-	3
Proceeds from disposal of property, plant and equipment	42,700	238,000	-	-
Net cash used in investing activities	(8,078,880)	(1,529,136)	(3,475,000)	(15,570,472)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid to non-controlling interests	(180,000)	-	-	-
Additional investment by non-controlling interests	240,000	-	-	-
Drawdown of term loans	4,100,000	-	-	-
Repayment of term loans	(57,453)	-	-	-
Proceeds from exercised of Warrants to ordinary shares	733,091	-	733,091	-
Proceeds from issuance of share capital	2,974,531	20,539,913	2,974,531	20,539,913
Repayment to a related party	-	(2,607,000)	-	(100,000)
Advances from an associated company	-	14,871	-	-
Repayment to directors	(1,055)	(64,600)	-	(24,000)
Repayment of hire purchase creditors	(90,768)	(50,733)	-	-
Net cash generated from financing activities	7,718,346	17,832,451	3,707,622	20,415,913
Net (decrease)/increase in cash and cash equivalents	(1,125,023)	5,225,143	(598,783)	3,783,526
Cash and cash equivalents at beginning of year	5,249,069	23,926	3,786,287	2,761
Cash and cash equivalents at end of year	4,124,046	5,249,069	3,187,504	3,786,287
Cash and cash equivalents comprise:				
Cash and bank balances	5,041,341	5,249,069	3,187,504	3,786,287
Bank overdraft	(917,295)	-	-	-
	4,124,046	5,249,069	3,187,504	3,786,287

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

Notes to the **Financial Statements**
31 January 2014

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are as set out in *Note 6* to the financial statements. There were no significant changes in the nature of these activities during the financial year.

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

The address of the registered office of the Company is Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur.

The address of the principal place of business of the Company is No. 10-1, Level 10, Menara One Mont Kiara, No. 1, Jalan Kiara, Mont Kiara, 50480 Kuala Lumpur.

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

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 1965 in Malaysia. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

On 1 February 2013, the Group and the Company have adopted the following new MFRSs, amendments and IC interpretations issued by the Malaysian Accounting Standards Board ('MASB'), effective for the annual periods beginning on or after 1 January 2013:

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 (2011)

MFRS 127 Separate Financial Statements (2011)

MFRS 128 Investment in Associates and Joint Ventures (2011)

IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

Notes to the **Financial Statements**

31 January 2014
cont'd

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS *cont'd*

Amendments to MFRS 7 Financial Instruments:
Disclosures-Offsetting Financial Assets and Financial Liabilities

Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards – Government Loans

Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)

Amendments to MFRS 101 Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)

Amendments to MFRS 116 Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)

Amendments to MFRS 132 Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)

Amendments to MFRS 134 Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)

Amendments to MFRS 10 Consolidated Financial Statements: Transition Guidance

Amendments to MFRS 11 Joint Arrangements: Transition Guidance

Amendments to MFRS 12 Disclosure of Interests in Other Entities: Transition Guidance

The adoption of the above accounting standards, amendments and interpretations did not have any material impacts to the financial statements.

Notes to the **Financial Statements**

31 January 2014

cont'd

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS *cont'd*

MFRSs that have been issued but are not yet effective

The Group and the Company have not adopted the following standards, amendments and interpretations that have been issued but not yet effective:

MFRSs/Interpretations	Effective for annual periods beginning on or after
Amendment to MFRS 10 Consolidated Financial Statements – Investment Entities	1 January 2014
Amendment to MFRS 12 Disclosure of Interest in Other Entities – Investment Entities	1 January 2014
Amendment to MFRS 127 Consolidated and Separate Financial Statements - Investment Entities	1 January 2014
MFRS 132 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendment to MFRS 136 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting)	1 January 2014
IC Interpretation 21 Levies	1 January 2014
Annual improvements to MFRSs 2010-2012 Cycle	1 July 2014
Annual improvements to MFRSs 2011-2013 Cycle	1 July 2014
MFRS 9 Financial Instruments (2009)	To be announced
MFRS 9 Financial Instruments (2010)	To be announced
Amendments to MFRS 7, Financial Instruments: Disclosures – Mandatory Date of MFRS 9 and Transition Disclosures	To be announced

The adoption of these standards, amendments and interpretations that have been issued but not yet effective are not expected to have a material impact to the financial statements of the Group and of the Company except as discussed below:

MFRS 9, Financial Instruments replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost.

The adoption of MFRS 9 will result in a change in accounting policy. The Company is currently assessing the financial impact of adopting MFRS 9.

Notes to the **Financial Statements**

31 January 2014
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies set out below are consistent with those applied in the previous financial year unless otherwise stated.

(a) Basis Of Consolidation

The financial statements of the Group include the audited financial statements of the Company and its subsidiary companies made up to the end of the financial year. The financial statements of the subsidiary companies used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

(i) Acquisition method of accounting for non-common control business combinations

Acquisition of subsidiaries is accounted for by applying the acquisition method. Under the acquisition method of accounting, identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects, for each individual business combination, whether to recognise non-controlling interest in the acquiree (if any) at fair value on the acquisition date, or the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statements of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Subsidiary companies are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

(ii) Merger accounting for common control business combinations

Under the pooling-of-interests method of accounting, the results of entities or businesses under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired were recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The difference between the cost of acquisition and the nominal value of the shares acquired together with the share premium are taken to merger reserve or merger deficit. The other components of equity of the acquired entities are added to the same components within the Group's equity.

Notes to the **Financial Statements**
31 January 2014
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(a) Basis Of Consolidation *cont'd*

(iii) Non-controlling interest

Non-controlling interest represents the equity in subsidiary companies not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated profit or loss and within equity in the consolidated of financial position, separately from equity attributable to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

(b) Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the subsidiaries at the date of acquisition.

If, after reassessment, the Group's interest in the fair values of the identifiable net assets of the subsidiaries exceeds the cost of the business combinations, the excess is recognised as income immediately in profit and loss.

(c) Property, Plant And Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses where applicable.

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

	%
Office property	2
Furniture and fittings	10
Motor vehicles	12.5 - 20
Office equipment	10 - 33.33
Plant and machinery	10 - 20
Renovation	10
Signboard	10
Research and development equipment	10
Computers and software	33.33

Notes to the **Financial Statements**

31 January 2014
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(c) Property, Plant And Equipment *cont'd*

The residual value, useful lives and depreciation method of property, plant and equipment are reviewed at each statements of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

On disposal of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is credited or charged to the statements of profit or loss and other comprehensive income in determining profit from operations.

d) Investments In Subsidiary Companies

Subsidiary companies are entities, including structured entities, controlled by the Group. The Group controls the entities when it is exposed, or has rights, to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities.

Investments in subsidiary companies are stated at cost and are written down when there is a permanent impairment in the value of the investments. The impairment loss is recognised in the profit or loss.

On disposal of an investment, the difference between net disposal proceeds and their carrying amounts is charged or credited to profit or loss.

(e) Investment In Associated Company

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

Investment in associated company is accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associated company is carried in the consolidated statements of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associated companies. The Group's share of the net profit or loss of the associated company is recognised in the consolidated statements of profit or loss and other comprehensive income. Where there has been a change recognised directly in the equity of the associated companies, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associated company are eliminated to the extent of the Group's interest in the associated company. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associated company. The associated company is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associated company.

When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any long-term interest that, in substance, form part of the Group's net investment in the associated company, the Group does not recognised further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Notes to the **Financial Statements**
31 January 2014
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(f) Financial Instruments

Financial instruments are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially, at its fair value, plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(i) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate.

- *Financial Assets at Fair Value Through Profit or Loss*

  Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

  Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

- *Held-to-maturity Investments*

  Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with revenue recognised on an effective yield basis.

Notes to the **Financial Statements**

31 January 2014
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(f) Financial Instruments *cont'd*

(i) Financial Assets cont'd

- *Loans and Receivables Financial Assets*

  Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

- *Available-for-sale Financial Assets*

  Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

  After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

  Dividends on available-for-sale equity instruments are recognised in profit or loss when the Company's right to receive payments is established.

  Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

(ii) Financial Liabilities

All financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

(iii) Equity Instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

Notes to the **Financial Statements**
31 January 2014
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(f) Financial Instruments *cont'd*

A financial asset is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(g) Impairment

(i) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss) are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

Notes to the **Financial Statements**
31 January 2014
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(g) Impairment *cont'd*

(ii) Impairment of Non-financial Assets

The carrying amounts of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at each end of the reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' net selling price and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is charged to the statements of profit or loss and other comprehensive income immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a 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 profit or loss and other comprehensive income immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited to other comprehensive income. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the statements of profit or loss and other comprehensive income, a reversal of that impairment loss is recognised as income in the statements of profit or loss and other comprehensive income.

(h) Amount due from/(to) contract customers

Construction contracts are stated at cost plus attributable profits less applicable progress billings and allowances for foreseeable losses, if any.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activities at the reporting date. The stage of completion is determined by the actual costs incurred for work performed to-date in relation to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The aggregate of the costs incurred and the profit or loss recognised on each contract is compared against the progress billings up to the period end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as amount due from contract customers. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount due to contract customers.

Notes to the **Financial Statements**

31 January 2014
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(i) Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost is determined using the weighted average method. The cost of raw materials comprises the original cost of purchases plus the cost of bringing these inventories to their intended location and condition. The cost of finished goods and work-in-progress includes the cost of raw materials, direct labour and appropriate allocation of manufacturing overheads.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the estimated cost of selling expenses. Write down is made where necessary for damaged, obsolete and slow-moving inventories.

(j) Hire Purchase

Assets acquired under hire purchase arrangements are capitalised at their purchase cost and the total instalments payable less undue interests under hire purchase agreements are recorded as liabilities. The interests are allocated to the statements of profit or loss and other comprehensive income over the year of the respective agreements based on the remaining balance of liability for each period during the hire purchase term. Assets acquired under hire purchase arrangements are depreciated over the expected useful lives of equivalent owned assets.

(k) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

(l) Provisions For Liabilities

Provisions for liabilities are recognised when the Group have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and when a reliable estimate of the amount can be made. Provisions are reviewed at each statements of financial position 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.

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(m) Related Parties

A party is related to an entity if:-

(i) directly, or indirectly through one or more intermediaries, the party:-

  a. controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
  b. has an interest in the entity that gives it significant influence over the entity, or
  c. has joint control over the entity;

(ii) the party is an associate of the entity;

(iii) the party is a joint venture in which the entity is a venture;

(iv) the party is a member of the key management personnel of the entity or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(n) Foreign Currency Translation

(i) Transactions And Balances

Foreign currency monetary assets and liabilities have been converted into Ringgit Malaysia ("RM") at the rates of exchange ruling at the statements of financial position date. Transactions in foreign currencies have been converted at rates ruling at the transaction dates. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the statements of profit or loss and other comprehensive income. Non-monetary assets and liabilities are translated using exchange rates that existed when the values determined.

(ii) Foreign Operations

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from the acquisition of foreign operations, are translated into RM for consolidation at the rates of exchange ruling at the end of the reporting period. Revenues and expenses of foreign operations are translated into RM at the average rates for the financial period. All exchanges differences arising from translation are recognised directly to other comprehensive income and accumulated in equity under translation reserve. On disposal of a foreign operation, accumulated translation differences recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to comprehensive income.

Notes to the **Financial Statements**

31 January 2014
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(o) Revenue Recognition

(i) Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services rendered in the ordinary course of the Group's activities. Revenue from sales of goods and services is recognised upon delivery of goods and customers' acceptance and services are performed, and where applicable, net of returns and trade discounts.

(ii) Revenue on contracts is recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case revenue on contracts is only recognised to the extent of contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss.

The stage of completion is determined based on total costs incurred to date over the estimated total project costs.

(iii) Interest income is recognised on an accrual basis using the effective interest rate.

(iv) Rental income is accounted for in straight line basis over leased terms.

(p) Income Tax Expense

Income taxes for the year comprise current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs 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 assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Notes to the **Financial Statements**

31 January 2014
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(p) Income Tax Expense *cont'd*

Deferred tax is recognised in the statements of profit or loss and other 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 excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs. The carrying amounts of deferred tax assets are reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

(q) Employee Benefits

(i) Short Term Employee Benefits

Wages, salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined Contribution Plan

The Group's contributions to defined contribution plans regulated and managed by the government, are charged to the statements of profit or loss and other comprehensive income in the period to which they relate. Once the contributions have been paid, the Group has no further financial obligations.

(r) Cash And Cash Equivalents

For the purposes of the statements of cash flows, cash and cash equivalents comprise cash in hand, bank balances, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(s) Borrowing costs

Borrowing costs, directly attributable to the acquisition and construction of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they incurred.

Notes to the **Financial Statements**

31 January 2014

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(t) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(u) Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision makers to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below.

(a) Depreciation of Property, Plant and Equipment

The estimates for residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' action in response to the market conditions.

The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Notes to the **Financial Statements**

31 January 2014
cont'd

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *cont'd*

(b) Impairment of Goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

(c) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

(d) Impairment of Non-financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(e) Impairment of Loans and Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment loss. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(f) Construction Contracts

Construction contracts accounting requires reliable estimation of the costs to complete the contract and reliable estimation of the stage of completion.

(i) Contract Revenue

Construction contracts accounting requires variation claims only be recognised as contract revenue to the extent that it is probable that they will be accepted by the customers. As the approval process often takes some time, a judgement is required to be made of its probability and revenue recognised accordingly.

Notes to the **Financial Statements**
31 January 2014
cont'd

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *cont'd*

(f) Construction Contracts *cont'd*

(ii) Contract Costs

Using experience gained on each particular contract and taking into account the expectations of the time and materials required to complete the contract, management estimates the probability of the contract on an individual basis at any particular time.

(g) Write Down of Inventories

Reviews are made periodically by management on damaged, obsolete and slowing-moving inventories. These reviews require judgements and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

5. PROPERTY, PLANT AND EQUIPMENT

The details of property, plant and equipment are as follows:

Group	Office property RM	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Plant and machinery RM	Renovation RM	Signboard RM	Research and development equipment RM	Computers and software RM	Total RM
Cost										
At 1 February 2012	-	838,673	693,606	650,334	1,851,353	-	-	1,927,818	-	5,961,784
Additions	-	471,789	94,000	376,501	756,955	86,141	-	-	-	1,785,386
Disposal	-	-	(523,023)	-	-	-	-	-	-	(523,023)
Written off	-	(440,204)	-	(42,977)	-	-	-	(230,000)	-	(713,181)
At 31 January 2013/ 1 February 2013	-	870,258	264,583	983,858	2,608,308	86,141	-	1,697,818	-	6,510,966
Acquisition of subsidiary companies	25,920	-	1,226,068	189,671	430,785	175,264	-	-	290,867	2,338,575
Additions	4,677,596	-	6,000	17,706	38,430	30,624	280	-	58,360	4,828,996
Disposal	-	-	(162,390)	-	-	-	-	-	-	(162,390)
Written off	-	-	(7,950)	-	-	(10,150)	-	-	-	(18,100)
At 31 January 2014	4,703,516	870,258	1,326,311	1,191,235	3,077,523	281,879	280	1,697,818	349,227	13,498,047

Notes to the **Financial Statements**

31 January 2014
cont'd

5. PROPERTY, PLANT AND EQUIPMENT *cont'd*

The details of property, plant and equipment are as follows: *cont'd*

Group	Office property RM	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Plant and machinery RM	Renovation RM	Signboard RM	Research and development equipment RM	Computers and software RM	Total RM
Accumulated depreciation										
At 1 February 2012	-	488,626	404,606	350,927	1,021,890	-	-	1,036,277	-	3,302,326
Charge for the year	-	69,422	86,228	80,426	211,008	2,153	-	193,388	-	642,625
Disposal	-	-	(342,782)	-	-	-	-	-	-	(342,782)
Written off	-	(249,449)	-	(22,678)	-	-	-	(138,000)	-	(410,127)
At 31 January 2013/ 1 February 2013	-	308,599	148,052	408,675	1,232,898	2,153	-	1,091,665	-	3,192,042
Acquisition of subsidiary companies	-	-	533,683	20,750	204,562	33,084	-	-	108,455	900,534
Charge for the year	31,357	80,486	212,526	120,274	304,435	21,635	26	170,388	75,398	1,016,525
Disposal	-	-	(140,263)	-	-	-	-	-	-	(140,263)
Written off	-	-	-	(2,385)	-	(3,045)	-	-	-	(5,430)
At 31 January 2014	31,357	389,085	753,998	547,314	1,741,895	53,827	26	1,262,053	183,853	4,963,408

5. PROPERTY, PLANT AND EQUIPMENT *cont'd*

The details of property, plant and equipment are as follows: *cont'd*

Group	Office property RM	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Plant and machinery RM	Renovation RM	Signboard RM	Research and development equipment RM	Computers and software RM	Total RM
Accumulated impairment loss										
At 1 February 2012	-	-	-	-	-	-	-	-	-	-
At 31 January 2013/ 1 February 2013	-	-	-	-	-	-	-	-	-	-
Impairment loss	-	402,465	-	31,948	274,057	-	-	272,935	-	981,405
At 31 January 2014	-	402,465	-	31,948	274,057	-	-	272,935	-	981,405
Net carrying amount										
At 31 January 2014	4,672,159	78,708	572,313	611,973	1,061,571	228,052	254	162,830	165,374	7,553,234
At 31 January 2013	-	561,659	116,531	575,183	1,375,410	83,988	-	606,153	-	3,318,924

Office property of the Group is pledged to a licensed bank as security for banking facilities granted to the Group as mentioned in Notes 17 and 24.

The strata title of office property with a carrying amount of RM4,672,159 (2013: Nil) have yet to be issued by the relevant authority.

A motor vehicle with a carrying amount of RM101,901 (2013: Nil) is registered under the name of a director of a subsidiary company.

The net carrying amount of property, plant and equipment includes the following assets held under hire purchase agreements:

	Group	
	2014 RM	2013 RM
Motor vehicles	508,475	-

Notes to the **Financial Statements**

31 January 2014

cont'd

6. INVESTMENT IN SUBSIDIARY COMPANIES

	Company 2014 RM	2013 RM
Unquoted shares in Malaysia, at cost		
At 1 February 2013/2012	13,575,053	13,575,056
Additional investment in subsidiary companies by way of:		
- cash	3,750,000	-
- capitalisation of debts	10,500,000	-
	14,250,000	-
Disposal of investment in a subsidiary company	-	(3)
At 31 January	27,825,053	13,575,053
Less: Accumulated impairment losses in investment		
At 1 February 2013/2012	(10,366,991)	(10,366,991)
Impairment during the year	(10,978,725)	-
At 31 January	(21,345,716)	(10,366,991)
	6,479,337	3,208,062

Details of the subsidiary companies are as follows:

Name of subsidiary companies	Country of incorporation	Effective equity interest 2014 %	013 %	Principal Activities
Direct holding:				
Flonic Sdn. Bhd. ("FSB")	Malaysia	100	100	Design and distribute precision cleaning system.
Flonic Advance Sdn. Bhd ("FASB")	Malaysia	100	100	Design and manufacture precision cleaning system.
Flonic Engineering Sdn. Bhd. ("FESB")	Malaysia	100	-	Trading in building materials and equipment parts.
Flonic Architectural Sdn. Bhd.	Malaysia	100	100	Temporary ceased operations.

Notes to the **Financial Statements**

31 January 2014
cont'd

6. INVESTMENT IN SUBSIDIARY COMPANIES *cont'd*

Details of the subsidiary companies are as follows: *cont'd*

Name of subsidiary companies	Country of incorporation	Effective equity interest 2014 %	2013 %	Principal Activities
Jiwa Holdings Sdn. Bhd. ("JHSB") ^	Malaysia	30	-	Project management, interior fit out and investment holding.
Indirect holding:				
Subsidiary company of FSB Flonic Europe SPRL *	Belgium	51	51	Temporary ceased operations.
Subsidiary company of FASB Flonic Engineering Sdn. Bhd.	Malaysia	-	100	Trading in building materials and equipment parts.
Subsidiary companies of JHSB Jiwa Furniture Sdn. Bhd. ("JF")	Malaysia	100	-	Project management, interior fit out, manufacturing and trading in wood furniture.
Jiwa Furniture Marketing Sdn. Bhd.	Malaysia	100	-	Trading of industrial furniture, fixtures and appliances and dealer in wood furniture.
Jiwa M&E Services Sdn. Bhd. ("JMES") #	Malaysia	40	-	Mechanical and electrical maintenance services.
Jiwa Project Sdn. Bhd.	Malaysia	70	-	Dormant.

^ *Although the Group owns less than half of the ownership equity interest in JHSB, the Directors had determined that the Group controls JHSB by virtue of the Shareholders' Agreement dated 7 January 2013 with its other investors.*

Although the Group owns less than half of the ownership equity interest in JMES via JHSB and consequentially has less than half of the voting power, it is able to govern the financial and operating policies of the company by control over the composition of the board of directors.

Subsequent to the reporting date, a representative of the Group had resigned from the board of directors of JMES resulting in the Group ceasing its control over the board and management of JMES. The details of deemed disposal of a subsidiary company are disclosed in Note 40(a) to the financial statements.

* *Subsidiary company not audited by Siew Boon Yeong & Associates.*

The audited financial statements for the year ended 31 January 2014 of Flonic Europe SPRL were not available at the date of financial statements of the Group 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 2014 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 had temporarily ceased operation.

Notes to the **Financial Statements**
31 January 2014
cont'd

6. INVESTMENT IN SUBSIDIARY COMPANIES *cont'd*

Details of the subsidiary companies are as follows: *cont'd*

There are no significant restrictions on the ability of the subsidiary companies to transfer funds to the Group in the form of cash dividends or repayment of loans and advances. Generally, for all subsidiary companies which are not wholly-owned by the Company, non-controlling shareholders hold protective rights restricting the Company's ability to use the assets of the subsidiary companies and settle the liabilities of the Group, unless approval is obtained from non-controlling shareholders.

NCI in subsidiaries

(a) The Group's subsidiary companies that have material NCI are as follows:

	2014 RM	2013 RM
JHSB and its subsidiary companies:		
Carrying amount of NCI	3,971,008	-
Profit allocated to NCI	2,576,864	-

(b) Summarised financial information before intra-group elimination

	2014 RM	2013 RM
JHSB and its subsidiary companies:		
As at 31 January		
Non-current assets	5,895,943	-
Current assets	11,702,868	-
Non-current liabilities	(4,218,680)	-
Current liabilities	(8,123,603)	-
Net assets	5,256,528	-
For the year ended 31 January		
Revenue	19,266,881	-
Profit for the year	3,236,661	-
Total comprehensive income	3,236,661	-
Cash flows from operating activities	209,177	-
Cash flows from investing activities	(4,825,166)	-
Cash flows from financing activities	4,611,308	-
Net decrease in cash and cash equivalents	(4,681)	-
Dividend paid to NCI	180,000	-

Notes to the **Financial Statements**
31 January 2014
cont'd

7. INVESTMENT IN ASSOCIATED COMPANIES

	Group	
	2014	**2013**
	RM	**RM**
Unquoted shares outside Malaysia, at cost	61,677	61,677
Share of net liabilities	(61,677)	(61,677)
	-	-

Details of the associated companies are as follows:

Name of associated companies	Country of incorporation	Effective equity interest 2014 %	2013 %	Principal activities
Flonic International Ltd. *	Bahamas	50	50	Trading of precision cleaning system.
Flonic (USA) LLC *	United States of America	50	50	Trading of precision cleaning system.
Flonic (Thailand) Co. Ltd. *	Thailand	49	49	Trading of precision cleaning system.

** Associated companies not audited by Siew Boon Yeong & Associates.*

All the associated companies were either dormant or did not have significant activities and transactions during the financial year. There were no financial statements prepared for the purpose of equity accounting and the directors are of the opinion that net assets/liabilities of the associated companies as at the reporting date are insignificant to the Group.

8. GOODWILL ON CONSOLIDATION

	Group	
	2014	**2013**
	RM	**RM**
At 1 February 2013/2012	-	-
Acquisition of new subsidiary companies	3,124,277	-
At 31 January	3,124,277	-

Notes to the **Financial Statements**

31 January 2014

cont'd

8. GOODWILL ON CONSOLIDATION *cont'd*

Goodwill on consolidation arose from the acquisition of JHSB and its subsidiary companies during the year.

Goodwill is tested for impairment on an annual basis by comparing the carrying amount with the recoverable amount of the Operating Unit ("OU") based on value-in-use. Value-in-use is determined by discounting of future cash flows to be generated from the continuing use of the OU going forward. The following are the principal assumptions:-

(a) Cash flows are projected based on the management's three (3) years business plan for the OU;

(b) Profitability are projected based on management's three (3) years business plan, taking into account industry trends, historical margins achieved or pre-determined profit margins; and

(c) Discount rate of 15% was used based on management's estimate of return on capital employed required of the OU, taking into account, amongst others, status of operations and growth trends.

The management believes that no reasonable change in the above key assumptions would cause the carrying amount of the goodwill to exceed its recoverable amount.

9. INVENTORIES

	Group	
	2014	**2013**
	RM	**RM**
At cost:		
Raw materials	1,291,836	-
Work-in-progress	80,167	-
Finished goods	2,625,808	-
At net realisable value:		
Raw materials	1,072,154	1,367,970
Finished goods	902,902	3,871,581
	5,972,867	5,239,551
Recognised in profit or loss		
Inventories recognised as cost of sales	14,829,057	11,378,665
Write-down to net realisable value	1,074,480	455,144
	15,903,537	11,833,809

The write-down is included in cost of sales.

Notes to the **Financial Statements**
31 January 2014
cont'd

10. TRADE RECEIVABLES

	Group	
	2014	**2013**
	RM	**RM**
Trade receivables	15,085,535	8,973,050
Less: Accumulated impairment losses in trade receivables	(4,037,294)	(3,330,679)
	11,048,241	5,642,371
Accumulated impairment losses in trade receivables:		
At 1 February 2013/2012	3,330,679	2,547,644
Addition during the year	938,385	783,035
Written off	(231,770)	-
At 31 January	4,037,294	3,330,679

Credit terms of trade receivables ranged from 30 to 90 days (2013: 30 to 60 days). Other credit terms are assessed and approved on a case-by-case basis.

Included in trade receivables are retention sums of RM690,843 (2013: Nil) which are unsecured, interest free and repayable within a year.

11. AMOUNT DUE FROM/(TO) CONTRACT CUSTOMERS

	Group	
	2014	**2013**
	RM	**RM**
Aggregate costs incurred to date	9,853,744	-
Add: Attributable profits	7,360,551	-
	17,214,295	-
Less: Progress billings	(17,550,710)	-
	(336,415)	-
Represented by:		
Amount due from contract customers	447,179	-
Amount due to contract customers	(783,594)	-
	(336,415)	-

Included in construction costs incurred during the year of the Group was rental of site office amounting to RM29,864.

Notes to the **Financial Statements**
31 January 2014
cont'd

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Other receivables	63,147	20,696	-	-
Deposits	169,018	977,787	-	375,000
Prepayments	35,109	27,655	-	-
	267,274	1,026,138	-	375,000

13. AMOUNT OWING BY SUBSIDIARY COMPANIES

	Company	
	2014	2013
	RM	RM
At 1 February 2013/2012	16,341,748	771,273
(Repayment from)/advance to during the year	(775,000)	15,570,475
Capitalisation for additional investment in subsidiary companies	(10,000,000)	-
At 31 January	5,566,748	16,341,748

The amount owing is non-trade in nature, unsecured, interest-free and repayable on demand.

Notes to the **Financial Statements**

31 January 2014
cont'd

14. SHARE CAPITAL

	Group and Company			
	2014	2013	2014	2013
	Number of Ordinary Shares		RM	RM
Ordinary shares of RM0.05 (2013: RM0.10) each:				
Authorised:				
At 1 February 2013/2012	1,000,000,000	250,000,000	100,000,000	25,000,000
Created during the year	-	750,000,000	-	75,000,000
Par value reduction	-	-	(50,000,000)	-
At 31 January	1,000,000,000	1,000,000,000	50,000,000	100,000,000
Issued and fully paid:				
At 1 February 2013/2012	349,944,931	140,000,000	34,994,493	14,000,000
Par value reduction	-	-	(17,497,246)	-
Issued during the year	-	209,944,931	-	20,994,493
Exercised of Warrants	14,661,824	-	733,091	-
Issuance of shares pursuant to Private Placement	34,994,493	-	1,749,724	-
At 31 January	399,601,248	349,944,931	19,980,062	34,994,493

During the financial year, the Company undertook and completed the following exercises:-

(a) Par value reduction comprising the capital reduction pursuant to Section 64(1) of the Companies Act, 1965 involving the reduction of the par value of each existing ordinary share from RM0.10 to RM0.05 via cancellation of the RM0.05 of the par value of the then existing share of RM0.10 each.

(b) increased its issued and paid-up ordinary share capital from RM17,497,247 to RM19,980,062 by way of:-

(i) issuance of 14,661,824 ordinary shares of RM0.05 each at par value arising from the exercised of Warrants 2012/2017; and

(ii) issuance of 34,994,493 ordinary shares of RM0.05 each pursuant to a private placement at an issue price RM0.085 per ordinary share. The shares were issued for the purpose of working capital.

The newly issued shares rank pari passu in all respects with the previously issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company and rank equally with regard to the Company's residual assets.

Notes to the **Financial Statements**
31 January 2014
cont'd

15. SHARE PREMIUM

	Group and Company	
	2014	**2013**
	RM	**RM**
At 1 February 2013/2012	95,991	550,571
Exercised of Warrants	64,057	-
Issuance of shares	1,224,807	-
Expenses in relation to Rights Issue with Warrants	-	(454,580)
At 31 January	1,384,855	95,991

The share premium is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act, 1965.

16. FOREIGN EXCHANGE TRANSLATION RESERVE

Group

The foreign exchange translation reserve arose from the translation of the financial statements of a foreign subsidiary and is not distributable by way of dividends.

17. TERM LOANS

The term loans are repayable as follows:

	Group	
	2014	**2013**
	RM	**RM**
Secured		
Show under current liabilities		
Within 1 year	251,337	-
Show under non-current liabilities		
Between 2 to 5 years	1,171,603	-
More than 5 years	2,619,607	-
	3,791,210	-
	4,042,547	-

The term loans are denominated in RM and are granted by licensed banks.

The term loans are secured as follows:
(i) A first legal charge over the office property of the Group as mentioned in Note 5; and
(ii) Jointly and severally guaranteed by certain directors of a subsidiary company.

The term loans of the Group bear interest rates ranging from 4.50% to 9.60% (2013: Nil) per annum.

Notes to the **Financial Statements**

31 January 2014

cont'd

18. HIRE PURCHASE PAYABLES

Group	Future instalments payable RM	Undue interest RM	Principal payable RM
2014			
Shown under current liabilities			
Within 1 year	156,564	(32,252)	124,312
Shown under non-current liabilities			
Between 2 to 5 years	555,482	(58,700)	496,782
More than 5 years	59,328	(2,012)	57,316
	614,810	(60,712)	554,098
	771,374	(92,964)	678,410
2013	-	-	-

The effective interest rates of the hire purchase payables of the Group ranged from 4.51% to 7.55% (2013: Nil) per annum.

19. DEFERRED TAX LIABILITIES

	Group 2014 RM	2013 RM
Balance at 1 January 2013/2012		
Acquisition of subsidiary companies	181,300	-
Transfer from statements of profit or loss and other comprehensive income *(Note 31)*	(79,803)	-
Balance at 31 January	101,497	-

The deferred tax liabilities are in respect of taxable temporary differences arising from the qualifying property, plant and equipment's total capital allowances claimed in excess of corresponding accumulated depreciation.

Notes to the **Financial Statements**
31 January 2014
cont'd

19. DEFERRED TAX LIABILITIES *cont'd*

The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

	Group	
	2014	2013
	RM	RM
Excess of capital allowances over depreciation on property, plant and equipment	675,108	2,061,977
Unutilised tax losses	(25,376,132)	(18,398,168)
Unabsorbed capital allowances	(2,964,562)	(2,794,243)
	(27,665,586)	(19,130,434)

20. TRADE PAYABLES

Group

The normal trade credit terms granted to the Group ranged from 30 to 60 days (2013: 30 to 60 days). Other credit terms are assessed and approved on a case-by-case basis.

21. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Other payables	1,051,958	587,370	80,870	133,629
Accruals	247,206	449,611	76,956	110,920
Customer deposit and advance payment	14,800	632,211	-	-
	1,313,964	1,669,192	157,826	244,549

22. AMOUNT OWING TO AN ASSOCIATED COMPANY

Group

The amount owing is non-trade in nature, unsecured, interest-free and repayable on demand.

23. AMOUNT OWING TO DIRECTORS

Group

The amount owing is non-trade in nature, unsecured, interest-free and repayable on demand.

Notes to the **Financial Statements**

31 January 2014
cont'd

24. BANK OVERDRAFT

Group

Secured

The bank overdraft is denominated in RM and granted by a licenced bank.

The bank overdraft is secured as follows:

(a) A first legal charge over the office property of the Group as mentioned in Note 5; and
(b) Jointly and severally guaranteed by certain directors of a subsidiary company.

The bank overdraft bears effective interest rate at 8.35% (2013: Nil) per annum.

25. REVENUE

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
Sale of goods and services	16,715,505	12,101,842	-	-
Contract revenue	9,834,601	-	-	-
Mechanical and electrical maintenance	7,134,992	-	-	-
	33,685,098	12,101,842	-	-

26. COST OF SALES

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
Cost of goods and services	17,413,854	14,698,863	-	-
Contract costs	5,625,959	-	-	-
Cost of mechanical and electrical maintenance	4,247,217	-	-	-
	27,287,030	14,698,863	-	-

Notes to the **Financial Statements**

31 January 2014
cont'd

27. ADMINISTRATIVE EXPENSES

Other than as disclosed in Notes 29 and 30, included in administration expenses are the following material expenses:

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Commission	452,930	727,160	-	-
Professional fees	593,193	240,469	396,534	143,579
Research and development expenses	-	383,871	-	-
Relocation cost	-	194,893	-	-

28. FINANCE COSTS

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Bank overdraft interest	15,355	-	-	-
Hire purchase interest	29,975	2,551	-	-
Late payment interest	21,710	4,359	-	-
Term loan interest	297,334	-	219,452	-
	364,374	6,910	219,452	-

Notes to the **Financial Statements**

31 January 2014
cont'd

29. LOSS BEFORE TAXATION

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
Loss before taxation is stated *after charging:*				
Auditors' remuneration				
- current year's provision	83,200	36,000	20,000	10,000
- under provision in respect of prior year	9,818	-	5,000	-
- other services	52,000	60,000	30,000	60,000
Bad debts written off	124,160	-	-	-
Deposit written off	30,000	-	-	-
Depreciation	1,016,525	642,625	-	-
Impairment loss for investment in subsidiary companies	-	-	10,978,725	-
Impairment loss on property, plant and equipment	981,405	-	-	-
Impairment loss on trade receivables	938,385	783,035	-	-
Inventories written down	1,074,480	455,144	-	-
Loss on foreign exchange				
- realised	1,224	24,401	-	-
Loss on foreign exchange				
- unrealised	-	8,652	-	-
Property, plant and equipment written off	12,670	303,054	-	-
Rental of equipment	1,930	200	-	-
Rental of factory	54,000	-	-	-
Rental of premises	634,934	626,954	-	-
Rental of office equipment	8,330	-	-	-
Employee benefit expenses *(Note 30)*	4,551,977	3,309,226	432,010	179,300
and crediting:				
Gain on disposal of property, plant and equipment	20,573	57,759	-	-
Gain on foreign exchange				
- realised	23,613	44,076	-	-
Gain on foreign exchange				
- unrealised	-	1,675	-	-
Interest income	84,984	87,836	84,678	87,821
Rental income	143,000	-	-	-

Notes to the **Financial Statements**
31 January 2014
cont'd

30. EMPLOYEE BENEFIT EXPENSES

The employee benefit expenses recognised in statements of profit or loss and other comprehensive income are as follows:

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Salaries and wages	3,616,944	2,642,023	308,888	50,880
Defined contribution plan	448,472	294,310	36,500	2,920
Other employee benefits	486,561	372,893	86,622	125,500
	4,551,977	3,309,226	432,010	179,300

Included in employee benefit expenses are directors' remuneration who are the key management personnel of the Company:

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Directors' remuneration				
- Fees	122,000	77,500	96,000	77,500
- Defined contribution plan	14,380	44,421	11,520	2,880
- Other emoluments	76,500	500,422	76,500	24,000

31. INCOME TAX EXPENSE

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Malaysian income tax:				
- current year's provision	1,460,645	-	-	-
- over provision in respect of prior years	(37,540)	(1,755)	-	-
- deferred tax liabilities *(Note 19)*	(79,803)	-	-	-
	1,343,302	(1,755)	-	-

Notes to the **Financial Statements**

31 January 2014
cont'd

31. INCOME TAX EXPENSE *cont'd*

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 is as follows:

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Loss before taxation	(1,993,203)	(8,102,369)	(12,098,407)	(485,385)
Income tax expense at Malaysian statutory tax rate of 25% (2013: 25%)	(498,301)	(2,025,592)	(3,024,602)	(121,346)
• Adjustments for the following tax effects:				
- expenses not deductible for tax purposes	654,088	545,494	3,024,602	121,346
- income not subject to tax	-	(14,440)	-	-
- temporary differences not recognised during the year	2,128,789	1,494,538	-	-
- utilisation of previously unrecognised deferred tax assets	(713,009)	-	-	-
- lower tax rate for small and medium size industry	(100,000)	-	-	-
	1,969,868	2,025,592	3,024,602	121,346
• Over provision in respect of prior years	(37,540)	(1,755)	-	-
• Deferred tax liabilities not recognised in prior year	(90,725)	-	-	-
	1,343,302	(1,755)	-	-
Tax savings arising from utilisation of prior year tax losses previously not recognised	685,958	-	-	-

The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

	Group	
	2014	2013
	RM	RM
Excess of capital allowances claimed over depreciation on property, plant and equipment	675,108	2,061,977
Unutilised tax losses	(25,376,132)	(18,398,168)
Unabsorbed capital allowances	(2,964,562)	(2,794,243)
	(27,665,586)	(19,130,434)

Notes to the **Financial Statements**

31 January 2014
cont'd

32. LOSS PER SHARE

(a) Basic loss per ordinary share

The basic loss per ordinary share as at 31 January 2014 is arrived at by dividing the Group's loss attributable to the owners of the Company divided by a weighted average number of ordinary shares outstanding and calculated as follows:

	Group	
	2014 RM	2013 RM
Loss attributable to owners of the Company	(5,913,369)	(8,100,614)
Weighted average number of ordinary shares:-		
Ordinary shares in issued at 1 February 2013/2012	349,944,931	140,000,000
Effect of new ordinary shares issued pursuant to the Rights Issue with Warrants	-	127,917,267
Effect of new ordinary shares issued pursuant to the exercised of Warrants 2012/2017	3,936,599	-
Effect of new ordinary shares issued pursuant to the Private Placement	3,739,138	-
Weighted average number of ordinary shares at 31 January for basic loss per ordinary share	357,620,668	267,917,267
Basic loss per share (sen)	(1.65)	(3.02)

(b) Diluted loss per ordinary share

The basic loss per ordinary share as at 31 January 2014 is arrived at by dividing the Group's loss attributable to the owners of the Company divided by a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares and calculated as follows:

	Group	
	2014 RM	2013 RM
Loss attributable to owners of the Company	(5,913,369)	(8,100,614)
Weighted average number of ordinary shares at 31 January for basic loss per ordinary share (basic)	357,620,668	267,917,267
Effect of exercised of Warrants 2012/2017	62,077,072	-
Weighted average number of ordinary shares at 31 January for basic loss per ordinary share (basic)	419,697,740	267,917,267
Diluted loss per share (sen)	(1.41)	NA

Notes to the **Financial Statements**

31 January 2014
cont'd

32. LOSS PER SHARE *cont'd*

(b) Diluted loss per ordinary share *cont'd*

The diluted loss per share as at 31 January 2013 was not presented as the average market value of the ordinary shares of the Company is lower than the exercise price for the outstanding Warrants 2012/2017 and any exercise of Warrants 2012/2017 would be anti dilutive.

33. ACQUISITION OF SUBSIDIARY COMPANIES

JHSB was incorporated as a private limited company in Malaysia under the Companies Act, 1965 on 4 January 2010. JHSB is principally engaged in project management, interior fit out and investment holding.

On 30 April 2013, the Company acquired 30% equity interest in JHSB. Upon the acquisition, JHSB became a 30% owned subsidiary of the Group.

Although the Group owns less than half of the ownership interest in JHSB, the Directors had determined that the Group controls JHSB by virtue of the Shareholders' Agreement dated 7 January 2013 with its other investors.

The fair values of the identifiable assets and liabilities of JHSB and its subsidiary companies ("Jiwa Group") as at the date of acquisition were:-

	Jiwa Group		
	Pre-acquisition carrying amounts	**Fair value adjustments**	**Recognised values on acquisition**
	RM	**RM**	**RM**
Property, plant and equipment	1,438,041	-	1,438,041
Inventories	2,464,652	-	2,464,652
Trade receivables	3,912,319	-	3,912,319
Other receivables, deposits and prepayments	544,531	-	544,531
Cash and bank balances	457,416	-	457,416
Trade payables	(1,936,849)	-	(1,936,849)
Other payables and accrued expenses	(3,317,299)	-	(3,317,299)
Hire purchase payables	(769,178)	-	(769,178)
Current tax liabilities	(652,466)	-	(652,466)
Deferred tax liabilities	(181,300)	-	(181,300)
Non-controlling interests	125,875	-	125,875
Net identifiable assets and liabilities	2,085,742	-	2,085,742

Notes to the **Financial Statements**

31 January 2014
cont'd

33. ACQUISITION OF SUBSIDIARY COMPANIES *cont'd*

	Jiwa Group		
	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
	RM	RM	RM
Less: Non-controlling interests' proportionate share of the acquiree's net identifiable assets			1,460,019
Group's interest in fair value of net identifiable assets			625,723
Goodwill on acquisition			3,124,277
Purchase consideration			3,750,000
Less: Cash and bank balances of subsidiary companies acquired			(457,416)
Net cash outflow on acquisition			3,292,584

34. RELATED PARTY DISCLOSURE

(a) Identities of related parties

(i) The Group has a controlling related party relationship with its direct subsidiaries as disclosed in *Note 6* to the financial statements; and

(ii) The directors who are the key management personnel.

(b) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company carried out the following significant transactions with the related parties during the financial year:-

(i) Subsidiary company

	Company	
	2014	2013
	RM	RM
Disposal of an investment in a subsidiary company to a subsidiary company	-	3
Management fee income from a subsidiary company	(40,000)	-

Notes to the **Financial Statements**

31 January 2014
cont'd

34. RELATED PARTY DISCLOSURE *cont'd*

(b) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company carried out the following significant transactions with the related parties during the financial year:- *cont'd*

(ii) Key management compensation

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
Short term employee benefits				
- Salaries and wages	122,000	476,422	96,000	-
- Defined contribution plan	14,380	44,421	11,520	2,880
- Others	76,500	101,500	76,500	101,500

35. FINANCIAL INSTRUMENTS

The Group's and the Company's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's and the Company's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's and the Company's financial performance.

(a) Financial Risk Management Policies

The Group's and the Company's policies in respect of the major areas of treasury activity are as follows:-

i. Market Risk

(i) Foreign Currency Risk

The Group and the Company are exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

Notes to the **Financial Statements**
31 January 2014
cont'd

35. FINANCIAL INSTRUMENTS *cont'd*

(a) Financial Risk Management Policies *cont'd*

i. Market Risk *cont'd*

(i) Foreign Currency Risk cont'd

The net unhedged financial liabilities of the Group and of the Company not denominated in RM are as follows:-

Group	Singapore Dollar RM	United States Dollar RM	Total RM
2014			
Trade and other receivables	-	189,762	189,762
Trade and other payables	(185,813)	(372,600)	(558,413)
Currency exposure	(185,813)	(182,838)	(368,651)
2013			
Trade and other receivables	-	526,711	526,711
Trade and other payables	(381,797)	(246,418)	(628,215)
Currency exposure	(381,797)	280,293	(101,504)

Foreign Currency Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

	Group	
	2014 RM Increase/ (Decrease)	2013 RM Increase/ (Decrease)
Effects on loss after taxation/equity		
Strengthened by 10%		
- Singapore Dollar	18,581	38,180
- United States Dollar	18,284	(28,029)
Weakened by 10%		
- Singapore Dollar	(18,581)	(38,180)
- United States Dollar	(18,284)	28,029

Notes to the **Financial Statements**

31 January 2014
cont'd

35. FINANCIAL INSTRUMENTS *cont'd*

(a) Financial Risk Management Policies *cont'd*

i. Market Risk *cont'd*

(ii) Interest Rate Risk

The Group's and the Company's exposure to interest rate risk arises mainly from interest-bearing financial liabilities. Its policy is to obtain the most favourable interest rates available.

Interest Rate Risk Sensitivity Analysis

The interest rate risk sensitivity analysis on the fixed rate financial instruments is not disclosed as the interest-bearing financial instruments carry fixed interest rate and are measured at amortised cost.

The following table details the sensitivity analysis on the floating rate instruments to a reasonably possible change in the interest rate as at the end of the reporting period, with all other variables held constant:-

	Group	
	2014	**2013**
	RM	**RM**
	Increase/ (Decrease)	**Increase/ (Decrease)**
Effects on loss after taxation/equity		
Increase of 100 basis points	16,992	-
Decrease of 100 basis points	(16,992)	-

(iii) Equity Price Risk

The Group and the Company do not have any quoted investments and hence there is no exposure to price risk.

ii. Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from receivables. The maximum exposure to credit risk is represented by the carrying amount of this financial asset in the statements of financial position reduced by the effects of any netting arrangements with counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Notes to the **Financial Statements**
31 January 2014
cont'd

35. FINANCIAL INSTRUMENTS *cont'd*

(a) Financial Risk Management Policies *cont'd*

ii. Credit Risk *cont'd*

Credit Risk Concentration Profile

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 four (2013: 2) major customers constituting approximately 80% (2013: 39%) of the outstanding trade receivables of the Group at reporting date.

Exposure to Credit Risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets at the reporting date.

Ageing Analysis

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

Group	Gross amount RM	Individually impairment RM	Collective impairment RM	Carrying amount RM
2014				
Not past due	4,675,770	-	-	4,675,770
Past due:				
- less than 3 months	3,809,459	-	-	3,809,459
- between 3 to 6 months	607,184	(545)	(55,321)	551,318
- more than 6 months	5,993,122	(3,694,290)	(287,138)	2,011,694
	15,085,535	(3,694,835)	(342,459)	11,048,241
2013				
Not past due	1,997,276	-	-	1,997,276
Past due:				
- less than 3 months	512,064	-	-	512,064
- between 3 to 6 months	1,739,115	-	-	1,739,115
- more than 6 months	4,724,595	(3,330,679)	-	1,393,916
	8,973,050	(3,330,679)	-	5,642,371

Notes to the **Financial Statements**

31 January 2014

cont'd

35. FINANCIAL INSTRUMENTS *cont'd*

(a) Financial Risk Management Policies *cont'd*

ii. Credit Risk *cont'd*

Ageing Analysis *cont'd*

At the end of the reporting period, trade receivables that are individually impaired were those that have defaulted in payments. These receivables are not secured by any collateral or credit enhancement.

The collective impairment is determined based on estimated irrecoverable amounts, determined by reference to past default experience.

Trade receivables that are past due but not impaired are unsecured in nature. They are creditworthy receivables.

Trade receivables that are neither past due nor impaired are regular customers that have been transacted with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 180 days, which are deemed to have higher credit risk, are monitored individually.

iii. Liquidity and Cash Flow Risk

The Group's and the Company's exposure to liquidity and cash flow risks arises mainly from general funding and business activities. The Group practises risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Notes to the **Financial Statements**
31 January 2014
cont'd

35. FINANCIAL INSTRUMENTS *cont'd*

(a) Financial Risk Management Policies *cont'd*

iii. Liquidity and Cash Flow Risk *cont'd*

The following tables set out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

Group	Weighted Average Effective Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	On demand or Within 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
2014							
Trade payables		5,867,534	5,867,534	5,867,534	-	-	-
Other payables and accruals		1,328,835	1,328,835	1,328,835	-	-	-
Bank overdraft	8.35	917,295	917,295	917,295	-	-	-
Hire purchase payables	4.51 - 7.55	678,410	771,374	156,564	156,564	398,918	59,328
Term loans	4.50 - 9.60	4,042,547	5,454,403	456,993	456,993	1,318,264	3,222,153
		12,834,621	14,339,441	8,727,221	613,557	1,717,182	3,281,481
2013							
Trade payables		2,502,332	2,502,332	2,502,332	-	-	-
Other payables and accruals		1,684,063	1,684,063	1,684,063	-	-	-
Amount owing to directors		1,055	1,055	1,055	-	-	-
		4,187,450	4,187,450	4,187,450	-	-	-

35. FINANCIAL INSTRUMENTS *cont'd*

(a) Financial Risk Management Policies *cont'd*

iii. Liquidity and Cash Flow Risk *cont'd*

The following tables set out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):- *cont'd*

Company	Weighted Average Effective Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	On demand or Within 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
2014							
Other payables and accruals		157,826	157,826	157,826	-	-	-
2013							
Other payables and accruals		244,549	244,549	244,549	-	-	-

Notes to the **Financial Statements**
31 January 2014
cont'd

35. FINANCIAL INSTRUMENTS *cont'd*

(b) Capital Risk Management

The Group manages its capital to ensure that the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The debt-to-equity ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents.

The debt-to-equity ratio of the Group and of the Company as at the end of the financial year was as follows:

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Trade payables	5,867,534	2,502,332	-	-
Other payables and accruals	1,328,835	1,685,118	157,826	244,549
Hire purchase payables	678,410	-	-	-
Term loans	4,042,547	-	-	-
	11,917,326	4,187,450	157,826	244,549
Less: Cash and cash equivalents	(4,124,046)	(5,249,069)	(3,187,504)	(3,786,287)
Net debts	7,793,280	(1,061,619)	(3,029,678)	(3,541,738)
Total equity	18,053,864	16,288,603	15,075,763	23,466,548
Debt-to-equity ratio	0.43	NA	NA	NA

NA – Not applicable as cash and cash equivalents exceeded the total debts at the end of the financial years.

Notes to the **Financial Statements**

31 January 2014
cont'd

35. FINANCIAL INSTRUMENTS *cont'd*

(c) Classification Of Financial Instruments

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Financial Assets				
Loans and Receivables Financial Assets				
Trade receivables	11,048,241	5,642,371	-	-
Other receivables and deposits	232,165	998,483	-	375,000
Amounts owing by subsidiary companies	-	-	5,566,748	16,341,748
Cash and bank balances	5,041,341	5,249,069	3,187,504	3,786,287
	16,321,747	11,889,923	8,754,252	20,503,035
Financial Liabilities				
Other financial liabilities				
Trade payables	5,867,534	2,502,332	-	-
Other payables and accruals	1,313,964	1,669,192	157,826	244,549
Amount owing to an associated company	14,871	14,871	-	-
Amount owing to directors	-	1,055	-	-
Bank overdraft	917,295	-	-	-
Hire purchase payables	678,410	-	-	-
Term loans	4,042,547	-	-	-
	12,834,621	4,187,450	157,826	244,549

(d) Fair Values Of Financial Instruments

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(e) Fair Value Hierarchy

As at 31 January 2014, there were no financial instruments measured at fair value in the statements of financial position.

Notes to the **Financial Statements**
31 January 2014
cont'd

36. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Executive Directors as its chief operating decision makers in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into main business segments as follows:-

(a) Manufacturing

Design, manufacturing and distribution of precision system.

(b) Trading

Trading of building materials and other related products.

(c) Interior fit-out

Project management, interior fit-out, manufacturing and trading in wood furniture.

(d) Mechanical and electrical maintenance

Provision of mechanical and electrical maintenance services.

Other segments comprise companies providing management services and dormant companies.

The Executive Directors assess the performance of the operating segments based on operating profits or losses which is measured differently from those disclosed in the consolidated financial statements.

The Executive Directors are of the opinion that all inter segment transactions are entered into in the normal course of business and are at arm's length basis in a manner similar to transactions with third parties.

36. OPERATING SEGMENTS *cont'd*

Business segments

Group 2014	Manufacturing RM	Trading RM	Interior fit-out RM	Mechanical and electrical maintenance RM	Others RM	Elimination RM	Total RM
Revenue							
External revenue	1,320,722	13,097,495	12,131,889	7,134,992	-	-	33,685,098
Inter-segment revenue	-	17,928	430,000	-	-	(447,928)	-
External revenue	1,320,722	13,115,423	12,561,889	7,134,992	-	(447,928)	33,685,098
Results							
Segment results	(3,634,503)	(1,792,120)	2,735,908	2,158,025	(11,972,244)	10,791,121	(1,713,813)
Interest income	306	-	-	-	84,678	-	84,984
Interest expenses	-	(21,710)	(123,212)	-	(219,452)	-	(364,374)
Loss before taxation	(3,634,197)	(1,813,830)	2,612,696	2,158,025	(12,107,018)	10,791,121	(1,993,203)
Income tax expense	-	-	(915,749)	(427,553)	-	-	(1,343,302)
Loss after taxation	(3,634,197)	(1,813,830)	1,696,947	1,730,472	(12,107,018)	10,791,121	(3,336,505)
Assets							
Segment assets	3,103,991	7,174,070	16,671,499	3,779,824	26,296,313	(23,571,284)	33,454,413
Liabilities							
Segment liabilities	2,938,532	6,473,953	11,711,846	2,156,167	1,702,399	(9,582,348)	15,400,549

Notes to the **Financial Statements**
31 January 2014
cont'd

36. OPERATING SEGMENTS *cont'd*

Business segments *cont'd*

Group 2014	Manufacturing RM	Trading RM	Interior fit-out RM	Mechanical and electrical maintenance RM	Others RM	Elimination RM	Total RM
Other information							
Capital expenditures	-	3,830	4,792,802	32,364	-	-	4,828,996
Bad debts written off	-	-	124,160	-	-	-	124,160
Deposit written off	30,000	-	-	-	-	-	30,000
Depreciation of property, plant and equipment	507,626	154,305	311,704	42,890	-	-	1,016,525
Impairment loss on trade receivables	590,781	347,604	-	-	-	-	938,385
Impairment loss on property, plant and equipment	981,405	-	-	-	-	-	981,405
Impairment loss on investment in subsidiary companies	-	-	-	-	10,978,725	(10,978,725)	-
Inventories written down	1,054,480	-	20,000	-	-	-	1,074,480
Property, plant and equipment written off	-	-	12,670	-	-	-	12,670
Gain on disposal of property, plant and equipment	(20,573)	-	-	-	-	-	(20,573)

Notes to the **Financial Statements**

31 January 2014
cont'd

36. OPERATING SEGMENTS *cont'd*

Business segments *cont'd*

Group 2013	Manufacturing RM	Trading RM	Interior fit-out RM	Mechanical and electrical maintenance RM	Others RM	Elimination RM	Total RM
Revenue							
External revenue	2,389,573	9,712,269	-	-	-	-	12,101,842
Inter-segment revenue	421,161	-	-	-	-	(421,161)	-
External revenue	2,810,734	9,712,269	-	-	-	(421,161)	12,101,842
Results							
Segment results	(7,636,933)	30,983	-	-	(577,345)	-	(8,183,295)
Interest income	-	15	-	-	87,821	-	87,836
Interest expenses	(2,551)	(4,359)	-	-	-	-	(6,910)
Loss before taxation	(7,639,484)	26,639	-	-	(489,524)	-	(8,102,369)
Income tax expense	-	-	-	-	1,755	-	1,755
Loss after taxation	(7,639,484)	26,639	-	-	(487,769)	-	(8,100,614)
Assets							
Segment assets	14,352,632	9,191,362	-	-	23,794,803	(26,862,744)	20,476,053
Liabilities							
Segment liabilities	20,042,073	8,677,414	-	-	285,169	(24,817,206)	4,187,450

Notes to the **Financial Statements**
31 January 2014
cont'd

36. OPERATING SEGMENTS *cont'd*

Business segments *cont'd*

Group 2013	Manufacturing RM	Trading RM	Interior fit-out RM	Mechanical and electrical maintenance RM	Others RM	Elimination RM	Total RM
Other information							
Capital expenditures	487,444	1,297,942	-	-	-	-	1,785,386
Depreciation of property, plant and equipment	587,396	55,229	-	-	-	-	642,625
Impairment loss on trade receivables	783,035	-	-	-	-	-	783,035
Inventories written down	455,144	-	-	-	-	-	455,144
Loss on foreign exchange - unrealised	8,652	-	-	-	-	-	8,652
Property, plant and equipment written off	303,054	-	-	-	-	-	303,054
Gain on foreign exchange - unrealised	(1,675)	-	-	-	-	-	(1,675)
Gain on disposal of property, plant and equipment	(57,759)	-	-	-	-	-	(57,759)

Notes to the **Financial Statements**

31 January 2014
cont'd

36. OPERATING SEGMENTS *cont'd*

Geographical information

Group	2014 Revenue RM	2014 Non-current assets RM	2013 Revenue RM	2013 Non-current assets RM
Malaysia	32,756,320	7,553,234	11,036,940	3,318,924
China	744,930	-	821,915	-
Philippines	-	-	211,312	-
Others	183,848	-	31,675	-
	33,685,098	7,553,234	12,101,842	3,318,924

Major Customers

Information about major customers

Group Segment	2014 No of Customers*	2014 Revenue	2013 No of Customers*	2013 Revenue
Interior fit-out	1	8,200,953	-	-
Mechanical and electrical maintenance	1	7,134,992	-	-
Trading	-	-	3	5,141,053

** - Revenue from each customer is equal to or more than 10% of the Group's revenue.*

37. OPERATING LEASE COMMITMENTS

	Group 2014 RM	Group 2013 RM
The future minimum lease payment under a cancellable operating lease are as follows:		
- not later than 1 year	229,500	630,000
- later than 1 year and not later than 5 years	30,000	577,500
	259,500	1,207,500

The Group leases the factory building from a third party for operation purpose under a cancellable operating lease agreement.

Notes to the **Financial Statements**

31 January 2014
cont'd

38. CONTINGENT LIABILITY

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

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

39. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 16 April 2013, the Company undertook an internal restructuring wherein Flonic Advance Sdn. Bhd. ("FASB"), a wholly owned subsidiary of the Company disposed of 500,000 ordinary shares of RM1 each in Flonic Engineering Sdn. Bhd. ("FESB") representing 100% equity interest in FESB to the Company for a consideration of RM500,000. FESB became a wholly-owned subsidiary of the Company. The disposal has no impact at the Group level.

(b) On 30 April 2013, the Company acquired 300,000 ordinary shares of RM1 each representing 30% equity interest in Jiwa Holdings Sdn. Bhd. ("Jiwa") for a total cash consideration of RM3,750,000. Although the Group owns less than half of the ownership interest in Jiwa Holdings Sdn. Bhd., the Directors had determined that the Group controls Jiwa Holdings Sdn. Bhd. by virtue of the Shareholders' Agreement dated 7 January 2013 with its other investors. The details of the acquisition are disclosed in Note 33 to the financial statements.

(c) On 18 September 2013, the reduction of share capital pursuant to Section 64(1) of the Companies Act, 1965 ("Act") involving the reduction of the par value of each existing ordinary share in the Company from RM0.10 to RM0.05 via the cancellation of the par value of each existing ordinary share of RM0.10 each in the Company in issue ("Reduction in Par Value") was completed. The credit arising therefrom was utilised to set-off the accumulated losses of the Company.

The Company's Memorandum of Association ("M&A") was amended to facilitate the change in the par value of the Company's ordinary shares and the increase in the number of authorised shares of the Company arising from the Reduction in Par Value.

With the completion of the Reduction in Par Value, the Company's paid-up capital is now reduced to RM17,497,247 comprising 349,944,931 ordinary shares of RM0.05 each and the accumulated losses of the Company were set off by RM13,355,108 accordingly from the credit arising from the Reduction in Par Value.

(d) On 30 September 2013, a 40% owned subsidiary company, JMES increased its issued and paid-up share capital from RM100,000 to RM500,000 by the allotment of 160,000 ordinary shares of RM1 each fully paid to JHSB in full, a 30% owned subsidiary company of the Group and the balance of 240,000 ordinary shares of RM1 each to NCI.

(e) On 25 October 2013, the Company increased its issued and paid-up capital from 349,944,931 to 364,606,755 through the exercised of 14,661,824 Warrants 2012/2017 at an exercise price of RM0.05 per ordinary share. The newly issued shares rank pari passu in all respects with the existing shares of the Company.

Notes to the **Financial Statements**

31 January 2014
cont'd

39. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR *cont'd*

(f) On 23 December 2013, the Company increased its issued and paid-up capital from 364,606,755 to 399,601,248 by the issuance of 34,994,493 new ordinary shares at an issue price of RM0.085 each by a private placement. The shares were issued for cash consideration. The newly issued shares rank pari passu in all respects with the existing shares of the Company.

(g) On 30 January 2014, a wholly owned subsidiary of the Company, FASB increased its authorised share capital from RM10,000,000 to RM25,000,000 by the creation of 15,000,000 ordinary shares of RM1 each and increased its issued and paid-up share capital from RM8,000,000 to RM16,000,000 by the allotment of 8,000,000 ordinary shares of RM1 each.

The Company subscribed for the additional 8,000,000 ordinary shares of RM1 each by way of capitalisation of amount owing by FASB.

(h) On 30 January 2014, a wholly owned subsidiary of the Company, FESB increased its authorised share capital from RM500,000 to RM5,000,000 by the creation of 4,500,000 ordinary shares of RM1 each and increased its issued and paid-up share capital from RM500,000 to RM2,500,000 by the allotment of 2,000,000 ordinary shares of RM1 each.

The Company subscribed for the additional 2,000,000 ordinary shares of RM1 each by way of capitalisation of amount owing by FESB.

40. SIGNIFICANT EVENTS OCCURING AFTER THE REPORTING DATE

(a) On 7 February 2014, a representative of the Group had resigned from the board of directors of JMES resulting in the Group ceasing its control over the board and management of JMES but could still exert significant influence over JMES by participation in the financial and operating policy decision. Subsequently, its investment in JMES has been reclassified from investment in subsidiary company to investment in associated company at Company level and is accounted for in the consolidated financial statements using the equity method at Group level.

The summary of financial information are as follows:

	Carrying amount RM
Property, plant and equipment	101,369
Trade and other receivables	2,742,054
Cash and cash equivalents	936,401
Trade and other payables	(1,743,614)
Current tax liabilities	(389,253)
Deferred tax liabilities	(23,300)
Total net asset deemed disposed	1,623,657
Non-controlling interests	(974,194)
Share of net assets deemed disposed and reclassified to investment in associated company	649,463

Notes to the **Financial Statements**
31 January 2014
cont'd

40. SIGNIFICANT EVENTS OCCURING AFTER THE REPORTING DATE *cont'd*

(b) On 7 January 2013, the Company entered into an Option Agreement with Mr. Harris Hans Chua and Mr. Roy Thean Chong Yew (collectively referred to as "Vendors") to purchase an additional 210,000 ordinary shares of RM1 each in Jiwa representing 21% equity interest in Jiwa from the Vendors at a total purchase consideration of RM2,625,000 within 12 months from 30 April 2013 ("Option Period").

On 27 February 2014, the Option Period were extended for an additional six months from a previously agreed option period.

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

Notes to the **Financial Statements**

31 January 2014

cont'd

41. COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform with the presentation of the current financial year:

	Group		Company	
	As restated	As previously reported	As restated	As previously reported
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (EXTRACT):				
Changes in inventories of finished goods and work-in-progress	-	865,483	-	-
Purchases	-	(10,720,264)	-	-
Raw materials and consumables used	-	(1,988,484)	-	-
Depreciation	-	(642,625)	-	-
Staff costs	-	(3,309,226)	-	(179,300)
Other operating expenses	-	(4,813,866)	-	(393,906)
Cost of sales	(14,698,863)	-	-	-
Administrative expenses	(5,910,119)	-	(573,206)	-
STATEMENT OF CASH FLOWS (EXTRACT):				
Cash used in operating activities				
- Increase in receivables	(3,351,683)	(3,333,433)	(375,000)	(15,945,475)
- Increase in payables	(654,673)	(3,311,402)	(201,530)	(325,530)
Cash used in investing activities				
- Advances to subsidiary companies	-	-	(15,570,475)	-
- Repayment from an associated company	18,250	-	-	-
Cash generated from financing activities				
- Repayment to a related party	(2,607,000)	-	(100,000)	-
- Advances from an associated company	14,871	-	-	-
- Repayment to directors	(64,600)	-	(24,000)	-

42. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 27 May 2014 by the Board of Directors.

Notes to the **Financial Statements**

31 January 2014

cont'd

43. SUPPLEMENTARY INFORMATION – BREAKDOWN OF ACCUMULATED LOSSES INTO REALISED AND UNREALISED

The breakdown of the accumulated losses of the Group and of the Company at the end of the reporting period into realised and unrealised losses is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared 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.

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
Total accumulated losses Group and of the Company				
- Realised	(5,499,577)	(18,548,063)	(6,836,587)	(12,235,426)
- Unrealised	67,604	(6,977)	-	-
	(5,431,973)	(18,555,040)	(6,836,587)	(12,235,426)
Total share of accumulated losses from associated companies - realised	(61,676)	(61,676)	-	-
Less: Consolidated adjustments	93,298	1,632,488	-	-
Accumulated losses of the Group and of the Company	(5,400,351)	(16,984,228)	(6,836,587)	(12,235,426)

Analysis of **Shareholdings**

As at 4 June 2014

Authorised Share Capital	:	RM100,000,000.00 divided into 2,000,000,000 ordinary shares of RM0.05 each
Issued and Paid-up Share Capital	:	RM19,980,062.40 divided into 399,601,248 ordinary shares of RM0.05 each
Class of Shares	:	Ordinary Shares of RM0.10 each
Number of Shareholders	:	2,749
Voting Rights	:	One vote per ordinary share

ANALYSIS BY SIZE OF SHAREHOLDINGS as per the Record of Depositors

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Share Capital
1 – 99	9	0.33	386	0.00
100 – 1,000	460	16.73	97,541	0.02
1,001 - 10,000	366	13.31	2,630,101	0.66
10,001 – 100,000	1335	48.56	71,712,646	17.95
100,001 – less than 5% of issued shares	578	21.03	273,998,750	68.56
5% and above of issued shares	1	0.04	51,161,284	12.80
Total	**2,749**	**100.00**	**399,601,248**	**100.00**

LIST OF SUBSTANTIAL SHAREHOLDERS as per the Register of Substantial Shareholders

	No. of Shares Held			
Name of Substantial Shareholders	**Direct**	**%**	**Indirect**	**%**
1. JF Apex Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tan Siew Ching (Margin)	51,161,824	12.80	-	-
2. Nagendran A/L C. Nadarajah	18,000,000	5.14	-	-

LIST OF DIRECTOR'S SHAREHOLDINGS as per the Register of Directors' Shareholdings

	No. of Shares Held			
Name of Directors	**Direct**	**%**	**Indirect**	**%**
Dato' Chua Wye Man	-	-	51,161,824 [(1)]	12.80
Lee Kok Wah	-	-	-	-
Ng Yaw Long	-	-	-	-
Voon Wee Li	-	-	-	-

Note:
(1) Deemed interest by virtue of his spouse's shareholding in the Company.

Analysis of **Shareholdings**

As at 4 June 2014
cont'd

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS as per the Record of Depositors

No.	Name of Shareholders	No. of Shares Held	% of Issued Share Capital
1.	JF Apex Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Datin Tan Siew Ching (Margin)*	51,161,824	12.80
2.	Tan Ah Swee	6,526,200	1.63
3.	Kenanga Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Tan Teik Hoe (03MG00010)*	5,554,400	1.39
4.	Sivananthan A/L K Nataraja	5,050,000	1.26
5.	UOB Kay Hian Nominees (Asing) Sdn Bhd *- Exempt an for UOB Kay Hian Pte Ltd (A/C Clients)*	4,700,000	1.18
6.	Siti Junainah Binti Dewa	3,650,000	0.91
7.	HDM Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Ng Kong Ghee (M02)*	3,500,000	0.88
8.	Toh Ah Lou	3,500,000	0.88
9.	CIMSEC Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Yong Nyan Ted (Kuching-CL)*	3,500,000	0.88
10.	Siti Junainah Binti Dewa	3,480,000	0.87
11.	Maybank Securities Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Chia Tue Hua (Margin)*	3,130,000	0.78
12.	Public Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Koh Ah Hai (E-TSA)*	3,008,400	0.75
13.	Ho Huey Chuin	2,940,000	0.74
14.	Kenanga Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Jee Tai Chew (021)*	2,800,000	0.70
15.	Darryl, Francis Donovan	2,750,000	0.69
16.	Wong Chan Kong	2,648,000	0.66
17.	Ngoo Ah Choo @ Ngoo Kay Choo	2,190,000	0.55
18.	Koh Weng Foo	2,000,000	0.50
19.	Kenanga Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Chong Fut Ling (001)*	2,000,000	0.50
20.	Ng See Kam	1,800,000	0.45
21.	Public Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Ong Yew Beng (E-SJA)*	1,800,000	0.45
22.	CIMSEC Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Wong Thian Soon (Penang-CL)*	1,684,300	0.42
23.	Siah Eng Fong	1,604,600	0.40
24.	Wee Hock Guan	1,600,000	0.40
25.	Soon Foo Mun	1,510,000	0.38
26.	Maybank Securities Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Tan Kok Siong*	1,500,000	0.38
27.	Lee Yee Hean @ Lee Yee Hum	1,500,000	0.38
28.	Yeo Jin Hui	1,500,000	0.38
29.	Tan Sow Peng	1,500,000	0.38
30.	Siti Junainah Binti Dewa	1,500,000	0.38
	Total	**131,587,724**	**32.93**

Analysis of **Warrantholdings**

As at 4 June 2014

Total Warrants Issued : 125,301,430
Number of Warrant holders : 660

ANALYSIS BY SIZE OF WARRANTHOLDINGS as per the Record of Depositors

Size of Warrantholdings	No. of Warrant Holders	% of Warrant Holders	No. of Warrants Held	% of Issued Warrant
1 – 99	29	4.40	1,499	0.00
100 – 1,000	21	3.18	9,667	0.01
1,001 - 10,000	68	10.30	510,332	0.41
10,001 – 100,000	331	50.15	18,621,133	14.86
100,001 – less than 5% of issued warrants	211	31.97	106,158,799	84.72
5% and above of issued warrants	0	0.00	0	0
Total	**660**	**100.00**	**125,301,430**	**100.00**

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS as per the Record of Depositors

No.	Name of Warrant Holders	No. of Warrants Held	% of Issued Warrants
1.	Devarajah A/L C Navaratnam	3,950,000	3.15
2.	Ahmad Komarolaili Bin Abu	3,600,000	2.87
3.	Kenanga Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Dato' Ng Aik Kee (001)*	3,500,000	2.79
4.	Kenanga Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Chin Soon Fuat*	3,200,000	2.55
5.	Bala Kumar Thambiah	3,000,000	2.40
6.	Lum Yin Mui	2,964,300	2.37
7.	B K Mohanan Menon	2,000,000	1.60
8.	Kheng Robert	2,000,000	1.60
9.	Kenanga Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for How Teck Soon (ET)*	2,000,000	1.60
10.	Nagendran A/L C. Nadarajah	2,000,000	1.60
11.	Ngoo Ah Choo @ Ngoo Kay Choo	1,950,000	1.56
12.	Kevin Wee Teck Jin	1,805,000	1.44
13.	AllianceGroup Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Lee Guat Yee (8056437)*	1,610,000	1.28
14.	Ooi Thean Nip	1,575,900	1.26
15.	Mercsec Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Novatige Sdn Bhd*	1,500,000	1.20
16.	Kenanga Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Jee Tai Chew (021)*	1,500,000	1.20

Analysis of **Warrantholdings**

As at 4 June 2014

cont'd

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS as per the Record of Depositors *cont'd*

No.	Name of Warrant Holders	No. of Warrants Held	% of Issued Warrants
17.	Teng Pok Sang @ Teng Fook Sang	1,300,000	1.04
18.	HLIB Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Teoh Hui Lin Tessa*	1,216,000	0.97
19.	Sai Yee @ Sia Say Yee	1,160,000	0.93
20.	Ho Huey Chuin	1,144,200	0.91
21.	Chee Chin Seng	1,000,000	0.80
22.	Kenanga Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Lee Wai Chong (MR0650)*	1,000,000	0.80
23.	CIMSEC Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Tan Li Li (TM RAYA-CL)*	1,000,000	0.80
24.	Lim Chin Sean	1,000,000	0.80
25.	Teo Boon Tong	980,000	0.78
26.	Ngoo Ah Choo @ Ngoo Kay Choo	950,000	0.76
27.	Low Guat Lay	950,000	0.76
28.	Tok Boon Seong	900,000	0.72
29.	Woo Chiew Loong	900,000	0.72
30.	Abdul Rahman bin Abdul Karim	900,000	0.72
	Total	**52,555,400**	**41.94**

FORM OF PROXY

Number of shares held	
CDS account no.	

FLONIC HI-TEC BHD (655665-T)

(Incorporated in Malaysia under the Companies Act, 1965)

*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 Tenth AGM of the Company to be held at the Tun H.S Lee Room, The Royal Commonwealth Society, No. 4 Jalan Birah, 50490 Kuala Lumpur, Selangor on Wednesday, 23 July 2014 at 10.00 a.m. and at any adjournment thereof, on the following resolutions referred to in the Notice of Tenth AGM.

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

Agenda			
1.	To receive the Audited Financial Statements for the financial year ended 31 January 2014 together with the Reports of the Directors and the Auditors thereon.		
No.	**Resolutions**	**For**	**Against**
2.	To re-elect Mr. Ng Yaw Long, the Director who retires in accordance with Article 85 of the Company's Articles of Association. **(Resolution 1)**		
3.	To re-elect Ms. Voon Wee Li, the Director who retires in accordance with Article 92 of the Company's Articles of Association. **(Resolution 2)**		
4.	To re-appoint Messrs. Siew Boon Yeong & Associates as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **(Resolution 3)**		
5.	As Special Business Ordinary Resolution No. 1 - To approve payment of Directors' fees for the financial year ended 31 January 2014. **(Resolution 4)**		
6.	As Special Business Ordinary Resolution No. 2 - Authority to issue shares pursuant to Section 132D of the Companies Act, 1965. **(Resolution 5)**		

(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 ________________ 2014

For appointment of two proxies, percentage of shareholdings to be represented by the proxies		
	No. of shares	**Percentage**
Proxy 1		
Proxy 2		
Total		100%

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

Notes:-

1. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 16 July 2014 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.*
2. *A member entitled to attend and vote at the Meeting is entitled to appoint more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(a),(b),(c) and (d) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.*
3. *Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he or she specifies the proportion of his or her holdings to be represented by each proxy.*
4. *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 its seal or under the hand of an officer or attorney duly authorised.*
5. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
6. *The instrument appointing a proxy must be deposited at the Company's Registered Office at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than 48 hours before the time for holding the Meeting or at any adjournment thereof.*

** Delete if not applicable*

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POSTAGE

Company Secretary

FLONIC HI-TEC BHD (655665-T)
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Wilayah Persekutuan

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