

## 14. ACCOUNTANT'S REPORT

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The Board of Directors  
Karex Berhad  
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50250 Kuala Lumpur

25 September 2013

Dear Sirs

**Karex Berhad**  
**Accountants' Report**

### 1 Introduction

This report has been compiled by Messrs KPMG, an approved company auditor, for inclusion in the Prospectus of Karex Berhad (hereinafter known as "Karex" or "Company") in connection with the listing and quotation of the entire issued and paid-up share capital of Karex on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), and should not be relied upon for any other purposes.

### 2 General information

#### 2.1 Background

Karex is principally engaged in investment holding. The principal activities of Karex's subsidiaries are disclosed in Section 2.5 of this Accountants' Report. Karex is domiciled in Malaysia and the registered address is as follows:

10th Floor Menara Hap Seng  
No. 1 & 3, Jalan P. Ramlee  
50250 Kuala Lumpur

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### 2.2 Listing Scheme

In conjunction with the listing of and quotation for the entire issued and paid-up share capital of Karex on the Main Market of Bursa Securities, Karex undertook the following restructuring exercise:

#### 2.2.1 The Acquisitions

Prior to the acquisitions, the equity shares in KISB, HMSB, ISB and ITL were held by individuals and/or corporate shareholder that are owned by similar individuals. UTSB was 60% held by KISB with the remaining 40% held by similar and other individuals.

As part of the listing exercise, Karex acquired KISB, HMSB, ISB and ITL while KISB acquired the remaining 40% in UTSB from these shareholders. The acquisitions were satisfied by the issuance of Karex ordinary shares of RM0.25 each as summarised below:

Name of Company	No. of ordinary shares	Interest acquired %	Purchase Consideration (RM)	No. of Karex Shares Issued
<b>Acquired by Karex</b>				
Karex Industries Sdn Bhd ("KISB")	2,500,000 <sup>(1)</sup>	100	35,474,998	141,899,992
Hevea Medical Sdn Bhd ("HMSB")	1,000,000 <sup>(1)</sup>	100	3,300,000	13,200,000
Innolates Sdn Bhd ("ISB")	250,000 <sup>(1)</sup>	100	4,750,000	19,000,000
Innolates (Thailand) Limited ("ITL")	1,620,000 <sup>(2)</sup>	100	12,500,000	50,000,000
Sub-total			56,024,998	224,099,992
<b>Acquired by KISB</b>				
Uro Technology Sdn Bhd ("UTSB")	200,000 <sup>(1)</sup>	40	1,350,000	5,400,000
Total			57,374,998	229,499,992

(1) Denotes par value of RM1.00 each

(2) Denotes par value of THB 100 each

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## 2 General information (Cont'd)

### 2.2 Listing Scheme (Cont'd)

#### 2.2.2 Initial Public Offering ("IPO")

The IPO comprises the Institutional Offering and Retail Offering for a total of 67,500,000 Shares (consist of 40,500,000 newly issued shares "Issue Shares" and 27,000,000 shares offered "Offer Shares" for sale by the existing shareholders). These IPO Shares will be issued/offered based on the terms and conditions set out in the Prospectus and will be allocated and allotted in the following manner:

##### 2.2.2.1 Institutional Offering

The Institutional Offering of 47,250,000 Shares representing 17.5% of the enlarged issued and paid-up share capital, comprising 27,000,000 Offer Shares and 20,250,000 Issue Shares to institutional and selected investors of Malaysia, Singapore and Hong Kong at the IPO Price.

The Offer Shares are offered by the existing shareholders and represents 10.0% of the enlarged issued and paid-up share capital.

##### 2.2.2.2 Retail Offering

Retail Offering of 20,250,000 Issue Shares, representing 7.5% of the enlarged issued and paid-up share capital, at the IPO Price and allocated in the following manner:

- (i) 13,500,000 Issue Shares, representing 5.0% of the enlarged issued and paid-up share capital of the Company, are available for application by the Malaysian Public, of which 6,750,000 Issue Shares, representing 2.5% of the enlarged issued and paid-up share capital of the Company, are set aside for Bumiputera investors. Any Issue Shares not subscribed by such Bumiputera investors will be made available for application by other Malaysian Investors under the Retail Offering; and
- (ii) 6,750,000 Issue Shares, representing 2.5% of the enlarged issued and paid-up share capital of the Company, are made available for application by the eligible Directors, employees, business associates and persons who have contributed to the success of the Group.

## 2.3 Listing and Quotation

Following the IPO, Karex has sought the approval of Bursa Securities for the admission of its shares into the Official List, and for the listing and quotation of Karex's entire issued and paid-up share capital on the Main Market of Bursa Securities.

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## 2.4 Share capital

At the date of incorporation, Karex's authorised share capital was RM100,000 consisting of 200,000 ordinary shares of RM0.50 each. At that date, Karex's issued and paid-up share capital was RM2 consisting of 4 ordinary shares of RM0.50 each.

On 30 November 2012, the Company subdivided all of its ordinary shares of RM0.50 each to two (2) ordinary shares of RM0.25 each.

As at 23 September 2013, being the latest practicable date ("LPD") Karex's authorised share capital was RM500,000,000 consisting of 2,000,000,000 ordinary shares of RM0.25 each.

Detailed changes in the issued and paid up share capital of Karex since its incorporation are as follows:

Date of allotment	No of ordinary shares	Consideration	Resultant issued and paid-up share capital (RM)
27.09.2012	4 <sup>(1)</sup>	Subscriber's shares	2
30.11.2012	8 <sup>(2)</sup>	Subdivision of shares	2
23.09.2013	229,499,992	Exchange of shares <sup>(3)</sup>	57,375,000

(1) Denotes 4 ordinary shares of RM0.50 each

(2) Denotes 8 subdivided ordinary shares of RM0.25 each

(3) Shares issued as consideration for the acquisitions as disclosed in 2.2.1.

Karex operates as an investment holding company.

## 2.5 Subsidiaries

**KISB**

KISB was incorporated in Malaysia under the Act as a private company on 4 May 1988 under the name of Banrub Sdn Bhd and assumed its present name on 5 Feb 1994.

KISB operates the business of manufacture and sale of condoms whilst its subsidiary, UTSB is principally involved in manufacturing of sterile catheters.

The authorised share capital of KISB is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of KISB is RM2,500,000 comprising 2,500,000 ordinary shares of RM1.00 each.

Detailed changes in the issued and paid-up share capital of KISB since its incorporation are as follows:

Date of allotment	No of ordinary shares of RM1.00 each allotted	Consideration	Resultant issued and paid-up share capital (RM)
04.05.1988	2	Subscriber's shares	2
27.05.1988	149,998	Cash	150,000
21.03.1990	50,000	Cash	200,000
27.01.1997	300,000	Cash	500,000
18.03.2000	1,300,000	Cash	1,800,000
27.03.2007	700,000	Capitalisation of shareholder's loan	2,500,000

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## 2.5 Subsidiaries (Cont'd)

**UTSB - Subsidiary of KISB**

UTSB was incorporated in Malaysia under the Act as a private company on 16 November 1998 under its present name.

UTSB operates the business of manufacturing of sterile catheters.

The authorised share capital of UTSB is RM500,000 comprising 500,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of UTSB is RM500,000 comprising 500,000 ordinary shares of RM1.00 each.

Detailed changes in the issued and paid-up share capital of UTSB since its incorporation are as follows:

Date of allotment	No of ordinary shares of RM1.00 each allotted	Consideration	Resultant issued and paid-up share capital (RM)
16.11.1998	2	Subscriber's shares	2
18.03.1999	99,998	Cash	100,000
13.09.2005	400,000	Bonus Issue	500,000

**HMSB**

HMSB was incorporated in Malaysia under the Act as a private company on 13 April 1999 under its present name.

HMSB operates the business of manufacturing of condoms, latex probe covers and latex sleeves.

The authorised share capital of HMSB is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of HMSB is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each.

Detailed changes in the issued and paid-up share capital of HMSB since its incorporation are as follows:

Date of allotment	No of ordinary shares of RM1.00 each allotted	Consideration	Resultant issued and paid-up share capital (RM)
13.04.1999	2	Subscriber's shares	2
03.08.1999	299,998	Cash	300,000
21.02.2000	700,000	Cash	1,000,000

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## 2.5 Subsidiaries (Cont'd)

**ISB**

ISB was incorporated in Malaysia under the Act as a private company on 2 December 1999 under its present name.

ISB operates the business of manufacture and sale of rubber products.

The authorised share capital of ISB is RM500,000 comprising 500,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of ISB is RM250,000 comprising 250,000 ordinary shares of RM1.00 each.

Detailed changes in the issued and paid-up share capital of ISB since its incorporation are as follows:

Date of allotment	No of ordinary shares of RM1.00 each allotted	Consideration	Resultant issued and paid-up share capital (RM)
02.12.1999	2	Subscriber's shares	2
01.12.2003	249,998	Cash	250,000

**ITL**

ITL was incorporated in Thailand under the Civil and Commercial Code of Thailand as a private company on 7 August 2003 under its present name.

ITL operates the business of manufacturing of all types of condoms, rubber finger gloves, hand gloves and/or products from rubber.

The registered capital of ITL is THB 162,000,000 comprising 1,620,000 ordinary share of THB 100.00 each.

Detailed changes in the issued and paid-up share capital of ITL since its incorporation are as follows:

Date of allotment	No of ordinary shares of THB 100.00 each allotted	Consideration	Resultant issued and paid-up share capital (THB)
07.08.2003	10,000	Subscriber's shares	1,000,000
30.12.2005	440,000	Capitalisation of shareholder's loan	45,000,000
20.11.2008	750,000	Capitalisation of shareholder's loan	120,000,000
18.01.2013	420,000*	Capitalisation of shareholder's loan	130,500,000

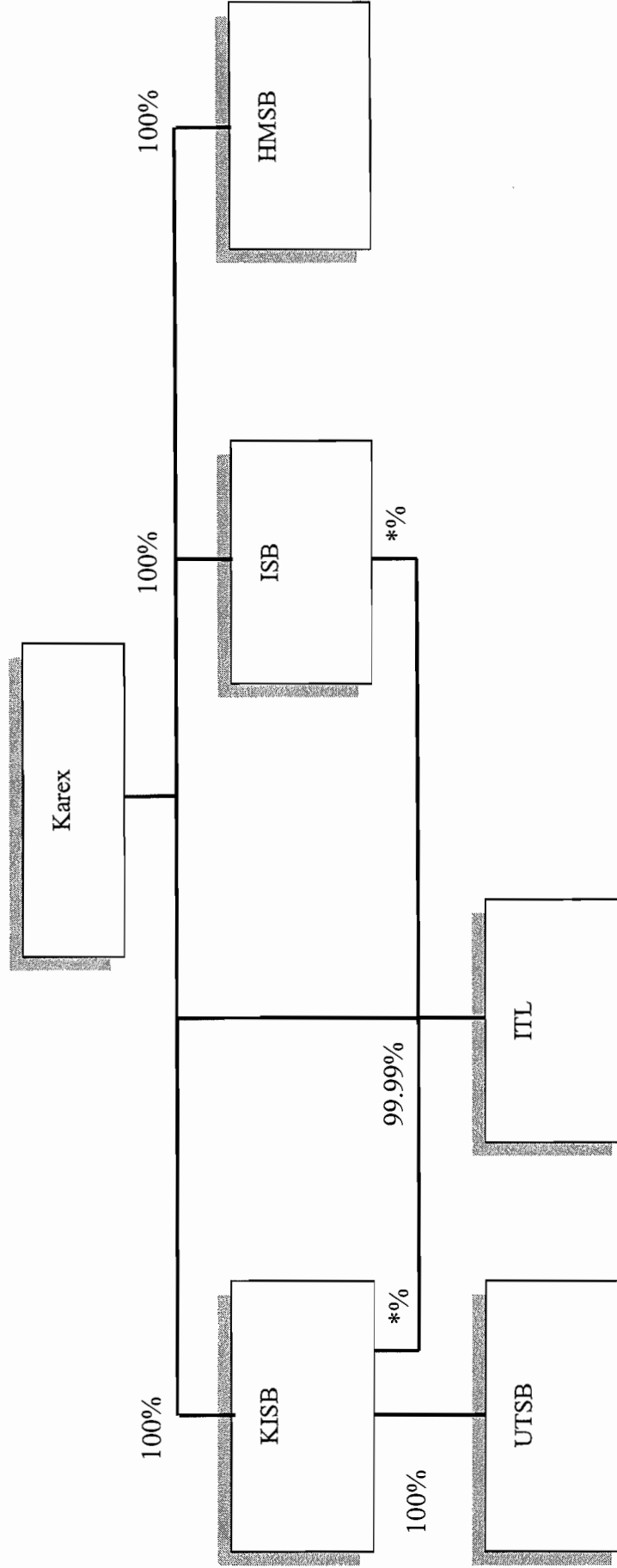
\* Partly paid at THB 25.00 each via capitalisation from amount owing to shareholder as at 30 June 2013.

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3 Group structure

The Karex Group structure after the acquisitions is as follows:



Note:

\* KISB and ISB hold one (1) share each in ITL

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**4 Financial statements and auditors**

- 4.1 The financial year end of all the companies is on 30 June except for HMSB, ISB, ITL which were previously 31 December 2009, and subsequently changed to 30 June 2010. KPMG are the auditors for the following companies for the years under review as stated below:

KAREX	-	financial period ended 30 June 2013
KISB	-	financial years ended 30 June 2011 to 30 June 2013
UTSB	-	financial years ended 30 June 2011 to 30 June 2013
HMSB	-	financial years ended 30 June 2011 to 30 June 2013
ISB	-	financial years ended 30 June 2011 to 30 June 2013

Deloitte Kassim Chan are the auditors for the following companies for the years as stated below:

KISB	-	financial year ended 30 June 2010
UTSB	-	financial year ended 30 June 2010
HMSB	-	financial year/period ended 31 December 2009 to 30 June 2010
ISB	-	financial period ended 30 June 2010

Tan Che & Associates are the auditors for ISB for the financial year ended 31 December 2009.

Intadit C.P.A. Office Company Limited are the auditors for ITL for the period/years ended 31 December 2009 to 30 June 2013.

The auditors' reports of all the companies in the Karex Group for all the relevant financial years/period under review were not subject to any modification or qualification. These auditors' reports are set out in Appendix 1 of this Accountants' Report.

No audited financial statements of any companies in the Karex Group nor consolidated financial statements were prepared and issued after the financial year ended 30 June 2013.

**4.2 Foreign exchange rate**

In preparing this report, ITL's financial figures had been converted from THB into RM based on the following exchange rate:

	<b>Statement of Financial Position at closing rate</b>	<b>Statement of profit or loss and other comprehensive income at average rate</b>
Financial year ended 30 June 2013	THB 100 : RM10.20	THB 100 : RM10.16
Financial year ended 30 June 2012	THB 100 : RM9.91	THB 100 : RM9.90
Financial year ended 30 June 2011	THB 100 : RM9.74	THB 100 : RM9.96
Financial period ended 30 June 2010	THB 100 : RM9.99	THB 100 : RM10.04
Financial year ended 31 December 2009	THB 100 : RM10.19	THB 100 : RM10.19

The translation from THB in this report is to comply with the requirements of Prospectus Guidelines - Paragraph 13.12 where all financial statements prepared in currency other than RM must be translated into RM.

**5 Dividends**

No dividend has been paid or declared by Karex since the date of its incorporation. No dividends were paid or declared by the subsidiaries of Karex for the period/years under review.



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## 6 Significant Accounting Policies & Standards

### 6.1 Accounting Policies and Standards

This report is prepared in accordance with applicable approved accounting standards in Malaysia and consistent with the accounting policies adopted by the Group for the financial year ended 30 June 2013, where Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards were adopted for the first time. MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied and the relevant prior year adjustments arising from the adoption of MFRSs have been made to the respective years/periods presented.

### 6.2 Basis of preparation

#### (a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but have not been adopted by the Group and the Company:

#### *MFRSs, Interpretations and amendments effective for 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, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- 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*

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## 6 Significant Accounting Policies & Standards (Cont'd)

### 6.2 Basis of preparation (Cont'd)

#### (a) Statement of compliance (Cont'd)

*MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014*

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

*MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015*

- MFRS 9, *Financial Instruments (2009)*
- MFRS 9, *Financial Instruments (2010)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

The Group plans to apply the abovementioned standards, amendments and interpretations in the respective financial year when the above standards, amendments and interpretations become effective.

The initial application of these standards, amendments and interpretations are not expected to have any material financial impacts to the current and prior periods financial statements of the Group upon their first adoption.

#### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in Section 6.3.

#### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the functional currency of Karex, KISB, HMSB, ISB and UTSB. ITL's functional currency is THB. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

#### (d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

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## 6 Significant Accounting Policies & Standards (Cont'd)

### 6.3 Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Group entities in previous years.

#### (a) Basis of consolidation

##### (i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

##### (ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

The Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

##### (iii) Acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

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**6 Significant Accounting Policies & Standards (Cont'd)****6.3 Significant accounting policies (Cont'd)****(a) Basis of consolidation (Cont'd)****(iv) Restructuring among common shareholders**

During a restructuring where the combining entities are controlled by the same parties both before and after the combination, book value accounting is applied. The assets and liabilities acquired are recognised in the consolidated financial statements at their respective carrying amounts without restatement. The difference between the cost of acquisition and the nominal value of the shares acquired together with any share premium are taken to merger reserve (or adjusted against any suitable reserve in the case of debit differences). The other components of equity of the acquired entities are added to the same components within group equity.

**(v) Loss of control**

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

**(vi) Non-controlling interests**

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

**(vii) Transactions eliminated on consolidation**

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

**(b) Foreign currency****(i) Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

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**6 Significant Accounting Policies & Standards (Cont'd)****6.3 Significant accounting policies (Cont'd)****(b) Foreign currency (Cont'd)****(ii) Operations denominated in functional currencies other than Ringgit Malaysia**

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve (FCTR) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR within equity.

**(c) Financial instruments****(i) Initial recognition and measurement**

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

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## 6 Significant Accounting Policies & Standards (Cont'd)

### 6.3 Significant accounting policies (Cont'd)

#### (c) Financial instruments (Cont'd)

##### (ii) Financial instrument categories and subsequent measurement

The Group categorises financial instruments as follows:

##### *Financial assets*

##### (a) *Financial assets at fair value through profit or loss*

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

##### (b) *Loans and receivables*

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Section 6.3 (i)).

##### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

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## 6 Significant Accounting Policies & Standards (Cont'd)

### 6.3 Significant accounting policies (Cont'd)

#### (c) Financial instruments (Cont'd)

##### (iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

##### (iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

##### (v) Derecognition

A financial asset or part of it 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 the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. 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.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 6 Significant Accounting Policies & Standards (Cont'd)

### 6.3 Significant accounting policies (Cont'd)

#### (d) Property, plant and equipment

##### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

##### (ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

##### (iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.



## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 6 Significant Accounting Policies & Standards (Cont'd)

### 6.3 Significant accounting policies (Cont'd)

#### (d) Property, plant and equipment (Cont'd)

##### (iii) Depreciation (Cont'd)

The estimated useful lives for the current and comparative periods are as follows:

Short term leasehold land	50 years
Buildings	50 years
Plant and machinery	10 - 20 years
Motor vehicles	6 - 10 years
Electrical installation, renovation, equipment, furniture and fittings	4 - 10 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

#### (e) Leased assets

##### (i) Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

##### (ii) Operating leases

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised in the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 6 Significant Accounting Policies & Standards (Cont'd)

### 6.3 Significant accounting policies (Cont'd)

#### (f) Investment properties

##### (i) Investment properties carried at cost

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both. These include leasehold land which in substance is a finance lease held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in Section 6.3 (d).

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives.

The estimated useful lives for the current and comparative period are as follows:

Long leasehold land	99 years
Buildings	50 years

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

##### (ii) Determination of fair value

When necessary, an external independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio annually.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

#### (g) Inventories

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

The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

**14. ACCOUNTANT'S REPORT (Cont'd)**

*Karex Berhad*  
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**6 Significant Accounting Policies & Standards (Cont'd)****6.3 Significant accounting policies (Cont'd)****(h) Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

**(i) Impairment****(i) Financial assets**

All financial assets (except for investment in subsidiaries) are assessed at each reporting date 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. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the financial asset's recoverable amount is estimated.

An impairment loss in respect of loans and receivables 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 asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of unquoted equity instrument that is carried at cost 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 current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

**(ii) Other assets**

The carrying amounts of other assets except for inventories and deferred tax assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to group of cash-generating units that are expected to benefit from the synergies of the combination.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 6 Significant Accounting Policies & Standards (Cont'd)

### 6.3 Significant accounting policies (Cont'd)

#### (i) Impairment (Cont'd)

##### (ii) Other assets (Cont'd)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

#### (j) Employee benefits

##### (i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### (ii) State plans

The Group's contribution to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

##### (iii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is undiscounted and is calculated based on the last drawn salary for each completed year of service up to balance sheet date. No qualified actuary has been appointed by the Group in the measurement of the defined benefit obligations.

**14. ACCOUNTANT'S REPORT (Cont'd)**

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**6 Significant Accounting Policies & Standards (Cont'd)****6.3 Significant accounting policies (Cont'd)****(k) Revenue and other income****(i) Goods sold**

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

**(ii) Rental income**

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

**(iii) Interest income**

Interest income is recognised as it accrues, using the effective interest method.

**(l) Borrowing costs**

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

**(m) Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

**14. ACCOUNTANT'S REPORT (Cont'd)**

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*Karex Berhad  
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**6 Significant Accounting Policies & Standards (Cont'd)****6.3 Significant accounting policies (Cont'd)****(m) Income tax (Cont'd)**

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable equity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

## 14. ACCOUNTANT'S REPORT (Cont'd)



Karex Berhad  
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## 7 Audited Financial Statements

Karex Group will exist upon the completion of the Acquisitions.

Accordingly, there are no consolidated financial statements of Karex Group for the financial years ended 30 June 2010 to 30 June 2013. The summarised audited financial statements of the individual sub group/companies in the Group are shown in Section 7.1 to 7.6 below.

### 7.1 Karex Berhad

#### 7.1.1 Statement of profit or loss and other comprehensive income

We set out below the statement of profit or loss and other comprehensive income of Karex Berhad for the financial period ended 30 June 2013:

	Note	27.09.2012 to 30.06.2013 RM'000
<b>Revenue</b>		--
Cost of goods sold		--
<b>Gross profit</b>		--
Administrative expenses		(632)
<b>Results from operating activities</b>		(632)
Finance costs		--
<b>Loss for the period/ Total comprehensive expense for the period</b>	7.1.5.1	(632)

#### 7.1.2 Statement of financial position

	Note	Financial period ended 30.06.2013 RM'000
<b>ASSETS</b>		
Prepayments		945
Cash and cash equivalents		-- <sup>(1)</sup>
<b>Total current assets</b>		945
<b>Total assets</b>		945
<b>EQUITY</b>		
Share capital	7.1.5.3	-- <sup>(1)</sup>
Accumulated loss		(632)
<b>Total equity</b>		(632)
<b>LIABILITIES</b>		
Other payables/Total current liabilities	7.1.5.4	1,577
<b>Total liabilities</b>		1,577
<b>Total equity and liabilities</b>		945

(1) Denotes RM2.00

## 14. ACCOUNTANT'S REPORT (Cont'd)



Karex Berhad  
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## 7 Audited Financial Statements (Cont'd)

## 7.1 Karex Berhad (Cont'd)

## 7.1.3 Statement of changes in equity

	Attributable to owners of Karex Berhad		
	Share capital RM'000	Accumulated loss RM'000	Total equity RM000
At date of incorporation	-- <sup>(1)</sup>	--	-- <sup>(1)</sup>
Total comprehensive expense for the period	--	(632)	(632)
At 30 June 2013	<u>--<sup>(1)</sup></u>	<u>(632)</u>	<u>(632)</u>

## 7.1.4 Statement of cash flows

	Note	27.09.2012 to 30.06.2013 RM'000
<b>Cash flows from operating activities</b>		
Loss for the period		<u>(632)</u>
<b>Operating loss before changes in working capital</b>		(632)
Changes in prepayments		(945)
Changes in other payables		<u>1,577</u>
<b>Net increase in cash and cash equivalents</b>		--
<b>Cash and cash equivalent at the date of incorporation</b>		<u>--<sup>(1)</sup></u>
<b>Cash and cash equivalent at 30 June 2013</b>	(i)	<u><u>--<sup>(1)</sup></u></u>

## (i) Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

Cash in hand	<u><u>--<sup>(1)</sup></u></u>
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(1) Denotes RM2.00



## 14. ACCOUNTANT'S REPORT (Cont'd)



Karex Berhad  
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## 7 Audited Financial Statements (Cont'd)

## 7.1 Karex Berhad (Cont'd)

## 7.1.5 Notes to the financial statements

## 7.1.5.1 Loss for the period

	27.09.2012 to 30.06.2013 RM'000
Loss for the period is arrived at after charging Audit fee	5

## 7.1.5.2 Taxation

	27.09.2012 to 30.06.2013 RM'000
<b>Reconciliation of tax expense</b>	
Loss for the period	(632)
Income tax calculated using Malaysian tax rate of 25%	(158)
Non-deductible expense	158
Tax expense	--

## 7.1.5.3 Share capital

	30.06.2013 RM	Number of ordinary shares 30.06.2013
Ordinary shares of RM0.25		
Authorised:		
At date of incorporation (RM0.50 each)	100,000	200,000
Share split into RM0.25 each	--	200,000
Increase of shares	499,900,000	1,999,600,000
At 30 June	500,000,000	2,000,000,000
Ordinary shares of RM0.25		
Issued and fully paid:		
At date of incorporation (RM0.50 each)	2	4
Share split into RM0.25 each	--	4
At 30 June	2	8

## 7.1.5.4 Other payables

The other payables are to companies in which certain Directors/Director's close family member have substantial financial interest. The balances are unsecured, interest free and repayable on demand.

## 14. ACCOUNTANT'S REPORT (Cont'd)



Karex Berhad  
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## 7 Audited Financial Statements (Cont'd)

### 7.1 Karex Berhad (Cont'd)

#### 7.1.5 Notes to the financial statements (Cont'd)

##### 7.1.5.5 Financial Instruments

##### 7.1.5.5.1 Categories of financial instruments

All financial assets and liabilities are categorised as loans and receivables and other liabilities in accordance with the Company's accounting policies as disclosed in Note 6.3(c).

##### 7.1.5.5.2 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Liquidity Risk

##### 7.1.5.5.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from its related parties.

The Company maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

##### *Maturity analysis*

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

2013	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual Cash flow RM'000	Under 1 year RM'000
<i>Non-derivative financial liabilities</i>				
Other payables	1,577	--	1,577	1,577

##### 7.1.5.5.4 Fair value of financial instruments

The carrying amounts of cash and cash equivalent, short term receivables and payables approximate fair values due to the relatively short term nature of these financial instruments.

##### 7.1.5.6 Capital management

The Company's capital is represented by its total equity in the statement of financial position. The Directors monitor the adequacy of capital on an ongoing basis and rely on the continuous financial support from the related parties.

There is no external capital requirement imposed on the Company.

## 14. ACCOUNTANT'S REPORT (Cont'd)

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*Karex Berhad  
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### **7 Audited Financial Statements (Cont'd)**

#### **7.1 Karex Berhad (Cont'd)**

##### **7.1.5 Notes to the financial statements (Cont'd)**

###### **7.1.5.7 Related parties**

###### **Identity of related parties**

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly and indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as these persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. There are no key management personnel in the Company other than Directors.

The Company has related party relationship with its Directors.

###### **7.1.5.8 Change of status**

On 5 October 2012, the Company has converted from a private limited liability company to a public limited company under the name of Karex Berhad.

###### **7.1.5.9 Comparative figures**

There are no comparative figures available as this is the first set of financial statements prepared since its incorporation.

## 14. ACCOUNTANT'S REPORT (Cont'd)



Karex Berhad  
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## 7 Audited Financial Statements (Cont'd)

## 7.2 KISB &amp; its subsidiary, UTSB

## 7.2.1 Consolidated statements of profit or loss and other comprehensive income

We set out below the consolidated statements of profit or loss and other comprehensive income of KISB and UTSB ("Sub-Group") for the financial years ended 30 June 2010 to 30 June 2013:

	Note	Financial years ended 30 June			
		2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
<b>Revenue</b>	7.2.5.1	127,536	146,242	140,466	155,114
Cost of goods sold		(95,126)	(128,006)	(117,384)	(116,189)
<b>Gross profit</b>		32,410	18,236	23,082	38,925
Distribution expenses		(5,347)	(5,339)	(7,132)	(6,178)
Administrative expenses		(6,169)	(6,466)	(6,539)	(6,626)
Other expenses		(4,656)	(515)	(383)	(2,552)
Other income		453	701	2,570	1,525
<b>Results from operating activities</b>		16,691	6,617	11,598	25,094
Finance costs	7.2.5.2	(935)	(1,754)	(2,328)	(1,515)
Interest income		38	104	144	150
<b>Net finance costs</b>		(897)	(1,650)	(2,184)	(1,365)
<b>Profit before tax</b>	7.2.5.3	15,794	4,967	9,414	23,729
Tax expense	7.2.5.4	(2,465)	(338)	(2,002)	(6,054)
<b>Profit for the year/ Total comprehensive income for the year</b>		13,329	4,629	7,412	17,675
<b>Profit attributable to:</b>					
Owners of the Company		13,128	4,596	7,031	17,183
Non-controlling interests		201	33	381	492
<b>Profit for the year/ Total comprehensive income for the year</b>		13,329	4,629	7,412	17,675
Weighted average number of share issued during the year (RM1.00 per share)		2,500,000	2,500,000	2,500,000	2,500,000
Basic/Diluted EPS (RM)		5.25	1.84	2.81	6.87

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.2 KISB &amp; its subsidiary, UTSB (Cont'd)

## 7.2.2 Consolidated statements of financial position

	Note	Financial years ended 30 June			
		2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
<b>ASSETS</b>					
Property, plant and equipment	7.2.5.5	38,166	48,242	49,121	49,901
Investment properties	7.2.5.6	3,007	2,937	2,867	2,797
<b>Total non-current assets</b>		<b>41,173</b>	<b>51,179</b>	<b>51,988</b>	<b>52,698</b>
Inventories	7.2.5.7	19,420	30,544	25,832	28,673
Trade and other receivables	7.2.5.8	44,715	37,713	53,251	52,989
Tax recoverable		174	2,267	1,999	--
Cash and cash equivalents	7.2.5.9	8,358	5,965	6,657	23,450
<b>Total current assets</b>		<b>72,667</b>	<b>76,489</b>	<b>87,739</b>	<b>105,112</b>
<b>TOTAL ASSETS</b>		<b>113,840</b>	<b>127,668</b>	<b>139,727</b>	<b>157,810</b>
<b>EQUITY</b>					
Share capital	7.2.5.10	2,500	2,500	2,500	2,500
Retained earnings	7.2.5.11	39,741	44,337	51,368	68,551
<b>Total equity attributable to owners of the Company</b>		<b>42,241</b>	<b>46,837</b>	<b>53,868</b>	<b>71,051</b>
<b>Non-controlling interests</b>	7.2.5.11.1	<b>1,482</b>	<b>1,515</b>	<b>1,896</b>	<b>2,388</b>
<b>Total equity</b>		<b>43,723</b>	<b>48,352</b>	<b>55,764</b>	<b>73,439</b>
<b>LIABILITIES</b>					
Loans and borrowings	7.2.5.12	2,180	7,022	6,955	5,057
Deferred tax liabilities	7.2.5.13	3,933	4,399	5,048	4,774
<b>Total non-current liabilities</b>		<b>6,113</b>	<b>11,421</b>	<b>12,003</b>	<b>9,831</b>
Trade and other payables, including derivatives	7.2.5.14	47,983	45,590	48,160	47,334
Loans and borrowings	7.2.5.12	15,716	22,305	23,800	25,001
Taxation		305	--	--	2,205
<b>Total current liabilities</b>		<b>64,004</b>	<b>67,895</b>	<b>71,960</b>	<b>74,540</b>
<b>Total liabilities</b>		<b>70,117</b>	<b>79,316</b>	<b>83,963</b>	<b>84,371</b>
<b>Total equity and liabilities</b>		<b>113,840</b>	<b>127,668</b>	<b>139,727</b>	<b>157,810</b>

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.2 KISB &amp; its subsidiary, UTSB (Cont'd)

## 7.2.3 Consolidated statements of changes in equity

	Attributable to owners of the Sub-Group			Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	<i>Distributable</i> Retained earnings RM'000	Total RM'000		
<b>At 1 July 2009</b>	2,500	26,613	29,113	1,281	30,394
Total comprehensive income for the year	--	13,128	13,128	201	13,329
<b>At 30 June 2010/1 July 2010</b>	2,500	39,741	42,241	1,482	43,723
Total comprehensive income for the year	--	4,596	4,596	33	4,629
<b>At 30 June 2011/1 July 2011</b>	2,500	44,337	46,837	1,515	48,352
Total comprehensive income for the year	--	7,031	7,031	381	7,412
<b>At 30 June 2012/1 July 2012</b>	2,500	51,368	53,868	1,896	55,764
Total comprehensive income for the year	--	17,183	17,183	492	17,675
<b>At 30 June 2013</b>	2,500	68,551	71,051	2,388	73,439

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.2 KISB &amp; its subsidiary, UTSB (Cont'd)

## 7.2.4 Consolidated statements of cash flows

	Note	Financial years ended 30 June			2013 RM'000
		2010 RM'000	2011 RM'000	2012 RM'000	
<b>Cash flows from operating activities</b>					
Profit before tax		15,794	4,967	9,414	23,729
Adjustments for:					
Depreciation and amortisation		3,376	3,475	3,559	3,641
Unrealised loss/(gain) on foreign exchange		2,020	(92)	(1,123)	(423)
Finance costs		935	1,754	2,328	1,515
Gain on disposal of:					
- property, plant and equipment		(80)	(195)	(449)	(312)
- machines built for sale		--	--	--	(507)
Interest income		(38)	(104)	(144)	(150)
Fair value loss on derivative instruments		--	--	--	843
<b>Operating profit before working capital changes</b>		<u>22,007</u>	<u>9,805</u>	<u>13,585</u>	<u>28,336</u>
Changes in working capital:					
Inventories		(6,339)	(11,124)	4,713	(2,841)
Trade and other receivables		(4,053)	7,075	(14,201)	247
Trade and other payables		<u>8,144</u>	<u>(2,373)</u>	<u>2,354</u>	<u>(2,187)</u>
<b>Cash generated from operations</b>		<u>19,759</u>	<u>3,383</u>	<u>6,451</u>	<u>23,555</u>
Tax paid		<u>(3,031)</u>	<u>(2,270)</u>	<u>(1,085)</u>	<u>(2,124)</u>
<b>Net cash from operating activities</b>		<u>16,728</u>	<u>1,113</u>	<u>5,366</u>	<u>21,431</u>
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment	(i)	(7,617)	(13,348)	(4,794)	(4,024)
Proceeds from disposal of:					
- property, plant and equipment		786	428	1,456	691
- machines built for sale		--	--	--	1,464
Interest received		<u>38</u>	<u>104</u>	<u>144</u>	<u>150</u>
<b>Net cash used in investing activities</b>		<u>(6,793)</u>	<u>(12,816)</u>	<u>(3,194)</u>	<u>(1,719)</u>
<b>Cash flows from financing activities</b>					
Interest paid		(935)	(1,754)	(2,328)	(1,901)
(Repayment of)/Proceeds from bankers' acceptance		(72)	6,259	(825)	4,072
Repayment of term loans		(522)	(473)	(1,075)	(1,623)
Repayment of finance lease liabilities		(1,213)	(1,631)	(980)	(702)
Drawdown of term loan		--	6,521	2,387	--
Increase in pledged deposit with licensed bank		<u>(88)</u>	<u>(1,925)</u>	<u>(724)</u>	<u>(1,130)</u>
<b>Net cash (used in)/from financing activities</b>		<u>(2,830)</u>	<u>6,997</u>	<u>(3,545)</u>	<u>(1,284)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>7,105</u>	<u>(4,706)</u>	<u>(1,373)</u>	<u>18,428</u>
<b>Cash and cash equivalents at beginning of year</b>		<u>(2,711)</u>	<u>4,394</u>	<u>(312)</u>	<u>(1,685)</u>
<b>Cash and cash equivalents at end of year</b>	(ii)	<u>4,394</u>	<u>(312)</u>	<u>(1,685)</u>	<u>16,743</u>

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.2 KISB &amp; its subsidiary, UTSB (Cont'd)

## 7.2.4 Consolidated statements of cash flows (Cont'd)

## (i) Acquisition of property, plant and equipment

The cost of property, plant and equipment acquired by the Sub-Group by means of finance lease and cash are as follows:

	Financial years ended 30 June			
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Aggregate cost of property, plant and equipment acquired	11,599	13,713	5,375	4,730
Less: Acquired by means of finance lease	(3,982)	(365)	(581)	(320)
Interest capitalised	--	--	--	(386)
Acquired by cash	<u>7,617</u>	<u>13,348</u>	<u>4,794</u>	<u>4,024</u>

## (ii) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Financial years ended 30 June			
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Cash and bank balances	5,430	1,112	1,080	16,743
Deposits with licensed banks	2,928	4,853	5,577	6,707
Bank overdrafts	<u>(1,036)</u>	<u>(1,424)</u>	<u>(2,765)</u>	--
	7,322	4,541	3,892	23,450
Less: Fixed deposits pledged with licensed banks	<u>(2,928)</u>	<u>(4,853)</u>	<u>(5,577)</u>	<u>(6,707)</u>
	<u>4,394</u>	<u>(312)</u>	<u>(1,685)</u>	<u>16,743</u>



## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.2 KISB &amp; its subsidiary, UTSB (Cont'd)

## 7.2.5 Notes to the consolidated financial statements

## 7.2.5.1 Revenue

	Financial years ended 30 June			
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Goods sold	127,536	146,242	140,466	155,114

## 7.2.5.2 Finance costs

	Financial years ended 30 June			
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Bankers' acceptances	549	1,140	1,402	1,121
Finance lease liabilities	199	212	140	106
Bank overdrafts	143	188	243	143
Term loans	44	214	543	145
	935	1,754	2,328	1,515

## 7.2.5.3 Profit before tax

	Financial years ended 30 June			
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
<b>Profit before tax is arrived at after charging/(crediting)</b>				
Audit fees	53	70	70	70
Bad debts written off	80	20	20	--
Depreciation and amortisation	3,376	3,475	3,559	3,641
Inventories written down	--	2,169	--	--
Rental expenses for:				
- Hostel	185	178	181	185
- Factory	411	506	537	525
Loss/(Gain) on foreign exchange:				
- Realised	2,556	495	(684)	1,008
- Unrealised	2,020	(92)	(1,123)	(423)
(Reversal)/Provision of impairment on trade receivables	--	(29)	325	720
Gain on disposal of:				
- property, plant and equipment	(80)	(195)	(449)	(312)
- machines built for sale	--	--	--	(507)
Rental income	(276)	(276)	(276)	(276)
Personnel expenses (including key Management personnel):				
- Contributions to state plans	705	795	827	976
- Wages, salaries and others	15,747	15,657	15,020	18,283
Fair value loss on derivative instruments	--	--	--	843

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.2 KISB &amp; its subsidiary, UTSB (Cont'd)

## 7.2.5 Notes to the consolidated financial statements (Cont'd)

## 7.2.5.3 Profit before tax (Cont'd)

**Key management personnel compensation**

The key management personnel compensation are as follows:

	Financial years ended 30 June			
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Directors' remuneration				
- Other emoluments	357	519	591	615
- Contributions to state plans	43	62	71	62
- Benefit-in-kind	--	41	42	35
Total short-term employee benefits	400	622	704	712
Other key management personnel:				
- Other emoluments	609	951	935	1,147
- Contributions to state plans	58	99	126	112
- Benefit-in-kind	45	69	68	68
	712	1,119	1,129	1,327
	1,112	1,741	1,833	2,039

Other key management personnel comprises persons other than the Directors of the Sub-Group, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

## 7.2.5.4 Tax expense

	Financial years ended 30 June			
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
<b>Current tax expense</b>				
- Current year	2,075	251	1,132	6,311
- Prior year	32	(379)	221	17
Total current tax expense	2,107	(128)	1,353	6,328
<b>Deferred tax expense/ (income)</b>				
- Origination and reversal of temporary differences	326	746	681	(239)
- Prior year	32	(280)	(32)	(35)
Total deferred tax expense/ (income)	358	466	649	(274)
Total tax expense	2,465	338	2,002	6,054

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.2 KISB &amp; its subsidiary, UTSB (Cont'd)

## 7.2.5 Notes to the consolidated financial statements (Cont'd)

## 7.2.5.4 Tax expense (Cont'd)

	Financial years ended 30 June			
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
<b>Reconciliation of tax expense</b>				
Profit before tax	15,794	4,967	9,414	23,729
Income tax calculated using Malaysian tax rate	3,898	1,217	2,329	5,907
Non-deductible expenses	312	284	134	208
Non-business income	--	--	(23)	(5)
Utilisation of reinvestment allowance	(1,809)	(504)	(627)	--
Tax incentive	--	--	--	(38)
	2,401	997	1,813	6,072
Under/(Over) provided in prior year	64	(659)	189	(18)
Tax expense	2,465	338	2,002	6,054

The Sub-Group is a small and medium enterprise as defined in the Income Tax Act 1967 and is therefore subject to corporate tax at 20% on chargeable income up to RM500,000.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.2 KISB &amp; its subsidiary, UTSB (Cont'd)

## 7.2.5 Notes to the consolidated financial statements (Cont'd)

## 7.2.5.5 Property, plant and equipment

	Land and buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Electrical installation and renovation RM'000	Equipment, furniture and fittings RM'000	Construction -in-progress RM'000	Total RM'000
<i>At cost</i>							
At 1 July 2009	4,640	34,220	2,519	5,373	2,099	--	48,851
Additions	--	10,043	1,065	285	206	--	11,599
Disposals	--	(921)	(309)	--	--	--	(1,230)
At 30 June 2010/ 1 July 2010	4,640	43,342	3,275	5,658	2,305	--	59,220
Additions	8,373	4,201	46	740	353	--	13,713
Disposals	--	(256)	(194)	--	--	--	(450)
At 30 June 2011/ 1 July 2011	13,013	47,287	3,127	6,398	2,658	--	72,483
Additions	1,074	3,374	47	493	387	--	5,375
Disposals	(783)	(555)	--	--	--	--	(1,338)
At 30 June 2012 1 July 2012	13,304	50,106	3,174	6,891	3,045	--	76,520
Additions	1,061	2,059	888	446	261	15	4,730
Disposals	--	(527)	(296)	--	--	--	(823)
At 30 June 2013	14,365	51,638	3,766	7,337	3,306	15	80,427
<i>Accumulated depreciation</i>							
At 1 July 2009	332	10,352	1,754	4,673	1,160	--	18,271
Depreciation charge	78	2,313	349	381	186	--	3,307
Disposals	--	(352)	(172)	--	--	--	(524)
At 30 June 2010/ 1 July 2010	410	12,313	1,931	5,054	1,346	--	21,054
Depreciation charge	50	2,449	308	371	227	--	3,405
Disposals	--	(49)	(169)	--	--	--	(218)
At 30 June 2011/ 1 July 2011	460	14,713	2,070	5,425	1,573	--	24,241
Depreciation charge	25	2,484	300	419	261	--	3,489
Disposals	(57)	(274)	--	--	--	--	(331)
At 30 June 2012/ 1 July 2012	428	16,923	2,370	5,844	1,834	--	27,399
Depreciation charge	43	2,516	343	409	260	--	3,571
Disposals	--	(161)	(283)	--	--	--	(444)
At 30 June 2013	471	19,278	2,430	6,253	2,094	--	30,526
<i>Carrying amounts</i>							
At 30 June 2010	4,230	31,029	1,344	604	959	--	38,166
At 30 June 2011	12,553	32,574	1,057	973	1,085	--	48,242
At 30 June 2012	12,876	33,183	804	1,047	1,211	--	49,121
At 30 June 2013	13,894	32,360	1,336	1,084	1,212	15	49,901

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.2 KISB &amp; its subsidiary, UTSB (Cont'd)

## 7.2.5 Notes to the consolidated financial statements (Cont'd)

## 7.2.5.5 Property, plant and equipment (Cont'd)

Land and buildings

	Financial years ended 30 June			
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Freehold land	2,131	10,504	11,152	12,213
Leasehold land with unexpired lease period of:				
- Less than 50 years	360	352	344	336
Buildings	1,739	1,697	1,380	1,345
	<u>4,230</u>	<u>12,553</u>	<u>12,876</u>	<u>13,894</u>

Security

The land and buildings of the Sub-Group with a carrying amount of RM11,474,752 (2012: RM10,429,292; 2011: RM11,993,470; 2010: RM6,664,584) were charged to a licensed bank for banking facilities granted as disclosed in 7.2.5.12.

Leased plant and machinery and motor vehicle

At 30 June, the net carrying amounts of leased assets are as follows:

	Financial years ended 30 June			
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Plant and machinery	4,494	2,514	2,840	2,380
Motor vehicles	1,303	945	621	1,086

Others

Included in property, plant and equipment addition is interest capitalised of RM385,979 (2012: NIL; 2011: NIL; 2010: NIL).

## 14. ACCOUNTANT'S REPORT (Cont'd)



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**7 Audited Financial Statements (Cont'd)**  
**7.2 KISB & its subsidiary, UTSB (Cont'd)**  
**7.2.5 Notes to the consolidated financial statements (Cont'd)**  
**7.2.5.6 Investment properties**

	<b>Total RM'000</b>
<i>At cost</i>	
At 1 July 2009/30 June 2010	3,496
At 1 July 2010/30 June 2011	3,496
At 1 July 2011/30 June 2012	3,496
At 1 July 2012/30 June 2013	3,496
<i>Accumulated amortisation</i>	
At 1 July 2009	420
Amortisation charge	69
At 30 June 2010/1 July 2010	489
Amortisation charge	70
At 30 June 2011/1 July 2011	559
Amortisation charge	70
At 30 June 2012/1 July 2012	629
Amortisation charge	70
At 30 June 2013	699
<i>Carrying amounts</i>	
At 30 June 2010	3,007
At 30 June 2011	2,937
At 30 June 2012	2,867
At 30 June 2013	2,797
<i>Fair value</i>	
At 30 June 2010	4,800
At 30 June 2011	4,800
At 30 June 2012	5,500
At 30 June 2013	5,500

Included in the carrying amounts of investment properties are:

	<b>Financial years ended 30 June</b>			
	<b>2010 RM'000</b>	<b>2011 RM'000</b>	<b>2012 RM'000</b>	<b>2013 RM'000</b>
Long term leasehold land	690	674	658	643
Building	2,317	2,263	2,209	2,154
	<u>3,007</u>	<u>2,937</u>	<u>2,867</u>	<u>2,797</u>

Investment properties of leasehold land and building with unexpired lease period of more than 50 years are rented to a related party.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.2 KISB &amp; its subsidiary, UTSB (Cont'd)

## 7.2.5 Notes to the consolidated financial statements (Cont'd)

## 7.2.5.6 Investment properties (Cont'd)

The fair value is derived based on independent professional valuation on open market value based on comparison method and or an existing use basis.

Long term leasehold land and building of the Company with a carrying amount of RM2,796,800 (2012: RM2,866,720; 2011: RM2,936,640; 2010: RM3,006,560) is charged to a bank as security for term loan facilities granted to the Company.

The following are recognised in profit or loss in respect of investment properties:

	Financial years ended 30 June			
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Rental income	276	276	276	276
Direct operating expenses - income generating investment properties	47	32	47	18

## 7.2.5.7 Inventories

	Financial years ended 30 June			
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Raw materials	8,521	10,264	11,543	9,858
Work-in-progress	4,368	10,511	8,344	7,859
Finished goods	6,531	9,769	5,945	10,956
	19,420	30,544	25,832	28,673

## 7.2.5.8 Trade and other receivables

	Financial years ended 30 June			
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Trade receivables	38,447	36,107	52,287	45,314
Other receivables	6,268	1,606	964	7,675
	44,715	37,713	53,251	52,989

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.2 KISB &amp; its subsidiary, UTSB (Cont'd)

## 7.2.5 Notes to the consolidated financial statements (Cont'd)

## 7.2.5.8 Trade and other receivables (Cont'd)

Included in the above balances are amount due from companies in which certain Directors/Directors' close family member have substantial financial interests that are within the Karex Group as follow:

	Financial years ended 30 June			
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Trade receivables	11,499	10,935	17,496	14,260
Other receivables	4,767	156	--	2,872
	<u>16,266</u>	<u>11,091</u>	<u>17,496</u>	<u>17,132</u>

Included in other receivables, deposits and prepayments are machines built-in-progress for the purpose of sale/own use amounting to RM2,259,697 (2012: NIL; 2011: NIL; 2010: NIL).

## 7.2.5.9 Cash and cash equivalents

	Financial years ended 30 June			
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Cash and bank balances	5,430	1,112	1,080	16,743
Deposits placed with licensed banks	2,928	4,853	5,577	6,707
	<u>8,358</u>	<u>5,965</u>	<u>6,657</u>	<u>23,450</u>

The deposits with licensed banks of the Sub-Group of RM511,336 (2012: RM416,629; 2011: RM328,344; 2010: RM2,928,072) are held in trust by Directors.

Fixed deposits of the Sub-Group are pledged to the bank as security for banking facilities granted to the Sub-Group as disclosed in 7.2.5.12.

## 7.2.5.10 Share capital

	Financial years ended 30 June			
	2010	2011	2012	2013
<b>Authorised ordinary shares of RM1.00 each</b>				
Number of shares in '000	5,000	5,000	5,000	5,000
Amount in RM'000	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
<b>Issued and fully paid ordinary shares of RM1.00 each</b>				
Number of shares in '000	2,500	2,500	2,500	2,500
Amount in RM'000	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>



## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7.2 KISB &amp; its subsidiary, UTSB (Cont'd)

## 7.2.5 Notes to the consolidated financial statements (Cont'd)

## 7.2.5.11 Retained earnings

## Section 108 tax credit and tax exempt account

Subject to agreement by the Inland Revenue Board, the Company has Section 108 tax credit and tax exempt account to frank the payment of dividends up to approximately RM32,291,000 (2012: RM32,074,000; 2011: RM32,074,000; 2010: RM28,042,000) out of its retained earnings at 30 June 2013.

The Finance Act, 2007 introduced a single tier company income tax system with effect from 1 January 2008. As such, the remaining Section 108 tax credit as at 30 June 2013 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

## 7.2.5.11.1 Non-controlling interests

This consists of the non-controlling interest's proportion of share capital and reserves of UTSB.

## 7.2.5.12 Loans and borrowings

	Financial years ended 30 June			
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
<b>Non-current</b>				
Term loans	60	5,606	6,063	4,310
Finance lease liabilities	2,120	1,416	892	747
	<u>2,180</u>	<u>7,022</u>	<u>6,955</u>	<u>5,057</u>
<b>Current</b>				
Term loans	266	768	1,623	1,754
Bank overdrafts	1,036	1,424	2,765	--
Bankers' acceptances	12,957	19,216	18,392	22,464
Finance lease liabilities	1,457	897	1,020	783
	<u>15,716</u>	<u>22,305</u>	<u>23,800</u>	<u>25,001</u>
	<u>17,896</u>	<u>29,327</u>	<u>30,755</u>	<u>30,058</u>

The bank borrowings are generally secured by:

- i) Legal charges over the landed properties of the Sub-Group;
- ii) Fixed and floating charges over the Sub-Group's assets;
- iii) Joint and several guarantee by the Directors and a shareholder of the Company;
- iv) Pledge of fixed deposits of the Sub-Group; and
- v) Subordination of shareholders' advances up to RM5,000,000.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.2 KISB &amp; its subsidiary, UTSB (Cont'd)

## 7.2.5 Notes to the consolidated financial statements (Cont'd)

## 7.2.5.12 Loans and borrowings (Cont'd)

*Significant covenants*

- The Sub-Group are required to maintain gearing ratios of not more than 1.5 times or 3.5 times as defined by the respective financial institutions.
- The Company's net tangible worth shall not be less than RM30,000,000.
- The Sub-Group shall not without the banks' prior written consent, incur or assume additional indebtedness or guarantee any indebtedness (except in the ordinary course of business), alter the present ownership structure and extend loans and advances to the Directors of the Sub-Group and its related companies.
- The Sub-Group shall not without the banks' prior written consent, declare and pay dividend exceeding 50% of the profit after tax of each financial year.

*Finance lease liabilities*

Finance lease liabilities are payable as follows:

	At 30 June 2010			At 30 June 2011		
	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
Less than one year	1,647	190	1,457	1,019	122	897
Between one and five years	2,304	184	2,120	1,501	85	1,416
	<u>3,951</u>	<u>374</u>	<u>3,577</u>	<u>2,520</u>	<u>207</u>	<u>2,313</u>
	At 30 June 2012			At 30 June 2013		
	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
Less than one year	1,110	90	1,020	840	57	783
Between one and five years	929	37	892	791	44	747
	<u>2,039</u>	<u>127</u>	<u>1,912</u>	<u>1,631</u>	<u>101</u>	<u>1,530</u>

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.2 KISB &amp; its subsidiary, UTSB (Cont'd)

## 7.2.5 Notes to the consolidated financial statements (Cont'd)

## 7.2.5.13 Deferred tax liabilities

## Recognised deferred tax liabilities

Deferred tax assets and liabilities are attributable to the following:

	Financial years ended 30 June			
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Property, plant and equipment - capital allowance	4,424	4,885	4,848	5,140
Inventory written down	--	(524)	--	--
Trade receivables	--	--	(81)	(260)
Others	(491)	38	281	(106)
	<u>3,933</u>	<u>4,399</u>	<u>5,048</u>	<u>4,774</u>

## 7.2.5.14 Trade and other payables

	Financial years ended 30 June			
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Trade payables	27,006	27,627	30,637	29,101
Other payables and accrued expenses	8,726	5,904	6,385	7,885
	<u>35,732</u>	<u>33,531</u>	<u>37,022</u>	<u>36,986</u>
Derivatives financial liabilities	--	--	--	844
	<u>35,732</u>	<u>33,531</u>	<u>37,022</u>	<u>37,830</u>
<i>Non-Trade</i>				
Due to Directors	2,699	2,680	2,821	2,416
Due to shareholders	9,552	9,379	8,317	7,088
	<u>12,251</u>	<u>12,059</u>	<u>11,138</u>	<u>9,504</u>
	<u>47,983</u>	<u>45,590</u>	<u>48,160</u>	<u>47,334</u>

Included in the above balances are amounts due to companies in which certain Directors/Directors' close family member have substantial interests within the Karex Group as follow:

	Financial years ended 30 June			
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Trade payables	14,409	7,274	10,380	11,277
Other payables and accrued expenses	342	322	222	643
	<u>14,751</u>	<u>7,596</u>	<u>10,602</u>	<u>11,920</u>

The amounts due to shareholders/Directors are mainly arose from advances and expenses paid on behalf which are unsecured, interest free and repayable on demand.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.2 KISB &amp; its subsidiary, UTSB (Cont'd)

## 7.2.5 Notes to the consolidated financial statements (Cont'd)

## 7.2.5.15 Contingent liabilities - unsecured

	Financial years ended 30 June			
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Corporate guarantee given to financial institutions in respect of outstanding banking facility granted to UTSB	499	453	368	--

## 7.2.5.16 Capital commitments

	Financial years ended 30 June			
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
<b>Property, plant and equipment</b>				
Authorised but not contracted for	--	--	--	4,455
Contracted but not provided for	--	225	1,555	1,644

## 7.2.5.17 Related parties

**Identity of related parties**

For the purposes of these financial statements, parties are considered to be related to the Sub-Group if the Sub-Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Sub-Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Sub-Group either directly or indirectly. Key management personnel includes all the Directors of the Sub-Group, and certain members of senior management of the Sub-Group.

The Sub-Group has related party relationship with its key management personnel.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.2 KISB &amp; its subsidiary, UTSB (Cont'd)

## 7.2.5 Notes to the consolidated financial statements (Cont'd)

## 7.2.5.17 Related parties (Cont'd)

## Significant related party transactions

The significant related party transactions of the Sub-Group are shown below.

	Financial years ended 30 June			
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
<b>Entities in which certain Directors/Directors' close family members have substantial financial interests</b>				
Sales of goods	12,531	11,786	12,488	20,252
Purchase of goods	(15,914)	(26,136)	(13,051)	(18,472)
Rental income	276	276	276	276
Disposal of property, plant and equipment	691	102	656	640
Disposal of machines built for sale	—	—	—	1,464
<b>Directors and their close family members</b>				
Sales of property, plant and equipment	—	—	800	—

The net balances outstanding arising from the above transactions, if any, have been disclosed in Note 7.2.5.8 and Note 7.2.5.14 to the accountants' report. There are no impairment on trade receivables and bad debts written off in respect of these amounts. All the outstanding balances are expected to be settled in cash by the related parties.

## 7.2.5.18 Financial instruments

The Sub-Group adopted MFRS on 1 July 2012. The Sub-Group previously applied Financial Reporting Standards (FRS) and certain comparative figures have not been presented for 30 June 2010 by virtue of the exemption given in paragraph 44AA of FRS 7. The Sub-Group also did not present the comparative figures for 30 June 2010 upon the adoption of MFRS due to practicability.

## 7.2.5.18.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- Loans and receivables ("L&R");
- Other financial liabilities measured at amortised cost ("FL"); and
- Derivatives used for hedging.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.2 KISB &amp; its subsidiary, UTSB (Cont'd)

## 7.2.5 Notes to the consolidated financial statements (Cont'd)

## 7.2.5.18 Financial instruments (Cont'd)

## 7.2.5.18.1 Categories of financial instruments (Cont'd)

	Carrying amount RM'000	L&R RM'000	FL RM'000	Derivatives used for hedging RM'000
<b>2013</b>				
<b>Financial assets</b>				
Trade and other receivables	52,989	52,989	--	--
Cash and cash equivalents	23,450	23,450	--	--
	<u>76,439</u>	<u>76,439</u>	<u>--</u>	<u>--</u>
<b>Financial liabilities</b>				
Loan and borrowings	(30,058)	--	(30,058)	--
Trade and other payables, including derivatives	(47,334)	--	(46,490)	(844)
	<u>(77,392)</u>	<u>--</u>	<u>(76,548)</u>	<u>(844)</u>
<b>2012</b>				
<b>Financial assets</b>				
Trade and other receivables	53,251	53,251	--	--
Cash and cash equivalents	6,657	6,657	--	--
	<u>59,908</u>	<u>59,908</u>	<u>--</u>	<u>--</u>
<b>Financial liabilities</b>				
Loan and borrowings	(30,755)	--	(30,755)	--
Trade and other payables	(48,160)	--	(48,160)	--
	<u>(78,915)</u>	<u>--</u>	<u>(78,915)</u>	<u>--</u>
<b>2011</b>				
<b>Financial assets</b>				
Trade and other receivables	37,713	37,713	--	--
Cash and cash equivalents	5,965	5,965	--	--
	<u>43,678</u>	<u>43,678</u>	<u>--</u>	<u>--</u>
<b>Financial liabilities</b>				
Loan and borrowings	(29,327)	--	(29,327)	--
Trade and other payables	(45,590)	--	(45,590)	--
	<u>(74,917)</u>	<u>--</u>	<u>(74,917)</u>	<u>--</u>

## 7.2.5.18.2 Net gains and losses arising from financial instruments

	2011 RM'000	2012 RM'000	2013 RM'000
Net gains/(losses) on:			
Loan and receivables	68	2,126	1,343
Financial liabilities measured at amortised cost	(1,753)	(2,540)	(2,421)
Fair value through profit and loss	--	--	(844)
	<u>(1,685)</u>	<u>(414)</u>	<u>(1,922)</u>

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.2 KISB &amp; its subsidiary, UTSB (Cont'd)

## 7.2.5 Notes to the consolidated financial statements (Cont'd)

## 7.2.5.18 Financial instruments (Cont'd)

## 7.2.5.18.3 Financial risk management

The Sub-Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

## 7.2.5.18.4 Credit risk

Credit risk is the risk of a financial loss to the Sub-Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Sub-Group's exposure to credit risk arises principally from its receivables from customers and amounts due from related party.

**Receivables***Risk management objectives, policies and processes for managing the risk*

The Sub-Group has no formal written credit policy. However, the Board of Directors is of the view that the exposure to credit risk is managed through the direct involvement of Executive Directors monitoring on an on-going basis is deemed sufficient.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Sub-Group. The Sub-Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.

*Impairment losses*

The Sub-Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
<b>2013</b>			
Not past due	24,512	--	24,512
Past due 0 - 30 days	6,627	--	6,627
Past due 31 - 60 days	4,789	--	4,789
Past due more than 60 days	10,431	(1,045)	9,386
	<u>46,359</u>	<u>(1,045)</u>	<u>45,314</u>

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.2 KISB &amp; its subsidiary, UTSB (Cont'd)

## 7.2.5 Notes to the consolidated financial statements (Cont'd)

## 7.2.5.18 Financial instruments (Cont'd)

## 7.2.5.18.4 Credit risk (Cont'd)

	Gross RM'000	Individual impairment RM'000	Net RM'000
<b>2012</b>			
Not past due	31,972	--	31,972
Past due 0 - 30 days	7,778	(68)	7,710
Past due 31 - 60 days	3,945	--	3,945
Past due more than 60 days	8,917	(257)	8,660
	<u>52,612</u>	<u>(325)</u>	<u>52,287</u>
<b>2011</b>			
Not past due	12,925	--	12,925
Past due 0 - 30 days	7,814	--	7,814
Past due 31 - 60 days	4,320	--	4,320
Past due more than 60 days	11,048	--	11,048
	<u>36,107</u>	<u>--</u>	<u>36,107</u>

Included in the past due more than 60 days of the Sub-Group are amount receivables from related parties of RM4,867,562 (2012: RM7,763,059; 2011: RM4,679,023). In determining whether additional allowance is required to be made, the Sub-Group considers financial background of the customers and related parties, past transactions and other specific reasons causing these balances to be past due more than 60 days. The customers and related parties are regular customers that have been transacting with the Sub-Group. The Sub-Group do not consider it necessary to impair the receivable amount and is satisfied that the amount can be recovered.

The movements in the allowance for impairment losses of receivables during the financial year were:

	2011 RM'000	2012 RM'000	2013 RM'000
At 1 July	29	--	325
(Reversal)/Provision of impairment on trade receivables for the year	<u>(29)</u>	<u>325</u>	<u>720</u>
At 30 June	<u>--</u>	<u>325</u>	<u>1,045</u>

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Sub-Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

**Financial guarantees***Risk management objectives, policies and processes for managing the risk*

KISB provides unsecured financial guarantees to banks in respect of banking facilities granted to UTSB. KISB monitors on an ongoing basis the results of UTSB and repayments made by UTSB.



## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.2 KISB &amp; its subsidiary, UTSB (Cont'd)

## 7.2.5 Notes to the consolidated financial statements (Cont'd)

## 7.2.5.18 Financial instruments (Cont'd)

## 7.2.5.18.4 Credit risk (Cont'd)

## Financial guarantees (Cont'd)

*Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk amounts to Nil (2012: RM367,948; 2011: RM453,248) representing the outstanding banking facilities of the subsidiary as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

## 7.2.5.18.5 Liquidity risk

Liquidity risk is the risk that the Sub-Group will not be able to meet its financial obligations as they fall due. The Sub-Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Sub-Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

*Maturity analysis*

The table below summarises the maturity profile of the Sub-Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
<b>2013</b>						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	46,490	--	46,490	46,490	--	--
Secured term loans	6,064	1.25 + BLR	7,018	2,154	1,762	3,102
Secured finance lease liabilities	1,530	1.98 - 3.65	1,631	840	572	219
Secured bankers' acceptances	22,464	4.24 - 5.23	22,464	22,464	--	--
	76,548		77,603	71,948	2,334	3,321
<i>Derivative financial liabilities</i>						
Forward exchange contracts (gross settled):						
Outflow	844	--	34,707	34,707	--	--
Inflow	--	--	(33,863)	(33,863)	--	--
	77,392		78,447	72,792	2,334	3,321

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.2 KISB &amp; its subsidiary, UTSB (Cont'd)

## 7.2.5 Notes to the consolidated financial statements (Cont'd)

## 7.2.5.18 Financial instruments (Cont'd)

## 7.2.5.18.5 Liquidity risk (Cont'd)

	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
<b>2012</b>						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	48,160	--	48,160	48,160	--	--
Secured term loans	7,686	1.25 + BLR	9,168	2,154	2,154	4,860
Secured bank overdrafts	2,765	8.10	2,765	2,765	--	--
Secured finance lease liabilities	1,912	1.98 - 3.63	2,039	1,110	929	--
Secured bankers' acceptances	18,392	4.28 - 6.20	18,392	18,392	--	--
	<u>78,915</u>		<u>80,524</u>	<u>72,581</u>	<u>3,083</u>	<u>4,860</u>
<b>2011</b>						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	45,590	--	45,590	45,590	--	--
Secured term loans	6,374	1.25 + BLR	7,378	1,618	2,154	3,606
Secured bank overdrafts	1,424	8.10	1,424	1,424	--	--
Secured finance lease liabilities	2,313	1.98 - 3.63	2,520	1,019	933	568
Secured bankers' acceptances	19,216	5.00 - 6.20	19,216	19,216	--	--
	<u>74,917</u>		<u>76,128</u>	<u>68,867</u>	<u>3,087</u>	<u>4,174</u>

## 7.2.5.18.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Sub-Group's financial position or cash flows.

**Currency risk**

The Sub-Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Sub-Group. The currencies giving rise to this risk are primarily US Dollar (USD), Euro Dollar (EURO) and Great Britain Pound (GBP).

*Risk management objectives, policies and processes for managing the risk*

The Sub-Group uses forward exchange contract to hedge its foreign currency risk from time to time. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward exchange contracts are rolled over at maturity.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.2 KISB &amp; its subsidiary, UTSB (Cont'd)

## 7.2.5 Notes to the consolidated financial statements (Cont'd)

## 7.2.5.18 Financial instruments (Cont'd)

## 7.2.5.18.6 Market risk (Cont'd)

*Exposure to foreign currency risk*

The Sub-Group's exposure to foreign currency (a currency which is other than the functional currency of the Company) risk, based on carrying amounts as at the end of the reporting period was:

	USD RM'000	Dominated in EURO RM'000	GBP RM'000
<b>2013</b>			
Trade receivables	34,837	17	--
Cash and cash equivalents	899	224	22
Trade payables	(15,017)	--	--
Other payables	(2,187)	(19)	--
Forward exchange contracts	(18,911)	--	(14,952)
Net exposure	<u>(379)</u>	<u>222</u>	<u>(14,930)</u>
<b>2012</b>			
Trade receivables	40,662	507	--
Cash and cash equivalents	398	62	117
Trade payables	(5,175)	--	--
Other payables	(1,434)	--	--
Net exposure	<u>34,451</u>	<u>569</u>	<u>117</u>
<b>2011</b>			
Trade receivables	28,422	--	--
Cash and cash equivalents	155	11	5
Trade payables	(1,447)	--	--
Other payables	(382)	(20)	--
Net exposure	<u>26,748</u>	<u>(9)</u>	<u>5</u>

*Currency risk sensitivity analysis*

A 10% (2012: 10%; 2011: 10%) strengthening of the Ringgit Malaysia ("RM") against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

	Denominated in USD			Denominated in EURO			Denominated in GBP		
	2011 RM'000	2012 RM'000	2013 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Profit or (loss)	(2,006)	(2,584)	28	1	(43)	(17)	--	(9)	1,120

A 10% (2012: 10%; 2011: 10%) weakening of the RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.2 KISB &amp; its subsidiary, UTSB (Cont'd)

## 7.2.5 Notes to the consolidated financial statements (Cont'd)

## 7.2.5.18 Financial instruments (Cont'd)

## 7.2.5.18.6 Market risk (Cont'd)

**Interest rate risk**

The Sub-Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Sub-Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

*Risk management objectives, policies and processes for managing the risk*

There is no formal hedging policy with respect to interest rate exposure. Exposure to interest rate is monitored on an ongoing basis and the Sub-Group endeavours to keep the exposure at an acceptable level.

*Exposure to credit risk, credit quality and collateral*

The interest rate profile of the Sub-Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2011 RM'000	2012 RM'000	2013 RM'000
<b>Fixed rate instruments</b>			
Financial assets			
Deposits with licensed banks	4,853	5,577	6,707
Financial liabilities			
Bankers' acceptances	(19,216)	(18,392)	(22,464)
Finance lease liabilities	(2,313)	(1,912)	(1,530)
	<u>(21,529)</u>	<u>(20,304)</u>	<u>(23,994)</u>
	<u>(16,676)</u>	<u>(14,727)</u>	<u>(17,287)</u>
<b>Floating rate instruments</b>			
Financial liabilities			
Term loans	(6,374)	(7,686)	(6,064)
Bank overdrafts	(1,424)	(2,765)	--
	<u>(7,798)</u>	<u>(10,451)</u>	<u>(6,064)</u>

*Interest rate risk sensitivity analysis*(a) *Fair value sensitivity analysis for fixed rate instruments*

The Sub-Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Sub-Group does not designate derivatives as hedging instruments under a fair valued hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) *Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have increased/(decreased) the Sub-Group post-tax results by RM45,477 (2012: RM78,394; 2011: RM58,488). This analysis assumes that all other variables remained constant.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.2 KISB &amp; its subsidiary, UTSB (Cont'd)

## 7.2.5 Notes to the consolidated financial statements (Cont'd)

## 7.2.5.18 Financial instruments (Cont'd)

## 7.2.5.18.7 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

The carrying amounts of the finance lease liabilities approximates their fair value as there is no material change in the interest charged on similar kind of borrowings in the market.

The carrying amount of the floating rate term loans approximates its fair values as its effective interest rate changes accordingly to movements in the market interest rate.

No disclosure of fair value is made for amount due from subsidiary, as it is not practicable to determine their fair values with sufficient reliability since these balances have no fixed terms of repayment.

**Fair value hierarchy**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

	<b>Level 2</b> <b>RM'000</b>
<b>2013</b>	
<b>Financial liabilities</b>	
Forward exchange contracts	844

## 7.2.5.19 Capital management

The primary objective of the Sub-Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Sub-Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Sub-Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2013, 30 June 2012 and 30 June 2011.

The Sub-Group has credit facilities from its bankers for its capital requirements. The Directors are of the opinion that the Sub-Group will be able to fulfill its cash flow requirements when due. The Sub-Group is required to comply with loan covenant as disclosed in Section 7.2.5.12, failing which, the bank may call an event of default. The Directors monitors the compliance with loan covenants and regulatory requirements on an ongoing basis.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.3 UTSB

## 7.3.1 Statements of profit or loss and other comprehensive income

We set out below the statements of profit or loss and other comprehensive income of UTSB for the financial years ended 30 June 2010 to 30 June 2013:

	Note	Financial years ended 30 June			
		2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
<b>Revenue</b>	7.3.5.1	8,097	8,267	10,067	11,927
Cost of goods sold		(6,194)	(6,918)	(7,857)	(9,086)
<b>Gross profit</b>		1,903	1,349	2,210	2,841
Distribution expenses		(257)	(321)	(210)	(310)
Administrative expenses		(788)	(827)	(781)	(880)
Other expenses		(220)	(118)	(9)	(29)
Other income		66	78	100	46
<b>Results from operating activities</b>		704	161	1,310	1,668
Finance costs	7.3.5.2	(45)	(47)	(40)	(15)
Interest income		2	3	3	3
<b>Net finance costs</b>		(43)	(44)	(37)	(12)
<b>Profit before tax</b>	7.3.5.3	661	117	1,273	1,656
Tax expense	7.3.5.4	(161)	(34)	(318)	(428)
<b>Profit for the year/Total comprehensive income for the year</b>		500	83	955	1,228
Weighted average number of share issued during the year (RM1.00 per share)		500,000	500,000	500,000	500,000
Basic/Diluted EPS (RM)		1.00	0.17	1.91	2.46

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## 7 Audited Financial Statements (Cont'd)

## 7.3 UTSB (Cont'd)

## 7.3.2 Statements of financial position

	Note	Financial years ended 30 June			
		2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
<b>ASSETS</b>					
Property, plant and equipment/ <b>Total non-current assets</b>	7.3.5.5	2,146	1,957	1,864	2,037
Inventories	7.3.5.6	1,379	1,639	2,148	2,392
Trade and other receivables	7.3.5.7	2,948	3,357	3,652	3,555
Tax recoverable		174	328	140	--
Cash and cash equivalents	7.3.5.8	552	251	416	1,713
<b>Total current assets</b>		5,053	5,575	6,356	7,660
<b>TOTAL ASSETS</b>		7,199	7,532	8,220	9,697
<b>EQUITY</b>					
Share capital	7.3.5.9	500	500	500	500
Retained earnings	7.3.5.10	3,205	3,288	4,243	5,471
<b>Total equity</b>		3,705	3,788	4,743	5,971
<b>LIABILITIES</b>					
Loans and borrowings	7.3.5.11	14	--	--	--
Deferred tax liabilities	7.3.5.12	188	159	160	153
<b>Total non-current liabilities</b>		202	159	160	153
Trade and other payables	7.3.5.13	2,731	3,120	2,949	3,330
Loan and borrowings	7.3.5.11	561	465	368	--
Taxation		--	--	--	243
<b>Total current liabilities</b>		3,292	3,585	3,317	3,573
<b>Total liabilities</b>		3,494	3,744	3,477	3,726
<b>Total equity and liabilities</b>		7,199	7,532	8,220	9,697

## 7.3.3 Statement of changes in equity

	Attributable to owners of UTSB		
	Share capital RM'000	Distributable Retained earnings RM'000	Total equity RM000
At 1 July 2009	500	2,705	3,205
Total comprehensive income for the year	--	500	500
At 30 June 2010/1 July 2010	500	3,205	3,705
Total comprehensive income for the year	--	83	83
At 30 June 2011/1 July 2011	500	3,288	3,788
Total comprehensive income for the year	--	955	955
At 30 June 2012/1 July 2012	500	4,243	4,743
Total comprehensive income for the year	--	1,228	1,228
At 30 June 2013	500	5,471	5,971

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.3 UTSB (Cont'd)

## 7.3.4 Statements of cash flows

	Note	Financial years ended 30 June			
		2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
<b>Cash flows from operating activities</b>					
Profit before tax		661	117	1,273	1,656
Adjustments for:					
Depreciation		345	302	217	226
Finance costs		45	47	40	15
Interest income		(2)	(3)	(3)	(3)
Unrealised gain on foreign exchange		--	--	--	(47)
<b>Operating profit before changes in working capital</b>		<b>1,049</b>	<b>463</b>	<b>1,527</b>	<b>1,847</b>
Changes in inventories		(95)	(260)	(509)	(244)
Changes in trade and other receivables		99	(410)	(295)	144
Changes in trade and other payables		46	390	(171)	381
<b>Cash generated from operations</b>		<b>1,099</b>	<b>183</b>	<b>552</b>	<b>2,128</b>
Tax paid		(216)	(217)	(129)	(52)
<b>Net cash from/(used in) operating activities</b>		<b>883</b>	<b>(34)</b>	<b>423</b>	<b>2,076</b>
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment		(98)	(113)	(124)	(399)
Interest received		2	3	3	3
<b>Net cash used in investing activities</b>		<b>(96)</b>	<b>(110)</b>	<b>(121)</b>	<b>(396)</b>
<b>Cash flows from financing activities</b>					
Interest paid		(45)	(47)	(40)	(15)
Repayment of term loan		(71)	(37)	--	--
Repayment of finance lease liabilities		(27)	(27)	(12)	--
Increase in pledged deposit with a licensed bank		(2)	(3)	(3)	(4)
<b>Net cash used in financing activities</b>		<b>(145)</b>	<b>(114)</b>	<b>(55)</b>	<b>(19)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>642</b>	<b>(258)</b>	<b>247</b>	<b>1,661</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>(700)</b>	<b>(58)</b>	<b>(316)</b>	<b>(69)</b>
<b>Cash and cash equivalents at end of year</b>	(i)	<b>(58)</b>	<b>(316)</b>	<b>(69)</b>	<b>1,592</b>



## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.3 UTSB (Cont'd)

## 7.3.4 Statements of cash flows (Cont'd)

## (i) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Financial years ended 30 June			
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Cash and bank balances	441	137	299	1,592
Deposits placed with a licensed bank	111	114	117	121
Bank overdrafts	(499)	(453)	(368)	--
	53	(202)	48	1,713
Less: Fixed deposits pledged with a licensed bank	(111)	(114)	(117)	(121)
	(58)	(316)	(69)	1,592

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.3 UTSB (Cont'd)

## 7.3.5 Notes to the financial statements

## 7.3.5.1 Revenue

	Financial years ended 30 June			
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Goods sold	8,097	8,267	10,067	11,927

## 7.3.5.2 Finance costs

	Financial years ended 30 June			
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Finance lease liabilities	3	2	--	--
Bank overdrafts	37	44	40	15
Term loans	5	1	--	--
	<u>45</u>	<u>47</u>	<u>40</u>	<u>15</u>

## 7.3.5.3 Profit before tax

	Financial years ended 30 June			
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
<b>Profit before tax is arrived at after charging/(crediting)</b>				
Audit fees	10	15	15	15
Bad debt written off	30	--	9	--
Depreciation	345	302	217	226
Rental of:				
- Factory	60	60	60	60
- Hostel	11	11	11	8
Inventory written down	--	75	--	--
Personnel expenses				
- Contributions to state plans	136	122	116	147
- Wages, salaries and others	2,005	2,007	2,224	3,048
Realised loss/(gain) on foreign exchange	190	119	(100)	24
(Reversal of)/Impairment loss on receivables	--	(29)	--	5
Unrealised gain on foreign exchange	--	--	--	(47)

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.3 UTSB (Cont'd)

## 7.3.5 Notes to the financial statements (Cont'd)

## 7.3.5.4 Tax expense

	Financial years ended 30 June			
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
<b>Current tax expense</b>				
- Current year	161	45	312	440
- Prior year	--	18	5	(5)
	161	63	317	435
<b>Deferred tax (income)/expense</b>				
- Origination and reversal of temporary differences	--	(5)	1	(7)
- Prior year	--	(24)	--	--
	--	(29)	1	(7)
Total income tax expense	161	34	318	428
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Reconciliation of tax expense</b>				
Profit before tax	661	117	1,273	1,656
Income tax calculated using Malaysian tax rate	140	23	293	389
Non-deductible expenses	28	17	20	44
Other	(7)	--	--	--
	161	40	313	433
(Over)/Under provided in prior year	--	(6)	5	(5)
Tax expense	161	34	318	428

The Company is a small and medium enterprise as defined in the Income Tax Act 1967 and is therefore subject to corporate tax at 20% on chargeable income up to RM500,000.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.3 UTSB (Cont'd)

## 7.3.5 Notes to the financial statements (Cont'd)

## 7.3.5.5 Property, plant and equipment

	Short term leasehold land RM'000	Building RM'000	Plant and machinery RM'000	Renovation and electrical installation RM'000	Motor vehicles RM'000	Office equipment and furniture RM'000	Total RM'000
<i>At cost</i>							
At 1 July 2009	401	637	2,674	223	190	320	4,445
Additions	--	--	98	--	--	--	98
At 30 June 2010/ 1 July 2010	401	637	2,772	223	190	320	4,543
Additions	--	--	101	--	--	12	113
At 30 June 2011/ 1 July 2011	401	637	2,873	223	190	332	4,656
Additions	--	--	122	--	--	2	124
At 30 June 2012/ 1 July 2012	401	637	2,995	223	190	334	4,780
Additions	--	--	333	57	--	9	399
At 30 June 2013	401	637	3,328	280	190	343	5,179
<i>Accumulated depreciation</i>							
At 1 July 2009	32	50	1,605	122	73	170	2,052
Depreciation charge	8	13	258	19	19	28	345
At 30 June 2010/ 1 July 2010	40	63	1,863	141	92	198	2,397
Depreciation charge	8	13	216	18	19	28	302
At 30 June 2011/ 1 July 2011	48	76	2,079	159	111	226	2,699
Depreciation charge	8	13	131	18	19	28	217
At 30 June 2012/ 1 July 2012	56	89	2,210	177	130	254	2,916
Depreciation charge	8	13	140	20	19	26	226
At 30 June 2013	64	102	2,350	197	149	280	3,142
<i>Carrying amounts</i>							
At 30 June 2010	361	574	909	82	98	122	2,146
At 30 June 2011	353	561	794	64	79	106	1,957
At 30 June 2012	345	548	785	46	60	80	1,864
At 30 June 2013	337	535	978	83	41	63	2,037

**Leased motor vehicles**

At 30 June 2013, the net carrying amount of leased motor vehicles was NIL (2012: NIL; 2011: RM68,922; 2010: RM82,707).

**Security**

The short leasehold land of the Company with carrying amounts of 2013: RM336,871 (2012: RM344,888; 2011: RM352,905; 2010: RM360,922) is charged to a licensed bank for banking facilities granted to the Company as disclosed in Note 7.3.5.11.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.3 UTSB (Cont'd)

## 7.3.5 Notes to the financial statements (Cont'd)

## 7.3.5.6 Inventories

	Financial years ended 30 June			
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Raw materials	475	816	973	1,090
Work-in-progress	506	596	720	661
Finished goods	398	227	455	641
	<u>1,379</u>	<u>1,639</u>	<u>2,148</u>	<u>2,392</u>

## 7.3.5.7 Trade and other receivables

	Financial years ended 30 June			
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Trade receivables	1,218	2,038	1,798	1,475
Other receivables	14	30	30	241
Due from holding company - KISB	1,716	1,289	1,824	1,839
	<u>2,948</u>	<u>3,357</u>	<u>3,652</u>	<u>3,555</u>

Included in the above balances are amount due from companies in which certain Directors/Directors' close family members have substantial financial interests as follow:

	Financial years ended 30 June			
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Trade receivables - Not within the Karex Group	<u>--</u>	<u>533</u>	<u>254</u>	<u>370</u>

The non-trade amount due from holding company arose mainly from advances which is unsecured, interest-free and repayable on demand.

## 7.3.5.8 Cash and cash equivalents

	Financial years ended 30 June			
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Cash and bank balances	441	137	299	1,592
Deposits placed with a licensed bank	111	114	117	121
	<u>552</u>	<u>251</u>	<u>416</u>	<u>1,713</u>

Fixed deposits of the Company is held in trust by the Directors and also pledged to a bank as security for banking facilities granted to the Company as disclosed in Note 7.3.5.11.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.3 UTSB (Cont'd)

## 7.3.5 Notes to the financial statements (Cont'd)

## 7.3.5.9 Share capital

	Financial years ended 30 June			
	2010	2011	2012	2013
<b>Authorised ordinary shares of RM1.00 each</b>				
Number of shares in '000	500	500	500	500
Amount in RM'000	500	500	500	500
<b>Issued and fully paid ordinary shares of RM1.00 each</b>				
Number of shares in '000	500	500	500	500
Amount in RM'000	500	500	500	500

## 7.3.5.10 Retained earnings

**Section 108 tax credit and tax exempt account**

Subject to agreement by the Inland Revenue Board, the Company has Section 108 tax credit and tax exempt account to frank the payment of dividends up to approximately RM2,134,000 (2012: RM2,134,000; 2011: RM2,134,000; 2010: RM2,134,000) out of its retained earnings at 30 June 2013.

The Finance Act, 2007 introduced a single tier company income tax system with effect from 1 January 2008. As such, the remaining Section 108 tax credit as at 30 June 2013 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

## 7.3.5.11 Loans and borrowings

	Financial years ended 30 June			
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
<b>Non-current</b>				
Finance lease liabilities	14	--	--	--
<b>Current</b>				
Term loans	37	--	--	--
Bank overdrafts	499	453	368	--
Finance lease liabilities	25	12	--	--
	561	465	368	--
	575	465	368	--

**Security**

The bank borrowings are generally secured by legal charges over the landed property and pledge of fixed deposit of the Company, joint and several guarantee by the Directors of the Company and corporate guarantee by KISB.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.3 UTSB (Cont'd)

## 7.3.5 Notes to the financial statements (Cont'd)

## 7.3.5.11 Loans and borrowings (Cont'd)

*Finance lease liabilities*

Finance lease liabilities are payable as follows:

	At 30 June 2010			At 30 June 2011		
	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
Less than one year	26	1	25	12	--	12
Between one and five years	14	--	14	--	--	--
	<u>40</u>	<u>1</u>	<u>39</u>	<u>12</u>	<u>--</u>	<u>12</u>

## 7.3.5.12 Deferred tax liabilities

**Recognised deferred tax liabilities**

Deferred tax assets and liabilities are attributable to the following:

	Financial years ended 30 June			
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Property, plant and equipment - temporary differences	(196)	(159)	(160)	(142)
Other items	8	--	--	(11)
	<u>(188)</u>	<u>(159)</u>	<u>(160)</u>	<u>(153)</u>

## 7.3.5.13 Trade and other payables

	Financial years ended 30 June			
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Trade payables	552	793	680	843
Other payables and accrued expenses	353	513	455	673
Due to shareholders of KISB	<u>1,826</u>	<u>1,814</u>	<u>1,814</u>	<u>1,814</u>
	<u>2,731</u>	<u>3,120</u>	<u>2,949</u>	<u>3,330</u>

The non-trade amount due to shareholders of KISB arose mainly from advances which is unsecured, interest-free and repayable on demand.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.3 UTSB (Cont'd)

## 7.3.5 Notes to the financial statements (Cont'd)

## 7.3.5.14 Related parties

**Identity of related parties**

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. There are no key management personnel in the Company other than Directors.

The Company has related party relationship with KISB and Directors.

**Significant related party transactions**

The significant related party transactions of the Company are shown below:

	<b>Financial years ended 30 June</b>			
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Holding company</b>				
Staff cost recharges receivable	814	901	792	805
Staff cost recharges payable	(284)	(408)	(375)	(346)
Water expenses recharges payable	(119)	(103)	(89)	(135)
Rental expense	(60)	(60)	(60)	(60)
Management fee expense	(60)	(60)	(60)	(60)
<b>Company in which certain Directors/Directors' close family members have substantial financial interest</b>				
Sales of goods	1,245	1,857	1,953	3,248



## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.3 UTSB (Cont'd)

## 7.3.5 Notes to the financial statements (Cont'd)

## 7.3.5.15 Financial instruments

The Company adopted MFRS on 1 July 2012. The Company previously applied FRS and certain comparative figures have not been presented for 30 June 2010 by virtue of the exemption given in paragraph 44AA of FRS 7. The Company also did not present the comparative figures for 30 June 2010 upon the adoption of MFRS due to practicability.

## 7.3.5.15.1 Categories of financial instruments

All financial assets and liabilities are categorised as loans and receivables and other liabilities in accordance with the Company's accounting policies as disclosed in Section 6.3(c).

## 7.3.5.15.2 Net gains and losses arising from financial instruments

	2011 RM'000	2012 RM'000	2013 RM'000
Net gains/(losses) on:			
Loan and receivables	(116)	112	31
Financial liabilities measured at amortised cost	(46)	(39)	(15)
	(162)	73	16

## 7.3.5.15.3 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

## 7.3.5.15.4 Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from its receivables from customers and amounts due from KISB.

**Receivables***Risk management objectives, policies and processes for managing the risk*

The Company has no formal written credit policy. However, the Board of Directors is of the view that the exposure to credit risk through the direct involvement of Executive Directors monitoring on an on-going basis is deemed sufficient.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Company. The Company uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.3 UTSB (Cont'd)

## 7.3.5 Notes to the financial statements (Cont'd)

## 7.3.5.15 Financial instruments (Cont'd)

## 7.3.5.15.4 Credit risk (Cont'd)

*Impairment losses*

The Company maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
<b>2013</b>			
Not past due	1,171	--	1,171
Past due 0 - 30 days	299	--	299
Past due 31 - 60 days	5	--	5
Past due more than 60 days	5	(5)	--
	<u>1,480</u>	<u>(5)</u>	<u>1,475</u>
<b>2012</b>			
Not past due	712	--	712
Past due 0 - 30 days	945	--	945
Past due 31 - 60 days	60	--	60
Past due more than 60 days	81	--	81
	<u>1,798</u>	<u>--</u>	<u>1,798</u>
<b>2011</b>			
Not past due	748	--	748
Past due 0 - 30 days	611	--	611
Past due 31 - 60 days	398	--	398
Past due more than 60 days	281	--	281
	<u>2,038</u>	<u>--</u>	<u>2,038</u>

The movements in the allowance for impairment losses of receivables during the financial year were:

	2011 RM'000	2012 RM'000	2013 RM'000
At 1 July	29	--	--
Impairment loss recognised	--	--	5
Reversal of impairment on trade receivables for the year	(29)	--	--
At 30 June	<u>--</u>	<u>--</u>	<u>5</u>

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Company is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

**Inter company balances***Risk management objectives, policies and processes for managing the risk*

The Company monitors the exposure to credit risk on an ongoing basis as and when required.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.3 UTSB (Cont'd)

## 7.3.5 Notes to the financial statements (Cont'd)

## 7.3.5.15 Financial instruments (Cont'd)

## 7.3.5.15.4 Credit risk (Cont'd)

*Impairment losses*

As at the end of the reporting period, there was no indication that the amount due from KISB is not recoverable. The Company does not specifically monitor the ageing of the amount due from KISB.

## 7.3.5.15.5 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from its various payables and borrowings.

The Company maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

*Maturity analysis*

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000
<b>2013</b>				
<i>Non-derivative financial liabilities</i>				
Due to shareholder of KISB	1,814	--	1,814	1,814
Trade and other payables	1,516	--	1,516	1,516
	<u>3,330</u>		<u>3,330</u>	<u>3,330</u>
<b>2012</b>				
<i>Non-derivative financial liabilities</i>				
Due to shareholder of KISB	1,814	--	1,814	1,814
Trade and other payables	1,135	--	1,135	1,135
Secured bank overdrafts	368	8.10	368	368
	<u>3,317</u>		<u>3,317</u>	<u>3,317</u>
<b>2011</b>				
<i>Non-derivative financial liabilities</i>				
Due to shareholder of KISB	1,814	--	1,814	1,814
Trade and other payables	1,306	--	1,306	1,306
Secured bank overdrafts	453	7.80	453	453
Secured finance lease liabilities	12	2.90	12	12
	<u>3,585</u>		<u>3,585</u>	<u>3,585</u>

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.3 UTSB (Cont'd)

## 7.3.5 Notes to the financial statements (Cont'd)

## 7.3.5.15 Financial instruments (Cont'd)

## 7.3.5.15.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Company's financial position or cash flows.

**Currency risk**

The Company is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company. The currencies giving rise to this risk are primarily US Dollar (USD).

The Company does not hedge its financial assets and liabilities denominated in foreign currencies.

*Exposure to foreign currency risk*

The Company's exposure to foreign currency (a currency which is other than the functional currency of the Company) risk, based on carrying amounts as at the end of the reporting period was:

	<b>Denominated in USD</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Trade receivables	1,844	1,506	1,241
Cash and cash equivalents	15	68	202
Trade payables	--	(102)	--
Other payables	--	(10)	(42)
Net exposure	<u>1,859</u>	<u>1,462</u>	<u>1,401</u>

*Currency risk sensitivity analysis*

A 10% (2012: 10%; 2011: 10%) strengthening of the Ringgit Malaysia ("RM") against the following currencies at the end of the reporting period would have decreased post-tax profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	<b>Denominated in USD</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit or (loss)	<u>(139)</u>	<u>(110)</u>	<u>(105)</u>

A 10% (2012: 10%; 2011: 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.3 UTSB (Cont'd)

## 7.3.5 Notes to the financial statements (Cont'd)

## 7.3.5.15 Financial instruments (Cont'd)

## 7.3.5.15.6 Market risk (Cont'd)

**Interest rate risk**

The Company's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

*Risk management objectives, policies and processes for managing the risk*

There is no formal hedging policy with respect to interest rate exposure. Exposure to interest rate is monitored on an ongoing basis and Company endeavours to keep the exposure at an acceptable level.

*Exposure to interest rate risk*

The interest rate profile of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2011 RM'000	2012 RM'000	2013 RM'000
<b>Fixed rate instruments</b>			
Financial asset			
- Deposits with a licensed bank	114	117	121
Financial liabilities			
- Finance lease liabilities	(12)	--	--
	<u>102</u>	<u>117</u>	<u>121</u>
<b>Floating rate instruments</b>			
Financial liabilities			
- Bank overdrafts	(453)	(368)	--

*Interest rate risk sensitivity analysis**(a) Fair value sensitivity analysis for fixed rate instruments*

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not designate derivatives as hedging instruments under a fair valued hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

*(b) Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have increased/(decreased) the Company post-tax results by NIL (2012: RM2,760; 2011: RM3,399). This analysis assumes that all other variables remained constant.

## 7.3.5.15.7 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

14. ACCOUNTANT'S REPORT (Cont'd)

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**7 Audited Financial Statements (Cont'd)**

**7.3 UTSB (Cont'd)**

**7.3.5 Notes to the financial statements (Cont'd)**

**7.3.5.16 Capital management**

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2013, 30 June 2012 and 30 June 2011.

The Company is not subject to any externally imposed capital requirements.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.4 HMSB

## 7.4.1 Statements of profit or loss and other comprehensive income

We set out below the statements of profit or loss and other comprehensive income of HMSB for the financial year ended 31 December 2009, six months period ended 30 June 2010 and for the financial years ended 30 June 2011 to 30 June 2013:

	Note	Financial years/period ended				
		01.01.09 to 31.12.09 RM'000	01.01.10 to 30.06.10 RM'000	01.07.10 to 30.06.11 RM'000	01.07.11 to 30.06.12 RM'000	01.07.12 to 30.06.13 RM'000
Revenue	7.4.5.1	3,422	720	3,709	2,524	3,987
Cost of goods sold		(3,196)	(641)	(3,280)	(2,309)	(2,960)
<b>Gross profit</b>		226	79	429	215	1,027
Distribution expenses		--	--	--	(16)	(25)
Administrative expenses		(132)	(64)	(140)	(67)	(74)
Other expenses		(9)	(14)	(24)	(41)	(19)
Other income		--	--	--	71	8
<b>Profit before tax</b>	7.4.5.2	85	1	265	162	917
Tax expense	7.4.5.3	(70)	(5)	(69)	(38)	(214)
<b>Profit/(Loss) for the year/ period/Total comprehensive income/ (expense) for the year/period</b>		<u>15</u>	<u>(4)</u>	<u>196</u>	<u>124</u>	<u>703</u>
Weighted average number of share issued during the year (RM1.00 per share)		<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Basic/Diluted EPS (RM)		0.02	0.00	0.20	0.12	0.70

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.4 HMSB (Cont'd)

## 7.4.2 Statements of financial position

	Note	Financial years/period ended				30.06.13 RM'000
		31.12.09 RM'000	30.06.10 RM'000	30.06.11 RM'000	30.06.12 RM'000	
<b>ASSETS</b>						
Plant and equipment/ <b>Total non-current assets</b>	7.4.5.4	824	739	578	494	410
Inventories	7.4.5.5	860	1,152	1,233	1,344	1,142
Trade and other receivables	7.4.5.6	6,244	6,122	7,178	6,744	5,751
Tax recoverable		196	212	118	89	80
Cash and cash equivalents		605	521	791	286	790
<b>Total current assets</b>		<b>7,905</b>	<b>8,007</b>	<b>9,320</b>	<b>8,463</b>	<b>7,763</b>
<b>TOTAL ASSETS</b>		<b>8,729</b>	<b>8,746</b>	<b>9,898</b>	<b>8,957</b>	<b>8,173</b>
<b>EQUITY</b>						
Share capital	7.4.5.7	1,000	1,000	1,000	1,000	1,000
Retained earnings	7.4.5.8	5,234	5,230	5,426	5,550	6,253
<b>Total equity</b>		<b>6,234</b>	<b>6,230</b>	<b>6,426</b>	<b>6,550</b>	<b>7,253</b>
<b>LIABILITIES</b>						
Deferred tax liabilities/ <b>Total non-current liabilities</b>	7.4.5.9	105	105	66	57	92
Trade and other payables/ <b>Total current liabilities</b>	7.4.5.10	2,390	2,411	3,406	2,350	828
<b>Total liabilities</b>		<b>2,495</b>	<b>2,516</b>	<b>3,472</b>	<b>2,407</b>	<b>920</b>
<b>Total equity and liabilities</b>		<b>8,729</b>	<b>8,746</b>	<b>9,898</b>	<b>8,957</b>	<b>8,173</b>



## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.4 HMSB (Cont'd)

## 7.4.3 Statements of changes in equity

	Attributable to owners of HMSB		
	Share capital RM'000	<i>Distributable</i> Retained earnings RM'000	Total equity RM000
At 1 January 2009	1,000	5,219	6,219
Total comprehensive income for the year	--	15	15
At 31 December 2009/1 January 2010	1,000	5,234	6,234
Total comprehensive expense for the period	--	(4)	(4)
At 30 June 2010/1 July 2010	1,000	5,230	6,230
Total comprehensive income for the year	--	196	196
At 30 June 2011/1 July 2011	1,000	5,426	6,426
Total comprehensive income for the year	--	124	124
At 30 June 2012/1 July 2012	1,000	5,550	6,550
Total comprehensive income for the year	--	703	703
At 30 June 2013	1,000	6,253	7,253

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.4 HMSB (Cont'd)

## 7.4.4 Statements of cash flows

	Note	Financial years/period ended				
		01.01.09 to 31.12.09 RM'000	01.01.10 to 30.06.10 RM'000	01.07.10 to 30.06.11 RM'000	01.07.11 to 30.06.12 RM'000	01.07.12 to 30.06.13 RM'000
<b>Cash flows from operating activities</b>						
Profit before tax		85	1	265	162	917
Adjustment for:						
Depreciation		175	85	161	84	84
<b>Operating profit before changes in working capital</b>		260	86	426	246	1,001
Changes in inventories		1,034	(292)	(81)	(111)	202
Changes in trade and other receivables		72	122	(1,056)	434	993
Changes in trade and other payables		(673)	21	995	(1,056)	(1,522)
<b>Cash generated from/ (used in) operations</b>		693	(63)	284	(487)	674
Tax paid		(94)	(21)	(14)	(18)	(170)
<b>Net cash from/(used in) operating activities/ Net increase/(decrease) in cash and cash equivalents</b>		599	(84)	270	(505)	504
<b>Cash and cash equivalents at beginning of year/period</b>		6	605	521	791	286
<b>Cash and cash equivalents at end of year/period (i)</b>		605	521	791	286	790

## (i) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Financial years/period ended				
	01.01.09 to 31.12.09 RM'000	01.01.10 to 30.06.10 RM'000	01.07.10 to 30.06.11 RM'000	01.07.11 to 30.06.12 RM'000	01.07.12 to 30.06.13 RM'000
Cash and bank balances	605	521	791	286	790

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.4 HMSB (Cont'd)

## 7.4.5 Notes to the financial statements

## 7.4.5.1 Revenue

	Financial years/period ended				
	01.01.09 to 31.12.09 RM'000	01.01.10 to 30.06.10 RM'000	01.07.10 to 30.06.11 RM'000	01.07.11 to 30.06.12 RM'000	01.07.12 to 30.06.13 RM'000
Goods sold	3,422	720	3,709	2,524	3,987

## 7.4.5.2 Profit before tax

	Financial years/period ended				
	01.01.09 to 31.12.09 RM'000	01.01.10 to 30.06.10 RM'000	01.07.10 to 30.06.11 RM'000	01.07.11 to 30.06.12 RM'000	01.07.12 to 30.06.13 RM'000
<b>Profit before tax is arrived at after charging/ (crediting)</b>					
Audit fee	5	6	10	10	10
Depreciation	175	85	161	84	84
Rental of factory	60	30	60	60	60
Personnel expenses					
- Contribution to state plans	30	13	24	23	18
- Wages, salaries and others	333	160	268	223	171
Realised loss/(gain) on foreign exchange	9	(14)	(24)	42	19
Reversal of allowance of slow moving inventories	--	--	--	(40)	(214)

## 7.4.5.3 Tax expense

	Financial years/period ended				
	01.01.09 to 31.12.09 RM'000	01.01.10 to 30.06.10 RM'000	01.07.10 to 30.06.11 RM'000	01.07.11 to 30.06.12 RM'000	01.07.12 to 30.06.13 RM'000
<b>Current tax expense</b>					
- Current year	--	5	108	52	178
- Prior year	43	--	--	(5)	1
	43	5	108	47	179
<b>Deferred tax expense/ (income)</b>					
- Origination and reversal of temporary differences	27	--	(39)	(10)	32
- Prior year	--	--	--	1	3
	27	--	(39)	(9)	35
<b>Total tax expense</b>	70	5	69	38	214

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## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.4 HMSB (Cont'd)

## 7.4.5 Notes to the financial statements (Cont'd)

## 7.4.5.3 Tax expense (Cont'd)

	Financial years/period ended				
	01.01.09 to 31.12.09 RM'000	01.01.10 to 30.06.10 RM'000	01.07.10 to 30.06.11 RM'000	01.07.11 to 30.06.12 RM'000	01.07.12 to 30.06.13 RM'000
<b>Reconciliation of tax expense</b>					
Profit before tax	85	1	265	162	917
Income tax calculated using Malaysian tax rate	17	1	53	40	203
Non-deductible expense	10	4	16	2	7
	27	5	69	42	210
Under/(Over) provided in prior year	43	--	--	(4)	4
Tax expense	70	5	69	38	214

The Company is a small and medium enterprise as defined in the Income Tax Act 1967 and is therefore subject to corporate tax at 20% on its chargeable income up to RM500,000.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.4 HMSB (Cont'd)

## 7.4.5 Notes to the financial statements (Cont'd)

## 7.4.5.4 Plant and equipment

	Plant and machinery RM'000	Renovation and electrical installation RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
<i>At cost</i>				
At 1 January 2009/31 December 2009	1,804	182	105	2,091
At 1 January 2010/30 June 2010	1,804	182	105	2,091
At 1 July 2010/30 June 2011	1,804	182	105	2,091
At 1 July 2011/30 June 2012	1,804	182	105	2,091
At 1 July 2012/30 June 2013	1,804	182	105	2,091
<i>Accumulated depreciation</i>				
At 1 January 2009	834	155	103	1,092
Depreciation charge	162	11	2	175
At 31 December 2009/1 January 2010	996	166	105	1,267
Depreciation charge	83	2	--	85
At 30 June 2010/1 July 2010	1,079	168	105	1,352
Depreciation charge	157	4	--	161
At 30 June 2011/1 July 2011	1,236	172	105	1,513
Depreciation charge	80	4	--	84
At 30 June 2012/1 July 2012	1,316	176	105	1,597
Depreciation charge	80	4	--	84
At 30 June 2013	1,396	180	105	1,681
<i>Carrying amounts</i>				
At 31 December 2009	808	16	--	824
At 30 June 2010	725	14	--	739
At 30 June 2011	568	10	--	578
At 30 June 2012	488	6	--	494
At 30 June 2013	408	2	--	410

## 7.4.5.5 Inventories

	Financial years/period ended				
	31.12.09 RM'000	30.06.10 RM'000	30.06.11 RM'000	30.06.12 RM'000	30.06.13 RM'000
Raw materials	119	162	158	157	460
Work-in-progress	450	771	994	844	625
Finished goods	291	219	81	343	57
	860	1,152	1,233	1,344	1,142

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.4 HMSB (Cont'd)

## 7.4.5 Notes to the financial statements (Cont'd)

## 7.4.5.6 Trade and other receivables

	Financial years/period ended				
	31.12.09 RM'000	30.06.10 RM'000	30.06.11 RM'000	30.06.12 RM'000	30.06.13 RM'000
Trade receivables	6,239	6,111	7,173	6,731	5,741
Other receivables, deposits and prepayments	5	11	5	13	10
	<u>6,244</u>	<u>6,122</u>	<u>7,178</u>	<u>6,744</u>	<u>5,751</u>

Included in the above balances are amount due from companies in which certain Directors/Directors' close family member have substantial financial interests within the Karex Group as follows:

	Financial years/period ended				
	31.12.09 RM'000	30.06.10 RM'000	30.06.11 RM'000	30.06.12 RM'000	30.06.13 RM'000
Trade receivables	<u>6,034</u>	<u>6,040</u>	<u>6,718</u>	<u>6,565</u>	<u>4,781</u>

## 7.4.5.7 Share capital

	Financial years/period ended				
	31.12.09	30.06.10	30.06.11	30.06.12	30.06.13
<b>Authorised ordinary shares of RM1.00 each</b>					
Number of shares in '000	1,000	1,000	1,000	1,000	1,000
Amount in RM'000	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
<b>Issued and fully paid ordinary shares of RM1.00 each</b>					
Number of shares in '000	1,000	1,000	1,000	1,000	1,000
Amount in RM'000	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

## 7.4.5.8 Retained earnings

## Section 108 tax credit and tax exempt account

Subject to agreement by the Inland Revenue Board, the Company has Section 108 tax credit and tax exempt account to frank the payment of dividends up to approximately RM4,523,000 (2012: RM4,523,000; 2011: RM4,523,000; 2010: RM4,523,000; 2009: RM4,523,000) out of its retained earnings at 30 June 2013.

The Finance Act, 2007 introduced a single tier company income tax system with effect from 1 January 2008. As such, the remaining Section 108 tax credit as at 30 June 2013 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.4 HMSB (Cont'd)

## 7.4.5 Notes to the financial statements (Cont'd)

## 7.4.5.9 Deferred tax liabilities

## Recognised deferred tax liabilities

Deferred tax assets and liabilities are attributable to the following:

	Financial years/period ended				
	31.12.09 RM'000	30.06.10 RM'000	30.06.11 RM'000	30.06.12 RM'000	30.06.13 RM'000
Plant and equipment - capital allowance	(198)	(179)	(140)	(121)	(103)
Other items	93	74	74	64	11
	<u>(105)</u>	<u>(105)</u>	<u>(66)</u>	<u>(57)</u>	<u>(92)</u>

## 7.4.5.10 Trade and other payables

	Financial years/period ended				
	31.12.09 RM'000	30.06.10 RM'000	30.06.11 RM'000	30.06.12 RM'000	30.06.13 RM'000
Trade payables	82	105	1,075	67	493
Other payables and accrued expenses	2,042	2,036	2,061	2,013	65
Due to Directors	266	270	270	270	270
	<u>2,390</u>	<u>2,411</u>	<u>3,406</u>	<u>2,350</u>	<u>828</u>

Included in the above balances are amount due to companies in which certain Directors/Directors' close family member have substantial financial interests as follows:

	Financial years/period ended				
	31.12.09 RM'000	30.06.10 RM'000	30.06.11 RM'000	30.06.12 RM'000	30.06.13 RM'000
Trade payables					
Within the Karex Group	17	17	965	21	451
Other payables					
Not within the Karex Group	1,987	1,987	1,987	1,987	--
	<u>2,004</u>	<u>2,004</u>	<u>2,952</u>	<u>2,008</u>	<u>451</u>

The other payable is an amount due to a company in which certain Directors/ Directors' close family member have substantial financial interests is non-trade, unsecured, interest free and have no fixed term of repayment.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.4 HMSB (Cont'd)

## 7.4.5 Notes to the financial statements (Cont'd)

## 7.4.5.11 Related parties

**Identity of related parties**

For the purposes of these financial statements, parties are considered to be related to Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. There are no key management personnel in the Company other than Directors.

The Company has related party relationship with Carex International Limited and Directors.

The significant related party transactions for the Company are shown below.

	Financial years/period ended				
	01.01.09	01.01.10	01.07.10	01.07.11	01.07.12
	to 31.12.09 RM'000	to 30.06.10 RM'000	to 30.06.11 RM'000	to 30.06.12 RM'000	to 30.06.13 RM'000
<b>Company in which certain Directors/ Directors' close family members have substantial financial interest</b>					
Sales of goods	1,534	538	1,581	1,619	816
Purchase of goods	(590)	(59)	(1,988)	(1,712)	(1,506)
Utilities expenses payable	--	--	(102)	(101)	(88)



## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.4 HMSB (Cont'd)

## 7.4.5 Notes to the financial statements (Cont'd)

## 7.4.5.12 Financial instruments

The Company adopted MFRS on 1 July 2012. The Company previously applied FRS and certain comparative figures have not been presented for 30 June 2010 and 31 December 2009 by virtue of the exemption given in paragraph 44AA of FRS 7. The Company also did not present the comparative figures for 30 June 2010 and 31 December 2009 upon the adoption of MFRS due to practicability.

## 7.4.5.12.1 Categories of financial instruments

All financial assets and liabilities are categorised as loans and receivables and other liabilities in accordance with the Company's accounting policies as disclosed in Section 6.3(c).

## 7.4.5.12.2 Net gains and losses arising from financial instruments

	2011 RM'000	2012 RM'000	2013 RM'000
Net losses on:			
Loans and receivables	(24)	(42)	(11)

## 7.4.5.12.3 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

## 7.4.5.12.4 Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from its receivables from customers and related parties.

**Receivables***Risk management objectives, policies and processes for managing the risk*

The Company has no formal written credit policy. However, the Board of Directors is of the view that the exposure to credit risk through the direct involvement of Executive Directors monitoring on an on-going basis is deemed sufficient.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Company. The Company uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.4 HMSB (Cont'd)

## 7.4.5 Notes to the financial statements (Cont'd)

## 7.4.5.12 Financial instruments (Cont'd)

## 7.4.5.12.4 Credit risk (Cont'd)

*Impairment losses*

The Company maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

	2011	Gross/Net 2012	2013
	RM'000	RM'000	RM'000
Not past due	1,415	609	655
Past due 0 - 30 days	242	167	819
Past due 31 - 60 days	83	--	8
Past due more than 60 days	5,433	5,955	4,259
	<u>7,173</u>	<u>6,731</u>	<u>5,741</u>

Included in the past due more than 60 days is an amount receivable from a related party of RM4,259,000 (2012: RM5,955,000; 2011: RM5,432,000). In determining whether additional allowance is required to be made, the Company considers financial background of the customers, past transactions and other specific reasons causing these balances to be past due more than 60 days. The related party is a regular customer that has been transacting with the Company. The Company does not consider it necessary to impair the receivable amount and is satisfied that the amount can be recovered.

There is no impairment loss on trade receivables made by the Company at the end of the financial year.

## 7.4.5.12.5 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from its various payables.

The Company maintains a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

*Maturity analysis*

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount	Contractual interest rate/ coupon	Contractual cash flows	Under 1 year
	RM'000	%	RM'000	RM'000
<b>2013</b>				
<i>Non-derivative financial liabilities</i>				
Trade and other payables	<u>828</u>	--	<u>828</u>	<u>828</u>

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.4 HMSB (Cont'd)

## 7.4.5 Notes to the financial statements (Cont'd)

## 7.4.5.12 Financial instruments (Cont'd)

## 7.4.5.12.5 Liquidity risk (Cont'd)

	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000
<b>2012</b>				
<i>Non-derivative financial liabilities</i>				
Trade and other payables	2,350	--	2,350	2,350
<b>2011</b>				
<i>Non-derivative financial liabilities</i>				
Trade and other payables	3,406	--	3,406	3,406

## 7.4.5.12.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Company's financial position or cash flows.

**Currency risk**

The Company is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company. The currency giving rise to this risk is primarily US Dollar (USD).

The Company does not hedge its financial assets and liabilities denominated in foreign currencies.

*Exposure to foreign currency risk*

The Company's exposure to foreign currency (a currency which is other than the functional currency of the Company) risk, based on carrying amounts as at the end of the reporting period was:

	<b>Denominated in USD</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Trade receivables	5,404	4,064	923
Cash and cash equivalents	26	53	14
Trade payables	(965)	--	(451)
Net exposure	4,465	4,117	486

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.4 HMSB (Cont'd)

## 7.4.5 Notes to the financial statements (Cont'd)

## 7.4.5.12.6 Market risk (Cont'd)

*Currency risk sensitivity analysis*

A 10% (2012: 10%; 2011: 10%) strengthening of the Ringgit Malaysia ("RM") against the following currencies at the end of the reporting period would have decreased post-tax profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Denominated in USD		
	2011 RM'000	2012 RM'000	2013 RM'000
Profit or (loss)	<u>(335)</u>	<u>(309)</u>	<u>(36)</u>

A 10% (2012: 10%; 2011: 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

## 7.4.5.12.7 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables approximate fair values due to the relatively short term nature of these financial instruments.

## 7.4.5.13 Capital management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2013, 30 June 2012 and 30 June 2011.

The Company is not subject to any externally imposed capital requirements.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.5 ISB

## 7.5.1 Statements of profit or loss and other comprehensive income

We set out below the statements of profit or loss and other comprehensive income of ISB for the financial year ended 31 December 2009, six months period ended 30 June 2010 and for the financial years ended 30 June 2011 to 30 June 2013:

		Financial years/period ended				
		01.01.09 to 31.12.09 RM'000	01.01.10 to 30.06.10 RM'000	01.07.10 to 30.06.11 RM'000	01.07.11 to 30.06.12 RM'000	01.07.12 to 30.06.13 RM'000
<b>Revenue</b>	7.5.5.1	33,989	15,314	34,040	44,306	61,100
Cost of goods sold		(26,385)	(13,510)	(30,636)	(40,866)	(53,292)
<b>Gross profit</b>		7,604	1,804	3,404	3,440	7,808
Distribution expenses		(1,091)	(494)	(834)	(1,278)	(1,921)
Administrative expenses		(841)	(656)	(1,094)	(1,388)	(1,246)
Other expenses		(460)	(266)	(666)	--	(1,072)
Other income		--	--	71	1,076	664
<b>Results from operating activities</b>		5,212	388	881	1,850	4,233
Finance costs	7.5.5.2	(13)	(17)	(41)	(50)	(370)
<b>Profit before tax</b>	7.5.5.3	5,199	371	840	1,800	3,863
Tax (expense)/ income	7.5.5.4	(1,398)	41	(221)	(458)	(702)
<b>Profit for the year/period/ Total comprehensive income for the year/ period</b>		3,801	412	619	1,342	3,161
Weighted average number of share issued during the year (RM1.00 per share)		250,000	250,000	250,000	250,000	250,000
Basic/Diluted EPS (RM)		15.20	1.65	2.48	5.37	12.64

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.5 ISB (Cont'd)

## 7.5.2 Statements of financial position

	Note	Financial years/period ended				
		31.12.09 RM'000	30.06.10 RM'000	30.06.11 RM'000	30.06.12 RM'000	30.06.13 RM'000
<b>ASSETS</b>						
Property, plant and equipment	7.5.5.5	1,458	1,324	1,254	1,167	8,909
Deferred tax assets	7.5.5.6	--	--	2	--	--
<b>Total non-current assets</b>		<u>1,458</u>	<u>1,324</u>	<u>1,256</u>	<u>1,167</u>	<u>8,909</u>
Inventories	7.5.5.7	4,717	7,888	8,742	9,662	7,013
Trade and other receivables	7.5.5.8	5,692	9,076	9,544	24,017	21,333
Tax recoverable		--	--	165	346	137
Cash and cash equivalents	7.5.5.9	460	1,493	1,373	605	6,628
<b>Total current assets</b>		<u>10,869</u>	<u>18,457</u>	<u>19,824</u>	<u>34,630</u>	<u>35,111</u>
<b>Total assets</b>		<u>12,327</u>	<u>19,781</u>	<u>21,080</u>	<u>35,797</u>	<u>44,020</u>
<b>EQUITY</b>						
Share capital	7.5.5.10	250	250	250	250	250
Retained earnings	7.5.5.11	5,129	5,541	6,160	7,502	10,663
<b>Total equity</b>		<u>5,379</u>	<u>5,791</u>	<u>6,410</u>	<u>7,752</u>	<u>10,913</u>
<b>LIABILITIES</b>						
Loans and borrowings	7.5.5.12	24	--	66	19	3,095
Deferred tax liabilities	7.5.5.6	143	143	--	224	168
<b>Total non-current liabilities</b>		<u>167</u>	<u>143</u>	<u>66</u>	<u>243</u>	<u>3,263</u>
Loans and borrowings	7.5.5.12	110	1,062	568	1,037	5,198
Trade and other payables, including derivatives	7.5.5.13	5,455	11,660	14,036	26,765	24,646
Taxation		1,216	1,125	--	--	--
<b>Total current liabilities</b>		<u>6,781</u>	<u>13,847</u>	<u>14,604</u>	<u>27,802</u>	<u>29,844</u>
<b>Total liabilities</b>		<u>6,948</u>	<u>13,990</u>	<u>14,670</u>	<u>28,045</u>	<u>33,107</u>
<b>Total equity and liabilities</b>		<u>12,327</u>	<u>19,781</u>	<u>21,080</u>	<u>35,797</u>	<u>44,020</u>

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.5 ISB (Cont'd)

## 7.5.3 Statements of changes in equity

	Attributable to owners of ISB		
	Share capital RM'000	<i>Distributable</i> Retained earnings RM'000	Total equity RM000
<b>At 1 January 2009</b>	250	1,328	1,578
Total comprehensive income for the year	--	3,801	3,801
<b>At 31 December 2009/1 January 2010</b>	250	5,129	5,379
Total comprehensive income for the period	--	412	412
<b>At 30 June 2010/1 July 2010</b>	250	5,541	5,791
Total comprehensive income for the year	--	619	619
<b>At 30 June 2011/1 July 2011</b>	250	6,160	6,410
Total comprehensive income for the year	--	1,342	1,342
<b>At 30 June 2012/1 July 2012</b>	250	7,502	7,752
Total comprehensive income for the year	--	3,161	3,161
<b>At 30 June 2013</b>	250	10,663	10,913

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.5 ISB (Cont'd)

## 7.5.4 Statements of cash flows

	Note	Financial years/period ended				
		01.01.09 to 31.12.09 RM'000	01.01.10 to 30.06.10 RM'000	01.07.10 to 30.06.11 RM'000	01.07.11 to 30.06.12 RM'000	01.07.12 to 30.06.13 RM'000
<b>Cash flows from operating activities</b>						
Profit before tax		5,199	371	840	1,800	3,863
Adjustments for:						
Depreciation		355	172	355	244	352
Fair value loss on derivative instruments		--	--	--	--	113
Unrealised loss/(gain) on foreign exchange		104	101	90	(651)	(647)
Finance costs		13	17	41	50	370
<b>Operating profit before changes in working capital</b>		<u>5,671</u>	<u>661</u>	<u>1,326</u>	<u>1,443</u>	<u>4,051</u>
Changes in inventories		147	(3,170)	(855)	(920)	2,649
Changes in trade and other receivables		1,872	(3,701)	(556)	(13,450)	3,628
Changes in trade and other payables		(7,380)	6,280	2,376	12,357	(2,528)
<b>Cash generated from/ (used in) operations</b>		<u>310</u>	<u>70</u>	<u>2,291</u>	<u>(570)</u>	<u>7,800</u>
Tax paid		(67)	(125)	(1,657)	(413)	(549)
<b>Net cash from/(used in) operating activities</b>		<u>243</u>	<u>(55)</u>	<u>634</u>	<u>(983)</u>	<u>7,251</u>
<b>Cash flows from investing activity</b>						
Acquisition of property, plant and equipment/						
<b>Net cash used in investing activity</b>	(i)	<u>(116)</u>	<u>(38)</u>	<u>(152)</u>	<u>(157)</u>	<u>(8,007)</u>
<b>Cash flows from financing activities</b>						
Interest paid		(13)	(17)	(41)	(50)	(370)
Proceeds from/(Repayment of) bankers' acceptances		--	889	(425)	434	3,987
Repayment of finance lease liabilities		(103)	(54)	(104)	(43)	(85)
Increase in pledged deposit with a licensed bank		--	--	--	--	(196)
Drawdown from term loan		--	--	--	--	3,500
Repayment of term loans		--	--	(98)	(102)	(160)
<b>Net cash (used in)/from financing activities</b>		<u>(116)</u>	<u>818</u>	<u>(668)</u>	<u>239</u>	<u>6,676</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>11</u>	<u>725</u>	<u>(186)</u>	<u>(901)</u>	<u>5,920</u>
<b>Cash and cash equivalents at beginning of year/period</b>		<u>449</u>	<u>460</u>	<u>1,185</u>	<u>999</u>	<u>98</u>
<b>Cash and cash equivalents at end of year/period</b>	(ii)	<u>460</u>	<u>1,185</u>	<u>999</u>	<u>98</u>	<u>6,018</u>



## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.5 ISB (Cont'd)

## 7.5.4 Statements of cash flows (Cont'd)

## (i) Acquisition of plant and equipment

The cost of plant and equipment acquired by the Company by means of finance lease and cash are as follows:

	Financial years/period ended				
	01.01.09 to 31.12.09 RM'000	01.01.10 to 30.06.10 RM'000	01.07.10 to 30.06.11 RM'000	01.07.11 to 30.06.12 RM'000	01.07.12 to 30.06.13 RM'000
Aggregate cost of plant and equipment acquired	116	38	285	157	8,094
Less: Acquired by means of finance lease	--	--	(133)	--	(87)
Acquired by cash	116	38	152	157	8,007

## (ii) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Financial years/period ended				
	01.01.09 to 31.12.09 RM'000	01.01.10 to 30.06.10 RM'000	01.07.10 to 30.06.11 RM'000	01.07.11 to 30.06.12 RM'000	01.07.12 to 30.06.13 RM'000
Cash and bank balances	460	1,278	1,060	190	6,018
Deposits (excluding deposits pledged)	--	215	313	415	610
Bank overdrafts	--	(93)	(61)	(92)	--
	460	1,400	1,312	513	6,628
Less: Fixed deposits pledged to a licensed bank	--	(215)	(313)	(415)	(610)
	460	1,185	999	98	6,018

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## 7 Audited Financial Statements (Cont'd)

## 7.5 ISB (Cont'd)

## 7.5.5 Notes to the financial statements

## 7.5.5.1 Revenue

	Financial years/period ended				
	01.01.09 to 31.12.09 RM'000	01.01.10 to 30.06.10 RM'000	01.07.10 to 30.06.11 RM'000	01.07.11 to 30.06.12 RM'000	01.07.12 to 30.06.13 RM'000
Goods sold	33,989	15,314	34,040	44,306	61,100

## 7.5.5.2 Finance costs

	Financial years/period ended				
	01.01.09 to 31.12.09 RM'000	01.01.10 to 30.06.10 RM'000	01.07.10 to 30.06.11 RM'000	01.07.11 to 30.06.12 RM'000	01.07.12 to 30.06.13 RM'000
Bank overdrafts	--	1	6	3	11
Bankers' acceptances	--	13	28	41	192
Finance lease liabilities	13	3	7	6	7
Term loan interest	--	--	--	--	160
	13	17	41	50	370

## 7.5.5.3 Profit before tax

	Financial years/period ended				
	01.01.09 to 31.12.09 RM'000	01.01.10 to 30.06.10 RM'000	01.07.10 to 30.06.11 RM'000	01.07.11 to 30.06.12 RM'000	01.07.12 to 30.06.13 RM'000
<b>Profit before tax is arrived at after charging/(crediting)</b>					
Audit fees	22	25	20	20	20
Allowance for slow moving inventories	--	--	210	--	79
Bad debts written off	180	--	--	--	--
Impairment loss on trade receivables	--	--	--	--	393
Depreciation	355	172	355	244	352
Loss/(Gain) on foreign exchange:					
- Realised	175	165	326	(414)	487
- Unrealised	104	101	90	(651)	(647)
Rental of:					
- Factory	228	138	276	306	290
- Warehouse	73	36	109	108	6
- Hostel	17	12	38	40	49
Personnel expenses					
- Contribution to state plans	178	114	231	229	282
- Wages, salaries and others	3,235	2,032	4,331	4,163	5,982
Fair value loss on derivative instruments	--	--	--	--	113

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.5 ISB (Cont'd)

## 7.5.5 Notes to the financial statements (Cont'd)

## 7.5.5.4 Tax expense/(income)

	Financial years/period ended				
	01.01.09 to 31.12.09 RM'000	01.01.10 to 30.06.10 RM'000	01.07.10 to 30.06.11 RM'000	01.07.11 to 30.06.12 RM'000	01.07.12 to 30.06.13 RM'000
<b>Current tax expense</b>					
- Current year	1,400	97	366	298	555
- Prior year	--	(138)	--	(66)	203
	1,400	(41)	366	232	758
<b>Deferred tax (income)/ expense</b>					
- Origination and reversal of temporary differences	83	--	(163)	182	130
- Prior year	(85)	--	18	44	(186)
	(2)	--	(145)	226	(56)
Total tax expense/(income)	1,398	(41)	221	458	702
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Reconciliation of tax expense</b>					
Profit before tax	5,199	371	840	1,800	3,863
Income tax calculated using Malaysian tax rate	1,275	74	185	450	941
Non-deductible expense	266	32	22	30	12
Tax incentives	--	--	--	--	(268)
Others	(58)	(9)	(4)	--	--
	1,483	97	203	480	685
(Over)/Under provided in prior year	(85)	(138)	18	(22)	17
Tax expense/(income)	1,398	(41)	221	458	702

The Company is a small and medium enterprise as defined in the Income Tax Act 1967 and is therefore subject to corporate tax at 20% on its chargeable income up to RM500,000.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.5 ISB (Cont'd)

## 7.5.5 Notes to the financial statements (Cont'd)

## 7.5.5.5 Property, plant and equipment

	Land and buildings RM'000	Plant and machinery RM'000	Renovation and electrical installation RM'000	Motor vehicles RM'000	Factory, office equipment and fittings RM'000	Construction -in -progress RM'000	Total RM'000
<i>At cost</i>							
At 1 January 2009	--	2,460	243	63	642	--	3,408
Additions	--	--	9	30	77	--	116
At 31 December 2009/ 1 January 2010	--	2,460	252	93	719	--	3,524
Additions	--	--	--	--	38	--	38
At 30 June 2010/ 1 July 2010	--	2,460	252	93	757	--	3,562
Additions	--	167	9	--	109	--	285
At 30 June 2011/ 1 July 2011	--	2,627	261	93	866	--	3,847
Additions	--	12	54	--	91	--	157
At 30 June 2012/ 1 July 2012	--	2,639	315	93	957	--	4,004
Additions	4,439	217	43	50	305	3,040	8,094
At 30 June 2013	4,439	2,856	358	143	1,262	3,040	12,098
<i>Accumulated depreciation</i>							
At 1 January 2009	--	1,327	132	14	238	--	1,711
Depreciation charge	--	246	27	9	73	--	355
At 31 December 2009/ 1 January 2010	--	1,573	159	23	311	--	2,066
Depreciation charge	--	117	12	5	38	--	172
At 30 June 2010/ 1 July 2010	--	1,690	171	28	349	--	2,238
Depreciation charge	--	234	26	9	86	--	355
At 30 June 2011/ 1 July 2011	--	1,924	197	37	435	--	2,593
Depreciation charge	--	108	36	9	91	--	244
At 30 June 2012/ 1 July 2012	--	2,032	233	46	526	--	2,837
Depreciation charge	86	108	39	19	100	--	352
At 30 June 2013	86	2,140	272	65	626	--	3,189
<i>Carrying amounts</i>							
At 31 December 2009	--	887	93	70	408	--	1,458
At 30 June 2010	--	770	81	65	408	--	1,324
At 30 June 2011	--	703	64	56	431	--	1,254
At 30 June 2012	--	607	82	47	431	--	1,167
At 30 June 2013	4,353	716	86	78	636	3,040	8,909

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.5 ISB (Cont'd)

## 7.5.5 Notes to the financial statements (Cont'd)

## 7.5.5.5 Property, plant and equipment (Cont'd)

	31.12.09 RM'000	30.06.10 RM'000	30.06.11 RM'000	30.06.12 RM'000	30.06.13 RM'000
<b>Carrying amounts of land and buildings</b>					
Long term leasehold land	--	--	--	--	1,721
Buildings	--	--	--	--	2,632
	--	--	--	--	4,353

The land and building with a carrying amount of RM4,353,285 (2012: NIL; 2011: NIL; 2010: NIL; 2009: NIL) were charged to a licensed bank for banking facilities granted as disclosed in 7.5.5.12.

**Leased plant and machinery**

At 30 June 2013, the net carrying amount of leased plant and machinery was RM635,380 (2012: RM358,030; 2011: RM380,070; 2010: RM275,250; 2009: RM294,900).

## 7.5.5.6 Deferred tax assets/(liabilities)

**Recognised deferred tax assets/(liabilities)**

Deferred tax assets and liabilities are attributable to the following:

	Financial years/period ended				
	31.12.09 RM'000	30.06.10 RM'000	30.06.11 RM'000	30.06.12 RM'000	30.06.13 RM'000
Property, plant and equipment					
- capital allowance	(143)	(168)	(105)	(113)	(154)
Inventories written down	--	--	84	53	22
Unrealised loss/(gain) on foreign exchange	--	25	23	(164)	(162)
Trade receivables	--	--	--	--	98
Others	--	--	--	--	28
	(143)	(143)	2	(224)	(168)

## 7.5.5.7 Inventories

	Financial years/period ended				
	31.12.09 RM'000	30.06.10 RM'000	30.06.11 RM'000	30.06.12 RM'000	30.06.13 RM'000
Raw materials	1,881	2,687	3,229	3,086	2,544
Work-in-progress	1,834	1,985	2,628	2,435	1,528
Finished goods	1,002	3,216	2,885	4,141	2,941
	4,717	7,888	8,742	9,662	7,013

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## 7 Audited Financial Statements (Cont'd)

## 7.5 ISB (Cont'd)

## 7.5.5 Notes to the financial statements (Cont'd)

## 7.5.5.8 Trade and other receivables

	Financial years/period ended				
	31.12.09 RM'000	30.06.10 RM'000	30.06.11 RM'000	30.06.12 RM'000	30.06.13 RM'000
Trade receivables	5,427	8,678	9,202	22,906	20,319
Other receivables	265	398	342	1,111	1,014
	<u>5,692</u>	<u>9,076</u>	<u>9,544</u>	<u>24,017</u>	<u>21,333</u>

Included in the above balances are amount due from companies in which certain Directors/Directors' close family members have substantial financial interests as follow:

	Financial years/period ended				
	31.12.09 RM'000	30.06.10 RM'000	30.06.11 RM'000	30.06.12 RM'000	30.06.13 RM'000
Trade receivables					
Within the Karex Group	800	2,237	1,874	5,342	8,931
Not within the Karex Group	--	--	--	79	--
	<u>800</u>	<u>2,237</u>	<u>1,874</u>	<u>5,421</u>	<u>8,931</u>

## 7.5.5.9 Cash and cash equivalents

	Financial years/period ended				
	31.12.09 RM'000	30.06.10 RM'000	30.06.11 RM'000	30.06.12 RM'000	30.06.13 RM'000
Cash and bank balances	460	1,278	1,060	190	6,018
Deposits placed with a licensed bank	--	215	313	415	610
	<u>460</u>	<u>1,493</u>	<u>1,373</u>	<u>605</u>	<u>6,628</u>

Fixed deposit of the Company is pledged to the bank as security for banking facilities granted to the Company as disclosed in Note 7.5.5.12.

## 7.5.5.10 Share capital

	Financial years/period ended				
	31.12.09	30.06.10	30.06.11	30.06.12	30.06.13
<b>Authorised ordinary shares of RM1.00 each</b>					
Number of shares in '000	500	500	500	500	500
Amount in RM'000	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>
<b>Issued and fully paid ordinary shares of RM1.00 each</b>					
Number of shares in '000	250	250	250	250	250
Amount in RM'000	<u>250</u>	<u>250</u>	<u>250</u>	<u>250</u>	<u>250</u>

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.5 ISB (Cont'd)

## 7.5.5 Notes to the financial statements (Cont'd)

## 7.5.5.11 Retained earnings

## Section 108 tax credit and tax exempt account

Subject to agreement by the Inland Revenue Board, the Company has Section 108 tax credit and tax exempt account to frank the payment of dividends up to approximately RM382,000 (2012: RM382,000; 2011: RM382,000; 2010: RM382,000; 2009: RM382,000) out of its retained earnings at 30 June 2013.

The Finance Act, 2007 introduced a single tier company income tax system with effect from 1 January 2008. As such, the remaining Section 108 tax credit as at 30 June 2013 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

## 7.5.5.12 Loans and borrowings

	Financial years/period ended				
	31.12.09 RM'000	30.06.10 RM'000	30.06.11 RM'000	30.06.12 RM'000	30.06.13 RM'000
<b>Non-current</b>					
Finance lease liabilities	24	--	66	19	4
Term loan	--	--	--	--	3,091
	<u>24</u>	<u>--</u>	<u>66</u>	<u>19</u>	<u>3,095</u>
<b>Current</b>					
Bank overdrafts	--	93	61	92	--
Bankers' acceptances	--	889	464	898	4,885
Finance lease liabilities	110	80	43	47	64
Term loan	--	--	--	--	249
	<u>110</u>	<u>1,062</u>	<u>568</u>	<u>1,037</u>	<u>5,198</u>
<b>Total</b>	<u>134</u>	<u>1,062</u>	<u>634</u>	<u>1,056</u>	<u>8,293</u>

The secured bank borrowings are generally secured by:

- First party legal charges over the land and buildings of the Company;
- Pledge of fixed deposit of the Company;
- Joint and several guarantee by the Directors of the Company; and
- Letter of guarantee from Government of Malaysia.

**Finance lease liabilities**

Finance lease liabilities are payable as follows:

	At 31 December 2009			At 30 June 2010		
	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
Less than one year	115	5	110	82	2	80
Between one and five years	25	1	24	--	--	--
	<u>140</u>	<u>6</u>	<u>134</u>	<u>82</u>	<u>2</u>	<u>80</u>

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.5 ISB (Cont'd)

## 7.5.5 Notes to the financial statements (Cont'd)

## 7.5.5.12 Loans and borrowings (Cont'd)

	At 30 June 2011			At 30 June 2012		
	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
Less than one year	49	6	43	50	3	47
Between one and five years	70	4	66	20	1	19
	<u>119</u>	<u>10</u>	<u>109</u>	<u>70</u>	<u>4</u>	<u>66</u>

	At 30 June 2013		
	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
Less than one year	67	3	64
Between one and five years	4	--	4
	<u>71</u>	<u>3</u>	<u>68</u>

## 7.5.5.13 Trade and other payables

	Financial years/period ended				
	31.12.09 RM'000	30.06.10 RM'000	30.06.11 RM'000	30.06.12 RM'000	30.06.13 RM'000
Trade payables	4,959	10,417	13,256	25,152	21,244
Other payables and accrued expenses	486	1,233	780	1,613	3,289
Due to Directors	10	10	--	--	--
	<u>5,455</u>	<u>11,660</u>	<u>14,036</u>	<u>26,765</u>	<u>24,533</u>
Derivatives financial liabilities	--	--	--	--	113
	<u>5,455</u>	<u>11,660</u>	<u>14,036</u>	<u>26,765</u>	<u>24,646</u>



## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.5 ISB (Cont'd)

## 7.5.5 Notes to the financial statements (Cont'd)

## 7.5.5.13 Trade and other payables (Cont'd)

Included in the above balances are amounts due to companies in which certain Directors/Directors' close family members have substantial financial interests that are within the Karex Group as follow:

	Financial years/period ended				
	31.12.09 RM'000	30.06.10 RM'000	30.06.11 RM'000	30.06.12 RM'000	30.06.13 RM'000
Trade payables	2,482	6,061	8,001	19,003	17,730
Other payables and accrued expenses	--	--	--	--	1,467
	<u>2,482</u>	<u>6,061</u>	<u>8,001</u>	<u>19,003</u>	<u>19,197</u>

Included in other payables and accrued expenses is an amount of RM87,328 (2012: RM651,530; 2011: RM97,620; 2010: RM427,897; 2009: NIL) in respect of advance payment received from customers.

## 7.5.5.14 Capital commitment

	Financial years/period ended				
	31.12.09 RM'000	30.06.10 RM'000	30.06.11 RM'000	30.06.12 RM'000	30.06.13 RM'000
<b>Property, plant and equipment</b>					
Authorised but not contracted for	--	--	--	--	1,400
Contracted but not provided for	--	--	--	3,500	449

## 7.5.5.15 Related parties

## Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. There are no key management personnel in the Company other than Directors.

The Company has related party relationship with shareholders and Directors.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.5 ISB (Cont'd)

## 7.5.5 Notes to the financial statements (Cont'd)

## 7.5.5.15 Related parties (Cont'd)

## Significant related party transactions

The significant related party transactions of the Company are shown below.

	Financial years/period ended				
	01.01.09 to 31.12.09 RM'000	01.01.10 to 30.06.10 RM'000	01.07.10 to 30.06.11 RM'000	01.07.11 to 30.06.12 RM'000	01.07.12 to 30.06.13 RM'000
<b>Entities in which certain Directors/Directors' close family members have substantial financial interest</b>					
Sales of goods	861	1,966	2,255	3,991	8,284
Purchases of goods	(10,538)	(6,002)	(9,465)	(19,138)	(25,157)
Rental expense	(228)	(138)	(276)	(276)	(276)
Purchase of plant and equipment	--	--	(23)	--	(1,464)

## 7.5.5.16 Financial instruments

The Company adopted MFRS on 1 July 2012. The Company previously applied FRS and certain comparative figures have not been presented for 30 June 2010 and 31 December 2009 by virtue of the exemption given in paragraph 44AA of FRS 7. The Company also did not present the comparative figures for 30 June 2010 and 31 December 2009 upon the adoption of MFRS due to practicability.

## 7.5.5.16.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- Loans and receivables ("L&R");
- Other financial liabilities measured at amortised cost ("FL"); and
- Derivatives used for hedging.

	Carrying amount RM'000	L&R RM'000	FL RM'000	Derivatives used for hedging RM'000
<b>2013</b>				
<b>Financial assets</b>				
Trade and other receivables	21,333	21,333	--	--
Cash and cash equivalents	6,628	6,628	--	--
	<u>27,961</u>	<u>27,961</u>	<u>--</u>	<u>--</u>
<b>Financial liabilities</b>				
Loan and borrowings	(8,293)	--	(8,293)	--
Trade and other payables, including derivatives	(24,646)	--	(24,533)	(113)
	<u>(32,939)</u>	<u>--</u>	<u>(32,826)</u>	<u>(113)</u>

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.5 ISB (Cont'd)

## 7.5.5 Notes to the financial statements (Cont'd)

## 7.5.5.16 Financial instruments (Cont'd)

## 7.5.5.16.1 Categories of financial instruments (Cont'd)

	Carrying amount RM'000	L&R RM'000	FL RM'000	Derivatives used for hedging RM'000
<b>2012</b>				
<b>Financial assets</b>				
Trade and other receivables	24,017	24,017	--	--
Cash and cash equivalents	605	605	--	--
	<u>24,622</u>	<u>24,622</u>	<u>--</u>	<u>--</u>
<b>Financial liabilities</b>				
Loan and borrowings	(1,056)	--	(1,056)	--
Trade and other payables	(26,765)	--	(26,765)	--
	<u>(27,821)</u>	<u>--</u>	<u>(27,821)</u>	<u>--</u>
<b>2011</b>				
<b>Financial assets</b>				
Trade and other receivables	9,544	9,544	--	--
Cash and cash equivalents	1,373	1,373	--	--
	<u>10,917</u>	<u>10,917</u>	<u>--</u>	<u>--</u>
<b>Financial liabilities</b>				
Loan and borrowings	(634)	--	(634)	--
Trade and other payables	(14,036)	--	(14,036)	--
	<u>(14,670)</u>	<u>--</u>	<u>(14,670)</u>	<u>--</u>

## 7.5.5.16.2 Net gains and losses arising from financial instruments

	2011 RM'000	2012 RM'000	2013 RM'000
Net gains/(losses) on:			
- Loan and receivables	(408)	1,336	196
- Financial liabilities measured at amortised cost	(41)	(130)	(784)
- Fair value through profit and loss	--	--	(113)
	<u>(449)</u>	<u>1,206</u>	<u>(701)</u>

## 7.5.5.16.3 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.5 ISB (Cont'd)

## 7.5.5 Notes to the financial statements (Cont'd)

## 7.5.5.16 Financial instruments (Cont'd)

## 7.5.5.16.4 Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from its receivables from customers and amounts due from related parties.

**Receivables***Risk management objectives, policies and processes for managing the risk*

The Company has no formal written credit policy. However, the Board of Directors is of the view that the exposure to credit risk through the direct involvement of Executive Directors monitoring on an on-going basis is deemed sufficient.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Company. The Company uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.

*Impairment losses*

The Company maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
<b>2013</b>			
Not past due	7,164	--	7,164
Past due 0 - 30 days	2,176	--	2,176
Past due 31 - 60 days	346	--	346
Past due more than 60 days	11,026	(393)	10,633
	<u>20,712</u>	<u>(393)</u>	<u>20,319</u>
<b>2012</b>			
Not past due	12,801	--	12,801
Past due 0 - 30 days	3,542	--	3,542
Past due 31 - 60 days	1,918	--	1,918
Past due more than 60 days	4,645	--	4,645
	<u>22,906</u>	<u>--</u>	<u>22,906</u>

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.5 ISB (Cont'd)

## 7.5.5 Notes to the financial statements (Cont'd)

## 7.5.5.16 Financial instruments (Cont'd)

## 7.5.5.16.4 Credit risk (Cont'd)

	Gross RM'000	Individual impairment RM'000	Net RM'000
<b>2011</b>			
Not past due	7,398	--	7,398
Past due 0 - 30 days	994	--	994
Past due 31 - 60 days	124	--	124
Past due more than 60 days	686	--	686
	9,202	--	9,202

Included in the past due more than 60 days is an amount receivable from related parties of RM7,617,820 (2012: RM3,308,000; 2011: RM546,000). In determining whether additional allowance is required to be made, the Company considers financial background of the customers and related parties, past transactions and other specific reasons causing these balances to be past due more than 60 days. The customers and related parties are regular customers that have been transacting with the Company. The Company does not consider it necessary to impair the receivable amount and is satisfied that the amount can be recovered.

The movements in the allowance for impairment losses of receivables during the financial year were:

	2013 RM'000	2012 RM'000
At 1 July	--	--
Impairment loss recognised	393	--
At 30 June	393	--

## 7.5.5.16.5 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from its various payables and borrowings.

The Company maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.5 ISB (Cont'd)

## 7.5.5 Notes to the financial statements (Cont'd)

## 7.5.5.16 Financial instruments (Cont'd)

## 7.5.5.16.5 Liquidity risk (Cont'd)

*Maturity analysis*

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
<b>2013</b>						
<i>Non-derivative financial liabilities</i>						
Secured term loan	3,340	5.69	4,664	415	402	3,847
Secured bankers' acceptances	4,885	2.05 - 4.70	4,885	4,885	--	--
Secured finance lease liabilities	68	3.15 - 3.60	71	67	4	--
Trade and other payables	24,533	--	24,533	24,533	--	--
	<u>32,826</u>		<u>34,153</u>	<u>29,900</u>	<u>406</u>	<u>3,847</u>
<i>Derivative financial liabilities</i>						
Forward exchange contracts (gross settled):						
Outflow	113		5,479	5,479	--	--
Inflow	--		(5,366)	(5,366)	--	--
	<u>32,939</u>		<u>34,266</u>	<u>30,013</u>	<u>406</u>	<u>3,847</u>
<b>2012</b>						
<i>Non-derivative financial liabilities</i>						
Secured bank overdrafts	92	7.60	92	92	--	--
Secured bankers' acceptances	898	3.44 - 3.53	898	898	--	--
Secured finance lease liabilities	66	3.60	70	50	20	--
Trade and other payables	26,765	--	26,765	26,765	--	--
	<u>27,821</u>		<u>27,825</u>	<u>27,805</u>	<u>20</u>	<u>--</u>
<b>2011</b>						
<i>Non-derivative financial liabilities</i>						
Secured bank overdrafts	61	7.60	61	61	--	--
Secured bankers' acceptances	464	3.16 - 3.24	464	464	--	--
Secured finance lease liabilities	109	3.00 - 3.60	119	49	49	21
Trade and other payables	14,036	--	14,036	14,036	--	--
	<u>14,670</u>		<u>14,680</u>	<u>14,610</u>	<u>49</u>	<u>21</u>

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## 7 Audited Financial Statements (Cont'd)

## 7.5 ISB (Cont'd)

## 7.5.5 Notes to the financial statements (Cont'd)

## 7.5.5.16 Financial instruments (Cont'd)

## 7.5.5.16.6 Market risk

Market risk is the risk that changes in market prices, such as interest rates that will affect the Company's financial position or cash flows.

**Currency risk**

The Company is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company. The currencies giving rise to this risk are primarily US Dollar (USD).

*Risk management objectives, policies and processes for managing the risk*

The Company uses forward exchange contracts to hedge its foreign currency risk from time to time. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward exchange contracts are rolled over at maturity.

*Exposure to foreign currency risk*

The Company's exposure to foreign currency (a currency which is other than the functional currency of the Company) risk, based on carrying amounts as at the end of the reporting period was:

	<b>Denominated in USD</b>		
	<b>2011</b> RM'000	<b>2012</b> RM'000	<b>2013</b> RM'000
Trade receivables	9,502	21,029	13,266
Cash and cash equivalents	629	101	4,677
Trade payables	(1,327)	(8,970)	(738)
Other payables	--	(143)	(235)
Forward exchange contracts	--	--	(5,366)
Net exposure	<u>8,804</u>	<u>12,017</u>	<u>11,604</u>

*Currency risk sensitivity analysis*

A 10% (2012: 10%; 2011: 10%) strengthening of the Ringgit Malaysia ("RM") against the following currencies at the end of the reporting period would have decreased post-tax profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	<b>Denominated in USD</b>		
	<b>2011</b> RM'000	<b>2012</b> RM'000	<b>2013</b> RM'000
Profit or (loss)	<u>(660)</u>	<u>(901)</u>	<u>(870)</u>

A 10% (2012: 10%; 2011: 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.5 ISB (Cont'd)

## 7.5.5 Notes to the financial statements (Cont'd)

## 7.5.5.16 Financial instruments (Cont'd)

## 7.5.5.16.6 Market risk (Cont'd)

**Interest rate risk**

The Company's fixed rate borrowings are exposed to a risk of change in their fair valued due to changes in interest rates. The Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

*Risk management objectives, policies and processes for managing the risk*

There is no formal hedging policy with respect to interest rate exposure. Exposure to interest rate risk is monitored on an ongoing basis and the Company endeavour to keep the exposure to an acceptable level.

*Exposure to interest rate risk*

The interest rate profile of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2011 RM'000	2012 RM'000	2013 RM'000
<b>Fixed rate instruments</b>			
Financial assets			
Deposit with licensed bank	313	415	610
Financial liabilities			
Banker's acceptance	(464)	(898)	(4,885)
Finance lease liabilities	(109)	(66)	(68)
	(573)	(964)	(4,953)
	(260)	(549)	(4,343)
<b>Floating rate instruments</b>			
Financial liabilities			
Bank overdrafts	(61)	(92)	--
Term loan	--	--	(3,340)
	(61)	(92)	(3,340)

*Interest rate risk sensitivity analysis**(a) Fair value sensitivity analysis for fixed rate instruments*

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not designate derivatives as hedging instruments under a fair valued hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

*(b) Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have increased/(decreased) the Company post-tax results by RM25,050 (2012: RM693; 2011: RM459). This analysis assumes that all other variables remained constant.



## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.5 ISB (Cont'd)

## 7.5.5 Notes to the financial statements (Cont'd)

## 7.5.5.16 Financial instruments (Cont'd)

## 7.5.5.16.7 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

**Fair value hierarchy**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2013	Level 2 RM'000
<b>Financial liabilities</b>	
Forward exchange contracts	113

## 7.5.5.17 Capital management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2013, 30 June 2012 and 30 June 2011.

The Company is not subject to any externally imposed capital requirements.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.6 ITL

## 7.6.1 Statements of profit or loss and other comprehensive income

We set out below the statements of profit or loss and other comprehensive income of ITL for the financial year ended 31 December 2009, six months period ended 30 June 2010 and for the financial years ended 30 June 2011 to 30 June 2013:

	Note	Financial years/period ended				
		01.01.09 to 31.12.09 RM'000	01.01.10 to 30.06.10 RM'000	01.07.10 to 30.06.11 RM'000	01.07.11 to 30.06.12 RM'000	01.07.12 to 30.06.13 RM'000
Revenue	7.6.5.1	16,369	18,343	40,912	42,143	64,607
Cost of goods sold		(16,019)	(16,992)	(38,372)	(36,292)	(52,726)
<b>Gross profit</b>		350	1,351	2,540	5,851	11,881
Distribution expenses		(646)	(526)	(910)	(881)	(1,574)
Administrative expenses		(761)	(458)	(980)	(1,213)	(1,550)
Other income		1,057	799	1,188	38	393
<b>Results from operating activities</b>		--	1,166	1,838	3,795	9,150
Finance costs	7.6.5.2	(213)	(53)	(195)	(268)	(615)
Interest income		1	--	1	--	--
<b>Net finance costs</b>		(212)	(53)	(194)	(268)	(615)
<b>(Loss)/Profit before tax</b>	7.6.5.3	(212)	1,113	1,644	3,527	8,535
Tax expense	7.6.5.4	--	--	(87)	(16)	(214)
<b>(Loss)/Profit for the year/period</b>		(212)	1,113	1,557	3,511	8,321
<b>Other comprehensive income, net of tax</b>		(212)	1,113	1,557	3,511	8,321
Foreign currency translation differences		(11)	6	(101)	76	275
<b>Total comprehensive (expense)/income for the year/period</b>		(223)	1,119	1,456	3,587	8,596
Weighted average number of share issued during the year (THB 100 per share)		1,200,000	1,200,000	1,200,000	1,200,000	1,393,315
Basic/Diluted EPS (RM)		(0.18)	0.93	1.30	2.93	5.97

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.6 ITL (Cont'd)

## 7.6.2 Statements of financial position

	Note	Financial years/period ended				
		01.01.09 to 31.12.09 RM'000	01.01.10 to 30.06.10 RM'000	01.07.10 to 30.06.11 RM'000	01.07.11 to 30.06.12 RM'000	01.07.12 to 30.06.13 RM'000
<b>ASSETS</b>						
Property, plant and equipment	7.6.5.5	12,001	11,760	10,284	10,114	14,009
Deferred tax assets	7.6.5.6	964	988	890	890	701
<b>Total non-current assets</b>		<u>12,965</u>	<u>12,748</u>	<u>11,174</u>	<u>11,004</u>	<u>14,710</u>
Inventories	7.6.5.7	5,413	6,753	8,876	8,785	10,393
Trade and other receivables	7.6.5.8	4,289	13,818	6,102	18,945	22,283
Cash and cash equivalents	7.6.5.9	904	821	1,159	968	10,450
<b>Total current assets</b>		<u>10,606</u>	<u>21,392</u>	<u>16,137</u>	<u>28,698</u>	<u>43,126</u>
<b>Total assets</b>		<u>23,571</u>	<u>34,140</u>	<u>27,311</u>	<u>39,702</u>	<u>57,836</u>
<b>EQUITY</b>						
Share capital	7.6.5.10	12,342	12,342	12,342	12,342	13,398
Reserves	7.6.5.11	(10,731)	(9,612)	(8,156)	(4,569)	4,027
<b>Total equity attributable to owner of the Company</b>		<u>1,611</u>	<u>2,730</u>	<u>4,186</u>	<u>7,773</u>	<u>17,425</u>
<b>LIABILITIES</b>						
Loans and borrowings/	7.6.5.12					
<b>Total non-current liabilities</b>		<u>281</u>	<u>167</u>	<u>3</u>	<u>27</u>	<u>2,813</u>
Loans and borrowings	7.6.5.12	1,731	2,674	4,423	4,601	9,698
Trade and other payables	7.6.5.13	19,948	28,569	18,699	27,301	27,900
<b>Total current liabilities</b>		<u>21,679</u>	<u>31,243</u>	<u>23,122</u>	<u>31,902</u>	<u>37,598</u>
<b>Total liabilities</b>		<u>21,960</u>	<u>31,410</u>	<u>23,125</u>	<u>31,929</u>	<u>40,411</u>
<b>Total equity and liabilities</b>		<u>23,571</u>	<u>34,140</u>	<u>27,311</u>	<u>39,702</u>	<u>57,836</u>

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.6 ITL (Cont'd)

## 7.6.3 Statements of changes in equity

	Note	Attributable to owners of ITL (Accumulated losses)/			Total equity RM'000
		Non-distributable Share capital RM'000	Translation reserve RM'000	Distributable Retained earnings RM'000	
<b>At 1 January 2009 (before adjustments)</b>		12,342	--	(11,426)	916
Cumulative effects of changes in accounting policies		--	--	918	918
<b>At 1 January 2009 (after adjustments)</b>		12,342	--	(10,508)	1,834
Total comprehensive expense for the year		--	(11)	(212)	(223)
<b>At 30 December 2009/1 January 2010</b>		12,342	(11)	(10,720)	1,611
Total comprehensive income for the period		--	6	1,113	1,119
<b>At 30 June 2010/1 July 2010</b>		12,342	(5)	(9,607)	2,730
Total comprehensive income for the year		--	(101)	1,557	1,456
<b>At 30 June 2011/1 July 2011</b>		12,342	(106)	(8,050)	4,186
Total comprehensive income for the year		--	76	3,511	3,587
<b>At 30 June 2012/1 July 2012</b>		12,342	(30)	(4,539)	7,773
Issue of ordinary shares	7.6.5.10	1,056	--	--	1,056
Total comprehensive income for the year		--	275	8,321	8,596
<b>At 30 June 2013</b>		13,398	245	3,782	17,425

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.6 ITL (Cont'd)

## 7.6.4 Statements of cash flows

Note	Financial years/period ended				
	01.01.09 to 31.12.09 RM'000	01.01.10 to 30.06.10 RM'000	01.07.10 to 30.06.11 RM'000	01.07.11 to 30.06.12 RM'000	01.07.12 to 30.06.13 RM'000
<b>Cash flows from operating activities</b>					
	(212)	1,113	1,644	3,527	8,535
Adjustments for:					
Depreciation	1,394	854	1,588	1,556	1,809
Unrealised (gain)/loss on foreign exchange	(433)	(429)	(326)	206	(319)
Finance costs	213	53	195	268	615
Property, plant and machinery written off	--	5	--	--	--
Gain on disposal of property, plant and equipment	--	--	(61)	--	--
Interest income	(1)	--	(1)	--	--
<b>Operating profit before working capital changes</b>	961	1,596	3,039	5,557	10,640
Changes in inventories	19	(1,340)	(2,123)	91	(1,609)
Changes in trade and other receivables	3,168	(9,100)	8,021	(13,049)	(2,787)
Changes in trade and other payables	3,780	8,622	(9,875)	8,601	1,385
<b>Cash generated from/ (used in) operations</b>	7,928	(222)	(938)	1,200	7,629
Tax paid	--	--	--	(15)	(25)
<b>Net cash from/(used in) operating activities</b>	7,928	(222)	(938)	1,185	7,604
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment (i)	(2,826)	(852)	(377)	(1,146)	(5,134)
Proceeds from disposal of property, plant and equipment	--	--	65	--	--
Interest received	1	--	1	--	--
<b>Net cash used in investing activities</b>	(2,825)	(852)	(311)	(1,146)	(5,134)
<b>Cash flows from financing activities</b>					
Interest paid	(213)	(53)	(195)	(268)	(615)
Proceeds from/(Repayment of) packing credit	(3,134)	1,227	1,557	225	4,405
Drawn down of term loan	--	--	--	--	3,275
Repayment of term loan	(1,143)	(459)	(207)	(147)	--
Repayment of finance lease liabilities	(25)	(8)	(14)	(34)	(91)
Decrease/(Increase) in pledged deposit with licensed bank	1	(38)	3	4	(66)
<b>Net cash (used in)/from financing activities</b>	(4,514)	669	1,144	(220)	6,908

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.6 ITL (Cont'd)

## 7.6.4 Statements of cash flows (Cont'd)

	Note	Financial years/period ended				
		01.01.09 to 31.12.09 RM'000	01.01.10 to 30.06.10 RM'000	01.07.10 to 30.06.11 RM'000	01.07.11 to 30.06.12 RM'000	01.07.12 to 30.06.13 RM'000
Net increase/(decrease) in cash and cash equivalents		589	(405)	(105)	(181)	9,378
Cash and cash equivalents at beginning of year/ period		98	783	594	686	402
Exchange differences on translation of financial statement		96	216	197	(103)	3
<b>Cash and cash equivalents at end of year/period (ii)</b>		<b>783</b>	<b>594</b>	<b>686</b>	<b>402</b>	<b>9,783</b>

## (i) Acquisition of property, plant and equipment

The cost of property, plant and equipment acquired by the Company by means of finance lease and cash are as follows:

	Financial years/period ended				
	01.01.09 to 31.12.09 RM'000	01.01.10 to 30.06.10 RM'000	01.07.10 to 30.06.11 RM'000	01.07.11 to 30.06.12 RM'000	01.07.12 to 30.06.13 RM'000
Aggregate cost of property, plant and equipment acquired	2,826	852	377	1,206	5,393
Acquired by means of finance lease	--	--	--	(60)	(259)
Acquired by cash	2,826	852	377	1,146	5,134

## (ii) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Financial years/period ended				
	01.01.09 to 31.12.09 RM'000	01.01.10 to 30.06.10 RM'000	01.07.10 to 30.06.11 RM'000	01.07.11 to 30.06.12 RM'000	01.07.12 to 30.06.13 RM'000
Cash and bank balances	783	663	1,004	818	10,234
Deposits placed with licensed banks	121	158	155	150	216
Bank overdrafts	--	(69)	(318)	(416)	(451)
	904	752	841	552	9,999
Less: Deposits pledged to licensed banks	(121)	(158)	(155)	(150)	(216)
	783	594	686	402	9,783

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## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.6 ITL (Cont'd)

## 7.6.5 Notes to the financial statements (Cont'd)

## 7.6.5.1 Revenue

	Financial years/period ended				
	01.01.09 to 31.12.09 RM'000	01.01.10 to 30.06.10 RM'000	01.07.10 to 30.06.11 RM'000	01.07.11 to 30.06.12 RM'000	01.07.12 to 30.06.13 RM'000
Goods sold	16,369	18,343	40,912	42,143	64,607

## 7.6.5.2 Finance costs

	Financial years/period ended				
	01.01.09 to 31.12.09 RM'000	01.01.10 to 30.06.10 RM'000	01.07.10 to 30.06.11 RM'000	01.07.11 to 30.06.12 RM'000	01.07.12 to 30.06.13 RM'000
Bank overdrafts	28	9	17	19	19
Packing credit	112	27	162	233	344
Term loans	73	17	16	15	245
Finance lease liabilities	--	--	--	1	7
	213	53	195	268	615

## 7.6.5.3 (Loss)/Profit before tax

	Financial years/period ended				
	01.01.09 to 31.12.09 RM'000	01.01.10 to 30.06.10 RM'000	01.07.10 to 30.06.11 RM'000	01.07.11 to 30.06.12 RM'000	01.07.12 to 30.06.13 RM'000
(Loss)/Profit before tax is arrived at after charging/(crediting)					
Audit fees	9	8	14	38	40
Depreciation	1,394	854	1,588	1,556	1,809
Gain on disposal of property, plant and equipment	--	--	(61)	--	--
Property, plant and equipment written off	--	5	--	--	--
Rental of land	65	32	64	65	250
(Reversal)/Allowance of slow moving inventories	(580)	--	109	--	10
(Gain)/Loss on foreign exchange:					
- Realised	(9)	(141)	(760)	(173)	8
- Unrealised	(433)	(429)	(326)	206	(319)
Personnel expenses					
- Wages, salaries and others	3,157	3,100	3,084	6,369	10,386

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## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.6 ITL (Cont'd)

## 7.6.5 Notes to the financial statements (Cont'd)

## 7.6.5.3 (Loss)/Profit before tax (Cont'd)

**Key management personnel compensation**

The key management personnel compensation are shown below.

	Financial years/period ended				
	01.01.09 to 31.12.09 RM'000	01.01.10 to 30.06.10 RM'000	01.07.10 to 30.06.11 RM'000	01.07.11 to 30.06.12 RM'000	01.07.12 to 30.06.13 RM'000
Directors' remuneration					
- Other emoluments	61	30	60	59	61
- Benefit-in-kind	10	5	9	10	--
Total short-term employee benefits	71	35	69	69	61
Other key management personnel:					
- Other emoluments	--	--	131	137	--
- Benefit-in-kind	--	--	35	35	--
	--	--	166	172	--
	71	35	235	241	61

Other key management personnel comprises persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

## 7.6.5.4 Tax expense

	Financial years/period ended				
	01.01.09 to 31.12.09 RM'000	01.01.10 to 30.06.10 RM'000	01.07.10 to 30.06.11 RM'000	01.07.11 to 30.06.12 RM'000	01.07.12 to 30.06.13 RM'000
<b>Current tax expense</b>					
- Current year	--	--	88	18	208
<b>Deferred tax (income)/ expense</b>					
- Origination and reversal of temporary differences	--	--	(1)	(2)	6
Total tax expense	--	--	87	16	214



## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.6 ITL (Cont'd)

## 7.6.5 Notes to the financial statements (Cont'd)

## 7.6.5.4 Tax expense (Cont'd)

	Financial years/period ended				
	01.01.09 to 31.12.09 RM'000	01.01.10 to 30.06.10 RM'000	01.07.10 to 30.06.11 RM'000	01.07.11 to 30.06.12 RM'000	01.07.12 to 30.06.13 RM'000
<b>Reconciliation of tax expense</b>					
Profit before tax	(212)	1,113	1,644	3,527	8,535
Income tax calculated using Thailand tax rate of 30%	(64)	334	493	1,058	2,561
Non-deductible expenses	64	--	36	5	3
Tax incentives	--	(334)	(441)	(1,045)	(2,356)
Other items	--	--	(1)	(2)	6
Tax expense	--	--	87	16	214

**Promotional privileges**

By virtue of the provisions of the Industrial Investment Promotion Act, B.E. 2520, the Company has been granted certain promotional privileges on its manufacture of condom. The promotional privileges include, among other things, the followings:

- Exemption from payment of duty on imported machinery as to the approval of the Board of Investment.
- Exemption from payment of income tax for a period of eight years from the start of promoted business.
- Reduction fifty percent of income tax for a period of five years after the termination of the period mention in No. b.
- Allowance to double the cost of transportation, electricity and water supply expenses for tax purposes for a period of ten years from the start of promoted business.
- Allowance to take twenty five percent of investment in building or installation of facilities as expenses for tax purpose in addition to normal depreciation.
- Exemption from payment of duty on imported raw materials and supplies for manufacture of exporting products for a period of five years commencing from the first imported date.

As a promoted business, the Company must comply with the conditions provided for in the promotional certificate.

## 14. ACCOUNTANT'S REPORT (Cont'd)



## 7 Audited Financial Statements (cont'd)

## 7.6 ITL (Cont'd)

## 7.6.5 Notes to the financial statements (Cont'd)

## 7.6.5.5 Property, plant and equipment (Cont'd)

	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Electrical installation and renovation RM'000	Equipment, furniture and fittings RM'000	Capital work -in -progress RM'000	Total RM'000
<i>At cost</i>							
At 1 January 2009	3,667	13,020	299	322	247	480	18,035
Additions	80	2,057	--	--	67	622	2,826
Transfer	34	--	--	--	42	(76)	--
Exchange differences	(37)	(134)	(3)	(3)	(3)	(5)	(185)
At 31 December 2009/							
1 January 2010	3,744	14,943	296	319	353	1,021	20,676
Additions	22	711	97	--	22	--	852
Transfer	--	949	--	--	--	(949)	--
Disposals	--	--	(18)	--	--	--	(18)
Exchange differences	(74)	(302)	(6)	(6)	(6)	(15)	(409)
At 30 June 2010/1 July 2010							
Additions	3,692	16,301	369	313	369	57	21,101
Transfer	66	180	30	--	50	51	377
Disposals	4	68	--	--	3	(75)	--
Exchange differences	--	--	(127)	--	--	--	(127)
	(92)	(406)	(7)	(8)	(10)	--	(523)
At 30 June 2011/1 July 2011							
Additions	3,670	16,143	265	305	412	33	20,828
Transfer	10	990	60	--	18	128	1,206
Disposals	7	21	--	--	13	(41)	--
Exchange differences	64	283	5	5	7	1	365
At 30 June 2012/1 July 2012							
Additions	3,751	17,437	330	310	450	121	22,399
Disposal	14	1,086	347	18	380	3,548	5,393
Transfer	--	--	(2)	--	--	--	(2)
Exchange differences	1,000	109	--	509	--	(1,618)	--
	114	515	11	12	15	11	678
At 30 June 2013	4,879	19,147	686	849	845	2,062	28,468

## 14. ACCOUNTANT'S REPORT (Cont'd)



## 7 Audited Financial Statements (Cont'd)

## 7.6 ITL (Cont'd)

## 7.6.5 Notes to the financial statements (Cont'd)

## 7.6.5.5 Property, plant and equipment (Cont'd)

	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Electrical installation and renovation RM'000	Equipment, furniture and fittings RM'000	Capital work -in -progress RM'000	Total RM'000
<i>Accumulated depreciation</i>							
At 1 January 2009	509	6,500	158	57	132	--	7,356
Depreciation charge	198	1,064	59	19	54	--	1,394
Exchange differences	(5)	(67)	(1)	(1)	(1)	--	(75)
At 31 December 2009/ 1 January 2010	702	7,497	216	75	185	--	8,675
Depreciation charge	106	672	27	14	35	--	854
Disposals	--	--	(13)	--	--	--	(13)
Exchange differences	(15)	(151)	(4)	(2)	(3)	--	(175)
At 30 June 2010/1 July 2010	793	8,018	226	87	217	--	9,341
Depreciation charge	221	1,262	41	10	54	--	1,588
Disposals	--	--	(123)	--	--	--	(123)
Exchange differences	(24)	(225)	(4)	(2)	(7)	--	(262)
At 30 June 2011/1 July 2011	990	9,055	140	95	264	--	10,544
Depreciation charge	226	1,222	41	15	52	--	1,556
Exchange differences	18	159	2	2	4	--	185
At 30 June 2012/1 July 2012	1,234	10,436	183	112	320	--	12,285
Depreciation charge	254	1,364	63	34	94	--	1,809
Disposal	--	--	(2)	--	--	--	(2)
Exchange differences	37	311	6	3	10	--	367
At 30 June 2013	1,525	12,111	250	149	424	--	14,459

## 14. ACCOUNTANT'S REPORT (Cont'd)



## 7 Audited Financial Statements (Cont'd)

## 7.6 ITL (Cont'd)

## 7.6.5 Notes to the financial statements (Cont'd)

## 7.6.5.5 Property, plant and equipment (Cont'd)

	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Electrical installation and renovation RM'000	Equipment, furniture and fittings RM'000	Capital work -in -progress RM'000	Total RM'000
<i>Carrying amounts</i>							
At 31 December 2009	3,042	7,446	80	244	168	1,021	12,001
At 30 June 2010	2,899	8,283	143	226	152	57	11,760
At 30 June 2011	2,680	7,088	125	210	148	33	10,284
At 30 June 2012	2,517	7,001	147	198	130	121	10,114
At 30 June 2013	3,354	7,036	436	700	421	2,062	14,009

The building, plant and machinery of the Company are charged to a licensed bank for banking facilities granted as disclosed in Note 7.6.5.12.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.6 ITL (Cont'd)

## 7.6.5 Notes to the financial statements (Cont'd)

## 7.6.5.5 Property, plant and equipment (Cont'd)

Assets under finance lease

Included in property, plant and equipment of the Company are acquired under finance lease with carrying amount as follows:

	Financial years/period ended				
	31.12.09 RM'000	30.06.10 RM'000	30.06.11 RM'000	30.06.12 RM'000	30.06.13 RM'000
Motor vehicles	49	41	28	72	303

## 7.6.5.6 Deferred tax assets

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	Financial years/period ended				
	31.12.09 RM'000	30.06.10 RM'000	30.06.11 RM'000	30.06.12 RM'000	30.06.13 RM'000
Unabsorbed business losses	(918)	(941)	(874)	(877)	(691)
Employee benefits obligation	(46)	(47)	(16)	(13)	(10)
	(964)	(988)	(890)	(890)	(701)

## 7.6.5.7 Inventories

	Financial years/period ended				
	31.12.09 RM'000	30.06.10 RM'000	30.06.11 RM'000	30.06.12 RM'000	30.06.13 RM'000
Raw materials	979	545	710	561	582
Work-in-progress	405	781	783	1,000	959
Finished goods	353	3,573	5,880	5,130	6,476
Chemicals and factory supplies	3,676	1,854	1,503	2,094	2,376
	5,413	6,753	8,876	8,785	10,393

## 7.6.5.8 Trade and other receivables

	Financial years/period ended				
	31.12.09 RM'000	30.06.10 RM'000	30.06.11 RM'000	30.06.12 RM'000	30.06.13 RM'000
Trade receivables	4,151	13,653	5,956	18,580	21,094
Other receivables and prepayments	138	165	146	365	1,189
	4,289	13,818	6,102	18,945	22,283

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.6 ITL (Cont'd)

## 7.6.5 Notes to the financial statements (Cont'd)

## 7.6.5.8 Trade and other receivables (Cont'd)

Included in the above balances are amount due from companies in which certain Directors/Directors' close family members have substantial financial interests as follow:

	Financial years/period ended				
	31.12.09 RM'000	30.06.10 RM'000	30.06.11 RM'000	30.06.12 RM'000	30.06.13 RM'000
Trade receivables					
- Within the Karex Group	--	11,035	2,861	12,937	14,847
- Not within the Karex Group	1,465	--	--	--	--
	<u>1,465</u>	<u>11,035</u>	<u>2,861</u>	<u>12,937</u>	<u>14,847</u>

## 7.6.5.9 Cash and cash equivalents

	Financial years/period ended				
	31.12.09 RM'000	30.06.10 RM'000	30.06.11 RM'000	30.06.12 RM'000	30.06.13 RM'000
Deposits placed with licensed banks	121	158	155	150	216
Cash and bank balances	783	663	1,004	818	10,234
	<u>904</u>	<u>821</u>	<u>1,159</u>	<u>968</u>	<u>10,450</u>

Fixed deposit of the Company is pledged to the bank as security for banking facilities granted to the Company as disclosed in Note 7.6.5.12.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.6 ITL (Cont'd)

## 7.6.5 Notes to the financial statements (Cont'd)

## 7.6.5.10 Share capital

	31.12.09	30.06.10	30.06.11	30.06.12	30.06.13
<b>Authorised ordinary shares of THB 100 each</b>					
<i>Number of shares in '000</i>					
Opening Balance	1,200	1,200	1,200	1,200	1,200
Increase of shares	--	--	--	--	420
Closing Balance	1,200	1,200	1,200	1,200	1,620
<i>Amount in RM'000</i>					
Opening Balance	12,342	12,342	12,342	12,342	12,342
Increase of shares	--	--	--	--	4,267
Closing Balance	12,342	12,342	12,342	12,342	16,609
<b>Issued and fully paid ordinary shares of THB 100 each</b>					
<i>Number of shares in '000</i>					
Opening Balance	1,200	1,200	1,200	1,200	1,200
Increase of shares	--	--	--	--	420
Closing Balance	1,200	1,200	1,200	1,200	1,620
<i>Amount in RM'000</i>					
Opening Balance	12,342	12,342	12,342	12,342	12,342
Increase of shares*	--	--	--	--	1,056
Closing Balance	12,342	12,342	12,342	12,342	13,398

\* partly paid up at THB25 each.

## 7.6.5.11 Reserves

## 7.6.5.11.1 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of ITL from THB into RM.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.6 ITL (Cont'd)

## 7.6.5 Notes to the financial statements (Cont'd)

## 7.6.5.12 Loans and borrowings

	Financial years/period ended				
	31.12.09 RM'000	30.06.10 RM'000	30.06.11 RM'000	30.06.12 RM'000	30.06.13 RM'000
<b>Non-current</b>					
Term loans	257	151	--	--	2,663
Finance lease liabilities	24	16	3	27	150
	<u>281</u>	<u>167</u>	<u>3</u>	<u>27</u>	<u>2,813</u>
<b>Current</b>					
Term loans	556	203	147	--	612
Bank overdrafts	--	69	318	416	451
Packing credit	1,161	2,389	3,945	4,171	8,576
Finance lease liabilities	14	13	13	14	59
	<u>1,731</u>	<u>2,674</u>	<u>4,423</u>	<u>4,601</u>	<u>9,698</u>
	<u>2,012</u>	<u>2,841</u>	<u>4,426</u>	<u>4,628</u>	<u>12,511</u>

The borrowings are collateralised by lease agreement, banking and machinery of the Company.

**Finance lease liabilities**

Finance lease liabilities of are payable as follows:

	At 31 December 2009			At 30 June 2010		
	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
Less than one year	14	--	14	13	--	13
Between one and five years	25	1	24	17	1	16
	<u>39</u>	<u>1</u>	<u>38</u>	<u>30</u>	<u>1</u>	<u>29</u>
	At 30 June 2011			At 30 June 2012		
	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
Less than one year	13	--	13	16	2	14
Between one and five years	3	--	3	29	2	27
	<u>16</u>	<u>--</u>	<u>16</u>	<u>45</u>	<u>4</u>	<u>41</u>



## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.6 ITL (Cont'd)

## 7.6.5 Notes to the financial statements (Cont'd)

## 7.6.5.12 Loans and borrowings (Cont'd)

	← At 30 June 2013 →		
	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
Less than one year	69	(10)	59
Between one and five years	161	(11)	150
	<u>230</u>	<u>(21)</u>	<u>209</u>

## 7.6.5.13 Trade and other payables

	Financial years/period ended				
	31.12.09 RM'000	30.06.10 RM'000	30.06.11 RM'000	30.06.12 RM'000	30.06.13 RM'000
<b>Trade</b>					
Trade payables	19,712	27,747	18,140	24,845	25,657
<b>Non-trade</b>					
Other payables and accrued expenses	120	708	452	2,347	2,131
Loan from Directors or related persons	116	114	107	109	112
	<u>19,948</u>	<u>28,569</u>	<u>18,699</u>	<u>27,301</u>	<u>27,900</u>

Included in the above balances are amount due from companies in which certain Directors/Directors' close family member have substantial financial interests as follow:

	Financial years/period ended				
	31.12.09 RM'000	30.06.10 RM'000	30.06.11 RM'000	30.06.12 RM'000	30.06.13 RM'000
Trade payables					
- Within the Karex Group	7,778	17,032	6,775	13,437	12,950
- Not within the Karex Group	5,108	4,759	4,400	4,657	3,593
	<u>12,886</u>	<u>21,791</u>	<u>11,175</u>	<u>18,094</u>	<u>16,543</u>

Included in other payables are advance received from customers amounting to RM1,444,051 (2012:RM 1,796,255; 2011: RM105,378; 2010: RM311,361; 2009: NIL).

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.6 ITL (Cont'd)

## 7.6.5 Notes to the financial statements (Cont'd)

## 7.6.5.14 Related parties

**Identity of related parties**

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. There are no key management personnel in the Company other than Directors.

The Company has related party relationship with its holding company and Directors.

**Significant related party transactions**

The significant related party transactions of the Company are shown below.

	<b>Financial years/period ended</b>				
	01.01.09 to 31.12.09 RM'000	01.01.10 to 30.06.10 RM'000	01.07.10 to 30.06.11 RM'000	01.07.11 to 30.06.12 RM'000	01.07.12 to 30.06.13 RM'000
<b>Company in which certain Directors/Directors' close family members have substantial financial interests</b>					
Sales of goods	7,181	13,525	27,973	24,301	31,713
Other income	--	--	922	1,362	1,723
Purchase of goods	(3,766)	(5,397)	(3,511)	(4,104)	(7,060)
Purchase of plant and equipment	(581)	(580)	(177)	(277)	(1,500)
Other purchases	--	--	(3,368)	(2,948)	(5,298)

## 7.6.5.15 Financial instruments

In line with the other companies presented in this report, the Company did not present the comparative figures for 30 June 2010 and 31 December 2009.

## 7.6.5.15.1 Categories of financial instruments

All financial assets and liabilities are categorised as loans and receivables and other liabilities in accordance with the Company's accounting policies as disclosed in Section 6.3(c).

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.6 ITL (Cont'd)

## 7.6.5 Notes to the financial statements (Cont'd)

## 7.6.5.15 Financial instruments (Cont'd)

## 7.6.5.15.2 Net gains and losses arising from financial instruments

	2011 RM'000	2012 RM'000	2013 RM'000
Net (losses)/gains on:			
Loan and receivables	(1,086)	33	(597)
Financial liabilities measured at amortised cost	195	268	885
	<u>(891)</u>	<u>301</u>	<u>288</u>

## 7.6.5.15.3 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

## 7.6.5.15.4 Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from its receivables from customers and amounts due from related parties.

**Receivables***Risk management objectives, policies and processes for managing the risk*

The Company has no formal written credit policy. However, the Board of Directors is of the view that the exposure to credit risk through the direct involvement of Executive Directors monitoring on an on-going basis is deemed sufficient.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Company. The Company uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.

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## 7 Audited Financial Statements (Cont'd)

## 7.6 ITL (Cont'd)

## 7.6.5 Notes to the financial statements (Cont'd)

## 7.6.5.15 Financial instruments (Cont'd)

## 7.6.5.15.4 Credit risk (Cont'd)

## Receivables (Cont'd)

*Impairment losses*

The Company maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

	2011 RM'000	Gross/Net 2012 RM'000	2013 RM'000
Not past due	3,445	8,134	12,640
Past due 0 - 30 days	1,155	4,154	4,356
Past due 31 - 60 days	167	3,896	3,168
Past due more than 60 days	1,189	2,396	930
	<u>5,956</u>	<u>18,580</u>	<u>21,094</u>

Included in the past due more than 60 days is an amount receivable from related parties of RM629,238 (2012: RM1,341,000; 2011: RM1,519). In determining whether additional allowance is required to be made, the Company considers financial background of the customers and related parties, past transactions and other specific reasons causing these balances to be past due more than 60 days. The customers and related parties are regular customers that have been transacting with the Company. The Company does not consider it necessary to impair the receivable amount and is satisfied that the amount can be recovered.

There is no impairment loss on trade receivables made by the Company at the end of the financial year.

## 7.6.5.15.5 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as and when they fall due. The Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Company monitors and maintains a level of cash and cash equivalents and bank facilities deemed adequate by management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.6 ITL (Cont'd)

## 7.6.5 Notes to the financial statements (Cont'd)

## 7.6.5.15 Financial instruments (Cont'd)

## 7.6.5.15.5 Liquidity risk (Cont'd)

*Maturity analysis*

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
<b>2013</b>						
<i>Non-derivative financial liabilities</i>						
Packing credit	8,576	5.00 - 6.25	8,576	8,576	--	--
Finance lease liabilities	209	5.02 - 7.03	224	67	67	90
Bank overdrafts	451	7.25 - 7.35	451	451	--	--
Trade and other payables	27,900	--	27,900	27,900	--	--
Term loans	3,275	MLR-1	3,627	792	1,710	1,125
	<u>40,411</u>		<u>40,778</u>	<u>37,786</u>	<u>1,777</u>	<u>1,215</u>
<b>2012</b>						
<i>Non-derivative financial liabilities</i>						
Packing credit	4,171	5.38 - 6.25	4,171	4,171	--	--
Finance lease liabilities	41	2.58 - 2.68	45	16	13	16
Bank overdrafts	416	7.13 - 7.50	416	416	--	--
Trade and other payables	27,301	--	27,301	27,301	--	--
	<u>31,929</u>		<u>31,933</u>	<u>31,904</u>	<u>13</u>	<u>16</u>
<b>2011</b>						
<i>Non-derivative financial liabilities</i>						
Term loans	147	5.88 - 6.88	147	147	--	--
Packing credit	3,945	5.88 - 6.88	3,945	3,945	--	--
Finance lease liabilities	16	2.58	16	13	3	--
Bank overdrafts	318	6.13 - 7.13	318	318	--	--
Trade and other payables	18,699	--	18,699	18,699	--	--
	<u>23,125</u>		<u>23,125</u>	<u>23,122</u>	<u>3</u>	<u>--</u>

## 7.6.5.15.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Company's financial position or cash flows.

**Currency risk**

The Company is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily US Dollar (USD) and Euro dollar (EURO).

The Company does not hedge its financial assets and liabilities denominated in foreign currencies.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.6 ITL (Cont'd)

## 7.6.5 Notes to the financial statements (Cont'd)

## 7.6.5.15 Financial instruments (Cont'd)

## 7.6.5.15.6 Market risk (Cont'd)

## Currency risk (Cont'd)

*Exposure to foreign currency risk*

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in EURO			Denominated in USD		
	2011 RM'000	2012 RM'000	2013 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Trade receivables	--	45	117	4,503	17,185	20,587
Cash and cash equivalents	--	--	--	834	795	3,470
Trade payables	--	--	--	(17,012)	(23,066)	(24,100)
Other payables	--	--	--	(105)	(1,761)	--
Net exposure	--	45	117	(11,780)	(6,847)	(43)

*Currency risk sensitivity analysis*

A 10% (2012: 10%; 2011: 10%) strengthening of the THB against the following currencies at the end of the reporting period would have decreased post-tax profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Denominated in EURO			Denominated in USD		
	2011 RM'000	2012 RM'000	2013 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Profit or (loss)	--	(3)	(9)	884	514	3

A 10% (2012: 10%; 2011: 10%) weakening of THB against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

**Interest rate risk**

The Company's fixed rate borrowings are exposed to a risk of change in their fair valued due to changes in interest rates. The Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

*Risk management objectives, policies and processes for managing the risk*

There is no formal hedging policy with respect to interest rate exposure. Exposure to interest rate risk is monitored on an ongoing basis and the Company endeavour to keep the exposure to an acceptable level.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.6 ITL (Cont'd)

## 7.6.5 Notes to the financial statements (Cont'd)

## 7.6.5.15 Financial instruments (Cont'd)

## 7.6.5.15.6 Market risk (Cont'd)

## Interest rate risk (Cont'd)

*Exposure to interest rate risk*

The interest rate profile of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2011 RM'000	2012 RM'000	2013 RM'000
<b>Fixed rate instruments</b>			
Financial assets			
Deposit with licensed banks	155	150	216
Financial liabilities			
Finance lease liabilities	(16)	(41)	(209)
Packing credit	(3,945)	(4,171)	(8,576)
	(3,961)	(4,212)	(8,785)
	(3,806)	(4,062)	(8,569)
<b>Floating rate instruments</b>			
Financial liabilities			
Bank overdrafts	(318)	(416)	(451)
Term loans	(147)	--	(3,275)
	(465)	(416)	(3,726)

*Interest rate risk sensitivity analysis*(a) *Fair value sensitivity analysis for fixed rate instruments*

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not designate derivatives as hedging instruments under a fair valued hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

## 14. ACCOUNTANT'S REPORT (Cont'd)



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## 7 Audited Financial Statements (Cont'd)

## 7.6 ITL (Cont'd)

## 7.6.5 Notes to the financial statements (Cont'd)

## 7.6.5.15 Financial instruments (Cont'd)

## 7.6.5.15.6 Market risk (Cont'd)

## Interest rate risk (Cont'd)

## (b) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
	100 bp increase RM'000	100 bp decrease RM'000
<b>2013</b>		
Floating rate instruments	(28)	28
<b>2012</b>		
Floating rate instruments	(3)	3
<b>2011</b>		
Floating rate instruments	(3)	3

## 7.6.5.15.7 Fair value of financial instrument

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

The carrying amounts of the finance lease liabilities approximates their fair value as there is no material change in the interest charged on similar kind of borrowings in the market.

## 7.6.5.16 Capital management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2013, 30 June 2012 and 30 June 2011.

The Company is not subject to any externally imposed capital requirements.



## 14. ACCOUNTANT'S REPORT (Cont'd)



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Accountants' Report  
25 September 2013

## 7 Audited Financial Statements (Cont'd)

## 7.6 ITL (Cont'd)

## 7.6.5 Notes to the financial statements (Cont'd)

## 7.6.5.17 Changes in accounting policies

Karex Group's accounting policies set out in Section 6.3 have been applied in preparing the financial statements for the year ended 30 June 2013.

The changes in accounting policies arising from the adoption of Karex Group's accounting policies are summarised below:

**Income taxes**

In the previous year, unutilised tax losses were recognised as a reduction of tax expense as and when it was utilised. To be consistent in accounting policies as part of the Group, any unutilised portion of the tax losses are now recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax losses can be utilised.

**Employee benefit obligation**

In the previous year, compensation expense to retired employees was recognised as and when payments were made. To be consistent in accounting policies as part of the Group, the Company now estimates and recognises the obligation of employee retirement benefits for which the Company shall pay in accordance with the labour law of Thailand by using the current salary of employees and the probability that employees will work until retirement ages.

The change in the accounting policies have been applied retrospectively as though the unutilised tax losses and employee benefit expense were consistently recognised and the effects are disclosed in Section 7.6.5.18.

## 7.6.5.18 Comparative figures

The following comparative figures have been reclassified as a result of changes in accounting policies as stated in Section 7.6.5.17.

	31.12.09		30.06.10	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
<b>Statement of financial position</b>				
Deferred tax assets	964	--	988	--
Trade and other payables	19,948	19,902	28,569	28,522
<b>Statement of changes in equity</b>				
Accumulated losses at the beginning of the period	(10,508)	(11,426)	(10,720)	(11,638)

14. ACCOUNTANT'S REPORT (Cont'd)

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*Karex Berhad*  
*Accountants' Report*  
*25 September 2013*

**8 Events subsequent to the balance sheet dates**

There were no significant events between the date of the last financial statements used in the preparation of the report and the date of this report which will affect materially the contents of this report.

Yours faithfully,

A handwritten signature in black ink, appearing to be a stylized 'K' or similar character.

**KPMG**  
Firm Number: AF 0758  
Chartered Accountants

A handwritten signature in black ink, appearing to be 'Tan Teck Eng'.

**Tan Teck Eng**  
Approval Number: 2986/05/14 (J)  
Chartered Accountant

Johor Bahru, Johor

## 14. ACCOUNTANT'S REPORT (Cont'd)



Appendix 1

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**KPMG (Firm No. AF 0758)**  
Chartered Accountants  
Level 14, Menara Ansar  
65, Jalan Trus  
80000 Johor Bahru, Malaysia

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Fax +60 (7) 224 8055  
Internet www.kpmg.com.my

## **Independent Auditors' Report to the members of Karex Berhad (Formerly known as Karex Sdn. Bhd.)**

(Company No. 1018579-U)

(Incorporated in Malaysia)

### **Report on the Financial Statements**

We have audited the financial statements of Karex Berhad (formerly known as Karex Sdn. Bhd.), which comprise the statement of financial position as at 30 June 2013, and the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 20.

#### *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.

14. ACCOUNTANT'S REPORT (Cont'd)

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*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 30 June 2013 and of its financial performance and cash flows for the period 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 that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**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.

**KPMG**  
Firm Number: AF 0758  
Chartered Accountants

**Tan Teck Eng**  
Approval Number: 2986/05/14 (J)  
Chartered Accountant

Johor Bahru

Date: 06 AUG 2013

## 14. ACCOUNTANT'S REPORT (Cont'd)

Company No. 170363-X

# Deloitte.

Deloitte Kassim Chan (AF 0080)  
Chartered Accountants  
21, Jalan Tun Abdul Razak,  
Sistem 1/1  
80000 Johor Bahru  
Johor  
Malaysia

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Fax : +60 7 2247508  
myb@deloitte.com  
www.deloitte.com/my

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KAREX INDUSTRIES SDN. BHD. (Incorporated in Malaysia)

#### Report on the Financial Statements

We have audited the financial statements of Karex Industries Sdn. Bhd., which comprise the balance sheets as of June 30, 2010 of the Group and of the Company and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 32.

#### Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion to you, 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 towards any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

- 5 -

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/my/about](http://www.deloitte.com/my/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

14. ACCOUNTANT'S REPORT (Cont'd)

Company No. 170363-X

DELOITTE KASSIMCHAN

**Opinion**

In our opinion, the financial statements have been properly drawn up in accordance with the Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of June 30, 2010 and of their financial performance and cash flows for the year then ended.

**Report on Other Legal and Regulatory Requirements**

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

- (a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and its subsidiary company have been properly kept in accordance with the provisions of the Companies Act, 1965;
- (b) We are satisfied that the accounts of the subsidiary company that have been consolidated with the financial statements of the Company 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 as required by us for these purposes; and
- (c) Our auditors' report on the accounts of the subsidiary company was not subject to any qualification and did not include any comment made under sub-section (3) of Section 174 of the Companies Act, 1965.



DELOITTE KASSIMCHAN  
AF 0080  
Chartered Accountants



CHONG LEE LEE  
Partner - 1973/08/11(J)  
Chartered Accountant

Johor Bahru

01 DEC 2010

14. ACCOUNTANT'S REPORT (Cont'd)

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Internet www.kpmg.com.my

## Independent Auditors' Report to the members of Karex Industries Sdn. Bhd.

(Company No. 170363-X)  
(Incorporated in Malaysia)

### Report on the Financial Statements

We have audited the financial statements of Karex Industries Sdn. Bhd., which comprise the balance sheets as at 30 June 2011 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements 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 8 to 25.

#### *Directors' Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

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

14. ACCOUNTANT'S REPORT (Cont'd)

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Company No. 170363-X

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Accounting Standards for Private Entities and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2011 and of their financial performance and cash flows for the year then ended.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report 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 have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiary 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.
- (c) The audit reports on the accounts of the subsidiary did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**Other Matters**

The financial statements of the Company for the financial year ended 30 June 2010 were audited by another firm of chartered accountants whose report dated 1 December 2010 expressed an unqualified opinion.

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

KPMG  
Firm Number: AF 0758  
Chartered Accountants

Wee Beng Chuan  
Approval Number: 2677/12/12 (J)  
Chartered Accountant

Johor Bahru

Date: 19 DEC 2011



## 14. ACCOUNTANT'S REPORT (Cont'd)

6



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## Independent Auditors' Report to the members of Karex Industries Sdn. Bhd.

(Company No. 170363-X)  
(Incorporated in Malaysia)

### Report on the Financial Statements

We have audited the financial statements of Karex Industries Sdn. Bhd., which comprise the statements of financial position as at 30 June 2012 of the Group and of the Company, and the statements of comprehensive income, changes in equity and 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 8 to 43.

#### *Directors' Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

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

14. ACCOUNTANT'S REPORT (Cont'd)



Company No. 170363-X

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2012 and of their financial performance and cash flows for the year then ended.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report 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 have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiary 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.
- (c) Our audit report on the accounts of the subsidiary did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**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.

**KPMG**

Firm Number: AF 0758

Chartered Accountants

**Wee Beng Chuan**

Approval Number: 2677/12/12 (J)

Chartered Accountant

Johor Bahru

Date: 30 NOV 2012

14. ACCOUNTANT'S REPORT (Cont'd)

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## Independent Auditors' Report to the members of Karex Industries Sdn. Bhd.

(Company No. 170363-X)

(Incorporated in Malaysia)

### Report on the Financial Statements

We have audited the financial statements of Karex Industries Sdn. Bhd., which comprise the statements of financial position as at 30 June 2013 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 9 to 50.

#### *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 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.

**14. ACCOUNTANT'S REPORT (Cont'd)**

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Company No. 170363-X

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 June 2013 and of its 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 have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiary 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.
- (c) Our audit report on the accounts of the subsidiary did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**Other Matters**

As stated in Note 1(a) to the financial statements, Karex Industries Sdn. Bhd. adopted Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") on 1 July 2012 with a transition date of 1 July 2011. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 30 June 2012 and 1 July 2011, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended 30 June 2012 and related disclosures. We were not engaged to report on the comparative information that is prepared in accordance with MFRS and IFRS, and hence it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 30 June 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 July 2012 do not contain misstatements that materially affect the financial position as of 30 June 2013 and financial performance and cash flows for the year then ended.

14. ACCOUNTANT'S REPORT (Cont'd)

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Company No. 170363-X

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.

A handwritten signature in black ink, appearing to be a stylized 'R' or similar character.

**KPMG**  
Firm Number: AF 0758  
Chartered Accountants

A handwritten signature in black ink, appearing to be 'TTE' or similar.

**Tan Teck Eng**  
Approval Number: 2986/05/14 (J)  
Chartered Accountant

Johor Bahru

Date: 06 AUG 2013

## 14. ACCOUNTANT'S REPORT (Cont'd)

Company No. 472154-X

# Deloitte

Deloitte KassimChan (AF 0080)  
Chartered Accountants  
21, Jalan Tun Abdul Razak  
Susur 1/1  
80000 Johor Bahru  
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Malaysia

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Fax: +60 7 2247508  
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www.deloitte.com/my

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF URO TECHNOLOGY SDN. BHD. (Incorporated in Malaysia)

#### Report on the Financial Statements

We have audited the financial statements of Uro Technology Sdn. Bhd., which comprise the balance sheet as of June 30, 2010 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 23.

#### Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion to you, 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 towards any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

- 5 -

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/my/about](http://www.deloitte.com/my/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

14. ACCOUNTANT'S REPORT (Cont'd)

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Company No. 472154-X

DELOITTE KASSIMCHAN

Opinion

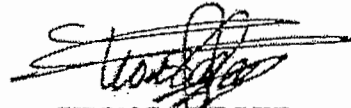
In our opinion, the financial statements have been properly drawn up in accordance with the Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of June 30, 2010 and of its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the Companies Act, 1965.



DELOITTE KASSIMCHAN  
AF 0080  
Chartered Accountants



CHONG LEE LEE  
Partner - 1973/08/11(J)  
Chartered Accountant

Johor Bahru

01 DEC 2010

14. ACCOUNTANT'S REPORT (Cont'd)

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## Independent Auditors' Report to the members of Uro Technology Sdn. Bhd.

(Company No. 472154-X),  
(Incorporated in Malaysia)

### Report on the Financial Statements

We have audited the financial statements of Uro Technology Sdn. Bhd., which comprise the balance sheet as at 30 June 2011, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 20.

#### *Directors' Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

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



14. ACCOUNTANT'S REPORT (Cont'd)

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Company No. 472154-X

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Accounting Standards for Private Entities and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 30 June 2011 and of its financial performance and cash flows for the year then ended.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**Other Matters**

The financial statements of the Company for the financial year ended 30 June 2010 were audited by another firm of chartered accountants whose report dated 1 December 2010 expressed an unqualified opinion.

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

**KPMG**  
Firm Number: AF 0758  
Chartered Accountants

**Wee Beng Chuan**  
Approval Number: 2677/12/12 (J)  
Chartered Accountant

Johor Bahru

Date: 19 DEC 2011

## 14. ACCOUNTANT'S REPORT (Cont'd)

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Internet www.kpmg.com.my

## Independent Auditors' Report to the members of Uro Technology Sdn. Bhd.

(Company No. 472154-X)

(Incorporated in Malaysia)

### Report on the Financial Statements

We have audited the financial statements of Uro Technology Sdn. Bhd., which comprise the statement of financial position as at 30 June 2012, and the statement of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 30.

#### *Directors' Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

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

14. ACCOUNTANT'S REPORT (Cont'd)

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Company No. 472154-X

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 30 June 2012 and of its financial performance and cash flows for the year then ended.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**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.

KPMG  
Firm Number: AF 0758  
Chartered Accountants

Wee Beng Chuan  
Approval Number: 2677/12/12 (J)  
Chartered Accountant

Johor Bahru

Date: 30 NOV 2012

## 14. ACCOUNTANT'S REPORT (Cont'd)

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**KPMG (Firm No. AF 0758)**  
Chartered Accountants  
Level 14, Menara Ansar  
65, Jalan Trus  
80000 Johor Bahru, Malaysia

Telephone +60 (7) 224 2870  
Fax +60 (7) 224 8055  
Internet www.kpmg.com.my

## Independent Auditors' Report to the members of Uro Technology Sdn. Bhd.

(Company No. 472154-X)  
(Incorporated in Malaysia)

### Report on the Financial Statements

We have audited the financial statements of Uro Technology Sdn. Bhd., which comprise the statement of financial position as at 30 June 2013, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 30.

#### *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 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.

**14. ACCOUNTANT'S REPORT (Cont'd)**

Company No. 472154-X

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 30 June 2013 and of its 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 that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**Other Matters**

As stated in Note 1(a) to the financial statements, Uro Technology Sdn. Bhd. adopted Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") on 1 July 2012 with a transition date of 1 July 2011. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 30 June 2012 and 1 July 2011, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended 30 June 2012 and related disclosures. We were not engaged to report on the comparative information that is prepared in accordance with MFRS and IFRS, and hence it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the year ended 30 June 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 July 2012 do not contain misstatements that materially affect the financial position as of 30 June 2013 and financial performance and cash flows for the year then ended.

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.

**KPMG**  
Firm Number: AF 0758  
Chartered Accountants

**Tan Teck Eng**  
Approval Number: 2986/05/14 (J)  
Chartered Accountant

Johor Bahru

Date: 06 AUG 2013

## 14. ACCOUNTANT'S REPORT (Cont'd)

Company No. 480951-X

# Deloitte.

Deloitte KassimChan (AF 0080)  
Chartered Accountants  
21, Jalan Tun Abdul Razak  
Susur 1/1  
80000 Johor Bahru,  
Johor  
Malaysia

Tel: +60 7 2225988  
Fax: +60 7 2247508  
myjb@deloitte.com  
www.deloitte.com/my

### INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF HEVEA MEDICAL SDN. BHD. (Incorporated in Malaysia)

#### Report on the Financial Statements

We have audited the financial statements of Hevea Medical Sdn. Bhd. which comprise the balance sheet as of December 31, 2009 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 18.

#### Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion to you, 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 towards any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

- 5 -

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/my/about](http://www.deloitte.com/my/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

**14. ACCOUNTANT'S REPORT (Cont'd)**

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Company No. 480951-X

DELOITTE KASSIMCHAN

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Private Entity Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of December 31, 2009 and of its financial performance and cash flows for the year then ended.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the Companies Act, 1965.



**DELOITTE KASSIMCHAN**  
**AF 0080**  
**Chartered Accountants**



**CHONG LEE LEE**  
**Partner - 1973/08/11(J)**  
**Chartered Accountant**

Johor Bahru  
December 1, 2010

## 14. ACCOUNTANT'S REPORT (Cont'd)

Company No. 480951-X

# Deloitte.

Deloitte Kersin Chan (AF 0080)  
Chartered Accountants  
21, Jalan Tun Abdul Razak  
Susur 1/1  
80000 Johor Bahru,  
Johor  
Malaysia

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Fax: +60 7 2247508  
myjb@deloitte.com  
www.deloitte.com/my

### INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF HEVEA MEDICAL SDN. BHD. (Incorporated in Malaysia)

#### Report on the Financial Statements

We have audited the financial statements of Hevea Medical Sdn. Bhd. which comprise the balance sheet as of June 30, 2010 and the income statement, statement of changes in equity and cash flow statement for the period January 1, 2010 to June 30, 2010, and a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 19.

#### Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with the Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia and 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 and to report our opinion to you, 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 towards any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the 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 that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

- 5 -

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/my/about](http://www.deloitte.com/my/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.



**14. ACCOUNTANT'S REPORT (Cont'd)**

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Company No. 480951-X

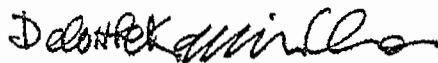
DELOITTE KASSIMCHAN

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of June 30, 2010 and of its financial performance and cash flows for the period January 1, 2010 to June 30, 2010.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the Companies Act, 1965.



DELOITTE KASSIMCHAN  
AF 0080  
Chartered Accountants



CHONG LEE LEE  
Partner - 1973/08/11(J)  
Chartered Accountant

Johor Bahru

12 5 MAY 2011

14. ACCOUNTANT'S REPORT (Cont'd)



KPMG (Firm No. AF 0758)  
Chartered Accountants  
Level 14, Menara Ansar  
65, Jalan Trus  
80000 Johor Bahru, Malaysia

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Internet www.kpmg.com.my

## Independent Auditors' Report to the members of Hevea Medical Sdn. Bhd.

(Company No. 480951-X)  
(Incorporated in Malaysia)

### Report on the Financial Statements

We have audited the financial statements of Hevea Medical Sdn. Bhd., which comprise the balance sheet as at 30 June 2011, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 17.

#### *Directors' Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

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

14. ACCOUNTANT'S REPORT (Cont'd)

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Company No. 480951-X

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Accounting Standards for Private Entities and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 30 June 2011 and of its financial performance and cash flows for the year then ended.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**Other Matters**

The financial statements of the Company for the financial year ended 30 June 2010 were audited by another firm of chartered accountants whose report dated 25 May 2011 expressed an unqualified opinion.

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

**KPMG**  
Firm Number: AF 0758  
Chartered Accountants

**Wee Beng Chuan**  
Approval Number: 2677/12/12 (J)  
Chartered Accountant

Johor Bahru

Date: 19 DEC 2011

14. ACCOUNTANT'S REPORT (*Cont'd*)



**KPMG (Firm No. AF 0758)**  
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Level 14, Menara Ansar  
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80000 Johor Bahru, Malaysia

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Internet www.kpmg.com.my

## **Independent Auditors' Report to the members of Hevea Medical Sdn. Bhd.**

(Company No. 480951-X)  
(Incorporated in Malaysia)

### **Report on the Financial Statements**

We have audited the financial statements of Hevea Medical Sdn. Bhd., which comprise the statement of financial position as at 30 June 2012, and the statement of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 25.

#### *Directors' Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

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

14. ACCOUNTANT'S REPORT (Cont'd)

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Company No. 480951-X

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 30 June 2012 and of its financial performance and cash flows for the year then ended.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**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.

**KPMG**  
Firm Number: AF 0758  
Chartered Accountants

**Wee Beng Chuan**  
Approval Number: 2677/12/12 (J)  
Chartered Accountant

Johor Bahru

Date: 30 NOV 2012

14. ACCOUNTANT'S REPORT (Cont'd)



**KPMG (Firm No. AF 0758)**  
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80000 Johor Bahru, Malaysia

Telephone +60 (7) 224 2870  
Fax +60 (7) 224 8055  
Internet www.kpmg.com.my

## **Independent Auditors' Report to the members of Hevea Medical Sdn. Bhd.**

(Company No. 480951-X)  
(Incorporated in Malaysia)

### **Report on the Financial Statements**

We have audited the financial statements of Hevea Medical Sdn. Bhd., which comprise the statement of financial position as at 30 June 2013, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 26.

#### *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 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.

**14. ACCOUNTANT'S REPORT (Cont'd)**

Company No. 480951-X

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 30 June 2013 and of its 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 that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**Other Matters**

As stated in Note 1(a) to the financial statements, Hevea Medical Sdn. Bhd. adopted Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") on 1 July 2012 with a transition date of 1 July 2011. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 30 June 2012 and 1 July 2011, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended 30 June 2012 and related disclosures. We were not engaged to report on the comparative information that is prepared in accordance with MFRS and IFRS, and hence it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the year ended 30 June 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 July 2012 do not contain misstatements that materially affect the financial position as of 30 June 2013 and financial performance and cash flows for the year then ended.

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.

**KPMG**  
Firm Number: AF 0758  
Chartered Accountants

**Tan Teck Eng**  
Approval Number: 2986/05/14 (J)  
Chartered Accountant

Johor Bahru

Date: 06 AUG 2013

14. ACCOUNTANT'S REPORT (Cont'd)

陳  
中  
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司

Tan Che & Associates  
Chartered Accountants

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
INNOLATEX SDN. BHD. (500319 M)

Report on the financial statements

We have audited the financial statements of Innolates Sdn. Bhd., which comprise the balance sheet as at 31st December, 2009 and the income statement, statement of changes in equity and cash flow statement for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 19.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with private entities reporting standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on the 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 judgment, 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 controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. 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 have been properly drawn up in accordance with private entities reporting standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31st December, 2009 and of its financial performance and cash flow for the financial year then ended.



**14. ACCOUNTANT'S REPORT (Cont'd)**

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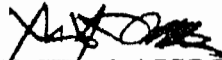
500319 M


**Report on other legal and regulatory requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**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.

  
TAN CHE & ASSOCIATES  
AF 0302  
Chartered Accountants

  
TAN CHE  
1025/3/11(J)  
Chartered Accountant

Klang  
7th June, 2010

## 14. ACCOUNTANT'S REPORT (Cont'd)

Company No. 500319-M

# Deloitte.

Deloitte KassimChan (AF 0080)  
Chartered Accountants  
21, Jalan Tun Abdul Razak  
Susuur 1/1  
80000 Johor Bahru  
Johor  
Malaysia

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INNOLATEX SDN. BHD. (Incorporated in Malaysia)

Tel: +60 7 2225888  
Fax: +60 7 2247508  
myib@deloitte.com  
www.deloitte.com/my

#### Report on the Financial Statements

We have audited the financial statements of Innolates Sdn. Bhd., which comprise the balance sheet as of June 30, 2010 and the income statement, statement of changes in equity and cash flow statement for the period January 1, 2010 to June 30, 2010, and a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 23.

#### Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion to you, 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 towards any other person for the contents of this report. The financial statements of the Company as at December 31, 2009 were audited by another firm of auditors whose report dated June 7, 2010 expressed an unqualified opinion.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

- 5 -

14. ACCOUNTANT'S REPORT (Cont'd)

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Company No. 500319-M

DELOITTE KASSIMCHAN

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of June 30, 2010 and of its financial performance and cash flows for the period January 1 2010 to June 30, 2010.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the Companies Act, 1965.



DELOITTE KASSIMCHAN  
AF 0080  
Chartered Accountants



CHONG LEE LEE  
Partner - 1973/08/11(J)  
Chartered Accountant

Johor Bahru

01 DEC 2010

14. ACCOUNTANT'S REPORT (Cont'd)



KPMG (Firm No. AF 0758)  
Chartered Accountants  
Level 14, Menara Ansar  
65, Jalan Trus  
80000 Johor Bahru, Malaysia

Telephone +60 (7) 224 2870  
Fax +60 (7) 224 8055  
Internet www.kpmg.com.my

## Independent Auditors' Report to the members of Innolates Sdn. Bhd.

(Company No. 500319-M)  
(Incorporated in Malaysia)

### Report on the Financial Statements

We have audited the financial statements of Innolates Sdn. Bhd., which comprise the balance sheet as at 30 June 2011, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 19.

#### *Directors' Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

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

14. ACCOUNTANT'S REPORT (Cont'd)

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Company No. 500319-M

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Accounting Standards for Private Entities and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 30 June 2011 and of its financial performance and cash flows for the year then ended.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**Other Matters**

The financial statements of the Company for the financial period ended 30 June 2010 were audited by another firm of chartered accountants whose report dated 1 December 2010 expressed an unqualified opinion.

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

KPMG

Firm Number: AF 0758

Chartered Accountants

Wee Beng Chuan

Approval Number: 2677/12/12 (J)

Chartered Accountant

Johor Bahru

Date: 19 DEC 2011

**14. ACCOUNTANT'S REPORT (Cont'd)**

**KPMG (Firm No. AF 0758)**  
Chartered Accountants  
Level 14, Menara Ansar  
65, Jalan Trus  
80000 Johor Bahru, Malaysia

Telephone +60 (7) 224 2870  
Fax +60 (7) 224 8055  
Internet www.kpmg.com.my

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## **Independent Auditors' Report to the members of Innolatex Sdn. Bhd.**

(Company No. 500319-M)  
(Incorporated in Malaysia)

### **Report on the Financial Statements**

We have audited the financial statements of Innolatex Sdn. Bhd., which comprise the statement of financial position as at 30 June 2012, and the statement of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 29.

#### *Directors' Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

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

14. ACCOUNTANT'S REPORT (Cont'd)

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Company No. 500319-M

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 30 June 2012 and of its financial performance and cash flows for the year then ended.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**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.

**KPMG**  
Firm Number: AF 0758  
Chartered Accountants

**Wee Beng Chuan**  
Approval Number: 2677/12/12 (J)  
Chartered Accountant

Johor Bahru

Date: 10 SEP 2012

14. ACCOUNTANT'S REPORT (Cont'd)



KPMG (Firm No. AF 0758)  
Chartered Accountants  
Level 14, Menara Ansar  
65, Jalan Trus  
80000 Johor Bahru, Malaysia

Telephone +60 (7) 224 2870  
Fax +60 (7) 224 8055  
Internet www.kpmg.com.my

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## Independent Auditors' Report to the members of Innolatex Sdn. Bhd.

(Company No. 500319-M)  
(Incorporated in Malaysia)

### Report on the Financial Statements

We have audited the financial statements of Innolatex Sdn. Bhd., which comprise the statement of financial position as at 30 June 2013, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 35.

#### *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 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.



**14. ACCOUNTANT'S REPORT (Cont'd)**

Company No. 500319-M

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 30 June 2013 and of its 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 that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**Other Matters**

As stated in Note 1(a) to the financial statements, Innolatex Sdn. Bhd. adopted Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") on 1 July 2012 with a transition date of 1 July 2011. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 30 June 2012 and 1 July 2011, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended 30 June 2012 and related disclosures. We were not engaged to report on the comparative information that is prepared in accordance with MFRS and IFRS, and hence it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the year ended 30 June 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 July 2012 do not contain misstatements that materially affect the financial position as of 30 June 2013 and financial performance and cash flows for the year then ended.

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.

**KPMG**  
Firm Number: AF 0758  
Chartered Accountants

**Tan Teck Eng**  
Approval Number: 2986/05/14 (J)  
Chartered Accountant

Johor Bahru

Date: 06 AUG 2013

14. ACCOUNTANT'S REPORT (Cont'd)

**INTADIT**

*Certified Public Accountants*

INTADIT C.P.A. OFFICE COMPANY LIMITED.  
38/10 Pracharak Road, Haadyai, Songkhla, 90110.

บริษัท สำนักงาน อินทดิษฐ์ ซี.พี.เอ. จำกัด  
38/10 อ.ประชารักษ์ อ.หาดใหญ่ จ.สงขลา 90110

โทรศัพท์ / Tel. 0-74352465 E-mail address

โทรสาร / Fax. 0-74352466 intadit@hotmail.com

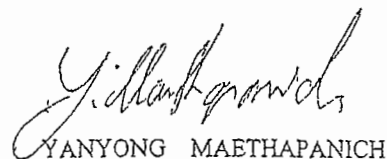
REPORT OF CERTIFIED PUBLIC ACCOUNTANT

To The Shareholders of  
Innolates (Thailand) Limited

I have audited the balance sheet of Innolates (Thailand) Limited as at December 31, 2009 and the related statements of income and changes in shareholders' equity for the year then ended. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The financial statements of the Company for the year ended December 31, 2008, which are presented for comparative purpose, were examined by other auditors whose report dated April 27, 2009, expressed an opinion that those financial statements present fairly, in all material respects, the financial position as at December 31, 2009 and the results of its operations for the year then ended in conformity with generally accepted accounting principles, before the adjustments as described in note to financial statements No. 3.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Innolates (Thailand) Limited as at December 31, 2009 and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

  
YANYONG MAETHAPANICH

Songkhla  
April 10, 2010

C.P.A. (THAILAND)  
Registration No. 4002

14. ACCOUNTANT'S REPORT (Cont'd)

**INTADIT**

*Certified Public Accountants*

INTADIT C.P.A. OFFICE COMPANY LIMITED.  
38/10 Pracharak Road, Haadyai, Songkhla, 90110.

บริษัท สำนักงาน อินทดิษฐ์ ซี.พี.เอ. จำกัด  
38/10 ถ.ประชารักษ์ อ.หาดใหญ่ จ.สงขลา 90110

โทรศัพท์ / Tel. 0-74352465 E-mail address

โทรสาร / Fax. 0-74352466 intadit@hotmail.com

REPORT OF CERTIFIED PUBLIC ACCOUNTANT

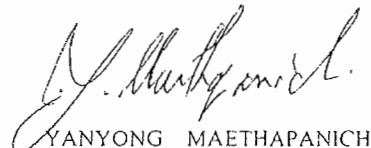
To The Shareholders of  
INNOLATEX (THAILAND) LIMITED

I have audited the balance sheets of Innolates (Thailand) Limited as at June 30, 2010 and December 31, 2009 and the related statements of income and changes in shareholder's equity for the period as from January 1, 2010 to June 30, 2010 and for the year ended December 31, 2009. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Innolates (Thailand) Limited as at June 30, 2010 and December 31, 2009 and the results of its operations for the period as from January 1, 2010 to June 30, 2010 and for the year ended December 31, 2009 in conformity with generally accepted accounting principles.

Songkhla  
October 1, 2010

  
YANYONG MAETHAPANICH  
C.P.A. (THAILAND)  
Registration No. 4002

14. ACCOUNTANT'S REPORT (Cont'd)

**INTADIT**

*Certified Public Accountants*

INTADIT C.P.A. OFFICE COMPANY LIMITED.  
38/10 Pracharak Road, Haadyai, Songkhla, 90110.

บริษัท สำนักงาน อินทดิษฐ์ ซี.พี.เอ. จำกัด  
38/10 ถนนประชาราษฎร์ ๑.หาดใหญ่ จ.สงขลา 90110

โทรศัพท์ / Tel. 0-74352465 E-mail address

โทรสาร / Fax. 0-74352466 intadit@hotmail.com

REPORT OF CERTIFIED PUBLIC ACCOUNTANT

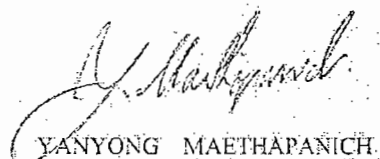
To The Shareholders of  
**INNOLATEX (THAILAND) LIMITED**

I have audited the balance sheets of Innolates (Thailand) Limited as at June 30, 2011 and 2010 and the related statements of income and changes in shareholder's equity for the year ended June 30, 2011 and for the six-month period ended June 30, 2010. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Innolates (Thailand) Limited as at June 30, 2011 and 2010 and the results of its operations for the year ended June 30, 2011 and for the six-month period ended June 30, 2010 in conformity with generally accepted accounting principles.

Songkhla  
October 28, 2011



YANYONG MAETHAPANICH

C.P.A. (THAILAND)  
Registration No. 4002

14. ACCOUNTANT'S REPORT (Cont'd)

**INTADIT**

*Certified Public Accountants*

INTADIT C.P.A. OFFICE COMPANY LIMITED.

38/10 Pracharak Road, Haadyai, Songkhla, 90110.

บริษัท สำนักงาน อินทดิษฐ์ ซี.พี.เอ. จำกัด

38/10 ถนนประชากรักษ์ อ.หาดใหญ่ จ.สงขลา 90110

โทรศัพท์ / Tel. 0-74352465 E-mail address

โทรสาร / Fax. 0-74352466 intadit@hotmail.com

REPORT OF CERTIFIED PUBLIC ACCOUNTANT

To The Shareholders of  
INNOLATEX (THAILAND) LIMITED


I have audited the statements of financial position of Innolatex (Thailand) Limited as at June 30, 2012 and 2011 and the related statements of income and changes in shareholder's equity for the years then ended. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Innolatex (Thailand) Limited as at June 30, 2012 and 2011, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

As described in Note 2 and Note 3 to the financial statements, during the year 2012, the Company has adopted Financial Reporting Standard for Non-Publicly Accountable Entities (TFRSs for NPAEs) which was issued by the Federation of Accounting Professions and was effective for financial statements beginning on or after January 1, 2011. The company has restated the 2011 financial statements to reflect the changes in accounting policies resulting from the adoption of this new Financial Reporting Standard. In my opinion, the adjustments made for the preparation of the restated statements are appropriate and have been properly applied.

Songkhla  
September 10, 2012

  
YANYONG MAETHAPANICH  
C.P.A. (THAILAND)  
Registration No. 4002

14. ACCOUNTANT'S REPORT (Cont'd)

**INTADIT**

*Certified Public Accountants*

INTADIT C.P.A. OFFICE COMPANY LIMITED.  
38/10 Pracharak Road, Haadyai, Songkhla, 90110.

บริษัท สำนักงาน อินทดิษฐ์ ซี.พี.เอ. จำกัด  
38/10 ถนนประชากรักษ์ อ.หาดใหญ่ จ.สงขลา 90110

โทรศัพท์ / Tel. 0-74352465 E-mail address

โทรสาร / Fax. 0-74352466 intadit@hotmail.com

**Independent Auditor's Report**

**To the Shareholders of Innolatex (Thailand) Limited**

I have audited the accompanying financial statements of Innolatex (Thailand) Limited, which comprise the statements of financial position as at June 30, 2013, and the related statements of income and changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

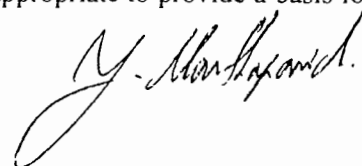
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards for Non-publicly Accountable Entities, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



14. ACCOUNTANT'S REPORT (Cont'd)

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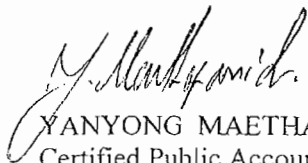
*INTADIT*

*Certified Public Accountants*

-2-

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Innolax (Thailand) Limited as at June 30, 2013, and its financial performance for the year then ended in accordance with Thai Financial Reporting Standards for Non-publicly Accountable Entities.



YANYONG MAETHAPANICH  
Certified Public Accountant  
Registration No.4002

Intadit C.P.A. Office Company Limited  
Songkhla  
August 5, 2013

15. DIRECTORS' REPORT

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**Registered Office:**  
10th Floor, Menara Hap Seng  
No. 1 & 3, Jalan P. Ramlee  
50250 Kuala Lumpur

01 OCT 2013

The Shareholders  
of Karex Berhad

Dear Sir/Madam,

On behalf of the Board of Directors of Karex Berhad ("Karex"), I report after due enquiry that during the period from 30 June 2013, being the date to which the last audited financial statements of Karex and its subsidiaries ("Karex Group") have been made up to the date of this letter (being a date not earlier than 14 days before the issue of this Prospectus), that:

- (a) the business of the Karex Group has, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen subsequent to the last audited financial statements of the Karex Group, which have adversely affected the trading or the value of the assets of Karex or any of its subsidiaries;
- (c) the current assets of the Karex Group appear in the books at the values, which are believed to be realisable in the ordinary course of business;
- (d) save as disclosed in Section 13.2.12(ix) of this Prospectus, there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by Karex or any of its subsidiaries;
- (e) there have been, since the last audited financial statements of the Karex Group, no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings; and
- (f) save as disclosed this Prospectus, there have been, since the last audited financial statements of the Karex Group, no material changes in the published reserves or any unusual factors affecting the profit of the Karex Group.

Yours faithfully,  
For and on behalf of the Board of Directors of  
**KAREX BERHAD**

A handwritten signature in black ink, appearing to read "Goh Yen Yen".

**GOH YEN YEN**  
Executive Director, Administration

**Karex Berhad** (1018579-U)  
PTD. 7906 & 7907, Taman Pontian Jaya,  
Bt. 34 Jalan Johor, 82000 Pontian, Johor, Malaysia.

T +(607) 687-8833 / 687-6168 / 688-1996  
F +(607) 686-2657 / 688-2755 E info@karex.com.my

[www.karex.com.my](http://www.karex.com.my)



**16. ADDITIONAL INFORMATION****16.1 Share capital**

No securities will be allotted or issued or offered on the basis of this Prospectus later than 12 months after the date of issue of this Prospectus:

- (i) Save for our IPO, no person has been or is entitled to be given an option to subscribe for any of our Shares, stocks or debentures and we do not have or have not agreed, conditionally or unconditionally to be put any of our share capital under option;
- (ii) As at the date of this Prospectus, our Group does not have any outstanding convertible debt securities;
- (iii) Save as disclosed in Sections 4 and 6 of this Prospectus, no shares or debentures of our Group have been or are proposed to be issued as partly or fully paid-up in cash or otherwise than in cash, within the two (2) years preceding the date of this Prospectus;
- (iv) Save for the IPO Shares reserved for subscription by the eligible Directors and employees of our Group, there is currently no other scheme involving the Directors and employees of our Group in the share capital of our Group; and
- (v) As at the date of this Prospectus, there is no limitation on the right to own securities, including limitations on the right of non-resident or foreign shareholders to hold or exercise voting rights on the securities imposed by law or by our M&A.

**16.2 M&A**

The following provisions are reproduced from our Company's M&A and are qualified in its entirety by the remainder of the provisions of our Company's M&A and applicable law.

*The terms defined in our Company's M&A shall have the same meanings when used here unless they are otherwise defined here or the context otherwise requires.*

**(i) Transfer of securities**

<b>Article</b>	<b>Provision</b>
<b>20</b>	<b><u>Transfers of Deposited Securities</u></b>
	Subject to the provisions of the Depositories Act, the transfer of any Deposited Security or class of Deposited Security shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 103 and 104 of the Act, but subject to Section 107C(2) of the Act and any exemption therefrom, the Company shall be precluded from registering and effecting any transfer of the Deposited Securities.
<b>21</b>	<b><u>Persons to whom shares are not transferable</u></b>
	Subject to the Depositories Act, no share of the Company shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.
<b>22</b>	<b><u>Instruments of transfer</u></b>
	In respect of shares which are not Deposited Securities, the instrument of transfer must be left for registration at the Office or at such other place (if any) as the Directors may appoint together with such fee not exceeding Ringgit Malaysia three (RM3) per transfer and the certificate(s) of the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer, and if the instrument of transfer is executed by some other person on behalf of the transferor, the authority of that person so to do.

**16. ADDITIONAL INFORMATION (Cont'd)**

<u>Article</u>	<u>Provision</u>
<b>23</b>	<p><b><u>Refusal or suspension of registration of transfer</u></b></p> <p>(1) Subject to these Articles, the Act, the Depositories Act and the Rules (with respect to the transfer of Deposited Securities), the Directors may in their absolute discretion and without assigning any reason there for, decline to register any transfer of shares which are not Deposited Securities. The registration of any transfer shall be suspended when the Register of Transfers (as described in Article 24) is closed pursuant to Article 25.</p> <p><b><u>Withdrawal of Deposited securities</u></b></p> <p>(2) Subject to the provisions of the Act, the Depositories Act and the Rules, all dealings in respect of Deposited Securities shall only be effected by the beneficial owners of such Deposited Securities or an authorised nominee, as the case may be. A Depositor shall not withdraw the securities which have been deposited with the Depository except in such manner as may be specified in the Rules.</p> <p><b><u>Non-registration of transfer for contravention of laws</u></b></p> <p>(3) The Directors shall decline to register an instrument of transfer where the Directors are aware or have reason to believe that the registration of such transfer would result in the contravention of or a failure to comply with any provision of the laws of Malaysia.</p> <p><b><u>Retention of instruments of transfer</u></b></p> <p>(4) All instruments of transfer which are registered may be retained by the Company.</p> <p><b><u>Notice of refusal to register transfer</u></b></p> <p>(5) If the Directors decline to register any transfer of instrument, they shall within ten (10) Market Days after the date on which the instrument of transfer was lodged with the Company, send to the transferor, lodging broker and to the transferee written notice of refusal and the precise reasons thereof. Any instrument of transfer which the Directors have declined to register shall be returned to the person who tendered the same for registration save and except in cases where the Directors suspect fraud.</p>
<b>24</b>	<p><b><u>Register of Transfers</u></b></p> <p>The Company shall maintain a book called "Register of Transfers" which shall be kept by the Secretary or such other person authorised by the Directors. Subject to Article 20, particulars of the transfer or transmission of every share shall be entered into the Register of Transfers.</p>
<b>25</b>	<p><b><u>Closing of Register of Transfer</u></b></p> <p>The Register of Transfers may be closed at such time and for such period as the Directors may from time to time determine Provided Always that it shall not be closed for more than thirty (30) days in any year. At least ten (10) clear Market Days' notice (or such shorter notice as may be allowed or permitted by the Exchange) of the intention to close the Register of Transfers shall be published in a daily newspaper circulating in Malaysia and shall also be given to the Exchange stating the purpose of such closure. At least three (3) Market Days' prior notice shall also be given to the Depository to prepare the appropriate Record of Depositors.</p>

## 16. ADDITIONAL INFORMATION (Cont'd)

Article	Provision
26	<p><b><u>Non-liability of the Company, its Directors and officers</u></b></p> <p>Neither the Company nor any of its Directors or officers shall incur any liability for registering or acting upon a transfer of shares apparently sufficiently made by the parties thereto, although the same may by reason of any fraud or any other cause not known to the Company or its Directors or other officers be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside, and in every such case, the person registered as transferee and his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto Provided Always that where the share is a Deposited Security, a transfer or withdrawal of the share may, subject to the Rules, be carried out by the person entitled to do so.</p>
27	<p><b><u>Fee in respect of registration of documents affecting title</u></b></p> <p>There shall be paid to the Company in respect of the registration of any probate, letters of administration, certificate of marriage or death, power of attorney or other document relating to or affecting the title to any shares, such fee as the Directors may from time to time require or prescribe.</p>

## (ii) Remuneration of Directors

Article	Provision
81	<p><b><u>Directors' fee</u></b></p> <p>Fees from time to time payable to Directors shall be determined by a resolution passed at a general meeting of the Company. Unless otherwise directed by such resolution, any such fees shall be divided amongst the Directors into such proportions as they may agree or failing agreement, equally. Fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting where notice of the proposed increase has been given in the notice convening the meeting. Notwithstanding anything to the contrary in these Articles, the Directors shall also be entitled to be repaid all travelling and hotel expenses properly incurred by them respectively in or about the performance of their duties as Directors, including their expenses for travelling to and from meetings of Directors or general meetings of the Company or which they may otherwise incur on or about the business of the Company. If by arrangement with the other Directors, any Director shall perform or render any special duties or service outside his ordinary duties as a Director, including residing away from his usual place of business or residence for the purpose of the Company's business or giving special attention to the business of the Company as a member of a committee of the Directors, the Directors may, in addition to his Director's fees, pay such Director remuneration for such special duties or services rendered by him in such amount and in such manner as the Directors shall determine Provided That no Director (non-executive or executive) shall, in any circumstances, be remunerated by a commission on or percentage of turnover and that nothing herein shall prejudice the power of the Directors to appoint any of their number to be the employee or agent of the Company at such remuneration (which shall not include a commission on or percentage of turnover) as the Directors may determine.</p>
82	<p><b><u>Restrictions on Directors' fee</u></b></p> <p>The fees payable by the Company to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover. Salaries payable by the Company to executive Directors shall not include a commission on or percentage of turnover.</p>

16. **ADDITIONAL INFORMATION (Cont'd)**(iii) **Voting and borrowing powers of Directors, including voting powers in relation to proposals, arrangements or contracts in which they are interested**

<u>Article</u>	<u>Provision</u>
92	<p><b><u>Borrowing Powers</u></b></p> <p>The Directors may, at their discretion, raise or borrow from time to time such sums of moneys as they think proper for the purpose of the business of the Company.</p>
93	<p><b><u>Debts of third parties</u></b></p> <p>Notwithstanding anything to the contrary in these Articles, the Directors shall not borrow any money or mortgage or charge any of the Company's or any of its subsidiaries' undertaking, property or uncalled capital, or issue debentures and other securities of the Company or any of its subsidiaries for the benefit of, or as a security for any debt, liability or obligation of, an unrelated third party.</p>
94	<p><b><u>Issue of bonds, debentures, debenture stocks and securities</u></b></p> <p>(1) Subject to these Articles and the relevant laws, the Directors may borrow or raise funds for the purpose of the Company's business in such manner and on such terms as they think proper, including by the issue or sale of any bonds, debentures, debenture stocks or securities upon such terms as to the time of repayment, the rate of interest, the price of issue or sale, the payment of premium or bonus upon redemption or repayment or otherwise as they may think proper.</p> <p><b><u>Creation of security</u></b></p> <p>(2) Subject to these Articles and the relevant laws, the Directors may secure or provide for the payment of any moneys to be borrowed or raised by the Company in such manner and on such terms as they think proper, including by the creation of a mortgage or a charge upon all or any part of the undertaking or property of the Company both present and future or upon any capital remaining unpaid upon the shares of the Company whether called up or not or by any other security, and the Director may confer upon any mortgagees or persons in whom any debentures, debenture stock or security is vested such rights and powers as they think necessary or expedient; and they may vest any property of the Company in trustees for the purpose of securing any moneys so borrowed or so raised and confer upon the trustees or any receiver to be appointed by them or by any debenture holder, such rights and powers as the Director may think necessary or expedient in relation to the undertaking or property of the Company, or the management or the realisation thereof, or the making, receiving or enforcing of calls upon the Members in respect of unpaid capital and otherwise, and may make and issue debentures to trustees for the purpose of further security, and any such trustee may be remunerated on such terms as the Directors shall think fit.</p>

## 16. ADDITIONAL INFORMATION (Cont'd)

## (iv) Changes in capital and variations of class rights

Article	Provision
44	<p><b><u>Power of increase</u></b></p> <p>The Company may in general meeting and from time to time, and whether all the shares for the time being authorised shall have been issued or all the shares for the time being issued shall have been fully called up or not, increase its capital by the creation and issue of new shares, such new capital to be of such amount and to carry such rights and/or to be subject to such conditions or restrictions as regards dividend, return of capital or otherwise and to be divided into shares of such respective amounts as the Company, by the resolution authorising such increase, directs.</p>
45	<p><b><u>Pre-emption rights of Members</u></b></p> <p>(1) Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall, before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings, in proportion, as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Directors may dispose of any new shares or securities which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Article 45(1) in like manner.</p> <p>(2) Notwithstanding any resolution made pursuant to Section 132D of the Act, the Company shall not issue any shares or convertible securities which when aggregated with the nominal value of any such shares or convertible securities issued by the Company during the preceding twelve (12) months, exceed ten percent (10%) of the nominal value of the issued and paid-up capital of the Company, except where the issue of the shares or convertible securities and the precise terms and conditions of such issue are approved by the shareholders of the Company at a general meeting prior to such issue.</p>
46	<p><b><u>Rights and liabilities of new shares</u></b></p> <p>Except so far as otherwise expressly provided by the conditions of issue, any capital raised by the creation of new shares shall be considered as part of the original share capital of the Company and shall be subject to the same provisions relating to the payment of the calls, lien, transfer, transmission, forfeiture and otherwise as the original share capital.</p>
47	<p><b><u>Alteration of Capital</u></b></p> <p>The Company may by ordinary resolution:</p> <p><i>Power to consolidate and divide shares</i></p> <p>(1) consolidate and divide all of its share capital into shares of larger amounts than its existing shares;</p>

**16. ADDITIONAL INFORMATION (Cont'd)**

<b>Article</b>	<b>Provision</b>
	<i>Power to cancel shares</i>
(2)	<p>(a) cancel any shares which at the date of the passing of the resolution have not been taken, or agreed to be taken, by any person or which have been forfeited, and diminish the amount of its capital by the amount of shares so cancelled; or</p> <p>(b) cancel any shares that have been purchased by the Company and extinguish all rights attaching to the shares including suspended right in accordance with Section 67A of the Act and the Listing Requirements; or</p>
	<i>Power to sub- divide shares</i>
(3)	sub-divide its shares, or any of them, into shares of a smaller amount than is fixed by the Memorandum of Association (subject, nevertheless, to the provisions of the Act) provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived.
<b>48</b>	<b><u>Power to reduce capital</u></b>
(1)	The Company may, by special resolution, and subject to such approval, confirmation, sanction or consent as may be required by law having been obtained, reduce its share capital, any capital redemption reserve fund or any share premium account in any manner as it deems fit.
(2)	Without limiting the generality of Article 48(1), the Company may reduce its issued share capital by the cancellation of shares purchased by the Company and the amount by which the Company's issued capital is so reduced shall be transferred to the capital redemption reserve of the Company in accordance with Section 67A of the Act and the Listing Requirements.
<b>49</b>	<b><u>Modification of class rights</u></b>
	If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of issue of the shares of the class), whether or not the Company is being wound up, be varied with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting, the provisions of these Articles relating to general meetings of the Company shall mutatis mutandis apply, but so that the necessary quorum shall be two (2) persons (whether present in person or represented by proxy) holding one-third (1/3) of the issued shares of the class, and any holder of any shares of the class present in person or by proxy may demand a poll. To every such special resolution, the provisions of Section 152 of the Act shall, with such adaptations as are necessary, apply. However, in the event of the necessary majority not having been obtained in the manner aforesaid, consent in writing may be secured from such holders holding at least three-fourths (3/4) of the issued shares of the class and such consent shall, if obtained within two (2) months from the date of the separate meeting, have the force and validity of a special resolution duly carried by a vote in person or by proxy.
<b>50</b>	<b><u>Ranking of new shares</u></b>
	The rights conferred on the holders of the shares of any class shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or in all respects <i>pari passu</i> therewith but in no respect in priority thereto.

## 16. ADDITIONAL INFORMATION (Cont'd)

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### 16.3 Benefits to our Promoters, Directors and substantial shareholders

- (i) Save as disclosed in Section 9.7 of this Prospectus and the SSAs, none of our Directors or substantial shareholders has any interest in any contract, agreement or arrangement, which is significant in relation to the business of our Group taken as a whole and which is still subsisting as at the date of this Prospectus.
- (ii) Save as disclosed in Section 9.1 of this Prospectus, there are no persons who are able to, directly or indirectly, jointly or severally, exercise control over our Company and our Subsidiaries.

### 16.4 Material litigation

As at the LPD, neither our Company nor our Subsidiaries are engaged in any material litigation, claims or arbitration whether as plaintiff or defendant, which has a material effect on the financial position of our Company or our Group and our Board does not know of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the financial or business position of our Company or our Group.

### 16.5 Material contracts

Save as disclosed below, as at the LPD, there are no other material contracts, not being contracts entered into in the ordinary course of business which have been entered into by our Company and our Subsidiaries within two (2) years preceding the date of this Prospectus:

- (i) As part of the pre-IPO restructuring as highlighted in Section 6.2 of this Prospectus, our Company had entered into the following agreements:
  - (a) a share sale agreement with Lam Jiuan Jiu, Goh Siang, Goh Leng Kian, Goh Yen Yen, Goh Yin, Goh Miah Kiat, Lam Yiu Pang Albert, Goh Ai Noi, Shaari Bin Haron, Dato' Mohamed Suhaimi Bin Sulaiman, Hamidon bin Abdullah and Abu Talib Bin Abdul Rahman (collectively "**Vendors I**") on 30 November 2012 for the acquisition of 2,500,000 ordinary shares of RM1.00 each in KISB for a total purchase consideration of RM35,474,998 which was satisfied entirely by the issuance of 141,899,992 new Shares to the respective Vendors I. The sale of KISB was completed on 23 September 2013;
  - (b) a share sale agreement with Innolatex Limited, Goh Siang, Goh Leng Kian and Goh Miah Kiat (collectively "**Vendors II**") on 30 November 2012 for the acquisition of 1,200,000 ordinary shares of THB100 each in ITL for a total purchase consideration of RM12,500,000 which was satisfied entirely by the issuance of 50,000,000 new Shares to the respective Vendors II. The sale of ITL was completed on 23 September 2013;
  - (c) a letter of variation dated 28 June 2013 to vary the share sale agreement with Vendors II as detailed in Section 16.5(i)(b) above, where we agreed to acquire 1,620,000 ordinary shares of THB100 each in ITL, representing the entire registered capital of ITL, which was increased to comply with a requirement imposed by the Board of Investment in Thailand;

**16. ADDITIONAL INFORMATION (Cont'd)**

- (d) a share sale agreement with AJNA, Goh Leng Kian, Lim Poh Chuan, Goh Yen Yen, Goh Yin, Goh Miah Kiat and Goh Ai Noi (collectively "Vendors III") on 30 November 2012 for the acquisition of 250,000 ordinary shares of RM1.00 each in ISB for a total purchase consideration of RM4,750,000 which was satisfied entirely by the issuance of 19,000,000 new Shares to the respective Vendors III. The sale of ISB was completed on 23 September 2013;
  - (e) a share sale agreement with CIL on 30 November 2012 for the acquisition of 1,000,000 ordinary shares of RM1.00 each in HMSB for a total purchase consideration of RM3,300,000 which was satisfied entirely by the issuance of 13,200,000 new Shares to CIL. The sale of HMSB was completed on 23 September 2013; and
  - (f) together with KISB, a share sale agreement with Goh Siang, Goh Leng Kian, Chew Cheng Chuan and the Estate of Abdul Rahman Bin Rashid (collectively "Vendors IV") on 30 November 2012 for KISB to acquire 200,000 ordinary shares of RM1.00 each in UTSB for a total purchase consideration of RM1,350,000 which was satisfied entirely by the issuance of 5,400,000 new Shares by our Company to the respective Vendors IV. The sale of UTSB was completed on 23 September 2013.
- (ii) ISB had entered into a sale and purchase agreement with Polymal Corporation Sdn Bhd (Company No. 33556-U) on 6 April 2012 for the purchase of a piece of leasehold land of 99 years expiring 1 September 2074 held under H.S.(M) 5505, P.T. 591, in the Mukim of Klang, District of Klang, State of Selangor and measuring approximately 4,046.724 square metres in area together with a detached factory cum office building erected thereon, bearing the postal address Lot 591, Persiaran Raja Lumu, Pandamaran Industrial Estate, 42000 Port Klang, Selangor Darul Ehsan for the total purchase price of RM4,300,000. The purchase of this piece of land by ISB was completed on 5 September 2012;
  - (iii) Our Company had entered into an underwriting agreement dated 27 September 2013 with the Underwriter, where the Underwriter shall underwrite 20,250,000 Issue Shares under the Retail Offering; and
  - (iv) Our Company had entered into a placement mandate dated 27 September 2013 with the Joint Placement Agents for the Joint Placement Agents to assist to identify places in relation to the placement of IPO Shares to institutional and selected investors in Malaysia, Singapore and Hong Kong under the Institutional Offering.

**16.6 Government laws, decrees, regulations or other legislation**

Please refer to Annexure D for the governmental laws, decrees, regulations or other requirement in Thailand that governs the repatriation of capital and the remittance of profits by our Company to Malaysia.

**16.7 Public take-overs**

During the FYE 2013 and the subsequent period up to the LPD, there were no public take-over offers by third parties in respect of our Shares and no public take-over offers by our Company in respect of other corporations' securities.



## 16. ADDITIONAL INFORMATION (Cont'd)

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### 16.8 Consents

- (i) The written consents of the Principal Adviser, Underwriter, Joint Placement Agents, Financial Adviser, Principal Bankers, Company Secretary, Solicitors, Issuing House and Share Registrar to the inclusion of its name in this Prospectus and all references in the manner, form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.
- (ii) The written consent of the Auditors and Reporting Accountants to the inclusion of its name, Accountants' Report and Reporting Accountants' Letter in relation to the Proforma Financial Information of our Group and all references in the manner, form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.
- (iii) The written consent of the Independent Market Researcher to the inclusion of its name, the IMR Executive Summary, and all references in the manner, form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.

### 16.9 Documents available for inspection

Copies of the following documents may be inspected at the registered office of our Company during normal business hours for a period of 12 months from the date of this Prospectus:

- (i) Our M&A;
- (ii) The Reporting Accountants' Letter on the Proforma Financial Information as included in Section 13.1 of this Prospectus;
- (iii) The Accountants' Report as included in Section 14 of this Prospectus;
- (iv) The IMR Executive Summary as included in Section 8 of this Prospectus;
- (v) The Directors' Report as included in Section 15 of this Prospectus;
- (vi) The material contracts as referred to in Section 16.5 above and all other contracts as disclosed in this Prospectus;
- (vii) The letters of consent referred to in Section 16.8 of this Prospectus;
- (viii) Audited consolidated financial statements of KISB for the past four (4) FYE 2010 to FYE 2013;
- (ix) Audited financial statements of ITL for the financial year ended 31 December 2009, FPE 30 June 2010, FYE 2011, FYE 2012 and FYE 2013;
- (x) Audited financial statements of ISB for the financial year ended 31 December 2009, FPE 30 June 2010, FYE 2011, FYE 2012 and FYE 2013;
- (xi) Audited financial statements of HMSB for the financial year ended 31 December 2009, FPE 30 June 2010, FYE 2011, FYE 2012 and FYE 2013; and
- (xii) Audited financial statements of UTSB for the past four (4) FYE 2010 to FYE 2013.

**16. ADDITIONAL INFORMATION (Cont'd)**

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**16.10 Responsibility statements**

- (i) This Prospectus has been seen and approved by our Directors, Promoters and the Selling Shareholders and they individually and collectively accept the full responsibility for the accuracy of the information contained herein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statement or other facts the omission of which would make any statement herein false or misleading; and
- (ii) RHB Investment Bank, being the Principal Adviser, Underwriter and Joint Placement Agent in relation to our IPO, acknowledges that, based on all available information and to the best of their knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts on our IPO.

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## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE

### 17.1 Opening and closing dates for application

Applications for the IPO Shares will be accepted from 10.00 a.m. on 11 October 2013 and will remain open until 5.00 p.m. on 23 October 2013 or such later date or dates as our Directors, the Selling Shareholders and the Underwriter may in their absolute discretion mutually decide.

In the event the closing date for the application for the IPO Shares is extended, the dates for balloting of the IPO Shares, the allotment of the Public Issue Shares and the transfer of the Offer Shares and our Listing will be varied accordingly. We will announce any variation in a widely circulated English and Bahasa Malaysia daily newspaper within Malaysia.

**Late applications will not be accepted.**

### 17.2 Methods of application

Applications for the IPO Shares must be made using the method designated for each of the category of investors identified as follows:

<u>Category of investor</u>	<u>Type of application form</u>
Malaysian public (for individuals only)	White Application Form or Electronic Share Application or Internet Share Application
Malaysian public (for non-individuals)	White Application Form only
Eligible Directors and employees of our Group and/or business associates and persons who have contributed to the success of our Group	Pink Application Form only
Selected investors by way of private placement	White Application Form only

### 17.3 Procedures for application

Each application for the IPO Shares must be made on the correct Application Form for the relevant category of investors issued together with this Prospectus and must be completed in accordance with the notes and instructions printed therein in the respective category of Application Form. The Application Forms together with the notes and instructions printed therein shall constitute an integral part of this Prospectus. Applications which do not conform strictly to the terms of this Prospectus or the respective category of Application Form or notes and instructions or which are illegible may not be accepted at the absolute discretion of our Directors.

**Full instructions for the application for the IPO Shares and the procedures to be followed are set out in the application forms. All applicants are advised to read the application forms and the notes and instructions therein carefully.**

You may submit only one (1) application for the IPO Shares by way of Application Form or by way of Electronic Share Application or Internet Share Application. For example, if you submit an application using an Application Form, you may not submit an application by way of Electronic Share Application or Internet Share Application and vice versa. A corporation or institution cannot apply for the IPO Shares by way of Electronic Share Application or Internet Share Application.

An eligible director or employee and/or person who have contributed to the success of our Group who has made an application using Pink Application Form may still apply for the IPO Shares offered to the Malaysian Public using the White Application Form or Electronic Share Application or Internet Share Application.

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

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**You MUST have a CDS account before you can submit your application by way of Application Forms or by way of Electronic Share Application or Internet Share Application.**

Directors and employees of MIH and their immediate families are strictly prohibited from applying for the IPO Shares.

### 17.3.1 Application by the Malaysian Public (White Application Forms, Electronic Share Applications or Internet Share Applications)

Applications for 13,500,000 IPO Shares made available for the Malaysian Public must be made on the **White Application Forms** provided or by way of Electronic Share Application through a Participating Financial Institution or Internet Share Application through an Internet Participating Financial Institution. A corporation or institution cannot apply for the IPO Shares by way of Electronic Share Application or Internet Share Application. The amount payable in full on application is RM1.85 per IPO Share.

### 17.3.2 Application by eligible Directors and employees of our Group, business associates and persons who have contributed to the success of our Group

Applications for 6,750,000 IPO Shares made available for eligible Directors and employees of our Group and persons who have contributed to the success of our Group must be made on the **Pink Application Forms** provided and NOT any other Application Form or by way of Electronic Share Application through a Participating Financial Institution or Internet Share Application through an Internet Participating Financial Institution. The amount payable in full on application is RM1.85 per IPO Share.

### 17.3.3 Application by selected investors by way of private placement

Application for 20,250,000 IPO Shares made available for the selected investors by way of private placement must be made on the **White Application Forms** provided and NOT any other Application Form or by way of Electronic Share Application through a Participating Financial Institution or Internet Share Application through an Internet Participating Financial Institution. The amount payable in full on application is RM1.85 per IPO Share.

## 17.4 Application via Application Form

### 17.4.1 Application Forms

The following relevant Application Forms issued with the notes and instructions are accompanied with this Prospectus:

- (i) **White Application Forms** for applications by the Malaysian Public and selected investors by way of private placement; and
- (ii) **Pink Application Forms** for applications by eligible Directors and employees of our Group and/or business associates and persons who have contributed to the success of our Group.

**White Application Forms** together with copies of this Prospectus may be obtained, subject to availability from the following parties:

- (i) RHB Investment Bank;
- (ii) Participating organisations of Bursa Securities;
- (iii) Members of the Association of Banks in Malaysia;

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

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- (iv) Members of the Malaysian Investment Banking Association; and
- (v) MIH.

**Pink Application Forms** together with copies of this Prospectus will be sent out to the eligible Directors, eligible employees and business associates of our Group respectively.

You may submit only one (1) Application Form and your application must be for 100 Shares or multiples thereof. Multiple applications will not be accepted. We wish to caution you that if you submit multiple applications in your own name or by using the name of others, with or without their consent, you will be committing an offence under Section 179 of the CMSA and if convicted, may be punished with a minimum fine of RM1,000,000 and to a jail term of up to 10 years under Section 182 of the CMSA.

Your application for the IPO Shares must be made on the Application Form accompanying this Prospectus and must be completed in accordance with the notes and instructions printed on the reverse side of the Application Form and on this Prospectus. Our Directors and the Selling Shareholders may at their absolute discretion not accept applications, which **do not STRICTLY** conform, to the terms of this Prospectus or Application Form or notes and instructions printed therein or which are illegible.

If you are an individual and you are not a member of the armed forces or police, your name and national registration identity card ("**NRIC**") number must be the same as that stated in:

- (a) your NRIC; or
- (b) any valid temporary identity document as issued by the National Registration Department from time to time; or
- (c) your "Resit Pengenalan Sementara (KPPK 09) issued pursuant to Peraturan 5(5), Peraturan-Peraturan Pendaftaran Negara 1990; or
- (d) the Records of Bursa Depository.

If you are a member of the armed forces or police, your name and your armed forces or police personnel number (as the case may be), must be the same as that stated in your authority card.

If you are a corporation / institution, the name and certificate of incorporation number must be the same as that stated in the corporation's / institution's certificate of incorporation.

We, together with MIH will not issue any acknowledgement of receipt for your Application Form or application monies.

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

### 17.4.2 Terms and conditions for applications using Application Form

Your application by way of White and Pink Application Form shall be made on, and subject to, the terms and conditions as set out below:

- (i) White Application Forms only - If you are an individual, you must be a Malaysian citizen residing in Malaysia, with a CDS account and a Malaysian address.

Pink Application Forms only - If you are an individual, you must have a CDS account and a correspondence address in Malaysia.

- (ii) If you are a corporation/ institution incorporated in Malaysia, you must have a CDS account and are subject to the following:

(a) if you are a corporation/ institution with share capital, more than half of the issued share capital (excluding preference share capital) is held by Malaysian citizens; and

(b) there is a majority of Malaysian citizens on the board of directors/ trustee.

If you are a corporation/ institution incorporated outside Malaysia, you must have a CDS account and provide a correspondence address in Malaysia (Pink Application Forms only).

- (iii) If you are a superannuation, co-operative, foundation, provident or pension fund, you must be established or operating in Malaysia and have a CDS account.

- (iv) Applications will not be accepted from trustees, any person under 18 years of age, sole proprietorships, partnerships or other incorporated bodies or associations, other than corporations/ institutions referred to in Sections 17.4.2 (ii) and (iii) above or the trustees thereof.

- (v) Application for the IPO Shares must be made on the respective Application Forms accompanying this Prospectus and must be completed in accordance with the notes and instructions printed on the reverse side of the Application Form and this Prospectus. In accordance with Section 232 of the CMSA, the Application Form together with the notes and instructions printed therein is accompanied by this Prospectus. Our Directors and the Selling Shareholders may at their absolute discretion reject any applications which **do not STRICTLY** conform to the terms of this Prospectus or Application Form or notes and instructions printed therein or which are illegible will not be accepted.

- (vi) Your completed Application Form must be accompanied by remittance in RM for the full amount payable by any of the following:

(a) BANKER'S DRAFT or CASHIER'S ORDER purchased within Malaysia only and drawn on a bank in Kuala Lumpur (differentiated by a special red band for Bumiputera applicants); or

(b) MONEY ORDER or POSTAL ORDER (for applicants from Sabah and Sarawak only); or

(c) Guaranteed Giro Order ("**GGO**") from Bank Simpanan Nasional Malaysia Berhad (differentiated by a special red band for Bumiputera applicants); or

**17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

(d) ATM STATEMENT obtained from any of the following financial institutions:

- Affin Bank Berhad;
- Alliance Bank Malaysia Berhad;
- CIMB Bank Berhad;
- Hong Leong Bank Berhad;
- Malayan Banking Berhad; or
- RHB Bank Berhad,

and must be made out in favour of **"MIH SHARE ISSUE ACCOUNT NUMBER 547"** and crossed **"A/C PAYEE ONLY"** (excluding ATM statements) and endorsed on the reverse side with your name and address. Only the above form of payments will be accepted.

- (vii) We will not accept applications accompanied by any mode of payments other than those stated above or with excess or insufficient remittances or inappropriate banker's draft, cashier's order, GGO, money order, postal order or ATM statement. You must state the details of the payment in the appropriate boxes provided in the Application Form.
- (viii) You must state your CDS account number in the space provided in the Application Form. You shall be deemed to have authorised Bursa Depository to disclose information pertaining to your CDS account to MIH and/or our Company. Invalid or nominee or third party CDS account will not be accepted.
- (ix) If you are successful in your application, our Directors and the Selling Shareholders, reserve the right to require you to appear in person at the registered office of MIH at anytime within 14 days of the date of notice issued to you to ascertain your application is genuine and valid. Our Directors and the Selling Shareholders are not responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.
- (x) MIH, on the authority of our Directors and the Selling Shareholders, reserves the right to reject any application which does not conform to these instructions or which are illegible or which are accompanied by remittances improperly drawn.
- (xi) MIH, on the authority of our Directors and the Selling Shareholders, reserves the right to reject or accept any application in whole or in part without giving any reason therefor. Due consideration will be given to the desirability of allotting or allocating the IPO Shares to a reasonable number of applicants with a view to establishing an adequate market for our Shares.
- (xii) Where your application is not accepted or accepted in part only, the full amount or the balance of your application monies, as the case may be, will be returned without interest and despatched within 10 Market Days from the date of the final ballot of the application lists by ordinary post or registered post to your address registered with Bursa Depository, or if your application is rejected because you did not have a CDS account, to the address stated in your NRIC or "Resit Pengenalan Sementara (KPPK 09)" or any valid temporary identity document as issued by the National Registration Department from time to time or the Authority Card in the case of armed forces/ police personnel, at your own risk.

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (*Cont'd*)

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- (xiii) You shall ensure that your personal particulars stated in the Application Form are identical with your records maintained by Bursa Depository. You must inform Bursa Depository promptly of any change in address, failing which the notification letter of successful allocation will be sent to your registered or correspondence address last maintained with Bursa Depository.
- (xiv) MIH on the authority of our Directors and the Selling Shareholders, reserves the right to bank in all application monies from unsuccessful Bumiputera applicants and partially successful Bumiputera applicants. These monies will be refunded by ordinary post or registered post to your last address maintained with Bursa Depository without interest and shall be despatched to you within 10 Market Days from the date of the final ballot of the application lists, at your own risks.
- (xv) You may submit your application together with the appropriate remittance and legible photocopy of the relevant documents by **ORDINARY POST** in the official envelopes provided, to the following address:

**Malaysian Issuing House Sdn Bhd**  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan

OR

P.O. Box 8269  
Pejabat Pos Kelana Jaya  
46785 Petaling Jaya

or **DELIVERED BY HAND AND DEPOSITED** in the drop-in boxes provided at the front portion of Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, on the last day of acceptance of applications which is currently on 23 October 2013, between 10.00 a.m. and 5.00 p.m. or such later date or dates as our Board, Selling Shareholders and Underwriter in their absolute discretion may decide.

**PLEASE DIRECT ALL ENQUIRIES IN RESPECT OF THE WHITE APPLICATION FORM TO MIH.**

### 17.5 Application via Electronic Share Application

Only Malaysian individuals may apply for the IPO Shares by way of Electronic Share Application in respect of the IPO Shares made available for application by the Malaysian Public.

#### 17.5.1 Steps for Electronic Share Application through a Participating Financial Institution

- (i) You must have an account with a Participating Financial Institution (as detailed in Section 17.5.2 below) and an ATM card issued by that Participating Financial Institution to access the account. An ATM card issued by one of the Participating Financial Institution cannot be used to apply for IPO Shares at an ATM belonging to another Participating Financial Institution.



## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (*Cont'd*)

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- (ii) You **MUST** have a CDS account;
- (iii) The applicant is advised to read and understand the Prospectus before making the application; and
- (iv) You shall apply for the IPO Shares via the ATM of the Participating Financial Institution by choosing the Electronic Share Application option. Mandatory statements required in the application are set out in Section 17.5.3 below under the terms and conditions for Electronic Share Application. You will have to enter at least the following information through the ATM where the instructions on the ATM screen requires you to do so:
  - (a) Personal Identification Number (PIN);
  - (b) MIH Share Issue account number;
  - (c) CDS account number;
  - (d) Number of IPO Shares applied for and/or the RM amount to be debited from the account; and
  - (e) Confirmation of several mandatory statements.

### 17.5.2 Participating Financial Institutions

Electronic Share Applications may be made through an ATM of the following Participating Financial Institutions and their branches:

- (i) Affin Bank Berhad;
- (ii) AmBank (M) Berhad;
- (iii) CIMB Bank Berhad;
- (iv) HSBC Bank Malaysia Berhad;
- (v) Malayan Banking Berhad;
- (vi) Public Bank Berhad;
- (vii) RHB Bank Berhad; or
- (viii) Standard Chartered Bank Malaysia Berhad (at selected branches only).

### 17.5.3 Terms and conditions for Electronic Share Applications

The procedures for Electronic Share Applications at ATMs of the Participating Financial Institutions are set out on the ATM screens of the relevant Participating Financial Institutions (the "**Steps**"). You must complete all the Steps and follow the instructions set out on the ATM screen to complete an Electronic Share Application. You are advised to read and understand the terms of this Prospectus, the Steps and the terms and conditions for Electronic Share Application set out below before making an Electronic Share Application. Any reference to "applicant/you" in the terms and conditions for Electronic Share Application and the Steps shall mean the applicant who applies for the IPO Shares through an ATM of any of the Participating Financial Institutions.

If you are an individual, you must have a CDS account to be eligible to use the Electronic Share Application. The CDS account must be in your own name. Invalid, nominee or third party CDS account will not be accepted.

You must have an existing bank account with, and be an ATM cardholder of, one (1) of the Participating Financial Institutions before you can make an Electronic Share Application at an ATM of that Participating Financial Institution. Upon the completion of your Electronic Share Application transaction, you will receive a computer-generated transaction slip ("**Transaction Record**"), confirming the details of your Electronic Share Application. The Transaction Record is a record that you have completed a transaction at the ATM and not a record that MIH or us have received any part of your application. Do not submit your Transaction Record with any Application Form. It is for your own retention.

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

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Upon the closing of the offer for the application for the IPO Shares, on 23 October 2013 at 5.00 p.m. ("**Closing Date and Time**"), the Participating Financial Institutions shall submit a magnetic tape containing its respective customers' applications for the IPO Shares to MIH as soon as practicable but not later than 12.00 p.m. of the second (2<sup>nd</sup>) business day after the Closing Date and Time.

You are allowed to make an Electronic Share Application for the IPO Shares via an ATM that accepts the ATM cards of the Participating Financial Institutions with which you have an account and its branches, subject to you making only one (1) application.

**You must ensure that you use your own CDS account number when applying for the IPO shares, if you operate a joint account with any of the Participating Financial Institutions. You must ensure that you enter your own CDS account number when using an ATM card issued to you in your own name. Your application will be rejected if you fail to comply with the foregoing conditions.**

The Electronic Share Application shall be made on, and subject to, the terms and conditions contained herein as well as the terms and conditions appearing below:

- (i) The Electronic Share Application shall be made in connection with and subject to the terms of this Prospectus and our M&A;
- (ii) You will have to confirm and undertake that the following statements are true and correct (by pressing predesignated keys (or buttons) on the ATM keyboard):
  - (a) You are at least 18 years of age as at the Closing Date and Time of the IPO Share application;
  - (b) You are a Malaysian citizen residing in Malaysia;
  - (c) You have read the Prospectus and understood and agreed with the terms and conditions of this application;
  - (d) This is the only application that you are submitting; and
  - (e) You give consent to the Participating Financial Institution and Bursa Depository to disclose information pertaining to yourself and your account with the Participating Financial Institutions and Bursa Depository to MIH and other relevant authorities.

The application will not be successfully completed and cannot be recorded as a completed transaction at the ATM unless you complete all the Steps required by the Participating Financial Institutions. By doing so, you will be treated as signifying your confirmation of each of the above statements as well as giving consent in accordance with the relevant laws of Malaysia including Section 97 of the Banking and Financial Institutions Act, 1989 and Section 45 of the Securities Industry (Central Depositories) Act, 1991 to the disclosure by the relevant Participating Financial Institutions or Bursa Depository, as the case may be, of any of your particulars to MIH or any relevant regulatory bodies;

- (iii) You confirm that you are not applying for the IPO Shares as a nominee of any other persons and that your Electronic Share Application is made on your own account as a beneficial owner. You will only make one (1) Electronic Share Application and shall not make any other application for the IPO Shares, whether at the ATMs of any Participating Financial Institutions, using the prescribed Application Forms or via Internet Share Application;

**17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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- (iv) You must have sufficient funds in your bank account with the relevant Participating Financial Institutions at the time you make the Electronic Share Application, failing which your Electronic Share Application will not be completed. Any Electronic Share Application, which does not strictly conform to the instructions set out on the screens of the ATM through which the Electronic Share Application is being made, will be rejected;
- (v) You agree and undertake to subscribe for or purchase and to accept the number of IPO Shares applied for as stated on the Transaction Record or any lesser number of IPO Shares that may be allotted or allocated to you in respect of your Electronic Share Application. In the event that we decide to allot or allocate any lesser number of such IPO Shares or not to allot or allocate any IPO Shares to you, you agree to accept any such decision as final. If your Electronic Share Application is successful, your confirmation (by action of pressing the designated key or button on the ATM) of the number of IPO Shares applied for shall signify, and shall be treated as, your acceptance of the number of IPO Shares that may be allotted or allocated to you and to be bound by our M&A;
- (vi) MIH on the authority of our Directors and the Selling Shareholders, reserves the right to reject or accept any Electronic Share Application in whole or in part without giving any reason. Due consideration will be given to the desirability of allotting or allocating the IPO Shares to a reasonable number of applicants with a view to establishing an adequate market for the IPO Shares;
- (vii) If your Electronic Share Application is not successful or successful in part only, MIH shall inform the relevant Participating Financial Institutions of the non-successful or partially successful applications within two (2) Market Days after the balloting date. The relevant Participating Financial Institutions will credit the full amount of the application monies or the balance of it (as the case may be) in RM (without interest or any share of revenue or other benefit arising therefrom) into your account with that Participating Financial Institution within two (2) Market Days after the receipt of confirmation from MIH. You may check your account on the fifth (5<sup>th</sup>) Market Day from the balloting day.

Where an Electronic Share Application is accepted in part only, the relevant Participating Financial Institutions will credit the balance of the application monies without interest into your account with the Participating Financial Institution within two (2) Market Days after the receipt of confirmation from MIH. A number of applications will be held in reserve to replace any successfully balloted applications, which are subsequently rejected. The application monies relating to these applications which are subsequently rejected, will be refunded (without interest or any share of revenue or other benefit arising therefrom) by crediting into your account with the Participating Financial Institutions not later than 10 Market Days from the date of the final ballot.

If you encounter any problems in your applications, you may refer to the Participating Financial Institutions;

- (viii) You request and authorise us:
  - (a) to credit the IPO Shares allotted or allocated to you into your CDS account; and
  - (b) to issue share certificate(s) representing such IPO Shares allotted in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send the same to Bursa Depository;

**17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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- (ix) You, acknowledging that the Electronic Share Application is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events which are not in our control, or the control of, MIH the Participating Financial Institutions or Bursa Depository, irrevocably agree that if:
- (a) We or MIH do/does not receive your Electronic Share Application; and
  - (b) Your application data relating to your Electronic Share Application is wholly or partially lost, corrupted or inaccessible to us or, MIH or not transmitted or communicated to us or MIH,
- you shall be deemed not to have made an Electronic Share Application and shall not claim whatsoever against us, MIH, the Participating Financial Institutions or Bursa Depository for the IPO Shares applied for or for any compensation, loss or damage arising from it;
- (x) All of your particulars in the records of the relevant Participating Financial Institution at the time you make your Electronic Share Application shall be deemed to be true and correct, and we, MIH and the relevant Participating Financial Institution shall be entitled to rely on the accuracy thereof;
- (xi) You shall ensure that your personal particulars as recorded by both Bursa Depository and the relevant Participating Financial Institutions are correct and identical. Otherwise, the Electronic Share Application is liable to be rejected. You must inform Bursa Depository promptly of any change in address failing which the notification letter of successful allocation will be sent to your registered or correspondence address last maintained with Bursa Depository;
- (xii) By making and completing an Electronic Share Application, you agree that:
- (a) in consideration of our Company making available the Electronic Share Application facility to you, through the Participating Financial Institutions at their respective ATMs, your Electronic Share Application is irrevocable;
  - (b) we, MIH, the Participating Financial Institutions and Bursa Depository shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your Electronic Share Application to us due to a breakdown or failure of transmission or communication facilities or to any cause beyond our/ their control;
  - (c) notwithstanding the receipt of any payment by us or on our behalf, the acceptance of your offer to subscribe for and purchase the IPO Shares for which your Electronic Share Application has been successfully completed shall be constituted by the issue of notice of allotment by us or our behalf for prescribed securities in respect of the IPO Shares;
  - (d) you irrevocably authorise Bursa Depository to complete and sign on your behalf as transferee or renounce any instrument of transfer and/or other documents required for the issue or transfer of the IPO Shares allotted to you; and

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (e) you agree that in the event of legal disputes arising from the use of the Electronic Share Application, our mutual rights, obligations and liabilities shall be determined under the laws of Malaysia and be bound by the decisions of the Courts of Malaysia;
- (xiii) If you are successful in your Electronic Share Application, our Directors and the Selling Shareholders, reserve the right to require you to appear in person at the registered office of MIH within 14 days of the date of the notice issued to you to ascertain your application is genuine and valid. Our Directors and the Selling Shareholders are not responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision;
- (xiv) MIH, on the authority of our Directors and the Selling Shareholders, reserves the right to reject applications which do not conform to these instructions; and
- (xv) The following processing fee per Electronic Share Application will be charged by the respective Participating Financial Institutions:
- Affin Bank Berhad – No fee will be charged for application by their account holders;
  - Ambank (M) Berhad – RM1.00;
  - CIMB Bank Berhad – RM2.50;
  - HSBC Bank Malaysia Berhad – RM2.50;
  - Malayan Banking Berhad – RM1.00;
  - Public Bank Berhad – RM2.00;
  - RHB Bank Berhad – RM2.50; or
  - Standard Chartered Bank Malaysia Berhad (at selected branches only) – RM2.50

### 17.6 Application via Internet Share Application

#### 17.6.1 Steps for Internet Share Application through an Internet Participating Financial Institution

The exact steps for Internet Share Application for the IPO Shares are as set out on the Internet financial services websites of the Internet Participating Financial Institutions.

For illustration purposes only, we have set out below the possible steps of an application for the IPO Shares using Internet Share Application.

**Please note that the actual steps for internet share applications contained in the internet financial services websites of the Internet Participating Financial Institutions may differ from the steps outlined below.**

- (i) Connect to the Internet financial services website of the Internet Participating Financial Institution with which you have an account. You are advised not to apply for the IPO Shares through any website other than the Internet financial services website of the Internet Participating Financial Institution;

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

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- (ii) Log in to the Internet financial services facility by entering your user identification and PIN/password;
- (iii) Navigate to the section of the website on applications in respect of our IPO;
- (iv) Select the counter in respect of the IPO Shares to launch the Electronic Prospectus and the terms and conditions of the Internet Share Application;
- (v) Select the designated hyperlink on the screen to accept the abovementioned terms and conditions, having read and understood such terms and conditions;
- (vi) At the next screen, complete the online application form;
- (vii) Check that the information contained in the online application form such as the share counter, NRIC number, CDS account number, number of IPO Shares applied for and the account number to debit are correct, and select the designated hyperlink on the screen to confirm and submit the online application form;
- (viii) After selecting the designated hyperlink on the screen, you will confirm and undertake that the following mandatory statements are true and correct:
  - (a) You are at least 18 years of age as at the Closing Date and Time of the IPO Share application;
  - (b) You are a Malaysian citizen residing in Malaysia;
  - (c) You have, prior to making the Internet Share Application, received and/or have had access to a printed/electronic copy of this Prospectus, the contents of which you have read and understood;
  - (d) You agree to all the terms and conditions of the Internet Share Application as set out in this Prospectus and have carefully considered the risk factors set out in this Prospectus, in addition to all other information contained in this Prospectus before making the Internet Share Application for the IPO Shares;
  - (e) The Internet Share Application is the only application that you are submitting for the IPO Shares;
  - (f) You authorise the Internet Participating Financial Institution or the Authorised Financial Institution to deduct the full amount payable for the IPO Shares from your account with the Internet Participating Financial Institution or the Authorised Financial Institution;
  - (g) You give your express consent in accordance with the relevant laws of Malaysia (including but not limited to Section 99 of the Banking and Financial Institutions Act, 1989 and Section 45 of the Securities Industry (Central Depositories) Act, 1991) to the disclosure by the Internet Participating Financial Institution, the Authorised Financial Institution and/or Bursa Depository, as the case may be, of information pertaining to you, the Internet Share Application made by you or your account with the Internet Participating Financial Institution, to MIH and the Authorised Financial Institution, the SC and any other relevant authority;

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

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- (h) You are not applying for the IPO Shares as a nominee of any other persons and the application is made in your own name as a beneficial owner and subject to the risks referred to in this Prospectus; and
- (i) You authorise the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, us, Bursa Securities or other relevant parties in connection with the IPO Shares, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institutions, necessary for the provision of the Internet Share Application services or if such disclosure is requested or required in connection with the IPO Shares. Further, the Internet Participating Financial Institutions will take reasonable precautions to preserve the confidentiality of information furnished by you to the Internet Participating Financial Institutions in connection with the use of the Internet Share Application services.
- (ix) Upon submission of the online application form, you will be linked to the website of the Authorised Financial Institution to effect the online payment of your application of the IPO Shares.
- (x) As soon as the transaction is completed, a message from the Authorised Financial Institution pertaining to the payment status will appear on the screen on the website through which the online payment for the application of the IPO Shares is being made.
- (xi) Subsequent to the above, the Internet Participating Financial Institutions shall confirm that the Internet Share Application has been completed, via the Confirmation Screen on its website.
- (xii) You are advised to print out the Confirmation Screen for reference and retention.

### 17.6.2 Terms and conditions of Internet Share Application

Your application for the IPO Shares may be made through the Internet financial services websites of the Internet Participating Financial Institutions.

**Applicants are advised not to apply for the IPO Shares through any website other than the internet financial services website of the Internet Participating Financial Institutions.**

Internet Share Applications may be made through the Internet financial services websites of the following Internet Participating Financial Institutions:

- (i) Affin Bank Berhad at [www.affinOnline.com](http://www.affinOnline.com); or
- (ii) CIMB Bank Berhad at [www.cimbclicks.com.my](http://www.cimbclicks.com.my); or
- (iii) CIMB Investment Bank Berhad at [www.eipocimb.com](http://www.eipocimb.com); or
- (iv) Malayan Banking Berhad at [www.maybank2u.com.my](http://www.maybank2u.com.my) (via hyperlink to Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com)); or

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

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- (v) Public Bank Berhad at [www.pbebank.com](http://www.pbebank.com) (via hyperlink to Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com)); or
- (vi) RHB Bank Berhad at [www.rhb.com.my](http://www.rhb.com.my) (via hyperlink to Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com)).

Please read the terms of this prospectus, terms and conditions for internet share application and the procedures set out in the internet financial services website of the Internet Participating Financial Institutions, before you make an Internet Share Application.

The exact terms and conditions and its sequence for the internet share applications in respect of the IPO Shares are as set out on the internet financial services websites of the Internet Participating Financial Institutions.

Please note that the actual terms and conditions outlined below supplement the additional terms and conditions for Internet Share Application contained in the internet financial services websites of the Internet Participating Financial Institutions.

An Internet Share Application shall be made on and shall be subject to the terms and conditions set out below:

- (i) In order to make an Internet Share Application, you must:
  - (a) be an individual with a CDS account and in the case of a joint account an individual CDS account registered in your name which is to be used for the purpose of the application if you are making the application instead of a CDS account registered in the joint account holder's name;
  - (b) have an existing account with access to Internet financial services facilities with an Internet Participating Financial Institution. You must have ready your user identification and PIN/password for the relevant Internet financial services facilities; and
  - (c) be a Malaysian citizen and have a Malaysian address.

You are advised to note that the User Identification and PIN/password issued by one of the Internet Participating Financial Institutions cannot be used to apply for the IPO Shares at Internet financial service websites of other Internet Participating Financial Institutions;

- (ii) An Internet Share Application shall be made on and shall be subject to the terms and conditions of this Prospectus and our M&A;
- (iii) You are required to confirm the following statements (by selecting the designated hyperlink on the relevant screen of the Internet financial services websites of the Internet Participating Financial Institutions), and to undertake that the following information given are true and correct:
  - (a) You have attained 18 years of age as at the date of the application for the IPO Shares;
  - (b) You are a Malaysian citizen residing in Malaysia;
  - (c) You have, prior to making the Internet Share Application, received and/or have had access to a printed/electronic copy of this Prospectus, the contents of which you have read and understood;



## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (*Cont'd*)

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- (d) You agree to all the terms and conditions of the Internet Share Application as set out in the Prospectus and have carefully considered the risk factors set out in this Prospectus, in addition to all other information contained in this Prospectus before making the Internet Share Application for the IPO Shares;
  - (e) The Internet Share Application is the only application that you are submitting for the IPO Shares;
  - (f) You authorise the Internet Participating Financial Institution or the Authorised Financial Institution to deduct the full amount payable for the IPO Shares from your account with the Internet Participating Financial Institution or the Authorised Financial Institution;
  - (g) You give your express consent in accordance with the relevant laws of Malaysia (including but not limited to Section 99 of the Banking and Financial Institutions Act, 1989 and Section 45 of the Depositories Act to the disclosure by the Internet Participating Financial Institutions, the Authorised Financial Institutions and/or Bursa Depository, as the case may be, of information pertaining to you, the Internet Share Application made by you or your account with the Internet Participating Financial Institution, to MIH and the Authorised Financial Institution, the SC and any other relevant authority;
  - (h) You are not applying for the IPO Shares as a nominee of any other persons and the application is made in your own name, as a beneficial owner and subject to the risks referred to in this Prospectus; and
  - (i) You authorise the Internet Participating Financial Institutions to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, us, Bursa Securities or other relevant parties in connection with the IPO Shares, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer are, in the reasonable opinion of the Internet Participating Financial Institutions, necessary for the provision of the Internet Share Application services or if such disclosure is requested or required in connection with the IPO Shares. Further, the Internet Participating Financial Institutions will take reasonable precautions to preserve the confidentiality of information furnished by you to the Internet Participating Financial Institutions in connection with the use of the Internet Share Application services;
- (iv) Your application will not be successfully completed and cannot be recorded as a completed application unless you have completed all relevant application steps and procedures for the Internet Share Application which would result in the Internet financial services website displaying the Confirmation Screen.

For the purposes of this section of the Prospectus, "Confirmation Screen" shall mean the screen which appears or is displayed on the Internet financial services website, which confirms that the Internet Share Application has been completed and states the details of your Internet Share Application, including the number of the IPO Shares applied for, which can be printed out by you for your records.

Upon the display of the Confirmation Screen, you shall be deemed to have confirmed the truth of the statements set out in Section 17.6.2 above;

**17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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- (v) You must have sufficient funds in your account with the Internet Participating Financial Institution or the Authorised Financial Institution at the time of making the Internet Share Application, to cover and pay for the IPO Shares and the related processing fees, charges and expenses, if any, to be incurred, failing which the Internet Share Application will not be deemed complete, notwithstanding the display of the Confirmation Screen. Any Internet Share Application which does not strictly conform to the instructions set out in this Prospectus or any instructions displayed on the screens of the Internet financial services website through which the Internet Share Application is made, shall be rejected;
- (vi) You irrevocably agree and undertake to subscribe for and to accept the number of IPO Shares applied for as stated on the Confirmation Screen or any lesser number of such IPO Shares that may be allotted or allocated to you. In the event that we decide to allot or allocate any lesser amount of IPO Shares or not to allot or allocate any IPO Shares to you, you agree to accept our decision as final.

In the course of completing the Internet Share Application on the website of the Internet Participating Financial Institution, your confirmation of the number of IPO Shares applied for (by way of your action of clicking the designated hyperlink on the relevant screen of the website) shall be deemed to signify and shall be treated as:

- (a) your acceptance of the number of IPO Shares that may be allotted or allocated to you in the event that your Internet Share Application is successful or successful in part, as the case may be; and
- (b) your agreement to be bound by our M&A;
- (vii) You are fully aware that multiple or suspected multiple Internet Share Applications for the IPO Shares will be rejected. MIH on the authority of our Directors and the Selling Shareholders, reserves the right to reject or accept any Internet Share Application in whole or in part without assigning any reason thereof. Due consideration will be given to the desirability of allotting or allocating the IPO Shares to a reasonable number of applicants with a view to establishing an adequate market for our Shares;
- (viii) If your Internet Share Application is unsuccessful or partially successful, MIH shall inform the relevant Internet Participating Financial Institutions of the unsuccessful or partially successful Internet Share Applications within two (2) Market Days after the balloting date. The Internet Participating Financing Institution will credit or arrange with the Authorised Financial Institution to credit the full amount of the application monies or the balance of it (as the case may be) in RM (without interest or any share of revenue or other benefit arising therefrom) into your account with the Internet Participating Financial Institution or the Authorised Financial Institution within two (2) Market Days after receipt of written confirmation from MIH.

A number of applications will be reserved to replace any successfully balloted applications that are subsequently rejected. The application monies relating to these applications which are subsequently rejected, will be refunded (without interest or any share of revenue or other benefit arising from the application monies crediting into your account with the Participating Financial Institutions not later than 10 Market Days from the date of the final ballot.

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (*Cont'd*)

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For applications that are held in reserve and are subsequently unsuccessful (or only partly successful), the Internet Participating Financial Institutions will credit the application monies (or any part thereof but without interest or any share of revenue or other benefit arising therefrom) into your account within two (2) Market Days after receipt of written confirmation from MIH.

Except where MIH is required to refund application monies, it is the sole responsibility of the Internet Participating Financial Institutions to ensure the timely refund of application monies from unsuccessful or partially successful Internet Share Applications. Therefore, you are strongly advised to consult with the Internet Participating Financial Institutions through which your application was made in respect of the mode or procedure of enquiring on the status of your Internet Share Application in order to determine the status or exact number of the IPO Shares allotted, if any, before trading of our Shares on the Bursa Securities;

- (ix) Internet Share Applications will be closed at 5.00 p.m. on 23 October 2013 or such other date(s) as our Directors, the Selling Shareholders and the Underwriter may in their absolute discretion mutually decide. An Internet Share Application is deemed to be received only upon its completion that is when the Confirmation Screen is displayed on the Internet financial services website. You are advised to print out and retain a copy of the Confirmation Screen for record purposes. Late Internet Share Applications will not be accepted;
- (x) You irrevocably agree and acknowledge that the Internet Share Application is subject to the risk of electrical, electronic, technical, transmission and communication and computer related faults and breakdowns, fires and other events which are not in our control, or the control of MIH, the Internet Participating Financial Institutions and the Authorised Financial Institutions. If we, MIH, the Internet Participating Financial Institutions and/or the Authorised Financial Institutions do not receive your Internet Share Application and/or the payment, or if any data relating to the Internet Share Application or the tape or any other devices containing such data is wholly or partially lost, corrupted, destroyed or otherwise not accessible for any reason, you shall be deemed not to have made an Internet Share Application and you shall have no claim whatsoever against us, MIH or the Internet Participating Financial Institutions and the Authorised Financial Institutions in relation to the IPO Shares applied for or for any compensation, loss or damage arising from it;
- (xi) All of your particulars in the records of the relevant Internet Participating Financial Institutions at the time of the Internet Share Application shall be deemed to be true and correct, and we, MIH, the Internet Participating Financial Institutions and all other persons who, are entitled or allowed under the law to such information or where you expressly consent to the provision of such information shall be entitled to rely on the accuracy thereof.

You shall ensure that your personal particulars as recorded by both Bursa Depository and the Internet Participating Financial Institutions are correct and identical, otherwise your Internet Share Application is liable to be rejected. The notification letter on successful allotment will be sent to your address last registered with Bursa Depository. It is your responsibility to notify the Internet Participating Financial Institution and Bursa Depository of any changes in your personal particulars that may occur from time to time;

**17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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- (xii) By making and completing an Internet Share Application, you are deemed to have, agreed that:
- (a) in consideration of us making available the Internet Share Application facility to you, through the Internet Participating Financial Institutions acting as our agents, the Internet Share Application is irrevocable;
  - (b) you have irrevocably requested and authorised us to register the IPO Shares allotted to you for deposit into your CDS account;
  - (c) neither us nor the Internet Participating Financial Institutions, shall be liable for any delay, failure or inaccuracy in the recording, storage or transmission or delivery of data relating to the Internet Share Application to MIH and Bursa Depository due to any breakdown or failure of transmission, delivery or communication facilities or due to any risk referred to in Section 17.6.2 (x) herein or to any cause beyond our/their control;
  - (d) you shall hold the Internet Participating Financial Institutions harmless from any damages, claims or losses whatsoever, as a consequence of or arising from any rejection of your Internet Share Application by us, MIH and/or the Internet Participating Financial Institutions for reasons of multiple applications, suspected multiple applications, inaccurate and/or incomplete details provided by you, or any other cause beyond the control of the Internet Participating Financial Institutions;
  - (e) the acceptance of your offer to subscribe for and the purchase of the IPO Shares for which your Internet Share Application has been successfully completed shall be constituted by the issue of a notice of allotment by us or our behalf for prescribed securities in respect of the IPO Shares, notwithstanding the receipt of any payment by us or on our behalf;
  - (f) you are not entitled to exercise any remedy of rescission for misrepresentation at any time after we have accepted your Internet Share Application;
  - (g) in making the Internet Share Application, you have relied solely on the information contained in this Prospectus. We, the Underwriter and Adviser and any other person involved in our IPO shall not be liable for any information not contained in this Prospectus which may have been relied on by you in making the Internet Share Application; and
  - (h) our acceptance of your Internet Share Application and the contract resulting from our IPO shall be governed by and construed in accordance with the laws of Malaysia, and you irrevocably submit to the jurisdiction of the courts of Malaysia; and

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (xiii) The processing fee per Internet Share Application will be charged by the respective financial institutions as follows:
- (a) Affin Bank Berhad ([www.affinOnline.com](http://www.affinOnline.com)) - No fees will be charged for application by their account holders
  - (b) CIMB Bank Berhad ([www.cimbclicks.com.my](http://www.cimbclicks.com.my)) - RM2.00 for applicants with CDS account held with CIMB Investment Bank Berhad and RM2.50 for applicants with CDS accounts with other ADAs;
  - (c) CIMB Investment Bank Berhad ([www.eipocimb.com](http://www.eipocimb.com)) - RM2.00 for payment via CIMB Bank Berhad or via Malayan Banking Berhad;
  - (d) Malayan Banking Berhad ([www.maybank2u.com.my](http://www.maybank2u.com.my)) - RM1.00;
  - (e) Public Bank Berhad ([www.pbepbank.com](http://www.pbepbank.com)) - RM2.00; and
  - (f) RHB Bank Berhad ([www.rhb.com.my](http://www.rhb.com.my)) - RM2.50.

### 17.7 Application and acceptance

MIH, on the authority of our Directors and the Selling Shareholders, reserves the right to reject any application which does not strictly comply with the instructions or to accept any application in part only without giving any reason.

The submission of an Application Form does not necessarily mean that the application will be successful.

#### **ALL APPLICATIONS MUST BE FOR AT LEAST 100 SHARES OR MULTIPLES THEREOF.**

In the event of an over-subscription of the Public Issue, MIH will conduct a ballot in a fair and equitable manner as approved by our Directors and the Selling Shareholders to determine acceptance of applications. In determining the manner of balloting, our Directors and the Selling Shareholders will consider the desirability of distributing the IPO Shares, to a reasonable number of applicants for the purpose of broadening our shareholding base and establishing an adequate market in the trading of our Shares.

Pursuant to the Listing Requirements, we need at least 25% of our enlarged issued and paid-up share capital to be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each upon our Listing. We expect to achieve this at the point of our Listing. However, if the above requirement is not met pursuant to our IPO, we may not be allowed to proceed with our Listing. Then, monies paid in respect of all applications will be returned without interest.

Any IPO Shares not taken up by our eligible Directors, employees, business associates and persons who have contributed to the success of our Group shall be reallocated to our other eligible Directors, employees, business associates and persons who have contributed to the success of our Group. Thereafter, any of the reallocated IPO Shares which are not taken up by other eligible Directors, employees, business associates and persons who have contributed to the success of our Group will be made available for application by the Malaysian Public at the IPO Price under the Retail Offering.

If there is an under-application in the Retail Offering and a corresponding over-application in the Institutional Offering, the IPO Shares may be clawed back from the Retail Offering and allocated to the Institutional Offering.

The clawback and reallocation provisions shall not apply in the event there is an over-application in the Retail Offering.

The Issue Shares under the Retail Offering not applied for after being subject to the provisions above shall be underwritten.

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (*Cont'd*)

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If your application via application form is unsuccessful or successful in part only, the full amount or the balance of the application monies, as the case may be, will be refunded to you without interest, and despatched by ordinary post or registered post to you within 10 Market Days from the date of the final ballot of the application to your address last maintained with Bursa Depository, at your own risk.

MIH on the authority of our Directors and the Selling Shareholders, reserves the right to bank in all application monies from unsuccessful Bumiputera applicants and partially successful Bumiputera applicants, which would subsequently be refunded without interest, and despatched by ordinary post or registered without interest, and despatched by ordinary post or registered post within 10 Market Days from the date of the final ballot of the application to their addresses last maintained with Bursa Depository, at your own risk.

No application shall be deemed to have been accepted by reason of the remittance being presented for payment.

### 17.8 CDS account

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act 1991, Bursa Securities has prescribed our Shares as Prescribed Securities. In consequence thereof, our Shares offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the Securities Industry (Central Depository) Act, 1991 and Rules of Bursa Depository.

Following the above, in accordance with Section 29 of the Securities Industry (Central Depositories) Act, 1991, all dealings in our Shares will be by book entries through CDS accounts. No share certificates will be issued to successful applicants.

If you make an application by way of Application Form, you must have a CDS account. You should state your CDS account number in the space provided on the Application Form and shall be deemed to have authorised Bursa Depository to disclose information pertaining to your CDS account to MIH or us, and any relevant regulatory bodies (as the case may be). If you do not presently have a CDS account, you should open a CDS account at an ADA prior to making an application for the IPO Shares.

In the case of an application by way of Electronic Share Application, you must have a CDS account. You must furnish your CDS account number to the Participating Financial Institution by way of keying in your CDS account number when the instructions on the ATM screen at which you enter your Electronic Share Application requires you to do so.

If you make an application by way of Internet Share Application, you must have a CDS account. In certain cases, you can only make an Internet Share Application if you have a CDS account opened with the Internet Participating Financial Institutions. Subsequently, your CDS account number would automatically appear in the electronic online application form.

**Failure to comply with the specific instructions or inaccuracy in the CDS account number arising from the use of invalid, third party or nominee accounts, may result in the application being rejected. If you are successful in your application but fail to state your CDS account number, MIH on the authority of our Directors and the Selling Shareholders, reserves the right to reject your application. Applications may also be rejected if your particulars provided in the Application Form, or your records with the Participating Financial Institutions (in the case of Electronic Share Application) or Internet Participating Financial Institutions (in the case of Internet Share Application) differ from those in Bursa Depository's records such as your identity card number, name and nationality.**

## **17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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### **17.9 Notice of allotment**

If you are successful or partially successful in your application, our Shares allotted to you will be credited to your CDS account. We will not be issuing any share certificate to you. A notice of allotment will be despatched to you at your address last maintained with Bursa Depository, at your own risk, prior to our Listing. This is your only acknowledgement of acceptance of the application. For Electronic Share Application or Internet Share Application, the notice of allotment will be despatched to the successful or partially successful applicant at his/her address last maintained with Bursa Depository at the applicant's own risk prior to our Listing. This is the only acknowledgement of the application.

You must inform Bursa Depository of your updated address promptly by adhering to certain rules and regulation of Bursa Depository, failing which, the notification letter on your successful or partially successful allotment shall be sent to your registered or correspondence address last maintained with Bursa Depository.

### **17.10 Enquiries**

You may contact MIH if you have any queries on the White Application Form at 03-7841 8000 or 03-7841 8289. If you have enquiry with regards to your Electronic Share Application, you may refer to the relevant Participating Financial Institution. If you have any enquiry with regards to your Internet Share Application, you may refer to the relevant Internet Participating Financial Institution and Authorised Financial Institution.

If you are applying for the IPO Shares as a Malaysian public under our IPO, you may check the status of your application by logging onto MIH's website at [www.mih.com.my](http://www.mih.com.my) or by calling your ADAs at the telephone number stated in Section 17.11 of this Prospectus or MIH at 03-7841 8000 or 03-7841 8289 between five (5) to 10 Market Days after the balloting date.

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**17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)****17.11 List of ADAs**

The list of ADAs and their respective broker codes are as follows:

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
<b>KUALA LUMPUR</b>		
AFFIN INVESTMENT BANK BERHAD	Ground Mezzanine 3rd Floor, Chulan Tower No.3, Jalan Conlay 50450 Kuala Lumpur Tel No.: 03-2143 8668	028-001
AFFIN INVESTMENT BANK BERHAD	38A & 40A Jalan Midah 1 Taman Midah Cheras 56000 Kuala Lumpur Tel No.: 03-9130 8803	028-005
ALLIANCE INVESTMENT BANK BERHAD	17th Floor, Menara Multi-Purpose Capital Square 8 Jalan Munshi Abdullah 50100 Kuala Lumpur Tel No.: 03-2697 6333	076-001
AMINVESTMENT BANK BERHAD	15th Floor, Bangunan AmBank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur Tel No.: 03-2078 2788	086-001
BIMB SECURITIES SDN BHD	32nd Floor, Menara Multi-Purpose Capital Square No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel No.: 03-2691 8887	024-001
CIMB INVESTMENT BANK BERHAD	9th Floor, Commerce Square Jalan Semantan, Damansara Heights 50490 Kuala Lumpur Tel No.: 03-2084 9999	065-001
HONG LEONG INVESTMENT BANK BERHAD	Level 8, Menara HLA No. 3, Jalan Kia Peng 50450 Kuala Lumpur Tel No.: 03-2164 8228	066-001
HONG LEONG INVESTMENT BANK BERHAD	Level 18-21, Menara Raja Laut 288, Jalan Raja Laut 50350 Kuala Lumpur Tel No.: 2692 8899	066-006



## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

<u>Name</u>	<u>Address and telephone number</u>	<u>Broker code</u>
HWANGDBS INVESTMENT BANK BERHAD	2nd Floor, Bangunan AHP No. 2, Jalan Tun Mohd Fuad 3 Taman Tun Dr. Ismail 60000 Kuala Lumpur Tel No.: 03-7710 6688	068-009
HWANGDBS INVESTMENT BANK BERHAD	7th, 22nd 23rd & 23A Floor Menara Keck Seng 203 Jalan Bukit Bintang 55100 Kuala Lumpur Tel No.: 03-2711 6888	068-014
HWANGDBS INVESTMENT BANK BERHAD	No. 57-10 Level 10 The Boulevard, Mid Valley City Lingkar Syed Putra 59000 Kuala Lumpur Tel No.: 03-2287 2273	068-017
INTER-PACIFIC SECURITIES SDN BHD	Ground Floor, 7-0-8 Jalan 3/109F Danau Business Centre, Danau Desa 58100 Kuala Lumpur Tel No.: 03-7984 7796	054-003
INTER-PACIFIC SECURITIES SDN BHD	Stesyen Minyak SHELL Jalan 1/116B, Off Jalan Kuchai Lama Kuchai Entrepreneur Park 58200 Kuala Lumpur Tel No.: 03-7981 8811	054-005
INTER-PACIFIC SECURITIES SDN BHD	West Wing, Level 13 Berjaya Times Square No. 1, Jalan Imbi 55100 Kuala Lumpur Tel No.: 03-2117 1888	054-001
JUPITER SECURITIES SDN BHD	7th-9th Floor, Menara Olympia 8, Jalan Raja Chulan 50200 Kuala Lumpur Tel No.: 03-2034 1888	055-001
KAF-SEAGROATT & CAMPBELL SECURITIES SDN BHD	11th - 14th Floor, Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Tel No.: 03-2168 8800	053-001
KENANGA INVESTMENT BANK BERHAD	1st Floor, Wisma Genting Jalan Sultan Ismail 50250 Kuala Lumpur Tel No.: 03-2178 1133	073-029

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

<u>Name</u>	<u>Address and telephone number</u>	<u>Broker code</u>
KENANGA INVESTMENT BANK BERHAD	Ground, Mezzanine, 1 <sup>st</sup> & 2 <sup>nd</sup> Floor (West & Center Wing) & 1 <sup>st</sup> Floor East Wing Bangunan ECM Libra 8, Jalan Damansara Endah Damansara Heights 50490 Kuala Lumpur Tel No.: 03-2089 2888	073-021
KENANGA INVESTMENT BANK BERHAD	8th Floor, Kenanga International Jalan Sultan Ismail 50250 Kuala Lumpur Tel No.: 03-2164 9080	073-001
M & A SECURITIES SDN BHD	Level 1-2, No. 45 & 47 The Boulevard, Mid Valley City Lingkar Syed Putra 59200 Kuala Lumpur Tel No.: 03-2282 1820	057-002
MAYBANK INVESTMENT BANK BERHAD	5-13 Floor, MaybanLife Tower Dataran Maybank No. 1, Jalan Maarof 59000 Kuala Lumpur Tel No.: 03-2297 8888	098-001
MERCURY SECURITIES SDN BHD	L-7-2, No. 2 Jalan Solaris Solaris Mont' Kiara 50480 Kuala Lumpur Tel No.: 03-6203 7227	093-002
MIDF AMANAH INVESTMENT BANK BERHAD	11th & 12th Floor, Menara MIDF 82 Jalan Raja Chulan 50200 Kuala Lumpur Tel No.: 03-2173 8888	026-001
PM SECURITIES SDN BHD	Ground, Mezzanine, 1st & 10th Floor Menara PMI No. 2, Jalan Changkat Ceylon 50200 Kuala Lumpur Tel No.: 03-2146 3000	064-001
PUBLIC INVESTMENT BANK BERHAD	27th Floor, Public Bank Building No. 6, Jalan Sultan Sulaiman 50000 Kuala Lumpur Tel No.: 03-2031 3011	051-001
RHB INVESTMENT BANK BERHAD	20th Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Tel No.: 03-2333 8333	087-018

**17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
RHB INVESTMENT BANK BERHAD	No 62 & 64, Vista Magna Jalan Prima, Metro Prima 52100 Kuala Lumpur Tel No.: 03-6257 5869	087-028
RHB INVESTMENT BANK BERHAD	No. 5 & 7 Jalan Pandan Indah 4/33 Pandan Indah 55100 Kuala Lumpur Tel No.: 03-4280 4798	087-054
RHB INVESTMENT BANK BERHAD	Ground, 1st, 2nd & 3rd Floor No. 55, Zone J4 Jalan Radin Anum Bandar Baru Seri Petaling 57000 Kuala Lumpur Tel No.: 03-9058 7222	087-058
RHB INVESTMENT BANK BERHAD	Level 9, Tower Three RHB Centre, Jalan Tun Razak 50400 Kuala Lumpur Tel No.: 03-9287 3888	087-001
TA SECURITIES HOLDINGS BERHAD	Floor 13-16, 23, 28-30, 34 & 35 Menara TA One No. 22, Jalan P. Ramlee 50250 Kuala Lumpur Tel No.: 03-2072 1277	058-003
UOB KAY HIAN SECURITIES (M) SDN BHD	N3, Plaza Damas 60, Jalan Sri Hartamas 1 Sri Hartamas 50480 Kuala Lumpur Tel No.: 03-6201 1155	078-004
<b>SELANGOR DARUL EHSAN</b>		
AFFIN INVESTMENT BANK BERHAD	2nd, 3rd & 4th Floor Wisma Amsteel Securities No. 1, Lintang Pekan Baru Off Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No.: 03-3343 9999	028-002
AFFIN INVESTMENT BANK BERHAD	Lot 229, 2nd Floor, The Curve No. 6, Jalan PJU 7/3 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7729 8016	028-003

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

<u>Name</u>	<u>Address and telephone number</u>	<u>Broker code</u>
AFFIN INVESTMENT BANK BERHAD	1 <sup>st</sup> Floor, 20-22 Jalan 21/22 SEA Park 46300 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7877 6229	028-006
AFFIN INVESTMENT BANK BERHAD	No. 79-1 & 79-C Jalan Batu Nilam 5 Bandar Bukit Tinggi 41200 Klang Selangor Darul Ehsan Tel No.: 03-3322 1999	028-007
AMINVESTMENT BANK BERHAD	4th Floor, Plaza Damansara Utama No. 2, Jalan SS21/60 47400 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7710 6613	086-003
CIMB INVESTMENT BANK BERHAD	Level G & Level 1 Tropicana City Office Tower No. 3, Jalan SS20/27 47400 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7717 3388	065-009
HONG LEONG INVESTMENT BANK BERHAD	Level 10 1 First Avenue Bandar Utama 47800 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7724 6888	066-002
HWANGDBS INVESTMENT BANK BERHAD	16th, 18th-20th Floor, Plaza Masalam No. 2, Jalan Tengku Ampuan Zabedah E9/E Section 9 40100 Shah Alam Selangor Darul Ehsan Tel No.: 03-5513 3288	068-002
HWANGDBS INVESTMENT BANK BERHAD	East Wing & Centre Link Floor 3A, Wisma Consplant 2 No. 7, Jalan SS 16/1 47500 Subang Jaya Selangor Darul Ehsan Tel No.: 03-5635 6688	068-010
JF APEX SECURITIES BERHAD	6th Floor, Menara Apex Off Jalan Semenyih, Bukit Mewah 43000 Kajang Selangor Darul Ehsan Tel No.: 03-8736 1118	079-001

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

<u>Name</u>	<u>Address and telephone number</u>	<u>Broker code</u>
JF APEX SECURITIES BERHAD	15th & 16th Floor Menara Choy Fook On No. 1B, Jalan Yong Shook Lin 46050 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7620 1118	079-002
KENANGA INVESTMENT BANK BERHAD	35 (Ground & 1st Floor) Jalan Tiara 3 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Tel No.: 03-3348 8080	073-035
KENANGA INVESTMENT BANK BERHAD	Level 1 East Wing Wisma Consplant 2 No.7, Jalan SS 16/1 47500 Subang Jaya Selangor Darul Ehsan Tel No.: 03-5621 2118	073-030
KENANGA INVESTMENT BANK BERHAD	Ground – Fifth Floor East Wing, Quattro West No. 4, Lorong Persiaran Barat 46200 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7862 6200	073-005
KENANGA INVESTMENT BANK BERHAD	1st Floor, Wisma UEP Pusat Perniagaan USJ 10 Jalan USJ 10/1A 47620 Subang Jaya Selangor Darul Ehsan Tel No.: 03-8024 1682	073-006
KENANGA INVESTMENT BANK BERHAD	Suite 7.02, Level 7, Menara ING Intan Millenium Square No. 68, Jalan Batai Laut 4 Taman Intan 41300 Klang Selangor Darul Ehsan Tel No.: 03-3005 7550	073-007
KENANGA INVESTMENT BANK BERHAD	Lot 240, 2nd Floor, The Curve No. 6, Jalan PJU 7/3 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7725 9095	073-016
MALACCA SECURITIES SDN BHD	Subang Jaya Branch No. 16, Jalan SS15/4B 47500 Subang Jaya Selangor Darul Ehsan Tel No.: 03-5636 1533	012-002

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

<u>Name</u>	<u>Address and telephone number</u>	<u>Broker code</u>
MALACCA SECURITIES SDN BHD	SS2 Petaling Jaya Branch No. 58A & 60A Jalan SS2/67 47300 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7876 1533	012-003
PM SECURITIES SDN BHD	No. 157 & 159, Jalan Kenari 23/A Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Tel No.: 03-8070 0773	064-003
PM SECURITIES SDN BHD	No. 18 & 20, Jalan Tiara 2 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Tel No.: 03-3341 5300	064-007
RHB INVESTMENT BANK BERHAD	24, 24M, 24A, 26M, 28M, 28A & 30 Jalan SS 2/63 47300 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7873 6366	087-011
RHB INVESTMENT BANK BERHAD	No. 37, Jalan Semenyih 43000 Kajang Selangor Darul Ehsan Tel No.: 03-8736 3378	087-045
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 15, Jalan Bandar Rawang 4 48000 Rawang Selangor Darul Ehsan Tel No.: 03-6092 8916	087-047
RHB INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 87 & 89, Jalan Susur Pusat Perniagaan NBC Batu 1 ½, Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No.: 03-3343 9180	087-048
RHB INVESTMENT BANK BERHAD	3rd Floor, 1A-D Jalan USJ 10/1A Pusat Perniagaan USJ 10 47610 UEP Subang Jaya Selangor Darul Ehsan Tel No.: 03-8023 6518	087-059

**17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
RHB INVESTMENT BANK BERHAD	11-1, Jalan PJU 5/12 Dataran Sunway Kota Damansara 47810 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-6148 3361	087-051
RHB INVESTMENT BANK BERHAD	Ground and 1 <sup>st</sup> Floor No. 13 Jalan Kenari 3 Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Tel No.: 03-8070 6899	087-049
SJ SECURITIES SDN BHD	Ground Floor, Podium Block Wisma Synergy Lot 72, Persiaran Jubli Perak Section 22, 40200 Shah Alam Selangor Darul Ehsan Tel No.: 03-5192 0202	096-001
TA SECURITIES HOLDINGS BERHAD	No. 2-1, 2-2, 2-3 & 4-2 Jalan USJ 9/5T Subang Business Centre 47620 UEP Subang Jaya Selangor Darul Ehsan Tel No.: 03-8025 1880	058-005
TA SECURITIES HOLDINGS BERHAD	2nd Floor, Wisma TA No. 1A, Jalan SS20/1 Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7729 5713	058-007
<b>MELAKA</b>		
CIMB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 191, Taman Melaka Raya Off Jalan Parameswara 75000 Melaka Tel No.: 06-289 8800	065-006
KENANGA INVESTMENT BANK BERHAD	71 & 73 (Ground, A & B) Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No.: 06-288 1720	073-028
KENANGA INVESTMENT BANK BERHAD	22A & 22A-1 and 26 & 26-1 Jalan MP 10 Taman Merdeka Permai 75350 Batu Berendam Melaka Tel No.: 06-337 2550	073-034

**17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

<u>Name</u>	<u>Address and telephone number</u>	<u>Broker code</u>
MALACCA SECURITIES SDN BHD	No. 1, 3 & 5, Jalan PPM9 Plaza Pandan Malim (Business Park) Balai Panjang, P. O. Box 248 75250 Melaka Tel No.: 06-337 1533	012-001
MERCURY SECURITIES SDN BHD	No. 81-B & 83-B, Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No.: 06-292 1898	093-003
PM SECURITIES SDN BHD	No. 11 & 13 Jalan PM2 Plaza Mahkota 75000 Melaka Tel No.: 06-286 6008	064-006
RHB INVESTMENT BANK BERHAD	579, 580 & 581 Taman Melaka Raya 75000 Melaka Tel No.: 06-282 5211	087-026
RHB INVESTMENT BANK BERHAD	No. 19, 21 & 23 Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No.: 06-283 3622	087-002
TA SECURITIES HOLDINGS BERHAD	59, 59A 59B Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No.: 06-286 2618	058-008
<b>PERAK DARUL RIDZUAN</b>		
CIMB INVESTMENT BANK BERHAD	Ground, 1 <sup>st</sup> , 2 <sup>nd</sup> and 3 <sup>rd</sup> Floor No. 8, 8A-C Persiaran Greentown 4C Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-208 8688	065-010
HONG LEONG INVESTMENT BANK BERHAD	51-53, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No.: 05 253 0888	066-003
HWANGDBS INVESTMENT BANK BERHAD	Ground, Level 1, 2 & 3 21, Jalan Stesen 34000 Taiping Perak Darul Ridzuan Tel No.: 05-806 6688	068-003



**17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
HWANGDBS INVESTMENT BANK BERHAD	Ground, 1 <sup>st</sup> & 2 <sup>nd</sup> Floor No. 22, Persiaran Greentown 1 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-255 9988	068-015
KENANGA INVESTMENT BANK BERHAD	No. 63, Ground, 1 <sup>st</sup> , 2 <sup>nd</sup> & 4 <sup>th</sup> Floor Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-242 2828	073-022
KENANGA INVESTMENT BANK BERHAD	No. 7B-1, Jalan Laman Intan Bandar Baru Teluk Intan 36000 Teluk Intan Perak Darul Ridzuan Tel No.: 05-622 2828	073-026
KENANGA INVESTMENT BANK BERHAD	Ground Floor No. 25 & 25A Jalan Jaya 2, Medan Jaya 32000 Sitiawan Perak Darul Ridzuan Tel No.: 05-693 9828	073-031
M & A SECURITIES SDN BHD	M & A Building 52A, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan Tel No.: 05-241 9800	057-001
MAYBANK INVESTMENT BANK BERHAD	B-G-04 (Ground Floor) Level 1 & 2 No. 42 Persiaran Greentown 1 Pusat Perdagangan Greentown 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-245 3400	098-002
RHB INVESTMENT BANK BERHAD	21-25, Jalan Seenivasagam Greentown 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-241 5100	087-023
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 17, Jalan Intan 2, Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel No.: 05-623 6498	087-014

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

<u>Name</u>	<u>Address and telephone number</u>	<u>Broker code</u>
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 23 & 25, Jalan Lumut 32000 Sitiawan Perak Darul Ridzuan Tel No.: 05-692 1228	087-016
RHB INVESTMENT BANK BERHAD	Ground Floor No. 40, 42 & 44 Jalan Berek 34000 Taiping Perak Darul Ridzuan Tel No.: 05-808 8229	087-034
RHB INVESTMENT BANK BERHAD	72, Ground Floor Jalan Idris 31900 Kampar Perak Darul Ridzuan Tel No.: 05-465 1261	087-044
RHB INVESTMENT BANK BERHAD	Ground & 1 <sup>st</sup> Floor No. 2, Jalan Wawasan 4 Taman Wawasan 34200 Parit Buntar Perak Darul Ridzuan Tel No.: 05-717 0888	087-052
TA SECURITIES HOLDINGS BHD	Ground, 1st & 2nd Floor Plaza Teh Teng Seng No. 227, Jalan Raja Permaisuri Bainun 30250 Ipoh Perak Darul Ridzuan Tel No.: 05-253 1313	058-001
UOB KAY HIAN SECURITIES (M) SDN BHD	29G, Jalan Intan 2 Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel No.: 05-621 6010	078-009
<b>PULAU PINANG</b>		
ALLIANCE INVESTMENT BANK BERHAD	Suite 2.1 & 2.4, Level 2 Wisma Great Eastern No. 25, Lebu Light 10200 Penang Tel No.: 04-261 1688	076-015
AMINVESTMENT BANK BERHAD	Mezzanine Floor & Level 3 No. 37, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No.: 04-226 1818	086-004
AMINVESTMENT BANK BERHAD	Level 3 No. 15, Lebu Pantai 10300 Pulau Pinang Tel No.: 04-261 8688	086-007

**17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
CIMB INVESTMENT BANK BERHAD	Ground Floor Suite 1.01, Menara Boustead Penang 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No.: 04-238 5900	065-003
HWANGDBS INVESTMENT BANK BERHAD	Level 2, 3, 4, 7 & 8, Wisma Sri Pinang 60, Green Hall 10200 Pulau Pinang Tel No.: 04-263 6996	068-001
HWANGDBS INVESTMENT BANK BERHAD	No. 2 & 4 Jalan Perda Barat Bandar Perda 14000 Bukit Mertajam Pulau Pinang Tel No.: 04-537 2882	068-006
INTER-PACIFIC SECURITIES SDN BHD	Ground, Mezzanine & 8th Floor Bangunan Mayban Trust No. 3, Penang Street 10200 Pulau Pinang Tel No.: 04-269 0888	054-002
KENANGA INVESTMENT BANK BERHAD	7th Floor, Menara Boustead Penang 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No.: 04-228 3355	073-023
MALACCA SECURITIES SDN BHD	Tanjung Tokong Penang Branch Prima Tanjung Suite 98-3-13A Jalan Fettes 11200 Tanjung Tokong Pulau Pinang Tel No.: 04-898 1525	012-004
MERCURY SECURITIES SDN BHD	Ground, 1st, 2nd & 3rd Floor Wisma UMNO Lorong Bagan Luar Dua 12000 Butterworth Seberang Perai Pulau Pinang Tel No.: 04-332 2123	093-001
MERCURY SECURITIES SDN BHD	2nd Floor, Standard Chartered Bank Chambers 2 Lebuhr Pantai 10300 Pulau Pinang Tel No.: 04-263 9118	093-004

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

<u>Name</u>	<u>Address and telephone number</u>	<u>Broker code</u>
M&A SECURITIES SDN BHD	332H-1 & 332G-2 Harmony Square Jalan Perak 11600 Georgetown Pulau Pinang Tel No.: 04- 281 7611	057-005
PM SECURITIES SDN BHD	Level 25, Menara BHL 51, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No.: 04-227 3000	064-004
RHB INVESTMENT BANK BERHAD	64 & 64-D Tingkat Bawah – Tingkat 3 & Tingkat 5 – Tingkat 8 Lebuh Bishop 10200 Pulau Pinang Tel No.: 04-263 4222	087-033
RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 2677, Jalan Chain Ferry Taman Inderawasih 13600 Seberang Prai Pulau Pinang Tel No.: 04-390 0022	087-005
RHB INVESTMENT BANK BERHAD	Ground & Upper Floor No. 11A, Jalan Keranji Off Jalan Padang Lallang 14000 Bukit Mertajam Pulau Pinang Tel No.: 04-540 2888	087-015
RHB INVESTMENT BANK BERHAD	834 Jalan Besar, Sungai Bakap 14200 Sungai Jawi Seberang Perai Selatan Pulau Pinang Tel No.: 04-583 1888	087-032
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 15-G-5, 15-G-6, 15-1-5 & 15-1-6 Medan Kampung Relau (Bayan Point) 11950 Pulau Pinang Tel No.: 04-640 4888	087-042
RHB INVESTMENT BANK BERHAD	41-A, 41-B and 41-C Lintang Angsana Bandar Baru Air Itam 11500 Pulau Pinang Tel No.: 04-835 2988	087-064

**17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
UOB KAY HIAN SECURITIES (M) SDN BHD	1st, 2nd & 3rd Floor Bangunan Heng Guan 171 Jalan Burmah 10050 Pulau Pinang Tel No.: 04-229 9318	078-002
UOB KAY HIAN SECURITIES (M) SDN BHD	Ground & 1st Floor No. 2, Jalan Perniagaan 2 Pusat Perniagaan Alma 14000 Bukit Mertajam Pulau Pinang Tel No.: 04-554 1388	078-003
<b>PERLIS INDRA KAYANGAN</b>		
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 39, Taman Suriani Persiaran Jubli Emas 01000 Kangar Perlis Indra Kayangan Tel No.: 04-979 3888	087-060
<b>KEDAH DARUL AMAN</b>		
ALLIANCE INVESTMENT BANK BERHAD	2nd Floor, Wisma PKNK Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman Tel No.: 04-731 7088	076-004
HWANGDBS INVESTMENT BANK BERHAD	No. 70 A, B, C, Jalan Mawar 1 Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Tel No.: 04-425 6666	068-011
RHB INVESTMENT BANK BERHAD	No. 112, Jalan Pengkalan Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Tel No.: 04-420 4888	087-017
RHB INVESTMENT BANK BERHAD	35, Ground Floor Jalan Suria 1, Jalan Bayu 09000 Kulim Kedah Darul Aman Tel No.: 04-496 4888	087-019
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor, 215-A & 215-B Medan Putra, Jalan Putra 05150 Alor Setar Kedah Darul Aman Tel No.: 04-720 9888	087-021

**17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

<u>Name</u>	<u>Address and telephone number</u>	<u>Broker code</u>
UOB KAY HIAN SECURITIES (M) SDN BHD	Lot 4, 5 & 5A 1 <sup>st</sup> Floor EMUM 55 No. 55, Jalan Gangsa Kawasan Perusahaan Mergong 2 Seberang Jalan Putra 05150 Alar Setar Kedah Darul Aman Tel No.: 04-732 2111	078-007
<b>NEGERI SEMBILAN DARUL KHUSUS</b>		
HWANGDBS INVESTMENT BANK BERHAD	Ground & 1st Floor 105, 107 & 109, Jalan Yam Tuan 70000 Seremban Negeri Sembilan Darul Khusus Tel No.: 06-761 2288	068-007
HWANGDBS INVESTMENT BANK BERHAD	No. 6, Upper Level, Jalan Mahligai 72100 Bahau Negeri Sembilan Darul Khusus Tel No.: 06-455 3188	068-013
KENANGA INVESTMENT BANK BERHAD	1 C-1 & 1 D-1, 1st Floor Jalan Tunku Munawir 70000 Seremban Negeri Sembilan Darul Khusus Tel No.: 06-765 5998	073-033
PM SECURITIES SDN BHD	1st, 2nd & 3rd Floor 19-21, Jalan Kong Sang 70000 Seremban Negeri Sembilan Darul Khusus Tel No.: 06-762 3131	064-002
RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 33, Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus Tel No.: 06-764 1641	087-024
RHB INVESTMENT BANK BERHAD	1st Floor, No. 3601, Jalan Besar 73000 Tampin Negeri Sembilan Darul Khusus Tel No.: 06-442 1000	087-037
RHB INVESTMENT BANK BERHAD	1st & 2nd Floor No. 168, Jalan Mewah (Pusat Perniagaan UMNO Bahagian Jempol) 71200 Bahau Negeri Sembilan Darul Khusus Tel No.: 06-455 3014	087-040

**17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

<u>Name</u>	<u>Address and telephone number</u>	<u>Broker code</u>
RHB INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 346 & 347, Batu ½, Jalan Pantai 71000 Port Dickson Negeri Sembilan Darul Khusus Tel No.: 06-646 1234	087-046
<b>JOHOR DARUL TAKZIM</b>		
ALLIANCE INVESTMENT BANK BERHAD	No. 73, Ground & 1st Floor Jalan Rambutan 86000 Kluang Johor Darul Takzim Tel No.: 07-771 7922	076-006
AMINVESTMENT BANK BERHAD	2nd, 3rd & 4th Floor, Penggaram Complex 1, Jalan Abdul Rahman 83000 Batu Pahat Johor Darul Takzim Tel No.: 07-434 2282	086-002
AMINVESTMENT BANK BERHAD	18th & 31st Floor, Selesa Tower Jalan Dato' Abdullah Tahir 80300 Johor Bahru Johor Darul Takzim Tel No.: 07-334 3855	086-006
HONG LEONG INVESTMENT BANK BERHAD (FORMERLY KNOWN AS MIMB INVESTMENT BANK BERHAD)	Suite 25.02, Level 25 Johor Bahru City Square (Office Tower) No. 106-108, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Tel No.: 07-222 7388	066-005
HONG LEONG BANK BERHAD (FORMERLY KNOWN AS MIMB INVESTMENT BANK BERHAD)	1st Floor, No. 9 Jalan Kundang Taman Bukit Pasir 83000 Batu Pahat Johor Darul Takzim Tel No.: 07-431 3688	066-004
HWANGDBS INVESTMENT BANK BERHAD	Level 7, Johor Bahru City Square (Office Tower) 106-108, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Tel No.: 07-222 2692	068-004
INTER-PACIFIC SECURITIES SDN BHD	95, Jalan Tun Abdul Razak 80000 Johor Bahru Johor Darul Takzim Tel No.: 07-223 1211	054-004
KENANGA INVESTMENT BANK BERHAD	No. 57, 59 & 61, Jalan Ali 84000 Muar Johor Darul Takzim Tel No.: 06-953 2222	073-024

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

<u>Name</u>	<u>Address and telephone number</u>	<u>Broker code</u>
KENANGA INVESTMENT BANK BERHAD	Ground Floor, No. 234, Jalan Besar Taman Semberong Baru 83700 Yong Peng Johor Darul Takzim Tel No.: 07-467 8885	073-025
KENANGA INVESTMENT BANK BERHAD	Level 2, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No.: 07-333 3600	073-004
KENANGA INVESTMENT BANK BERHAD	No. 31 Lorong Dato' Ahmad Jalan Khalidi 84000 Muar Johor Darul Takzim Tel No.: 06-954 2711	073-008
KENANGA INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 34 Jalan Genuang 85000 Segamat Johor Darul Takzim Tel No.: 07-933 3515	073-009
KENANGA INVESTMENT BANK BERHAD	No. 33 & 35 (Ground & 1st Floor A&B) Jalan Syed Abdul Hamid Sagaff 86000 Kluang Johor Darul Takzim Tel No.: 07-777 1161	073-010
KENANGA INVESTMENT BANK BERHAD	Ground Floor No. 4, Jalan Dataran 1 Taman Bandar Tangkak 84900 Tangkak Johor Darul Takzim Tel No.: 06-978 2292	073-011
KENANGA INVESTMENT BANK BERHAD	No. 24, 24A & 24B Jalan Penjaja 3 Kim Park Centre 83000 Batu Pahat Johor Darul Takzim Tel No.: 07- 432 6963	073-017
KENANGA INVESTMENT BANK BERHAD	Suite 16-02, 16-03 & 16-03A Level 16 Menara MSC Cyberport No. 5, jalan Bukit Meldrum 80300 Johor Bahru Johor Darul Takzim Tel No.: 07- 223 7423	073-019



## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

<u>Name</u>	<u>Address and telephone number</u>	<u>Broker code</u>
M&A SECURITIES SDN BHD	Suite 5.3A, Level 5 Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No.: 07-338 1233	057-003
M&A SECURITIES SDN BHD	26, Jalan Indah 16/5 Taman Bukit Indah 81200 Johor Bahru Johor Darul Takzim Tel No.: 07-236 6288	057-006
MERCURY SECURITIES SDN BHD	Suite 17.1, Level 17 Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No.: 07-331 6992	093-005
PM SECURITIES SDN BHD	No. 41 Jalan Molek 2/4 Taman Molek 81100 Johor Bharu Johor Darul Takzim Tel No.: 07-351 3232	064-005
PM SECURITIES SDN BHD	Ground & 1st Floor No. 43 & 43A, Jalan Penjaja 3 Taman Kim's Park, Business Centre 83000 Batu Pahat Johor Darul Takzim Tel No.: 07-433 3608	064-008
RHB INVESTMENT BANK BERHAD	6th Floor, Wisma Tiong-Hua 8, Jalan Keris, Taman Sri Tebrau 80050 Johor Bahru Johor Darul Takzim Tel No.: 07-278 8821	056-006
RHB INVESTMENT BANK BERHAD	53, 53-A & 53-B, Jalan Sultanah 83000 Batu Pahat Johor Darul Takzim Tel No.: 07-438 0288	087-009
RHB INVESTMENT BANK BERHAD	No. 33-1, 1st & 2nd Floor, Jalan Ali 84000 Muar Johor Darul Takzim Tel No.: 06-953 8262	087-025
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 119 & 121 Jalan Sutera Tanjung 8/2 Taman Sutera Utama 81300 Skudai Johor Darul Takzim Tel No.: 07-557 7628	087-029

**17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 3, Jalan Susur Utama 2/1 Taman Utama 85000 Segamat Johor Darul Takzim Tel No.: 07-932 1543	087-030
RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 17, Jalan Manggis 86000 Kluang Johor Darul Takzim Tel No.: 07-776 9655	087-031
RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 10, Jalan Anggerik 1 Taman Kulai Utama 81000 Kulai Johor Darul Takzim Tel No.: 07-662 6288	087-035
RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 343, Jalan Muar 84900 Tangkak Johor Darul Takzim Tel No.: 06-978 7180	087-038
RHB INVESTMENT BANK BERHAD	1st Floor, No. 2 & 4 Jalan Makmur, Taman Sri Aman 85300 Labis Johor Darul Takzim Tel No.: 07-925 6881	087-039
RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 21 & 23 Jalan Molek 1/30 Taman Molek 81100 Johor Bahru Johor Darul Takzim Tel No.: 07-352 2293	087-043
UOB KAY HIAN SECURITIES (M) SDN BHD	Level 6 & 7 Menara MSC Cyberport No. 5, Jalan Bukit Meldrum 80300 Johor Bahru Johor Darul Takzim Tel No.: 07-333 2000	078-001
UOB KAY HIAN SECURITIES (M) SDN BHD	42-8, Main Road Kulai Besar 81000 Kulai Johor Darul Takzim Tel No.: 07-663 7398	078-005

**17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

<u>Name</u>	<u>Address and telephone number</u>	<u>Broker code</u>
UOB KAY HIAN SECURITIES (M) SDN BHD	No. 70, 70-01, 70-02 Jalan Rosmerah 2/17 Taman Johor Jaya 81100 Johor Bahru Johor Darul Takzim Tel No.: 07-351 3218	078-006
UOB KAY HIAN SECURITIES (M) SDN BHD	No. 171 (Ground Floor) Jalan Bestari 1/5 Taman Nusa Bestari 81300 Skudai Johor Darul Takzim Tel No.: 07-512 1633	078-008
<b>PAHANG DARUL MAKMUR</b>		
ALLIANCE INVESTMENT BANK BERHAD	A-397, A-399 & A-401 Taman Sri Kuantan III, Jalan Beserah 25300 Kuantan Pahang Darul Makmur Tel No.: 09-566 0800	076-002
CIMB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. A-27 (Aras G, 1 & 2) Jalan Dato' Lim Hoe Lek 25200 Kuantan Pahang Darul Makmur Tel No.: 09-505 7800	065-007
KENANGA INVESTMENT BANK BERHAD	A15, A17 & A19 Ground Floor Lorong Tun Ismail 2 Sri Dagangan 2 25000 Kuantan Pahang Darul Makmur Tel No.: 09-517 1698	073-027
RHB INVESTMENT BANK BERHAD	B32 & B34, Lorong Tun Ismail 8 Seri Dagangan II 25000 Kuantan Pahang Darul Makmur Tel No.: 09-517 3811	087-007
RHB INVESTMENT BANK BERHAD	Ground Floor, 98 Jalan Pasdec 28700 Bentong Pahang Darul Makmur Tel No.: 09-223 4943	087-022
RHB INVESTMENT BANK BERHAD	Ground Floor No. 76-A, Persiaran Camelia 4 Tanah Rata 39000 Cameron Highlands Pahang Darul Makmur Tel No.: 05-491 4913	087-041

**17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

<u>Name</u>	<u>Address and telephone number</u>	<u>Broker code</u>
<b>KELANTAN DARUL NAIM</b>		
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 3953-H Jalan Kebun Sultan 15350 Kota Bharu Kelantan Darul Naim Tel No.: 09-743 0077	087-020
TA SECURITIES HOLDINGS BERHAD	298, Jalan Tok Hakim 15000 Kota Bahru Kelantan Darul Naim Tel No.: 09-743 2288	058-004
<b>TERENGGANU DARUL IMAN</b>		
ALLIANCE INVESTMENT BANK BERHAD	No. 1D, Ground & Mezzanine No. 1E, Ground, Mezzanine 1st & 2nd Floor, Jalan Air Jerneh 20300 Kuala Terengganu Terengganu Darul Iman Tel No.: 09-631 7922	076-009
FA SECURITIES SDN BHD	No. 51 & 51A Ground, Mezzanine & 1st Floor Jalan Tok Lam 20100 Kuala Terengganu Terengganu Darul Iman Tel No.: 09-623 8128	021-001
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor, 9651, Cukai Utama Jalan Kubang Kurus 24000 Kemaman Terengganu Darul Iman Tel No.: 09-858 3109	087-027
RHB INVESTMENT BANK BERHAD	31A, Ground Floor 31A & 31B, 1st Floor Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman Tel No.: 09-626 1816	087-055
<b>SABAH</b>		
CIMB INVESTMENT BANK BERHAD	1st & 2nd Floor Central Building No. 28, Jalan Sagunting 88000 Kota Kinabalu Sabah Tel No.: 088-328 878	065-005

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

<u>Name</u>	<u>Address and telephone number</u>	<u>Broker code</u>
HWANGDBS INVESTMENT BERHAD	Suite 1-9-E1, 9th Floor CPS Tower Centre Point Sabah No. 1, Jalan Centre Point 88000 Kota Kinabalu Sabah Tel No.: 088-311 688	068-008
KENANGA INVESTMENT BANK BERHAD	Aras 8, Wisma Great Eastern 68, Jalan Gaya 88000 Kota Kinabalu Sabah Tel No.: 088-236 188	073-032
RHB INVESTMENT BANK BERHAD	5th Floor, Wisma BSN Sabah Jalan Kemajuan, Karamunsing 88000 Kota Kinabalu Sabah Tel No.: 088-269 788	087-010
RHB INVESTMENT BANK BERHAD	Ground Floor, Block 2 Lot 4 & Lot 5, Bandar Indah, Mile 4 North Road 91000 Sandakan Sabah Tel No.: 089-229 286	087-057
RHB INVESTMENT BANK BERHAD	Lot 14-0, Ground Floor Lorong Lintas Plaza 2 Lintas Plaza, Off Jalan Lintas 88300 Kota Kinabalu Sabah Tel No.: 088 258 618	087-036
UOB KAY HIAN SECURITIES (M) SDM BHD	11, Equity House, Block K Sadong Jaya, Karamunsing 88100 Kota Kinabalu Sabah Tel No.: 088-234 090	078-011
<b>SARAWAK</b>		
AMINVESTMENT BANK BERHAD	No. 164, 166 & 168 1st, 2nd & 3rd Floor Jalan Abell 93100 Kuching Sarawak Tel No.: 082-244 791	086-005
CIMB INVESTMENT BANK BERHAD	Level 1, Wisma STA 26 Jalan Datuk Abang Abdul Rahim 93450 Kuching Sarawak Tel No.: 082-358 606	065-004

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

<u>Name</u>	<u>Address and telephone number</u>	<u>Broker code</u>
CIMB INVESTMENT BANK BERHAD	No. 6A, Ground Floor Jalan Bako, Off Brooke Drive 96000 Sibu Sarawak Tel No.: 084-367 700	065-008
HWANGDBS INVESTMENT BANK BERHAD	Ground Floor & 1 <sup>st</sup> Floor No.1, Jalan Pending 1 <sup>st</sup> Floor, No. 3, Jalan Pending 93450 Kuching Sarawak Tel No.: 082-341 999	068-005
HWANGDBS INVESTMENT BANK BERHAD	No. 282, 1st Floor Park City Commercial Centre Phase 4, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Tel No.: 086-330 008	068-016
KENANGA INVESTMENT BANK BERHAD	Lot 2465, Jalan Boulevard Utama Boulevard Commercial Centre 98000 Miri Sarawak Tel No.: 085-435 577	073-002
KENANGA INVESTMENT BANK BERHAD	Level 1-5, Wisma Mahmud Jalan Sungai Sarawak 93100 Kuching Sarawak Tel No.: 082-338 000	073-003
KENANGA INVESTMENT BANK BERHAD	No. 11-12 (Ground & 1st Floor) Lorong Kampung Datu 3 96000 Sibu Sarawak Tel No.: 084-313 855	073-012
RHB INVESTMENT BANK BERHAD	Lot 170 & 171 Section 49, K.T.L.D. Jalan Chan Chin Ann 93100 Kuching Sarawak Tel No.: 082-422 252	087-008
RHB INVESTMENT BANK BERHAD	Lot 1268, 1st & 2nd Floor Lot 1269, 2nd Floor Centre Point Commercial Centre Jalan Melayu 98000 Miri Sarawak Tel No.: 085-422 788	087-012

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

<u>Name</u>	<u>Address and telephone number</u>	<u>Broker code</u>
RHB INVESTMENT BANK BERHAD	101 & 102, Pusat Pedada Jalan Pedada 96000 Sibu Sarawak Tel No.: 084-329 100	087-013
RHB INVESTMENT BANK BERHAD	Ground Floor No. 10, Jalan Bersatu 96100 Sarikei Sarawak Tel No.: 084-654 100	087-050
RHB INVESTMENT BANK BERHAD	Ground & 1 <sup>st</sup> Floor No. 221, Park City Commerce Square Phase III, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Tel No.: 086-311 770	087-053
RHB INVESTMENT BANK BERHAD	Yung Kong Abell Units No. 1-10, 2nd Floor Lot 365, Section 50 Jalan Abell 93100 Kuching Sarawak Tel No.: 082 250 888	087-003
TA SECURITIES HOLDINGS BERHAD	12G, H & I, Jalan Kampung Datu 96000 Sibu Sarawak Tel No.: 084-319 998	058-002
TA SECURITIES HOLDINGS BERHAD	2nd Floor, (Bahagian Hadapan) Bangunan Binamas, Lot 138 Section 54, Jalan Pandung 93100 Kuching Sarawak Tel No.: 082-236 333	058-006

**ANNEXURE A: LIST OF PROPERTIES**

Save as disclosed below, our Board wish to highlight that save for the property detailed in item no. (1) in the list of properties owned below, none of the properties owned and leased by our Group (i) is in breach of any of the land-use conditions / permissible land use; and (ii) is in non-compliance with current statutory requirements, land rules or building requirement which will have a material adverse impact on our operations as at the LPD.

**1. Properties owned**

No.	Postal address / title details	Registered owner	Description / existing use	Land area and / or built up area (sq. ft.)	Tenure / date of expiry of lease	Date of issuance of certificate of fitness for occupation / Approximate age of building	NBV as at 30 June 2013 (RM)	(THB)
1.	Lot 594, Persiaran Raja Lumu Pandamaran Industrial Estate 42000 Port Klang, Selangor / H.S. (M) 5508, P.T. No. 594, Mukim dan Daerah Klang, Negeri Selangor <sup>#</sup>	KISB	3-storey building which we use as office, factory and warehouse for ISB	43,560 / 47,473	99 years / 1 September 2074	15 December 1988 / 25 years	2,796,800	-
2.	PTD 7906, Taman Pontian Jaya Batu 34, Jalan Johor 82000 Pontian, Johor / GRN 422032, Lot No. 7833, Mukim Rimba Terjun, Daerah Pontian, Negeri Johor	KISB	1½ storey semi-detached building which we use as office, factory and warehouse for KISB	9,354 / 5,460	Freehold	12 June 1993 / 20 years	536,579	-
3.	PTD 7907, Taman Pontian Jaya Batu 34, Jalan Johor 82000 Pontian, Johor / GRN 422031, Lot No. 7834, Mukim Rimba Terjun, Daerah Pontian, Negeri Johor	KISB	1½ storey semi-detached building which we use as office, factory and warehouse for KISB	10,807 / 5,460	Freehold	12 June 1993 / 20 years	536,579	-
4.	Lot 1235, Benut 82000 Pontian, Johor / GM 899, Lot No. 1235, Tempai Parit Asam Kumbang, Mukim Sungai Pinggan, Daerah Pontian, Negeri Johor	KISB	Vacant land	225,418 / -	Freehold	-	812,602	-



## ANNEXURE A: LIST OF PROPERTIES (Cont'd)

No.	Postal address / title details	Registered owner	Description / existing use	Land area and / or built up area (sq. ft.)	Tenure / date of expiry of lease	Date of issuance of certificate of fitness for occupation / Approximate age of building	NBV as at 30 June 2013 (RM)	(THB)
5.	PTD 7915, Taman Pontian Jaya Batu 34, Jalan Johor 82000 Pontian, Johor / GRN 422023, Lot No. 7842, Mukim Rimba Terjun, Daerah Pontian, Negeri Johor	KISB	1½ storey semi-detached building which we use as warehouse for KISB	9,720 / 5,460	Freehold	12 June 1993 / 20 years	629,996	-
6.	Lot 2767, Jalan Johor 82000 Pontian, Johor / GRN 82349, Lot No. 2767, Mukim Rimba Terjun, Daerah Pontian, Negeri Johor	KISB	Vacant land	781,335 / -	Freehold	-	10,507,885	-
7.	Lot 591, Persiaran Raja Lumu, Pandamaran Industrial Estate, 42000 Port Klang, Selangor Darul Ehsan / H.S.(M) 5505, P.T. 591, Mukim dan Daerah Klang, Negeri Selangor	ISB	1½ storey building which we use as warehouse for ISB	43,560 / 25,038	99 years / 1 September 2074	4 April 1991 / 22 years	4,353,285	-
8.	PTD 8746 Taman Perindustrian Pontian 82000 Pontian Johor / H.S.(D) 9172, PTD 8746, Mukim Rimba Terjun, Daerah Pontian, Negeri Johor	UTSB	Vacant land	61,680 / -	60 years / 3 November 2056	-	872,615	-
9.	Land Slot No.: E1-6, Export Processing Zone, Southern Industrial Estate Village 4, Tumbol Chaliung, Amphur Hat Yai, Songkhla / Title Deed No. 172408; Parcel No. 43	ITL	1½ storey building which we use as office, factory and warehouse for ITL	45,047 / 41,925	30 years / 29 April 2033	1 November 2012 / 8 years	1,298,693 <sup>(1)(2)</sup>	13,246,668
10.	Land Slot No.: E1-7, Export Processing Zone, Southern Industrial Estate Village 4, Tumbol Chaliung, Amphur Hat Yai, Songkhla / Title Deed No. 172409; Parcel No. 44	ITL	Single storey building which we use as office, factory and warehouse for ITL	45,047 / 29,891	30 years / 8 February 2036	1 November 2012 / 8 years	894,121 <sup>(1)(2)</sup>	9,120,037

## ANNEXURE A: LIST OF PROPERTIES (Cont'd)

No.	Postal address / title details	Registered owner	Description / existing use	Land area and / or built up area (sq. ft.)	Tenure / date of expiry of lease	Date of issuance of certificate of fitness for occupation / Approximate age of building	NBV as at 30 June 2013 (RM)	(THB)
11.	Land Slot No.: E1-8, Export Processing Zone, Southern Industrial Estate Village 4, Tumbol Chalung, Amphur Hat Yai, Songkhla / Title Deed No. 172410; parcel No. 5	ITL	Vacant land <sup>(3)</sup>	45,047 / -	30 years / 31 October 2042	1 November 2012 / -	1,746,554 <sup>(1)(2)</sup>	17,814,846

## Notes:

- (1) The land is leased from the Industrial Estate Authority of Thailand as ITL owns the building only. The value only represents the building value.  
 (2) Based on an exchange rate of THB100:RM10.20  
 (3) A single storey building to be used as ITL's warehouse will be completed by December 2013.  
 Lot 594 is classified as "designated premises" under the Fire Services Act 1988 and the Fire Services (Designated Premises) Order 1998, therefore a fire certificate from the Fire and Rescue Department is required. We are in the midst of applying to the Fire & Rescue Department for our fire certificate. Please refer to Section (b) of Annexure B for further details of our application.

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## ANNEXURE A: LIST OF PROPERTIES (Cont'd)

## 2. Tenancy

No.	Tenant	Lessor	Postal address	Description of property / Existing use	Tenure of tenancy / Expiry of tenancy	Built-up area (sq. ft.)	Rental payable (RM)	Rental payable per month (THB)
1.	KISB	Kejuruteraan Elektrik Markland	Lots 2256, 2244, 2491 and 1863 Batu 39 ½, Pontian Besar 82000 Pontian, Johor	Manufacturing facility, office and warehouse consisting of the following: (i) Single storey building which we use as office for KISB; (ii) 1½ storey building which we use as office, factory and warehouse for KISB and HMSB; (iii) Single storey building which we use as office, factory and warehouse for KISB; and (iv) Single storey building which we use as factory for UTSB.	3 years / 31 October 2015	311,420 <sup>(1)</sup>	31,400 <sup>(2)</sup>	-
2.	KISB	Sin Lee Huat (Import & Export) Sdn Bhd	Block A, PTD 7747 Batu 32, Jalan Johor 82000 Pontian, Johor	Single storey building which we use as warehouse for KISB	1 year / 30 September 2014	12,078	9,000	-

## Notes:

- (1) Includes a built-up area of 6,500 sq. ft. rented by HMSB  
(2) Includes a monthly rental of RM5,000 payable by HMSB

**ANNEXURE B: LIST OF APPROVALS, MAJOR LICENCES AND PERMITS**

Save as disclosed below, we confirm that there are no any other material terms and conditions that have been imposed by other relevant authorities as at the date of this Prospectus.

**(a) KISB**

Licence no. / Certificate no. / Registration no. / Reference no. / Serial no.	Issuing authority	Subject matter / purpose	Issue / renewal date	Expiry date / validity period	Equity conditions imposed	and / or major conditions	Status of compliance with the conditions attached
Certificate of Fitness for occupation MDP.16 (2307)-60/93	Pontian Council District	PTD 7907, Lot 7834, Mukim Rimba Terjun, District of Pontian, State of Johor has been completed for light industrial – workshop purposes in accordance with plan no. 74/91 approved on 30 September 1991 and is fit for occupation	12 June 1993	-	-	-	-
Certificate of Fitness for occupation MDP.16 (2307)-59/93	Pontian Council District	PTD 7906, Lt 7833, Mukim Rimba Terjun, District of Pontian, State of Johor has been completed for light industrial – workshop purposes in accordance with plan no. 74/91 approved on 30 September 1991 and is fit for occupation	12 June 1993	-	-	-	-
Certificate of Fitness for occupation MDP.16 (2307)-67/93	Pontian Council District	PTD 7915, Lot 7842, Mukim Rimba Terjun, District of Pontian, State of Johor has been completed for light industrial – workshop purposes in accordance with plan no. 74/91 approved on 30 September 1991 and is fit for occupation	12 June 1993	-	-	-	-
Certificate of Fitness for occupation MDP.16 (2507)-68/93	Pontian Council District	PTD 7916, Mukim Rimba Terjun, District of Pontian, State of Johor has been completed for light industrial – workshop purposes in accordance with plan no. 74/91 approved on 30 September 1991 and is fit for occupation	12 June 1993	-	-	-	-

## ANNEXURE B: LIST OF APPROVALS, MAJOR LICENSES AND PERMITS (Cont'd)

Licence no. / Certificate no. / Registration no. / Reference no. / Serial no.	Issuing authority	Subject matter / purpose	Issue / renewal date	Expiry date / validity period	Equity condition and / or major conditions imposed	Status of compliance with the conditions attached
Certificate of Fitness for occupation MDP.16 (2033)-59/92	Pontian Council District	PTD 7747, Bt. 32, Mukim Rimba Terjun, District of Pontian, State of Johor has been completed for factory purposes in accordance with plan no. 301/91 and is fit for occupation	26 March 1992	-	-	-
Certificate of Fitness for occupation MDP.16 (2307)-61/93	Pontian Council District	PTD 7908, Mukim of Rimba Terjun, District of Pontian, State of Johor has been completed for light industrial purposes in accordance with Plan No. 74/91 approved on 30.09.1991 and is fit for occupation	12 June 1993	-	-	-
Certificate of Fitness for occupation MDP.16 (2306)-62/93	Pontian Council District	PTD 7909, Mukim of Rimba Terjun, District of Pontian, State of Johor has been completed for light industrial purposes in accordance with Plan No. 74/91 approved on 30.09.1991 and is fit for occupation	12 June 1993	-	-	-
Certificate of Fitness for occupation MDP.16 (2626)-941/96	Pontian Council District	PTD 7747, Block D, Mukim Rimba Terjun, District of Pontian, State of Johor has been completed for light industrial purposes in accordance with plan no. 125/92 approved on 29 August 1993 and is fit for occupation	10 September 1996	-	-	-
L0114036	Pontian Council District	Business license for the permission to process "Products Made from Rubber"	9 January 2012	31 December 2013	License will be valid up to expiry date unless cancelled or suspended before the said date as a result of breach of the applicable terms	Complied
L0100004	Pontian Council District	Business license for the permission to operate "Condom Factory"	9 January 2012	31 December 2013	License will be valid up to expiry date unless cancelled or suspended before the said date as a result of breach of the applicable terms	Complied
L0101326	Pontian Council District	Business license for the permission to conduct business of "Completed Goods Store"	4 March 2013	31 December 2013	-	-

## ANNEXURE B: LIST OF APPROVALS, MAJOR LICENSES AND PERMITS (Cont'd)

Licence no. / Certificate no. / Registration no. / Reference no. / Serial no.	Issuing authority	Subject matter / purpose	Issue / renewal date	Expiry date / validity period	Equity condition and / or major conditions imposed	Status of compliance with the conditions attached
L0101325	Pontian Council	Business license for the permission to conduct business of "Completed Goods Store"	4 January 2013	31 December 2013	-	-
A015174 / A010005	MITI	Manufacturing license to act as Licensed Manufacturer of condos from 6 January 1995 at the place of manufacturing at PTD 7906 & 7907, Taman Pontian Jaya, Batu 34, Jalan Johor, 82000 Pontian, Johor	22 November 1995	-	(i) Location: PTD 7906 & 7907, Taman Pontian Jaya, Batu 34, Jalan Johor, 82000 Pontian, Johor Darul Takzim is subject to approval from the applicable State Government and the Department of Environment; (ii) In the event the Shareholders Fund reaches RM2.5 million, KISB is required to inform MITI in writing. (iii) In the event KISB is permitted to become a public company and invites the general public to purchase its shares, its capital structure, re-evaluation of its properties, goodwill and profits/savings that form capital, methods as well as policies as to how the said shares shall be issued and divided shall require the approval of the relevant Government authorities. (iv) The composition of KISB's Board of Directors shall generally reflect the equity structure of the company and MITI must be informed of the appointment or any change in its Board of Directors.	Complied
A029791 / A017511	MITI	Manufacturing license to act as Licensed Manufacturer of lubricating jelly and protective ultrasound transducer covers from 14 January 2010 at the place of manufacturing at Lot 2244, Batu 39 ½, Pontian Besar, 82000 Pontian, Johor Darul Takzim	23 February 2010	-	(i) Location: Lot 2244, Batu 39 ½, Pontian Besar, 82000 Pontian, Johor Darul Takzim is subject to approval from the applicable State Government and the Department of Environment. (ii) Sale of KISB's shares must be informed to MITI.	Complied

## ANNEXURE B: LIST OF APPROVALS, MAJOR LICENSES AND PERMITS (Cont'd)

Licence no. / Certificate no. / Registration no. / Reference no. / Serial no.	Issuing authority	Subject matter / purpose	Issue / renewal date	Expiry date / validity period	Equity condition and / or major conditions imposed	Status of compliance with the conditions attached
J10-GPB-0176/2012	Royal Malaysia Customs	Manufacturing and Warehouse License under Section 65 & 65A Customs Act 1967 for the Manufacturing and Warehousing (GPB).	7 August 2012	1 September 2012 to 31 August 2014	-	-
		Ref. Raw Material: KE.JB (83) 264/03-1723/01/Klt.2(24B1-24B5)				
		Ref. Completed Products: KE.JB (83) 264/03-1723/01/Klt.2(24C)				
J07-10188-002-1	Malaysian Rubber Board	License to buy rubber for the manufacture of rubber products	30 July 2013	10 August 2013 to 9 August 2014	Required to dispose / destroy vulcanised rubber wastes in accordance with the instructions by the Malaysian Rubber Board	Complied
KDN/16031/CEBGK45363 37	Ministry of Home Affairs, Malaysia	Conditional approval for the employment of 300 foreign workers for manufacturing sector	30 May 2013	10 June 2013 to 9 June 2014	Payment levy made: KDN/CY37848	Complied

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## ANNEXURE B: LIST OF APPROVALS, MAJOR LICENSES AND PERMITS (Cont'd)

(b)	ISB		Issuing authority	Subject matter / purpose	Issue / renewal date	Expiry date / validity period	Equity condition and / or major conditions imposed	Status of compliance with the conditions attached
Licence no. / Certificate no. / Registration no. / Reference no. / Serial no.								
Certificate of Fitness for occupation MPK (P) 5/88		Klang Municipal Council	3 storey factory, Lot 594, Persiaran Raja Lumu, Pandamaran Industrial Estate, 42000 Port Klang, Selangor held under title no. HS(M) 5508 has been completed for building factory purposes in accordance with Plan no. MPK (P) 5/88 approved and is fit for occupation	15 December 1988	-	-	-	-
Certificate of Fitness for occupation MPK (P) 23/88		Klang Municipal Council	1 block warehouse, Lot 591, Persiaran Raja Lumu, Pandamaran Industrial Estate, 42000 Port Klang, Selangor held under title no. HS(M)-5505 has been completed for building factory purposes in accordance with plan no. MPK (P) 23/88 approved and is fit for occupation	4 April 1991	-	-	-	-
0102074676320041		Majlis Perbandaran Klang	Business license to process rubber material (Industrial) – 285	9 January 2013	31 December 2013	-	-	-
A025040 / A016190		MITI	Manufacturing license to act as Licensed Manufacturer of condoms from 15 April 2007 at the place of manufacturing at Lot 594, Persiaran Raja Lumu, Pandamaran Estate, 42000 Port Klang, Selangor Darul Ehsan	29 June 2007	With effect from 15 April 2007	(i) Location: Lot 594, Persiaran Raja Lumu, Pandamaran Estate, 42000 Port Klang, Selangor Darul Ehsan is subject to approval from the applicable State Government and the Department of Environment. (ii) Sale of ISB's shares must be informed to MITI.	Complied	
B02-15774-001-1		Malaysian Rubber Board	License to buy rubber for the manufacture of rubber products	7 February 2013	7 February 2013 to 6 February 2014	Required to dispose / destroy vulcanised rubber wastes in accordance with the instructions by the Malaysian Rubber Board	Complied	
KDN/100/638/1-N JLD333(56)		Ministry of Home Affairs, Malaysia	6 month extension of the conditional approval for the employment of 100 foreign workers for manufacturing sector under reference no. KDN/14020-123880	13 May 2013	17 April 2013 to 16 October 2013	Final extension of approval granted	-	

**Others:**

We had on 16 May 2013 submitted the relevant survey and computer aided design for our fire certificate application for Lot 594, Persiaran Raja Lumu, Pandamaran Industrial Estate, 42000 Port Klang, Selangor to the Fire & Rescue Department. The Fire & Rescue Department had via its letter dated 21 May 2013 acknowledged on our survey and computer aided design. Subsequently, in July 2013, our consultant has provided the mechanical and electrical plan to the Fire and Rescue Department for its consideration. As at the LPD, the consultant is in the midst of preparing the revised mechanical and electrical plan based on the comments given by the Fire and Rescue Department.



## ANNEXURE B: LIST OF APPROVALS, MAJOR LICENSES AND PERMITS (Cont'd)

(c)	HMSB									
Licence no. / Certificate no. / Registration no. / Reference no. / Serial no.	Issuing authority	Subject matter / purpose	Issue / renewal date	Expiry date / validity period	Equity condition and / or major conditions imposed	Status of compliance with the conditions attached				
J07-10189-001-1	Malaysian Rubber Board	Licence to buy rubber for the manufacture of rubber products	27 December 2012	1 January 2013 to 31 December 2013	Required to dispose / destroy vulcanised rubber wastes in accordance with the instructions by the Malaysian Rubber Board	Complied				
MDP(L) 46/2009	Majlis Pontian, Johor	Business license to operate condom factory	4 January 2013	31 December 2013	-	-				
A019578 / A012677	MITI	Manufacturing license to act as Licensed Manufacturer of condoms, latex probe covers and latex sleeves from 15 September 2000 at the place of manufacturing at Block A & Block B, Plo 14, Jalan Perindustrian 2, Batu 35, Jalan Johor, 82000 Pontian, Johor Darul Takzim	14 April 2001	With effect from 15 September 2000	(i) Location: Block A & Block B, PLO 14, Jalan Perindustrian 2, Batu 35, Jalan Johor, 82000 Pontian, Johor Darul Takzim is subject to approval from the applicable State Government and the Department of Environment. (ii) The shares of HMSB held by non-Malaysian citizens shall not be sold without the prior written approval from MITI. (iii) The composition of HMSB's Board of Directors shall generally reflect the equity structure of the company and MITI must be informed of the appointment or any change in its Board of Directors;	Complied  To be obtained  Noted				

**ANNEXURE B: LIST OF APPROVALS, MAJOR LICENSES AND PERMITS (Cont'd)**

(d) ITL

Licence no. / Certificate no. / Registration no. / Reference no. / Serial no.	Issuing authority	Subject matter / purpose	Issue / renewal date	Expiry date / validity period	Equity condition and / or major conditions imposed	Status of compliance with the conditions attached
1185 (2)/2549	BOI Certificate	BOI Certificate	24 February 2006	-	General Conditions  - The raw or essential materials must be used only for the promoted activity and the list of raw or essential material must be submitted for the BOI's approval at least 2 months prior to the date of importing such raw or essential material.	Complied
IEAT-E-02 / 67445-2555	Industrial Authority Thailand	Free Zone Export Certificate for manufactured condoms to be transported outside the Free-Zone for purpose of exportation	13 December 2012	31 December 2014	Specific Conditions  - ISO Condition: The promoted person has to obtain the certificate of ISO 9000 standard or other equivalent international standards within 2 years from the starting date of business operation. If the promoted person cannot follow the above condition, the rights for exemption of corporate income tax will be cancelled for 1 year. There shall be operation completion and readiness for commencement of operation within 36 months from the date of the BOI certificate issuance, and the BOI shall be informed of such commencement operation according to prescribed form.	-

## ANNEXURE B: LIST OF APPROVALS, MAJOR LICENSES AND PERMITS (Cont'd)

Licence no. / Certificate no. / Registration no. / Reference no. / Serial no.	Issuing authority	Subject matter / purpose	Issue / renewal date	Expiry date / validity period	Equity condition and / or major conditions imposed	Status of compliance with the conditions attached
IEAT-E-02 / 21-2-46-65982-2554	Industrial Authority Thailand	Free Zone Export Certificate for the following goods to be transported outside the Free-Zone: (i) Foil-packed condoms; (ii) Probe cover; (iii) Foil-packed gel; (iv) Paper box and paper carton for goods package; and (v) Foil package.	16 December 2011	31 December 2013	-	-
IEAT-E-02 / 21-2-46-67445/2555	Industrial Authority Thailand	Free Zone Export Certificate for the following items to be transported outside the Free-Zone for purpose of exportation: (i) Manufactured condoms etc; (ii) Machinery, material, equipment for factory; (iii) Furniture; and (iv) Lubricant jelly.	12 December 2012	31 December 2014	-	-
IEAT-I-02 / 21-2-42-153-2555	Industrial Authority Thailand	Estate of industrial operator or commercial operator in the Free-Zone for: (i) Machinery, material, equipment for factory; (ii) Furniture; and (iii) Lubricant jelly.	7 December 2012	31 December 2013	-	-

## ANNEXURE B: LIST OF APPROVALS, MAJOR LICENSES AND PERMITS (Cont'd)

Licence no. / Certificate no. / Registration no. / Reference no. / Serial no.	Issuing authority	Subject matter / purpose	Issue / renewal date	Expiry date / validity period	Equity condition and / or major conditions imposed	Status of compliance with the conditions attached
IEAT 03/6 - Sor Nor Tor. 3/2556 (Khor)	Industrial Estate Authority of Thailand	Land Use and Operation Permit in the Industrial Estate Zone No.2	4 March 2013	31 December 2017	Land user and operator shall: (i) comply with Land Lease Agreements For Industrial Work, SorNorTor. 005/2546(Chor.) dated 30 April 2003, SorNorTor. 002/2549(Chor.) dated 9 February 2006, SorNorTor. 003/2555(Chor.) dated 1 November 2012; (ii) comply with the IEAT's Notification regarding rules, procedure and format in industrial estate operation 2008 and amendments; and (iii) comply with environmental regulations such as sewerage treatment etc..	-
9/2556	Department of Agriculture, Ministry of Agriculture and Cooperatives	Permit for rubber importation: Importation of rubber with HR Latex chemicals of 1,872,000 kilograms from Malaysia, with customs clearance at Sadao	15 July 2013	23 July 2014	-	-
1-1-04-02-12-00025	Medical Device Control Division, FDA, Ministry of Public Health	Good Manufacturing Practice Certificate under the scope of Medical Device Good Manufacturing Scope: manufacturing of condom	15 August 2012	10 September 2015	-	-
Bor. Sor Phor. 1 / Sor Phor. 191/2554	FDA, Ministry of Public Health	Certificate for medical devices manufacturing establishment: manufacturing of medical devices for urology, surgery, condoms and lubricating jelly	28 November 2011	31 December 2015	-	-
Phor. 16/2549	FDA, Ministry of Public Health	Licence to manufacture medical device: "Carex Classic Condom"	29 December 2010	31 December 2015	-	-
Phor. 42/2549	FDA, Ministry of Public Health	Licence to manufacture medical device: "Bulk 49 Pink"	29 December 2010	31 December 2015	-	-

## ANNEXURE B: LIST OF APPROVALS, MAJOR LICENSES AND PERMITS (Cont'd)

Licence no. / Certificate no. / Registration no. / Reference no. / Serial no.	Issuing authority	Subject matter / purpose	Issue / renewal date	Expiry date / validity period	Equity condition and / or major conditions imposed	Status of compliance with the conditions attached
Phor. 45/2549	FDA, Ministry of Public Health	Licence To Manufacture "Bulk 52 Pink Condom"	29 December 2010	31 December 2015	-	-
Phor. 52/2549	FDA, Ministry of Public Health	Licence To Manufacture Medical Device: "Sax International Condom"	29 December 2010	31 December 2015	-	-
Phor. 54/2549	FDA, Ministry of Public Health	Licence To Manufacture Medical Device: "Sax Smooth Condom"	29 December 2010	31 December 2015	-	-
Phor. 58/2549	FDA, Ministry of Public Health	Licence to manufacture medical device: "Bulk 3 in 1 Condom"	29 December 2010	31 December 2015	-	-
Phor. 77/2549	FDA, Ministry of Public Health	Licence to manufacture medical device: "49 Pink Condom"	29 December 2010	31 December 2015	-	-
Phor. 78/2549	FDA, Ministry of Public Health	Licence to manufacture medical device: "52 Pink Condom"	29 December 2010	31 December 2015	-	-
Phor. 51/2551	FDA, Ministry of Public Health	Licence to manufacture medical device: "Honeymoon Romantic Condom"	17 December 2012	31 December 2017	-	-
Phor. 52/2551	FDA, Ministry of Public Health	Licence to manufacture medical device: "Carex 3 in 1 Condom"	17 December 2012	31 December 2017	-	-
Phor. 55/2551	FDA, Ministry of Public Health	Licence to manufacture medical device: "Choice Condom"	17 December 2012	31 December 2017	-	-
Phor. 79/2551	FDA, Ministry of Public Health	Licence to manufacture medical device: "Inno Condom (Strawberry Flavour)"	17 December 2012	31 December 2017	-	-

## ANNEXURE B: LIST OF APPROVALS, MAJOR LICENSES AND PERMITS (Cont'd)

Licence no. / Certificate no. / Registration no. / Reference no. / Serial no.	Issuing authority	Subject matter / purpose	Issue / renewal date	Expiry date / validity period	Equity condition and / or major conditions imposed	Status of compliance with the conditions attached
Phor. 127/2551	FDA, Ministry of Public Health	Licence to manufacture medical device: "Carex Plus 52 Condom"	17 December 2012	31 December 2017	-	-
Phor. 133/2551	FDA, Ministry of Public Health	Licence to manufacture medical device: "Inno 3 in 1 Condom"	30 September 2008	31 December 2017	-	-
Phor. 136/2551	FDA, Ministry of Public Health	Licence to manufacture medical device: "Carex Condom (Strawberry Flavour)"	17 December 2012	31 December 2017	-	-
Nor. 1/2552	FDA, Ministry of Public Health	Licence to import medical device: import of "Bulk Dotted Condom"	17 February 2009	31 December 2013	-	-
Phor. 78/2552	FDA, Ministry of Public Health	Licence to manufacture medical device: "Endoo Condom"	4 May 2009	31 December 2013	-	-
Phor. 80/2552	FDA, Ministry of Public Health	Licence to manufacture medical device: "Endoo Condom"	13 May 2009	31 December 2013	-	-
Phor. 84/2552	FDA, Ministry of Public Health	Licence to manufacture medical device: "Endoo Condom (Strawberry Flavour)"	18 May 2009	31 December 2013	-	-
Phor. 85/2552	FDA, Ministry of Public Health	Licence to manufacture medical device: "Endoo Condom (Strawberry Flavour)"	18 May 2009	31 December 2013	-	-
Phor. 107/2552	FDA, Ministry of Public Health	Licence to manufacture medical device: "Endoo Dotted Condom"	10 July 2009	31 December 2013	-	-
Phor. 108/2552	FDA, Ministry of Public Health	Licence to manufacture medical device: "Carex Condom (Blueberry Flavour)"	10 July 2009	31 December 2013	-	-
Phor. 109/2552	FDA, Ministry of Public Health	Licence to manufacture medical device: "Carex Condom (Mint Flavour)"	10 July 2009	31 December 2013	-	-
Phor. 161/2552	FDA, Ministry of Public Health	Licence to manufacture medical device: "Tonight Plus Condom"	4 November 2009	31 December 2013	-	-

## ANNEXURE B: LIST OF APPROVALS, MAJOR LICENSES AND PERMITS (Cont'd)

Licence no. / Certificate no. / Registration no. / Reference no. / Serial no.	Issuing authority	Subject matter / purpose	Issue / renewal date	Expiry date / validity period	Equity condition and / or major conditions imposed	Status of compliance with the conditions attached
Phor. 1/2553	FDA, Ministry of Public Health	Licence to manufacture medical device: "Endoo Pink Condom (Strawberry Flavour)"	5 January 2010	31 December 2014	-	-
Phor. 4/2553	FDA, Ministry of Public Health	Licence to manufacture medical device: "Endoo Pink Condom (Strawberry Flavour)"	8 January 2010	31 December 2014	-	-
Phor. 5/2553	FDA, Ministry of Public Health	Licence to manufacture medical device: "Endoo Condom"	14 January 2010	31 December 2014	-	-
Phor. 6/2553	FDA, Ministry of Public Health	Licence to manufacture medical device: "Tonight 54 Condom"	14 January 2010	31 December 2014	-	-
Phor. 12/2553	FDA, Ministry of Public Health	Licence to manufacture medical device: "Endoo Condom (Banana Flavour)"	9 February 2010	31 December 2014	-	-
Phor. 13/2553	FDA, Ministry of Public Health	Licence to manufacture medical device: "Endoo Condom (Banana Flavour)"	9 February 2010	31 December 2014	-	-
Phor. 23/2553	FDA, Ministry of Public Health	Licence to manufacture medical device: "Faire Mix Condom"	12 March 2010	31 December 2014	-	-
Phor. 26/2553	FDA, Ministry of Public Health	Licence to manufacture medical device: "Tonight 52 Condom (Blueberry Flavour)"	19 April 2010	31 December 2014	-	-
Phor. 27/2553	FDA, Ministry of Public Health	Licence to manufacture medical device: "Tonight Plus 52 Condom"	19 April 2010	31 December 2014	-	-
Phor. 33/2553	FDA, Ministry of Public Health	Licence to manufacture medical device: "M Lite Condom (Strawberry Flavour)"	2 July 2010	31 December 2014	-	-
Phor. 51/2553	FDA, Ministry of Public Health	Licence to manufacture medical device: "M Lite Condom"	20 December 2010	31 December 2014	-	-
Phor. 54/2553	FDA, Ministry of Public Health	Licence to manufacture medical device: "Tonight 49 Condom (Mint Flavour)"	29 December 2010	31 December 2014	-	-

## ANNEXURE B: LIST OF APPROVALS, MAJOR LICENSES AND PERMITS (Cont'd)

Licence no. / Certificate no. / Registration no. / Reference no. / Serial no.	Issuing authority	Subject matter / purpose	Issue / renewal date	Expiry date / validity period	Equity condition and / or major conditions imposed	Status of compliance with the conditions attached
Phor. 55/2553	FDA, Ministry of Public Health	Licence to manufacture medical device: "Tonight 56 Condom (Mint Flavour)"	29 December 2010	31 December 2014	-	-
Phor. 56/2553	FDA, Ministry of Public Health	Licence to manufacture medical device: "Tonight 56 Condom (Strawberry Flavour)"	29 December 2010	31 December 2014	-	-
Phor. 57/2553	FDA, Ministry of Public Health	Licence to manufacture medical device: "Tonight 54 Condom (Strawberry Flavour)"	29 December 2010	31 December 2014	-	-
Phor. 1/2554	FDA, Ministry of Public Health	Licence to manufacture medical device: "Tonight 54 Condom (Mint Flavour)"	7 January 2011	31 December 2015	-	-
Phor. 131/2550	FDA, Ministry of Public Health	Licence to manufacture medical device: "Sax Babylon Condom"	5 January 2012	31 December 2016	-	-
Phor. 192/2550	FDA, Ministry of Public Health	Licence to manufacture medical device: "Honeymoon Valentine Condom"	5 January 2012	31 December 2016	-	-
Phor. 10/2551	FDA, Ministry of Public Health	Licence to manufacture medical device: "Durex Strawberry II Condom"	26 June 2012	31 December 2016	-	-
Phor. 11/2551	FDA, Ministry of Public Health	Licence to manufacture medical device: "Durex Sensation II Condom"	26 June 2012	31 December 2016	-	-

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## ANNEXURE B: LIST OF APPROVALS, MAJOR LICENSES AND PERMITS (Cont'd)

(e) UTSB

Licence no. / Certificate no. / Registration no. / Reference no. / Serial no.	Issuing authority	Subject matter / purpose	Issue / renewal date	Expiry date / validity period	Equity condition and / or major conditions imposed	Status of compliance with the conditions attached
22846	Majlis Daerah Pontian, Johor	Temporary license for premises located at Lot 2491, Bt 39 ½, Pontian Besar	8 January 2013	12 months from issuance date	-	-
J07-10190-001-1	Malaysian Rubber Board	License to buy rubber for the manufacture of rubber products	1 January 2013	1 January 2013 to 31 December 2013	Required to dispose / destroy vulcanised rubber wastes in accordance with the instructions by the Malaysian Rubber Board	Complied
A021501 / A013594	MITI	Manufacturing license to act as Licensed Manufacturer of catheters from 8 May 2003 at the place of manufacturing at PTD 7902 & 7903, Taman Pontian Jaya, Batu 34, Jalan Johor, 82000 Pontian, Johor Darul Takzim	30 July 2003	With effect from 8 May 2003	(i) Location: PTD 7902 & 7903, Taman Pontian Jaya, Batu 34, Jalan Johor, 82000 Pontian, Johor Darul Takzim is subject to approval from the applicable State Government and the Department of Environment. (ii) Sale of UTSB's shares must be informed to MITI.	Complied
KDN/16031/CCA31431 2	Ministry of Home Affairs, Malaysia	Conditional approval for the employment of 10 foreign workers for manufacturing sector	1 March 2013	5 March 2013 to 4 March 2014	Payment levy made: Receipt No. KDNKY32167	Complied
KDN/16031/CDAQJ32504 58	Ministry of Home Affairs, Malaysia	Conditional approval for the employment of 50 foreign workers for manufacturing sector	15 April 2013	17 April 2013 to 16 April 2014	Payment levy made: Receipt No. KDNKY34718	Complied

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**ANNEXURE C: LIST OF ACCREDITATIONS AND RECOGNITIONS**

Over the years, our Group has obtained the following accreditations and recognitions:

**(a) KISB**

<b>Types of Accreditations / Recognition</b>	<b>Issuing authority</b>	<b>Subject matter / purpose</b>	<b>Issue / renewal date</b>	<b>Expiry date / validity period</b>
ISO 9001: 2008	SGS United Kingdom Ltd Systems & Services Certification	Design and manufacture of non-medicated condoms, non-sterile warming, cooling and regular plain water based lubricant jelly and non-sterile latex protective ultrasound transducer covers	19 November 1999	28 September 2016
ISO 13485: 2003	SGS United Kingdom Ltd Systems & Services Certification	Design and manufacture of non-medicated condoms, non-sterile warming, cooling and regular plain water based lubricant jelly and non-sterile latex protective ultrasound transducer covers	1 November 2004	1 November 2016
ISO 13485:2003, EN ISO 13485:2003/AC:2009	SGS United Kingdom Ltd Systems & Services Certification	Design and manufacture of non-medicated condoms	19 November 1999	28 September 2016
Directive 93/42/EEC Certificate on medical devices, Annex II (excluding Section 4)	SGS United Kingdom Ltd Systems & Services Certification	Non-medicated natural rubber latex male condoms, non-sterile latex protective ultrasound transducer covers, non-sterile warming, cooling and regular plain water based lubricant jelly	19 November 1999	28 September 2018
Directive 93/42/EEC Certificate on medical devices, Annex V	SGS United Kingdom Ltd Systems & Services Certification	Non-sterile latex protective ultrasound transducer cover, non-sterile warming, cooling and regular plain water based lubricant jelly	19 November 1999	28 September 2018
Permit to Apply Certification Mark	SABS Commercial (Pty) Ltd	Mark specification with which the commodity is required to comply: SANS 4074:2003 Natural Latex Rubber Condoms	10 December 1998	7 May 2014
Permission to market devices	Food and Drug Administration, Department of Health & Human Services	Description of the commodity to which the certification mark may be applied: (i) KAREX (6360) (ii) CHOICE (6360) (iii) SKIN LOVE (6360) (iv) RIA (6360) Non-spermioidal lubricated male latex condom	8 May 2007	Not applicable
Permission to market devices	Food and Drug Administration, Department of Health & Human Services	Male natural rubber latex condom (straight sided or contoured in shape, either textured or non-textured, lubricated or non-lubricated, non-colored or colored and flavored or non-flavored)	6 February 2009	Not applicable



## ANNEXURE C: LIST OF ACCREDITATIONS AND RECOGNITIONS (Cont'd)

(b)	ISB	Types of Accreditations / Recognition	Issuing authority	Subject matter / purpose	Issue / renewal date	Expiry date / validity period
		ISO 9001:2008 Certificate	SGS United Kingdom Ltd Systems & Services Certification	Design and manufacture of non-medicated natural rubber latex male condom and protective ultrasound transducer covers	4 May 2001 / 22 May 2013	4 May 2016
		ISO 13485:2003 Certificate EN ISO 13485:2012 Certificate	SGS United Kingdom Ltd Systems & Services Certification	Design and manufacture of non-medicated natural rubber latex male condom and protective ultrasound transducer covers	4 May 2001 / 22 May 2013	4 May 2016
		Directive 93/42/EEC Certificate	SGS United Kingdom Ltd Systems & Services Certification	Non-medicated natural rubber latex male condom	4 May 2001 / 22 May 2013	4 May 2016
		Certificate	LNE (Laboratoire national de métrologie et d'essais)	Male condoms marketed by Phicogis Europe, France 67000 Strasbourg	17 December 2012 / 1 January 2013	31 December 2015
		Permit to Apply Certification Mark	SABS Commercial (Pty) Ltd	Mark specification with which the commodity is required to comply: SANS 4074:2003 Natural Latex Rubber Condoms	8 April 2005	21 May 2014
				Description of the commodity to which the certification mark may be applied and brand name or justify trade mark which may be sued conjunction with the certification mark:		
				(i) Inno(7715)		
				(ii) Lovers Plus-Smooth (7715)		
				(iii) Lovers Plus-Ribbed And Studded (7715)		
				(iv) Lovers Plus-Coloured And Flavoured (Red Strawberry) (7715)		
				(v) Lovers Plus-Coloured And Flavoured (Blue Tutti Frutti) (7715)		
				(vi) Lovers Plus-Coloured And Flavoured ( Gold Vanilla) (7715)		
				(vii) Trust Regular (7715)		
				(viii) Trust Studded (7715)		
		Permission to market devices	Food and Drug Administration, Department of Health & Human Services	(i) Non-spermicidal lubricated male latex condom	19 December 2000	Not applicable
				(ii) Spermicidal lubricated male latex condom	27 April 2001	Not applicable

**ANNEXURE C: LIST OF ACCREDITATIONS AND RECOGNITIONS (Cont'd)**

Types of Accreditations / Recognition	Issuing authority	Subject matter / purpose	Issue / renewal date	Expiry date / validity period
		(iii) Ribbed male natural rubber latex condom with silicone lubricant	15 June 2001	Not applicable
		(iv) Ultra Thick Male latex condom with silicone lubricant	9 November 2001	Not applicable
		(v) Ultra thin latex condom with silicone lubricant	9 November 2001	Not applicable
		(vi) Dotted condom, male natural rubber latex condom	9 November 2001	Not applicable
		(vii) 56mm condom, male natural rubber latex condom	9 November 2001	Not applicable
		(viii) Male natural rubber latex condom (with coloring & flavouring)	24 September 2004	Not applicable
		(ix) Male natural rubber latex condom	21 February 2006	Not applicable
<b>(c) HMSB</b>		<b>Subject matter / purpose</b>	<b>Issue / renewal date</b>	<b>Expiry date / validity period</b>
ISO 9001:2008 Certificate	SGS United Kingdom Ltd Systems & Services Certification	Design and manufacture of non-medicated condoms	12 July 2000	28 September 2016
ISO 13485:2003 Certificate	SGS United Kingdom Ltd Systems & Services Certification	Design and manufacture of non-medicated condoms	12 July 2000	28 September 2016
Directive 93/42/EEC Certificate	SGS United Kingdom Ltd Systems & Services Certification	Non-medicated natural rubber latex male condoms	12 July 2000	28 September 2018

**ANNEXURE C: LIST OF ACCREDITATIONS AND RECOGNITIONS (Cont'd)**

(d) ITL	Types of Accreditations / Recognition	Issuing authority	Subject matter / purpose	Issue / renewal date	Expiry date / validity period
	Laboratory Quality Standards Certificate	Bureau of Quality Standards, Ministry of Public Health, Thailand	Compliance with the ISO/IEC 17025:2005 and the Bureau of Laboratory Quality Standards for the condoms testing standard	23 September 2010	22 September 2013
	Certificate of ISO 9001: 2008	SGS United Kingdom Ltd Systems & Services Certification	The manufacture of non-medicated natural rubber latest male condom	5 May 2012	5 May 2015
	Certificate of ISO 13485: 2003 EN ISO 13485: 2003 / AC:2009	SGS United Kingdom Ltd Systems & Services Certification	The manufacture of non-medicated natural rubber latest male condom	5 May 2012	5 May 2015
	Certificate of Directive 93/42/EEC	SGS United Kingdom Ltd Systems & Services Certification	Medical devices, Annex II	5 May 2012	5 May 2017
(e) UTSB	Types of Accreditations / Recognition	Issuing authority	Subject matter / purpose	Issue / renewal date	Expiry date / validity period
	ISO 9001:2008 Certificate	SGS United Kingdom Ltd Systems & Services Certification	Design and Manufacture of Sterile Urethral Natural Latex Catheters	19 November 1999	28 September 2016
	ISO 13485:2003 Certificate	SGS United Kingdom Ltd Systems & Services Certification	Design and Manufacture of Sterile Urethral Natural Latex Catheters	19 November 1999	28 September 2016
	Directive 93/42/EEC Certificate	SGS United Kingdom Ltd Systems & Services Certification	Sterile Urethral Catheters	19 November 1999	28 September 2018
	Permission to market devices	Food and Drug Administration, Department of Health & Human Services	AMSure Foley Catheter	29 October 2003	Not applicable

**ANNEXURE C: LIST OF ACCREDITATIONS AND RECOGNITIONS (Cont'd)**

Types of Accreditations / Recognition	Issuing authority	Subject matter / purpose	Issue / renewal date	Expiry date / validity period
Certificate of Foreign Manufacturer of Medical Equipment	Minister of Health, Labour and Welfare in Japan	Qualified foreign manufacturer of medical equipment pursuant to Section 13(3) of The Drugs, Cosmetics and Medical Instruments Act.	1 November 2012	31 October 2017

**ANNEXURE D: SUMMARY OF LAW FROM OUR THAI SOLICITOR IN RELATION TO GOVERNMENTAL LAWS, DECREES, REGULATIONS OR OTHER REQUIREMENT IN THAILAND THAT GOVERNS THE REPATRIATION OF CAPITAL AND THE REMITTANCE OF PROFITS BY OUR COMPANY TO MALAYSIA**

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**บริษัท สำนักงานกฎหมายสยามซิตี จำกัด**  
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30 August 2013

The Board of Directors  
**Karex Berhad**  
10<sup>th</sup> Floor, Menara Hap Seng  
No.1 & 3 Jalan P. Ramlee  
50250 Kuala Lumpur

Dear Sir,

**Re: Summary of relevant Taxation and Exchange Control law in Thailand**

**(i) Exchange Control Act**

The control of currency exchange transaction and repatriation of money from Thailand is governed by the Exchange Control Act B.E. 2485 and its subordinated laws issued by virtue of it, such as, the Ministerial Regulations No. 13, the Notification of the Ministry of Finance regarding the exchange control and the Notification of the Exchange Control Competent Officer regarding rules and practice for the exchange control.

**(a) Ministerial Regulations No. 13**

No person other than authorized bank, authorized company or authorized person to purchase, sell, lend, exchange or transfer foreign currency, except with permission from the Competent Officer. The foregoing shall not be applied in case of purchase, sale or exchange of foreign currency made with the authorized banks or authorized companies.

With respect to the deposit of foreign currency, any person who acquires foreign currency from aboard by means other than exportation of goods, shall immediately bring such proceeds into Thailand and sell such foreign currency to an authorized juristic person or authorized money changer in Thailand or deposit it with an authorized juristic person in Thailand within the period prescribed by the Ministry of Finance. In the case where foreign currency is obtained from engaging in any transaction, such person shall acquire such foreign currency within 360 days from the transaction date, including in the case of exportation (as amended by the Ministerial Regulation No. 26. B.E. 2551)



**ANNEXURE D: SUMMARY OF LAW FROM OUR THAI SOLICITOR IN RELATION TO GOVERNMENTAL LAWS, DECREES, REGULATIONS OR OTHER REQUIREMENT IN THAILAND THAT GOVERNS THE REPATRIATION OF CAPITAL AND THE REMITTANCE OF PROFITS BY OUR COMPANY TO MALAYSIA (Cont'd)**

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**(b) Notification of the Ministry of Finance regarding the exchange control dated 31 March B.E. 2547**

Buyers and sellers of foreign currency (or other means of payment) with authorized banks or authorized companies shall, upon purchasing or selling such foreign currency, declare transactions (in the form prescribed by the competent officer) related to such foreign currency, details of source and use of such foreign currency, purpose of purchase and other relevant matters to the competent officer through authorized banks or authorized companies. The exemption may be granted by the competent officer for any particular transaction within the amount specified.

**(c) Notification of the Exchange Control Competent Officer**

For remittance of dividend and profit, under Clause 15 of the Notification of the Exchange Control Competent Officer regarding rules and practice for the exchange control (as amended by the Notification No. 21 dated 25 June B.E. 2556), person who wishes to purchase or exchange of currency shall submit required form(s) and provide supporting evidence to the authorized juristic person (normally, commercial bank), which is evidence of dividend payment, such as, the notification of dividend payment of the paying company in case of remittance of dividend, pursuant to clause 15(21); and financial statement of the current fiscal period certified by the licensed auditor, or the interim financial statement certified by the Company if it is the interim profit in case of the remittance of profit to the head office, pursuant to clause 15(22).

For other remittance which is not specifically provided under this Clause, the person wishing to remit the money is required to provide evidence showing the obligation to remit money, such as, contract or invoice. Since the payment of interest to shareholders, normally, would be payment of dividend or return of capital, if there is other kind of interest to be paid to shareholders, the relevant evidence creating/showing right for such payment to shareholders shall be submitted.

Under clause 44, any person who wishes to purchase, sell, deposit, or withdraw foreign currency or does not wish to sell foreign currency or deposit such foreign currency with an authorized bank in an amount of USD50,000 or above, or equivalent market value shall be required to submit transaction documents of foreign currency as prescribed by the Competent Officer. The authorized juristic person shall make copy and provide it to that person for keeping as evidence where the authorized juristic person shall declare the amount, exchange rate, date of transaction in the form of transaction documents of foreign currency.

In addition, under clause 14 of The Notification of the Exchange Control Competent Officer on rules and practices regarding currency exchange (as amended on 25 June B.E. 2556), if a person in Thailand wishes to purchase or exchange foreign currency for the following purposes, among others, the Competent Officer permits and allows authorized juristic persons to proceed with it in accordance with the specified limit when such person and authorized juristic persons comply with Clause 15 of the same notification (requirement of relevant documents submission) :

For investing in or lending to a business entity abroad which does not engage in foreign securities trading business as follows: