



# KAREX BERHAD

(COMPANY NO. 1018579-U)  
(INCORPORATED IN MALAYSIA UNDER THE COMPANIES ACT, 1965)

## PROSPECTUS

THIS PROSPECTUS IS DATED 11 OCTOBER 2013

THE INITIAL PUBLIC OFFERING OF 67,500,000 ORDINARY SHARES OF RM0.25 EACH IN KAREX BERHAD ("KAREX") ("SHARES") COMPRISING A PUBLIC ISSUE OF 40,500,000 NEW SHARES ("ISSUE SHARES") AND AN OFFER FOR SALE OF 27,000,000 EXISTING SHARES ("OFFER SHARES") AT RM1.85 PER SHARE INVOLVING:

- I. THE INSTITUTIONAL OFFERING OF 47,250,000 SHARES COMPRISING 27,000,000 OFFER SHARES AND 20,250,000 ISSUE SHARES TO INSTITUTIONAL AND SELECTED INVESTORS IN MALAYSIA, SINGAPORE AND HONG KONG; AND
- II. THE RETAIL OFFERING OF 20,250,000 SHARES COMPRISING:
  - 13,500,000 ISSUE SHARES MADE AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC; AND
  - 6,750,000 ISSUE SHARES MADE AVAILABLE FOR APPLICATION BY ELIGIBLE DIRECTORS, EMPLOYEES, BUSINESS ASSOCIATES AND PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF KAREX AND ITS SUBSIDIARIES,

SUBJECT TO CLAWBACK AND REALLOCATION PROVISIONS.



## KAREX BERHAD

[www.karex.com.my](http://www.karex.com.my)



PRINCIPAL ADVISER, UNDERWRITER  
AND JOINT PLACEMENT AGENT



FINANCIAL ADVISER



JOINT PLACEMENT AGENT



YOU ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.  
PLEASE CONSIDER THE RISK FACTORS SET OUT IN SECTION 5 OF THIS PROSPECTUS BEFORE INVESTING.  
LISTING SOUGHT: MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD

## **IMPORTANT NOTICE**

### **RESPONSIBILITY STATEMENTS**

OUR DIRECTORS, PROMOTERS AND SELLING SHAREHOLDERS (AS DEFINED HEREIN) HAVE SEEN AND APPROVED THIS PROSPECTUS. THEY INDIVIDUALLY AND COLLECTIVELY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION CONTAINED WITHIN THIS PROSPECTUS. THEY CONFIRM, HAVING MADE ALL REASONABLE ENQUIRIES, THAT TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE ARE NO FALSE OR MISLEADING STATEMENTS OR OTHER FACTS WHICH, IF OMITTED, WOULD MAKE ANY STATEMENT IN THIS PROSPECTUS FALSE OR MISLEADING.

RHB INVESTMENT BANK BERHAD ("**RHB INVESTMENT BANK**"), BEING THE PRINCIPAL ADVISER FOR OUR INITIAL PUBLIC OFFERING ("**IPO**"), ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING OUR IPO.

### **STATEMENT OF DISCLAIMER**

THE SECURITIES COMMISSION MALAYSIA ("**SC**") HAD ON 12 JUNE 2013 APPROVED OUR IPO AND A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED WITH THE SC ON 10 OCTOBER 2013. THE APPROVAL AND REGISTRATION OF THIS PROSPECTUS SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS OUR IPO OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE OR OPINION OR REPORT EXPRESSED IN THIS PROSPECTUS. THE SC HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF OUR IPO.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE IN THIS PROSPECTUS ON OUR PART AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

**YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF INVESTMENT IN OUR COMPANY. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

OUR COMPANY HAD ON 10 SEPTEMBER 2013 OBTAINED THE APPROVAL OF BURSA MALAYSIA SECURITIES BERHAD ("**BURSA SECURITIES**") FOR THE LISTING OF AND QUOTATION FOR OUR ENTIRE ENLARGED ISSUED AND PAID-UP SHARE CAPITAL COMPRISING ORDINARY SHARES OF RM0.25 EACH IN OUR COMPANY ("**SHARES**"). OUR ADMISSION TO THE OFFICIAL LIST OF BURSA SECURITIES IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF OUR IPO, COMPANY OR SHARES.

A COPY OF THIS PROSPECTUS, TOGETHER WITH THE APPLICATION FORMS, HAS ALSO BEEN LODGED WITH THE REGISTRAR OF COMPANIES OF MALAYSIA, WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

### **OTHER STATEMENTS**

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS PROSPECTUS IS DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS AND SERVICES ACT, 2007 ("**CMSA**").

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING OUR IPO FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, (E.G. DIRECTORS AND ADVISERS) ARE RESPONSIBLE.

YOU SHOULD NOTE THAT ANY AGREEMENT BY THE UNDERWRITER NAMED IN THIS PROSPECTUS TO UNDERWRITE OUR SHARES ALLOCATED FOR THE MALAYSIAN PUBLIC IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF OUR SHARES BEING OFFERED.

THE DISTRIBUTION OF THIS PROSPECTUS AND OUR IPO ARE SUBJECT TO THE LAWS OF MALAYSIA. THIS PROSPECTUS WILL NOT BE DISTRIBUTED OUTSIDE MALAYSIA OTHER THAN TO INSTITUTIONS AND SELECTED INVESTORS IN SINGAPORE AND HONG KONG. OUR COMPANY, THE PROMOTERS, SELLING SHAREHOLDERS, PRINCIPAL ADVISER, UNDERWRITER AND JOINT PLACEMENT AGENTS NAMED IN THIS PROSPECTUS HAVE NOT AUTHORISED AND TAKE NO RESPONSIBILITY FOR THE DISTRIBUTION OF THIS PROSPECTUS OUTSIDE OF MALAYSIA, SINGAPORE AND HONG KONG. NO ACTION HAS BEEN TAKEN TO PERMIT ANY OFFERING OF OUR SHARES IN ANY JURISDICTION OTHER THAN MALAYSIA, SINGAPORE AND HONG KONG BASED ON THIS PROSPECTUS. ACCORDINGLY, THIS PROSPECTUS MAY NOT BE USED FOR THE PURPOSE OF AND DOES NOT CONSTITUTE AN OFFER FOR SUBSCRIPTION OR PURCHASE OR INVITATION TO SUBSCRIBE FOR OR PURCHASE SHARES OFFERED UNDER OUR IPO IN ANY JURISDICTION OR IN ANY CIRCUMSTANCE IN WHICH SUCH AN OFFER IS NOT AUTHORISED OR LAWFUL OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION. THE DISTRIBUTION OF THIS PROSPECTUS AND THE SALE OF OUR SHARES OFFERED UNDER OUR IPO IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. PROSPECTIVE INVESTORS WHO MAY BE IN POSSESSION OF THIS PROSPECTUS ARE REQUIRED TO INFORM THEMSELVES OF AND TO OBSERVE SUCH RESTRICTIONS.

THIS PROSPECTUS IS PUBLISHED SOLELY IN CONNECTION WITH OUR IPO. OUR SHARES BEING OFFERED IN OUR IPO ARE OFFERED ON THE BASIS OF THE INFORMATION CONTAINED AND REPRESENTATIONS MADE IN THIS PROSPECTUS. OUR COMPANY, THE PROMOTERS, SELLING SHAREHOLDERS, PRINCIPAL ADVISER, UNDERWRITER AND JOINT PLACEMENT AGENTS HAVE NOT AUTHORISED ANYONE TO PROVIDE INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS PROSPECTUS. ANY INFORMATION OR REPRESENTATION NOT CONTAINED IN THIS PROSPECTUS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY OUR COMPANY, THE PROMOTERS, SELLING SHAREHOLDERS, PRINCIPAL ADVISER, UNDERWRITER AND JOINT PLACEMENT AGENTS OR ANY OF THEIR RESPECTIVE DIRECTORS OR ANY OTHER PERSONS INVOLVED IN OUR IPO.

THIS PROSPECTUS HAS BEEN PREPARED IN THE CONTEXT OF AN INITIAL PUBLIC OFFERING UNDER THE LAWS OF MALAYSIA. IT DOES NOT COMPLY WITH THE LAWS OF ANY JURISDICTION OTHER THAN MALAYSIA AND HAS NOT BEEN AND WILL NOT BE LODGED, REGISTERED OR APPROVED PURSUANT TO OR UNDER ANY APPLICABLE SECURITIES OR EQUIVALENT LEGISLATION OR BY ANY REGULATORY AUTHORITY OF ANY JURISDICTION OTHER THAN MALAYSIA.

**WARNING TO INVESTORS IN SINGAPORE AND HONG KONG:**

**THE CONTENTS OF THIS DOCUMENT HAVE NOT BEEN REVIEWED BY ANY REGULATORY AUTHORITY IN SINGAPORE OR HONG KONG. INVESTORS IN SINGAPORE AND HONG KONG ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE OFFER. IF YOU ARE IN ANY DOUBT ABOUT ANY OF THE CONTENTS OF THIS DOCUMENT, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.**

THIS PROSPECTUS HAS NOT BEEN AND WILL NOT BE LODGED WITH AND REGISTERED BY THE MONETARY AUTHORITY OF SINGAPORE AS A PROSPECTUS UNDER THE SECURITIES AND FUTURES ACT, CHAPTER 289 OF SINGAPORE (“SFA”) AND THE IPO SHARES WILL BE OFFERED IN SINGAPORE PURSUANT TO EXEMPTIONS INVOKED UNDER SUBDIVISION 4, DIVISION 1 OF PART XIII OF THE SFA, IN PARTICULARLY SECTION 274 AND SECTION 275, OF THE SFA. ACCORDINGLY, THIS PROSPECTUS AND ANY OTHER OFFERING DOCUMENT OR MATERIAL IN CONNECTION WITH THE IPO SHARES MAY NOT BE ISSUED, CIRCULATED OR DISTRIBUTED IN SINGAPORE, NOR MAY ANY OF THE IPO SHARES BE OFFERED OR SOLD, OR BE MADE THE SUBJECT OF AN INVITATION FOR SUBSCRIPTION OR PURCHASE, WHETHER DIRECTLY OR INDIRECTLY, TO PERSONS IN SINGAPORE OTHER THAN (I) AN INSTITUTIONAL INVESTOR UNDER SECTION 274 OF THE SFA, (II) A RELEVANT PERSON PURSUANT TO SECTION 275(1) OF THE SFA, (III) ANY PERSON PURSUANT TO AN OFFER REFERRED TO IN SECTION 275(1A) OF THE SFA, OR (IV) PURSUANT TO AND IN ACCORDANCE WITH THE CONDITIONS OF ANY OTHER APPLICABLE PROVISION OF THE SFA.

WHERE THE SHARES OFFERED UNDER THE INSTITUTIONAL OFFERING ARE SUBSCRIBED OR PURCHASED BY (I) AN INSTITUTIONAL INVESTOR PURSUANT TO SECTION 274 OF THE SFA, (II) A RELEVANT PERSON PURSUANT TO SECTION 275(1) OF THE SFA, OR (III) ANY PERSON PURSUANT TO AN OFFER REFERRED TO IN SECTION 275(1A) OF THE SFA, SUCH SHARES OFFERED UNDER THE INSTITUTIONAL OFFERING SHALL NOT BE SOLD WITHIN A PERIOD OF SIX MONTHS FROM THE DATE OF THE INITIAL ACQUISITION TO ANY PERSON OTHER THAN AN INSTITUTIONAL INVESTOR UNDER SECTION 274 OF THE SFA, TO A RELEVANT PERSON AS DEFINED IN SECTION 275(2) OF THE SFA, OR TO ANY PERSON PURSUANT TO AN OFFER REFERRED TO IN SECTION 275(1A) OF THE SFA, AND IN ACCORDANCE WITH THE CONDITIONS OF THE SFA.

WHERE THE SHARES OFFERED UNDER THE INSTITUTIONAL OFFERING ARE SUBSCRIBED OR PURCHASED UNDER SECTION 275 OF THE SFA BY A RELEVANT PERSON WHICH IS: (A) A CORPORATION (WHICH IS NOT AN ACCREDITED INVESTOR) THE SOLE BUSINESS OF WHICH IS TO HOLD INVESTMENTS AND THE ENTIRE SHARE CAPITAL OF WHICH IS OWNED BY ONE OR MORE INDIVIDUALS, EACH OF WHOM IS AN ACCREDITED INVESTOR; OR (B) A TRUST (WHERE THE TRUSTEE IS NOT AN ACCREDITED INVESTOR) WHOSE SOLE PURPOSE IS TO HOLD INVESTMENTS AND EACH BENEFICIARY IS AN ACCREDITED INVESTOR, SECURITIES OF THAT CORPORATION OR THE BENEFICIARIES’ RIGHTS AND INTEREST IN THAT TRUST SHALL NOT BE TRANSFERRED WITHIN SIX MONTHS AFTER THAT CORPORATION OR THAT TRUST HAS ACQUIRED THE SHARES OFFERED UNDER THE INSTITUTIONAL OFFERING UNDER SECTION 275 OF THE SFA UNLESS (I) THAT TRANSFER: (A) IS MADE ONLY TO AN INSTITUTIONAL INVESTOR UNDER SECTION 274 OF THE SFA OR TO A RELEVANT PERSON AS DEFINED IN SECTION 275(2) OF THE SFA; OR (B) ARISES FROM AN OFFER REFERRED TO IN SECTION 275(1A) OF THE SFA, (II) NO CONSIDERATION IS OR WILL BE GIVEN FOR THE TRANSFER; OR (III) THE TRANSFER IS BY OPERATION OF LAW, AND IN ACCORDANCE WITH THE CONDITIONS OF THE SFA.

THE SHARES OFFERED UNDER THE INSTITUTIONAL OFFERING MAY NOT BE OFFERED OR SOLD BY MEANS OF THIS OR ANY DOCUMENT, OTHER THAN (A) TO "PROFESSIONAL INVESTORS" WITHIN THE MEANING OF SECTION 1 OF PART 1 OF SCHEDULE 1 TO THE SECURITIES AND FUTURES ORDINANCE (CAP.571 OF THE LAWS OF HONG KONG) ("SFO") AND ANY RULES MADE UNDER THE SFO OR (B) IN OTHER CIRCUMSTANCES WHICH DO NOT RESULT IN THE DOCUMENT BEING A "PROSPECTUS" AS DEFINED IN THE COMPANIES ORDINANCE (CAP. 32 OF THE LAWS OF HONG KONG) ("CO") OR WHICH DO NOT CONSTITUTE AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THE CO, AND NO ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE SHARES OFFERED UNDER THE INSTITUTIONAL OFFERING, WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE OR ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC IN HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE LAWS OF HONG KONG) MAY BE ISSUED OR MAY BE IN THE POSSESSION OF ANY PERSON FOR THE PURPOSES OF ISSUE, WHETHER IN HONG KONG OR ELSEWHERE, OTHER THAN WITH RESPECT TO THE SHARES OFFERED UNDER THE INSTITUTIONAL OFFERING WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY TO PERSONS OUTSIDE HONG KONG OR ONLY TO "PROFESSIONAL INVESTORS" WITHIN THE MEANING OF SECTION 1 OF PART 1 OF SCHEDULE 1 TO THE SFO AND ANY RULES MADE UNDER THE SFO.

THE STATEMENT OF DISCLAIMER IS SUBJECT TO THE JOINT PLACEMENT AGENTS COMPLYING WITH THE APPLICABLE SECURITIES LAWS IN SINGAPORE AND HONG KONG.

### **ELECTORNIC PROSPECTUS**

THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE COPY OF THIS PROSPECTUS REGISTERED AND SUBMITTED TO THE SC AND BURSA SECURITIES ARE THE SAME. YOU MAY VIEW A COPY OF THE ELECTRONIC PROSPECTUS ON THE WEBSITES OF RHB BANK BERHAD AT [www.rhb.com.my](http://www.rhb.com.my), CIMB INVESTMENT BANK BERHAD AT [www.eipocimb.com](http://www.eipocimb.com), CIMB BANK BERHAD AT [www.cimbclicks.com.my](http://www.cimbclicks.com.my), MALAYAN BANKING BERHAD AT [www.maybank2u.com.my](http://www.maybank2u.com.my), AFFIN BANK BERHAD AT [www.affinOnline.com](http://www.affinOnline.com) AND PUBLIC BANK BERHAD AT [www.pbebank.com](http://www.pbebank.com).

THIS PROSPECTUS MAY ALSO BE DOWNLOADED OR VIEWED FROM THE WEBSITE OF BURSA SECURITIES AT [www.bursamalaysia.com](http://www.bursamalaysia.com).

THE INTERNET IS NOT A FULLY SECURED MEDIUM. YOUR INTERNET SHARE APPLICATION (AS DEFINED HEREIN) MAY BE SUBJECT TO RISKS IN DATA TRANSMISSION, COMPUTER SECURITY THREATS SUCH AS VIRUSES, HACKERS AND CRACKERS, FAULTS WITH COMPUTER SOFTWARE AND OTHER EVENTS BEYOND THE CONTROL OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS (AS DEFINED HEREIN). THESE RISKS CANNOT BE BORNE BY THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

IF YOU DOUBT THE VALIDITY OR INTEGRITY OF AN ELECTRONIC PROSPECTUS, YOU SHOULD IMMEDIATELY REQUEST FROM OUR COMPANY OR THE ISSUING HOUSE, (A PAPER/PRINTED COPY OF THIS PROSPECTUS). IF THERE ARE ANY DISCREPANCIES BETWEEN THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE PAPER/PRINTED COPY OF THIS PROSPECTUS, THE CONTENTS OF THE PAPER/PRINTED COPY OF THIS PROSPECTUS, WHICH ARE IDENTICAL TO THE COPY OF THE PROSPECTUS REGISTERED WITH THE SC, SHALL PREVAIL.

IN RELATION TO ANY REFERENCE IN THIS PROSPECTUS TO THIRD PARTY INTERNET SITES (“**THIRD PARTY INTERNET SITES**”), WHETHER BY WAY OF HYPERLINKS OR BY WAY OF DESCRIPTION OF THE THIRD PARTY INTERNET SITES, YOU ACKNOWLEDGE AND AGREE THAT:

- (I) WE DO NOT ENDORSE AND ARE NOT AFFILIATED IN ANY WAY WITH THE THIRD PARTY INTERNET SITES AND ARE NOT RESPONSIBLE FOR THE AVAILABILITY OF, OR THE CONTENTS OR ANY DATA, INFORMATION, FILES OR OTHER MATERIAL PROVIDED ON THE THIRD PARTY INTERNET SITES. YOU SHALL BEAR ALL RISKS ASSOCIATED WITH THE ACCESS TO OR USE OF THE THIRD PARTY INTERNET SITES;
- (II) WE ARE NOT RESPONSIBLE FOR THE QUALITY OF PRODUCTS OR SERVICES IN THE THIRD PARTY INTERNET SITES, FOR FULFILLING ANY OF THE TERMS OF ANY AGREEMENTS WITH THE THIRD PARTY INTERNET SITES. WE ARE ALSO NOT RESPONSIBLE FOR ANY LOSS OR DAMAGE OR COSTS THAT YOU MAY SUFFER OR INCUR IN CONNECTION WITH OR AS A RESULT OF DEALING WITH THE THIRD PARTY INTERNET SITES OR THE USE OF OR RELIANCE ON ANY DATA, INFORMATION, FILES OR OTHER MATERIAL PROVIDED IN THE THIRD PARTY INTERNET SITES; AND
- (III) ANY DATA, INFORMATION, FILE OR OTHER MATERIAL DOWNLOADED FROM THE THIRD PARTY INTERNET SITES IS DONE AT YOUR OWN DISCRETION AND RISK. WE ARE NOT RESPONSIBLE, LIABLE OR UNDER OBLIGATION FOR ANY DAMAGE TO YOUR COMPUTER SYSTEMS OR LOSS OF DATA RESULTING FROM THE DOWNLOADING OF ANY SUCH DATA, INFORMATION, FILE OR OTHER MATERIAL.

WHERE AN ELECTRONIC PROSPECTUS IS HOSTED ON THE WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS, YOU ARE ADVISED THAT:

- (I) THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS ARE ONLY LIABLE IN RESPECT OF THE INTEGRITY OF THE CONTENTS OF THE ELECTRONIC PROSPECTUS, TO THE EXTENT OF THE CONTENT OF THE ELECTRONIC PROSPECTUS ON THE WEB SERVERS OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS WHICH MAY BE VIEWED VIA YOUR WEB BROWSER OR OTHER RELEVANT SOFTWARE. THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS SHALL NOT BE RESPONSIBLE IN ANY WAY FOR THE INTEGRITY OF THE CONTENTS OF THE ELECTRONIC PROSPECTUS WHICH HAS BEEN DOWNLOADED OR OTHERWISE OBTAINED FROM THE WEB SERVERS OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS AND THEREAFTER COMMUNICATED OR DISSEMINATED IN ANY MANNER TO YOU OR OTHER PARTIES;
- (II) WHILE ALL REASONABLE MEASURES HAVE BEEN TAKEN TO ENSURE THE ACCURACY AND RELIABILITY OF THE INFORMATION PROVIDED IN THE ELECTRONIC PROSPECTUS, THE ACCURACY AND RELIABILITY OF THE ELECTRONIC PROSPECTUS CANNOT BE GUARANTEED AS THE INTERNET IS NOT A FULLY SECURED MEDIUM; AND
- (III) ANY DATA, FILE OR OTHER MATERIAL DOWNLOADED FROM THE THIRD PARTY INTERNET SITES IS DONE AT YOUR OWN DISCRETION AND RISK. WE ARE NOT RESPONSIBLE, LIABLE OR UNDER OBLIGATION FOR ANY DAMAGE TO YOUR COMPUTER SYSTEMS OR LOSS OF DATA RESULTING FROM THE DOWNLOADING OF ANY SUCH DATA, FILE OR OTHER MATERIAL.

THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS ARE NOT BE LIABLE (WHETHER IN TORT OR CONTRACT OR OTHERWISE) FOR ANY LOSS, DAMAGE OR COSTS THAT YOU OR ANY OTHER PERSON MAY SUFFER OR INCUR DUE TO, AS A CONSEQUENCE OF OR IN CONNECTION WITH ANY INACCURACIES, CHANGES, ALTERATIONS, DELETIONS OR OMISSIONS IN RESPECT OF THE INFORMATION PROVIDED IN AN ELECTRONIC PROSPECTUS WHICH MAY ARISE IN CONNECTION WITH OR AS A RESULT OF ANY FAULT OR FAULTS WITH WEB BROWSERS OR OTHER RELEVANT SOFTWARE, ANY FAULT OR FAULTS ON YOUR OR ANY THIRD PARTY'S PERSONAL COMPUTERS, OPERATING SYSTEM OR OTHER SOFTWARE, VIRUSES OR OTHER SECURITY THREATS, UNAUTHORISED ACCESS TO INFORMATION OR SYSTEMS IN RELATION TO THE WEBSITES OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS, AND/OR PROBLEMS OCCURRING DURING DATA TRANSMISSION, WHICH MAY RESULT IN INACCURATE OR INCOMPLETE COPIES OF INFORMATION BEING DOWNLOADED OR DISPLAYED ON YOUR PERSONAL COMPUTER.

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**INDICATIVE TIMETABLE**

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Our indicative timetable is set out below:

<b>Events</b>	<b>Tentative date</b>
Issuance of Prospectus / Opening of Retail Offering	11 October 2013 at 10.00 a.m.
Closing of Retail Offering	23 October 2013 at 5.00 p.m.
Balloting of applications for the Issue Shares pursuant to the Retail Offering	25 October 2013
Allotment/transfer of the IPO Shares to successful applicants	4 November 2013
Listing	6 November 2013

The applications for the Retail Offering will close on the time and date stated above or such later date or dates as our Directors, the Selling Shareholders and Underwriter may decide in their absolute discretion.

Should the closing date and/or time for the application of the Retail Offering be extended, the dates for the balloting of applications for the Issue Shares pursuant to the Retail Offering, allotment/transfer of the Issue Shares to successful applicants and our Listing may be extended accordingly. We will announce any extension of time for the application for the Issue Shares by way of advertisements in widely circulated English and Bahasa Malaysia newspapers within Malaysia.

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## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

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Any discrepancy in the tables between the amounts listed and the totals in this Prospectus are due to rounding. Other abbreviations used herein are defined in the “Definitions” section in this Prospectus. Certain acronyms and technical terms used herein are defined in the “Glossary of Technical Terms” section appearing on page xxi of this Prospectus.

Words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include companies and corporations.

All references to “our Company” and “Karex” in this Prospectus are to Karex Berhad. References to “our Group” and “Karex Group” in this Prospectus are to our Company and our subsidiaries taken as a whole. References to “RM” and “sen” are to the lawful currency of Malaysia. References to “our Share” are to the ordinary share of RM0.25 each in Karex Berhad. References to “we”, “us”, “our”, “ourselves” are to our Company and our subsidiaries, save where the context otherwise requires, our Group.

Unless the context otherwise requires, references to “Management” are to our Directors and key management personnel as at the date of this Prospectus. Statements as to our beliefs, expectations, estimates and opinions are those of our Management.

All references to dates and times are references to dates and times in Malaysia, unless otherwise stated.

References to the “LPD” in this Prospectus are to 23 September 2013, which is the latest practicable date for certain information to be obtained and disclosed in this Prospectus prior to the registration of this Prospectus with the SC.

This Prospectus includes statistical data provided by us and various third parties and cites third-party projections regarding growth and performance of the industry in which our Group operates and our estimated market share in the industry in which our Group operates. This data is taken or derived from information published by publicly available sources and from our internal data. In each such case, the source is stated in this Prospectus, provided that where no source is stated, it can be assumed that the information originates from us. In particular, certain information in this Prospectus is extracted or derived from the report(s) prepared by Infobusiness Research & Consulting Sdn Bhd (“**Infobusiness**”), the independent market researcher, for inclusion in this Prospectus. We have appointed Infobusiness to provide an independent market and industry review. In compiling their data for the review, Infobusiness had relied on industry sources, published materials, their own private databanks and direct contacts within the industry. We believe that the information on the industries as contained in this Prospectus and the other statistical data and projections cited in this Prospectus are intended to help you to understand the major trends in the industry in which our Group operates. However, we, the Promoters, the Selling Shareholders and our Principal Adviser, Underwriter and Joint Placement Agents have not independently verified these data and projections.

We, the Promoters, the Selling Shareholders and our Principal Adviser do not make any representation as to the correctness, accuracy or completeness of such data and projections. Accordingly, you should not place undue reliance on the statistical data and projections cited in this Prospectus. Similarly, third party projections in this Prospectus are subject to uncertainties that could cause the actual data to differ materially from such projections. We give no assurance that such projections will be achieved and you should not place undue reliance on the third-party projections cited in this Prospectus.

The information on our website, or any website directly or indirectly linked to such website does not form part of this Prospectus and you should not rely on it.

## FORWARD-LOOKING STATEMENTS

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This Prospectus contains forward-looking statements. All statements other than statements of historical facts contained in this Prospectus, including, without limitation, those regarding our financial position, business strategies, plans and objectives of our Company for future operations, are forward-looking statements.

Such forward-looking statements involve known and unknown risks, uncertainties, contingencies and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our current view with respect to future events and are not a guarantee of future performance.

Forward-looking statements can be identified by the use of forward-looking terminology such as the words “may”, “will”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “estimate”, “aim”, “plan”, “forecast” or similar expressions and include all statements that are not historical facts.

Such forward-looking statements include, without limitation, statements relating to:

- (i) the general industry environment including the demand for our products and services;
- (ii) our business strategies, trends, competitive position and future plans;
- (iii) potential growth opportunities;
- (iv) plans and objectives of our Company for future operations;
- (v) our financial performance and financing plans; and
- (vi) the regulatory environment and the effects of future regulation.

Our actual results may differ materially from the information contained in such forward-looking statements as a result of numerous factors beyond our control, including, without limitation:

- (i) the general economic, business, social, political and investment environment in Malaysia and globally;
- (ii) government policies, legislations or regulations;
- (iii) interest rates, foreign exchange rates and tax rates;
- (iv) the competitive environment in our industry;
- (v) fixed and contingent obligations and commitments;
- (vi) the activities and financial health of our customers, suppliers and other business partners;
- (vii) significant capital expenditure requirements; and
- (viii) any other factors beyond our control.

Additional factors that could cause our actual results, performance and achievements or industry results to differ materially include, but are not limited to, those discussed in Section 5 of this Prospectus on “Risk Factors” and Section 13.2 of this Prospectus on “Management’s discussion and analysis of proforma financial condition and results of operations”. We cannot give any assurance that the forward-looking statements made in this Prospectus will be achieved. Such forward-looking statements were made as at the LPD. Subject to any applicable laws, rules, regulations and guidelines having the force of law, we expressly disclaim any obligation or undertaking to release publicly any update or revision to any forward-looking statement contained in this Prospectus to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

**DEFINITIONS**

The following terms in this Prospectus bear the same meaning as set out below unless the term is defined otherwise or the context requires otherwise.

Acquisitions	: Collectively, acquisitions of KISB, ITL, ISB, HMSB and UTSB pursuant to the SSAs
Act	: Companies Act, 1965 and any modification, consolidation or re-enactment thereof for the time being in force, and all statutory instruments or orders made pursuant thereto
ADA	: Authorised Depository Agent
Application Form	: The application form for the application for the Issue Shares accompanying this Prospectus
ATM	: Automated teller machine
Authorised Financial Institutions	: The authorised financial institutions participating in the Internet Share Applications with respect to payments for the Retail Offering
Board	: Board of Directors of our Company
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd
Bursa Securities	: Bursa Malaysia Securities Berhad
CAGR	: Compounded annual growth rate
CCM	: Companies Commission of Malaysia
CIMB	: CIMB Investment Bank Berhad
CDS	: Central Depository System
CMSA	: Capital Markets and Services Act, 2007
CO	: Companies Ordinance (Cap. 32 of the Laws of Hong Kong)
Company Secretary	: Anna Lee Ai Leng (LS 0009729)
Deposited Security	: A security standing to the credit of a CDS account, and includes securities in a CDS account that is in suspense
Depositories Act	: The Securities Industry (Central Depositories) Act, 1991
Director(s)	: Director(s) of our Company and shall have the meaning given in Section 4 of the Act
EBITDA	: Earnings before interest, taxation, depreciation and amortisation
Electronic Prospectus	: Copy of this Prospectus that is issued, circulated or disseminated via the internet and/or an electronic storage medium, including but not limited to CD-ROMs
Electronic Share Application	: Application for our Shares under the Retail Offering through a Participating Financial Institutions' ATM
EPS	: Earnings per share
FPE	: Financial period ended/ending
FYE	: Financial year ended/ending 30 June



**DEFINITIONS (Cont'd)**

GP	:	Gross profit
HMSB SSA	:	The share sale agreement dated 30 November 2012 between our Company (as purchaser) and CIL (as vendor) for the acquisition of 1,000,000 shares of RM1.00 each in HMSB representing 100% of the issued and paid-up share capital in HMSB
IMR Executive Summary	:	Executive summary of Infobusiness' independent market research report on the strategic and competitive analysis of the global condom industry
Independent Market Researcher	:	Infobusiness Research & Consulting Sdn Bhd
Institutional Offering	:	The institutional offering of 47,250,000 Shares comprising 27,000,000 Offer Shares and 20,250,000 Issue Shares at the IPO Price to institutional and selected investors in Malaysia, Hong Kong and Singapore  This offering is subject to clawback and reallocation provisions
Internet Participating Financial Institution	:	The internet participating institution for the Internet Share Application, namely, RHB Bank Berhad, CIMB Investment Bank Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Affin Bank Berhad and Public Bank Berhad
Internet Share Application	:	The application for our Shares under the Retail Offering through an online share application service provided by the Internet Participating Financial Institutions
IPO	:	Initial public offering of 67,500,000 Shares on the Main Market of Bursa Securities comprising the Retail Offering and Institutional Offering
IPO Price	:	RM1.85 for each IPO Share
IPO Shares	:	Collectively, the Issue Shares and Offer Shares
ISB SSA	:	The share sale agreement dated 30 November 2012 between our Company (as purchaser) and AJNA, Goh Leng Kian, Lim Poh Chuan, Goh Yen Yen, Goh Yin, Goh Miah Kiat and Goh Ai Noi (collectively as vendors) for the acquisition of 250,000 shares of RM1.00 each in ISB representing 100% of the issued and paid-up share capital in ISB
Issue Shares	:	40,500,000 new Shares to be issued pursuant to our IPO
Issuing House or MIH	:	Malaysian Issuing House Sdn Bhd
ITL SSA	:	The share sale agreement dated 30 November 2012 as varied by a letter of variation dated 28 June 2013 between our Company (as purchaser) and Innolatex Limited, Goh Siang, Goh Leng Kian and Goh Miah Kiat (collectively as vendors) for the acquisition of 1,620,000 shares of which THB130,500,000 have been paid-up, representing 100% of the issued and paid-up share capital in ITL
Joint Placement Agents	:	Collectively, RHB Investment Bank and CIMB, the placement agents for our IPO

## DEFINITIONS (Cont'd)

KISB SSA	: The share sale agreement dated 30 November 2012 between our Company (as purchaser) and Lam Jiuan Jiuan, 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 as vendors) for the acquisition of 2,500,000 shares of RM1.00 each in KISB representing 100% of the issued and paid-up share capital in KISB
Listing	: Admission of our Company to the Official List of Bursa Securities and the listing of and quotation for our entire enlarged issued and paid-up share capital of RM67,500,000 comprising 270,000,000 Shares on the Main Market
Listing Requirements	: Main Market Listing Requirements of Bursa Securities
LPD	: 23 September 2013, being the latest practicable date prior to the issuance of this Prospectus
M&A	: Memorandum and articles of association
Main Market	: Main Market of Bursa Securities
Malaysian Public	: Malaysian citizens, companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
Market Day	: Any day on which Bursa Securities is open for the trading in securities
MIDA	: Malaysian Industrial Development Authority
MITI	: Ministry of International Trade and Industry
NA	: Net assets
NBV	: Net book value
NTA	: Net tangible assets
Offer Shares	: 27,000,000 existing Shares to be offered by the Selling Shareholders pursuant to our IPO
Offerors or Selling Shareholders	: Lam Jiuan Jiuan, Goh Siang, Goh Leng Kian, Goh Yen Yen, Goh Yin, Goh Miah Kiat, Lam Yiu Pang Albert and Goh Ai Noi, being the selling shareholders of the Offer Shares
Official List	: A list specifying all securities which have been admitted for listing on Bursa Securities and not removed
Participating Financial Institution	: Participating financial institutions for the Electronic Share Application as set out in Section 17 of this Prospectus
PAT	: Profit after taxation
PB multiple	: Price-to-book multiple
PBT	: Profit before taxation
PE multiple	: Price-to-earnings multiple
Promoters	: Collectively, KOL, AJNA, Lam Jiuan Jiuan, Goh Siang, Goh Leng Kian, Goh Yen Yen, Goh Yin, Goh Miah Kiat, Lam Yiu Pang Albert and Goh Ai Noi

**DEFINITIONS (Cont'd)**

Prospectus	:	This prospectus dated 11 October 2013 issued by our Company in respect of our IPO
Public	:	All persons or members of the public excluding Directors of our Group, our substantial shareholders and persons connected or associated with them
Record of Depositors	:	A record of depositors provided by Bursa Depository under the Rules of Bursa Depository
Reporting Accountants	:	Messrs. KPMG
Retail Offering	:	Offering of 20,250,000 Shares by our Company at the IPO Price comprising: <ul style="list-style-type: none"> <li>(i) 13,500,000 Issue Shares offered to the Malaysian Public via balloting where 50.0% or 6,750,000 Issue Shares are designated for Bumiputera investors; and</li> <li>(ii) 6,750,000 Issue Shares offered to our eligible Directors, directors of our Subsidiaries, employees, business associates and persons who have contributed to the success of our Group.</li> </ul> <p style="margin-left: 40px;">This offering is subject to clawback and reallocation provisions</p>
RHB Investment Bank or Principal Adviser or Underwriter	:	RHB Investment Bank Berhad
SC	:	Securities Commission Malaysia
SC Guidelines	:	Equity Guidelines issued by the SC
SFA	:	Securities and Futures Act, Chapter 289 of Singapore
SFO	:	Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong)
Share Registrar	:	Symphony Share Registrars Sdn Bhd
Shares	:	Ordinary shares of RM0.25 each in our Company
Solicitors	:	Collectively, Jeff Leong, Poon & Wong in Malaysia and Siam City Law Offices Limited in Thailand
SSAs	:	Collectively, the KISB SSA, ITL SSA, ISB SSA, HMSB SSA and UTSB SSA
Subsidiaries	:	Collectively, KISB, ITL, ISB, HMSB and UTSB
Transfer of Shares	:	Transfer of the consideration shares pursuant to the Acquisitions where a portion of the said consideration shares are transferred to/between the Promoters prior to our Listing to arrive at the final shareholdings structure (as described in Section 6.2(iii) of this Prospectus)
UAE	:	United Arab Emirates
UK	:	United Kingdom

**DEFINITIONS (Cont'd)**

Underwriting Agreement	: Underwriting agreement dated 27 September 2013 entered into between our Company and the Underwriter
US	: United States
UTSB SSA	: The share sale agreement dated 30 November 2012 between our Company, through KISB (as purchaser) and Goh Siang, Goh Leng Kian, Chew Cheng Chuan and the Estate of Abdul Rahman bin Rashid (collectively as vendors) for the acquisition of 200,000 ordinary shares of RM1.00 each in UTSB representing 40% of the issued and paid-up share capital in UTSB by KISB
ZJ Advisory or Financial Adviser	: ZJ Advisory Sdn Bhd

**COMPANIES / NGOs / INTERNATIONAL AGENCIES**

AJNA	: AJNA Holdings Limited, shareholder of ISB
Banrub	: Banrub Sdn Bhd
CI	: Carex International, a partnership registered in Hong Kong
CIL	: Carex International Limited
Crown Agents	: Crown Agents International Limited, an international development specialist working with Governments, companies and NGOs in the fields of public finance, banking, investment, institutional development, supply chain and training, so as to increase prosperity, reduce poverty and improve health
HMSB	: Hevea Medical Sdn Bhd
Getahindus	: Getahindus (M) Sdn Bhd, a company principally involved in the production and supply of natural rubber latex
ISB	: Innolatex Sdn Bhd
ITL	: Innolatex (Thailand) Limited
JSI	: John Snow Inc., a public health management consulting firm (a contractor for USAID to procure and supply health products)
Karex Group or Group	: Collectively, our Company and our Subsidiaries
Karex or Company	: Karex Berhad
KISB	: Karex Industries Sdn Bhd
KOL	: Karex One Limited, our Promoter and, upon completion of the Transfer of Shares, a substantial shareholder of our Company
MPIB	: Malaysia Packaging Industry Berhad, a company listed on Bursa Securities principally involved in the manufacturing of printed and laminated flexible light packaging materials. MPIB also specialises in producing special application packaging materials for use in the food and beverage, seasonings, medical, pharmaceutical and industrial use products

**DEFINITIONS (Cont'd)**

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MSI	: Marie Stopes International, an international NGO established to bring quality family planning and reproductive healthcare to the world's poorest and most vulnerable people, in the areas of family planning, safe abortion and maternal health services. It works closely with private healthcare providers, governments, other aid agencies, academic institutions and other NGOs
PSI	: Population Service International, an international NGO dedicated to improving the health of people in the developing countries, by focusing on serious challenges such as a lack of family planning, HIV and AIDS, barriers to maternal health as well as threats to children from diseases such as malaria, pneumonia and malnutrition. PSI works in partnership with local governments, ministries of health and local organisations to deliver its products and services
Revertex	: Revertex (Malaysia) Sdn Bhd, a member of Synthomer PLC and principally involved in the production and supply of natural rubber latex
UNFPA	: United Nation Population Fund, an agency within the United Nations. Its goals are towards achieving universal access to sexual and reproductive health, including family planning, promoting reproductive rights and reducing maternal mortality. It is also the lead agency within the United Nations for the procurement of reproductive health commodities, including condoms
USAID	: United State Agency for International Development, an agency created by the US government to promote the interest of the US while improving lives for the poorest and most vulnerable around the world. USAID assists to carry out US foreign policy by promoting broad scale human progress. At the same time, this assists to expand stable, free societies, creates markets and trade partners for the US, as well as fosters goodwill abroad
UTSB	: Uro Technology Sdn Bhd

**CURRENCIES**

Euro	: Euro, the lawful currency of the European Union
GBP	: Great Britain Pound, the lawful currency of UK
RM and sen	: Ringgit Malaysia and sen respectively, the lawful currency of Malaysia
THB	: Thai Baht, the lawful currency of Thailand
USD	: United States Dollar, the lawful currency of the US

## GLOSSARY OF TECHNICAL TERMS

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To facilitate better understanding of the business of our Group, the following glossary contains an explanation and description of certain terms used in this Prospectus in connection with our Group. The terms and their meanings may not correspond to standard industry meanings or usage of these terms.

AIDS	:	Acquired immune deficiency syndrome
BSI	:	British Standards Institution, the national standards body of the UK
CE	:	Conformité Européenne, a certification marking which certified that a product has met the EU health, safety, and environmental requirements to ensure consumer safety
CMDCAS	:	Canadian Medical Devices Conformity Assessment System was developed by Health Canada in collaboration with the Standards Council of Canada to support the regulations of the Canadian Medical Devices Regulations
ET	:	Electronic testing
US FDA	:	Food and Drug Administration, an agency within the US Department of Health and Human Services and its responsibilities extend across the entire US. This includes, <i>inter alia</i> , protecting public health by assuring that food, medical devices, human and veterinary drugs and other biological products are safe
HIV	:	Human immunodeficiency virus
IEC	:	International Electrotechnical Commission, an organisation for the preparation and publication of International Standards for all electrical, electronic and related technologies
IPQC	:	In-process quality control
ISO	:	International Organization for Standardization, an organisation made up from a network of national standards bodies to develop international standards
NGOs	:	Non-Governmental Organisations
OBM	:	Own brand manufacturers / manufacturing
Polyisoprene	:	A type of synthetic rubber
Pre-vulcanised latex (also known as compounded latex)	:	A type of natural rubber latex produced from latex concentrate via the vulcanisation process (improvement of the rubber elasticity and strength by heating it in the presence of sulphur)
QA	:	Quality assurance
QC	:	Quality control
QMS	:	Quality management system
R&D	:	Research and development
SABS	:	South African Bureau of Standards, the national standards body of South Africa
SIRIM	:	SIRIM Berhad, the national standards body of Malaysia
STIs	:	Sexually transmitted infections
TISI	:	Thai Industrial Standards Institute, the national standards body of Thailand

## 1. INTRODUCTION

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This Prospectus is dated 11 October 2013.

We have registered a copy of this Prospectus with the SC. We have also lodged a copy of this Prospectus, together with the Application Forms with CCM. Neither the SC nor CCM takes any responsibility for its contents.

We have received the SC's approval vide its letter dated 12 June 2013 for our IPO and Listing. However, the approval of the SC shall not be taken to indicate that the SC recommends our IPO or assumes responsibility for the correctness of any statement made or opinion expressed or report contained in this Prospectus. The SC has not, in any way, considered the merits of our Shares being offered for investment. The SC is not liable for any non-disclosure on the part of our Company and takes no responsibility and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the content of this Prospectus. **You are advised to make your own independent assessment of our Company and should rely on your own evaluation to assess the merits and risks of our IPO and an investment in our Company. In considering the investment, if you are in any doubt as to the action to be taken, you should immediately consult your stockbrokers, bank managers, solicitors, accountants or other professional advisers.**

We have also obtained the approval from Bursa Securities on 10 September 2013, for, amongst others, our admission to the Official List of the Main Market and for permission to deal in and for the listing of and quotation for our Shares, including the IPO Shares, which is the subject of this Prospectus, on the Main Market.

Our Shares will be admitted to the Official List of the Main Market and an official quotation will commence after, amongst others, the receipt of confirmation from Bursa Depository that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been issued and despatched to all the successful applicants. Admission to the Official List of the Main Market shall not be taken as an indication of the merits of our IPO, our Company or our Shares.

Pursuant to Section 14(1) of the Depositories Act, Bursa Securities has prescribed the IPO Shares as a prescribed security. Therefore, we will deposit the IPO Shares directly with Bursa Depository. Any dealings in the IPO Shares will be carried out in accordance with the Depositories Act and the Rules of Bursa Depository. We will not issue share certificates to successful applicants.

Pursuant to the Listing Requirements, at least 25% of our Shares for which listing is sought must be in the hands of public shareholders and a minimum number of 1,000 public shareholders holding not less than 100 Shares each at the point of our Listing. Our Company is expected to achieve this at the point of Listing. In the event that the above requirement is not met, our Company may not be permitted to proceed with our Listing. In such an event, all monies paid in respect of all applications will be returned in full without interest and if such monies are not returned in full within 14 days after we and the Selling Shareholders become liable to do so, the provisions of subsection 243(2) and 243(6) of the CMSA shall apply accordingly. In the event our Listing is aborted and our Shares have been allotted to our shareholders, a return of monies to holders of our Shares could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation requires the sanction of our shareholders by special resolution in a general meeting, consent of our creditors (unless dispensation with such consent has been granted by the High Court of Malaysia) and the confirmation of the High Court of Malaysia.

If you are submitting your application by way of Application Form or Electronic Share Application or Internet Share Application (refer to Sections 17.4, 17.5 and 17.6 respectively of this Prospectus), you **MUST** have a CDS account. If you presently do not have a CDS account, you should open a CDS account at an ADA prior to making an application for the IPO Shares. A corporation or institution cannot apply for the IPO Shares by way of Electronic Share Application or Internet Share Application.

## 2. CORPORATE DIRECTORY

### BOARD OF DIRECTORS

<b>Name / Designation</b>	<b>Address</b>	<b>Profession</b>	<b>Nationality</b>
Tan Sri Dato' Seri Arshad bin Ayub <i>Chairman, Independent Non-Executive Director</i>	25, Jalan Permata 7/1 40000 Shah Alam Selangor	Company Director	Malaysian
Goh Siang <i>Senior Executive Director</i>	No. 2, Jalan Mutiara 4 Taman Mutiara 82000 Pontian Johor	Company Director	Malaysian
Goh Leng Kian <i>Executive Director, Technical and R&amp;D</i>	No. 12, Jalan Mutiara 4 Taman Mutiara 82000 Pontian Johor	Company Director	Malaysian
Goh Yen Yen <i>Executive Director, Administration</i>	No. 1, Jalan Mutiara 3 Taman Mutiara 82000 Pontian Johor	Company Director	Malaysian
Lam Jiu-an Jiu-an <i>Non-Independent Non-Executive Director</i>	16-C, Block 20, Baguio Villa Pokfulam Hong Kong	Company Director	Australian
Wong Yien Kim <i>Independent Non-Executive Director</i>	No. 8, Jalan 11/3 46200 Petaling Jaya Selangor	Company Director	Malaysian
Jonathan Law Ngee Song <i>Independent Non-Executive Director</i>	No. 7, Lorong Teluk Pulai Kanan Taman Seputih 58000 Kuala Lumpur Wilayah Persekutuan	Company Director	Malaysian
Dato' Dr. Ong Eng Long <i>Independent Non-Executive Director</i>	11, Jalan PJU 3/12A Tropicana Indah 47410 Petaling Jaya Selangor	Company Director	Malaysian

### AUDIT COMMITTEE

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Wong Yien Kim	Chairman	Independent Non-Executive Director
Tan Sri Dato' Seri Arshad bin Ayub	Member	Chairman, Independent Non-Executive Director
Jonathan Law Ngee Song	Member	Independent Non-Executive Director



**2. CORPORATE DIRECTORY (Cont'd)****REMUNERATION COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Tan Sri Dato' Seri Arshad bin Ayub	Chairman	Chairman, Independent Non-Executive Director
Jonathan Law Ngee Song	Member	Independent Non-Executive Director
Goh Yen Yen	Member	Executive Director, Administration

**NOMINATION COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Jonathan Law Ngee Song	Chairman	Independent Non-Executive Director
Wong Yien Kim	Member	Independent Non-Executive Director
Lam Jiuan Jiuan	Member	Non-Independent Non-Executive Director

**COMPANY SECRETARY** : Anna Lee Ai Leng, LS 0009729  
 10th Floor, Menara Hap Seng  
 No. 1 & 3 Jalan P. Ramlee  
 50250 Kuala Lumpur  
 Wilayah Persekutuan  
 Tel No.: +603 2382 4288  
 Fax No.: +603 2382 4170

**REGISTERED OFFICE** : 10th Floor, Menara Hap Seng  
 No. 1 & 3 Jalan P. Ramlee  
 50250 Kuala Lumpur  
 Wilayah Persekutuan  
 Tel No.: +603 2382 4288  
 Fax No.: +603 2382 4170

**HEAD / MANAGEMENT OFFICE /  
 PRINCIPAL PLACE OF  
 BUSINESS** : PTD 7906, Taman Pontian Jaya  
 82000 Pontian  
 Johor  
 Tel No.: +607 687 8833  
 Fax No.: +607 686 2657  
 Official website: [www.karex.com.my](http://www.karex.com.my)  
 E-mail: [info@karex.com.my](mailto:info@karex.com.my)

## 2. CORPORATE DIRECTORY (Cont'd)

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**AUDITORS AND REPORTING ACCOUNTANTS :** Auditor and Reporting Accountant

Messrs. KPMG (AF 0758)  
Level 14, Menara Ansar  
65, Jalan Trus  
80000 Johor Bahru  
Johor  
Tel No.: +607 224 2870  
Fax No.: +607 224 8055

Auditor for ITL

Messrs. Intadit C.P.A. Office Company Limited  
38/10 Pracharak Road  
Haadyai, Songkhla, 90110  
Tel No.: +667 4352465  
Fax No.: +667 4352466

**SOLICITORS TO OUR COMPANY FOR OUR IPO :**

Malaysian Law

Jeff Leong, Poon & Wong  
B-11-8, Level 11  
Megan Avenue II  
Jalan Yap Kwan Seng  
50450 Kuala Lumpur  
Wilayah Persekutuan  
Tel No.: +603 2166 3225  
Fax No.: +603 2164 3227

Thai Law

Siam City Law Offices Limited  
Rajanakarn Building, 20th Floor  
183 South Sathorn Road  
Yannawa Sathorn  
Bangkok 10120 Thailand  
Tel No.: +662 6766667  
Fax No.: +662 6766188

**PRINCIPAL BANKERS :**

RHB Bank Berhad  
Level 10, Tower One  
RHB Centre  
Jalan Tun Razak  
50400 Kuala Lumpur  
Wilayah Persekutuan  
Tel No.: +603 9280 6134

HSBC Bank Malaysia  
No. 46, Jalan Molek 1/10  
Taman Molek  
81100 Johor Bahru  
Johor  
Tel No.: +607 3502 787

**ISSUING HOUSE :**

Malaysian Issuing House Sdn Bhd  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor  
Tel No.: +603 7841 8000  
Fax No.: +603 7841 8150

## 2. CORPORATE DIRECTORY (Cont'd)

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- SHARE REGISTRAR** : Symphony Share Registrars Sdn Bhd  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor  
Tel No.: +603 7841 8000  
Fax No.: +603 7841 8150
- INDEPENDENT MARKET RESEARCHER** : Infobusiness Research & Consulting Sdn Bhd  
C4-3A-2, Solaris Dutamas  
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Fax No.: +603 6205 3927
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Level 10, Tower One  
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Wilayah Persekutuan  
Tel No.: +603 9287 3888  
Fax No.: +603 9287 4770
- FINANCIAL ADVISER** : ZJ Advisory Sdn Bhd  
Suite 22B, 22<sup>nd</sup> Floor  
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Fax No.: +603 2032 1328
- JOINT PLACEMENT AGENTS** : RHB Investment Bank Berhad  
Level 10, Tower One  
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Fax No.: +603 9287 4770
- CIMB Investment Bank Berhad  
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Jalan Semantan, Damansara Heights  
50490 Kuala Lumpur  
Malaysia  
Tel No.: +603 2084 8888  
Fax No.: +603 2094 3566
- LISTING SOUGHT** : Main Market of Bursa Securities

### 3. INFORMATION SUMMARY

This section is only a summary of the salient information about our Group and our IPO, which is extracted from the full text of this Prospectus. The summary information should be read in conjunction with the full text of this Prospectus. You should read and understand this section and the entire Prospectus before deciding whether to invest in our Company.

#### 3.1. Overview of our Group and business

Our Group was formed in 1988 when Mr. Goh Huang Chiat and his family decided to diversify into manufacturing latex condoms by incorporating Banrub (in Johor Bahru). In 1994, Banrub changed its name to KISB.

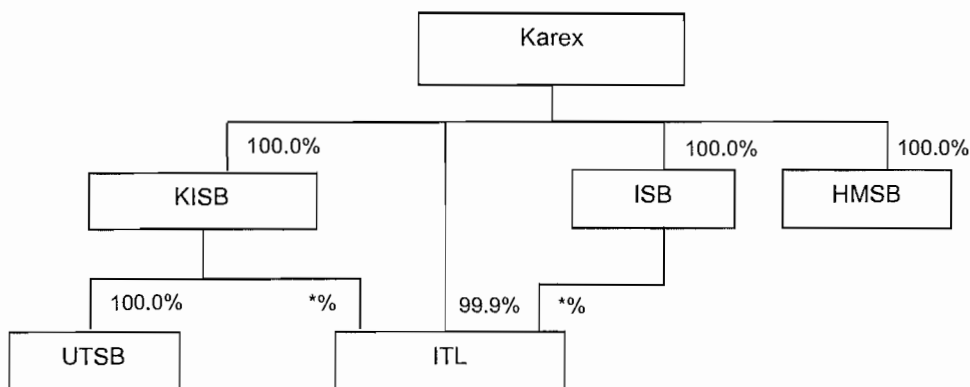
Over the years, we have continuously expanded, increased our capacity and ventured into other businesses. A brief description of major milestones is as follows:

- (i) In 1992, we ventured into the probe covers manufacturing business;
- (ii) In 1998, UTSB was incorporated and commenced operations in the manufacturing of sterile catheters;
- (iii) In 1999, HMSB and ISB were incorporated to expand our condom manufacturing capacity;
- (iv) In 2005, we ventured into the business of manufacturing of lubricating jelly; and
- (v) In 2006, we expanded our condoms manufacturing business into Thailand.

For more details on our history and key milestones, please refer to Sections 6.1 and 6.6 of this Prospectus.

Our Company was incorporated in Malaysia under the Act as a private limited company on 27 September 2012 under the name of Karex Sdn Bhd. Subsequently, our Company was converted to a public limited company on 5 October 2012.

Upon Listing, our Group structure is as follows:



Note:

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

### 3. INFORMATION SUMMARY (Cont'd)

Our Company is principally an investment holding company. The details of our Subsidiaries are as follows:

Direct subsidiaries / Company no.	Date / Place of incorporation	Issued and paid-up share capital	Effective interest	Principal activities
			(%)	
KISB (170363-X)	4 May 1988 / Malaysia	RM2,500,000	100	Manufacturing and sale of condoms
ITL (0905546001692)	7 August 2003 / Thailand	Registered capital of THB162,000,000 of which THB130,500,000 is paid-up as at the LPD	100	Manufacturing of all types of condoms, rubber finger gloves, hand gloves and/or products from rubber
ISB (500319-M)	2 December 1999 / Malaysia	RM250,000	100	Manufacturing and sale of condoms
HMSB (480951-X)	13 April 1999 / Malaysia	RM1,000,000	100	Manufacturing of condoms, latex probe covers and latex sleeves
Indirect subsidiary / Company no.	Date / Place of incorporation	Issued and paid-up share capital	Effective interest	Principal activities
			(%)	
<u>Subsidiary of KISB</u>				
UTSB (472154-X)	16 November 1998 / Malaysia	RM500,000	100	Manufacturing of sterile catheters

Our Group became the world's largest condom manufacturer in terms of annual manufacturing capacity in the FYE 2012 with an annual manufacturing capacity of approximately three (3) billion pieces. Our global market sales cover more than 110 countries. During the FYE 2013, we manufactured approximately 2.4 billion pieces of condoms. According to the IMR Executive Summary, our leading position is further reflected by our export market share of 60.8% (export volume from Malaysia of approximately 7.6 million kg) amongst condom manufacturers in Malaysia for the year 2012.

Our products are principally sold in the commercial, tender and OBM markets. For the FYE 2013, commercial, tender and OBM markets constituted approximately 59.7%, 36.1% and 4.2%, respectively to our Group's total revenue.

The commercial market is where we manufacture condoms for brand owners. This includes customers such as Ansell Limited (*Lifestyle brand*), Reckitt Benckiser PLC (*Durex brand*), Line One Laboratories Inc (*Trustex brand*) and Global Protection Corp (*One brand*).

The tender market is where we tender to institutional buyers to manufacture condoms for them. Institutional buyers consist of NGOs and government agencies such as UNFPA, USAID, PSI and MSI and may also include international purchasing agents such as JSI and Crown Agents.

### **3. INFORMATION SUMMARY (Cont'd)**

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Lastly, we also manufacture condoms under our own brands, namely "Carex" and "INNO". These condoms are distributed in countries such as UAE, South Africa, India, Nigeria and Bangladesh.

Please refer to Sections 6 and 7 of this Prospectus for further information on our Group and overview of our business.

#### **3.2. Our competitive advantages and key strengths**

Our competitive advantages and key strengths provide us with a strong platform to compete against other business operators, and also to facilitate business sustainability and growth. Our competitive advantages and key strengths are as follows:

- (i) Established market reputation with proven track record;
- (ii) Strong in-house R&D capabilities driven by continuous innovation;
- (iii) Recognition as a pre-qualified manufacturer;
- (iv) Ability to manufacture high quality condoms;
- (v) Ability to handle large volumes with minimal interruptions; and
- (vi) Wide market coverage supported by extensive product mix.

Please refer to Section 7.18 of this Prospectus for further information on our Group's competitive advantages and key strengths.

#### **3.3. Our future plans and strategies**

We have in place business and expansion plans moving forward, and are focused in the following areas:

- (i) Expansion of manufacturing facilities;
- (ii) Introduction of automation systems;
- (iii) Continuous development of new products; and
- (iv) Expansion of OBM market.

Please refer to Section 7.21 of this Prospectus for further information on our Group's future plans and strategies.

#### **3.4. Our prospects**

The prospects of our Group are as follows:

- (i) Growing demand for our product;
- (ii) No substitute presently for our products;
- (iii) Evolution of our product;
- (iv) Our expansion plans; and
- (v) Our favourable industry outlook.

Please refer to Section 7.22 of this Prospectus for further information on our Group's prospects.

### 3. INFORMATION SUMMARY (Cont'd)

#### 3.5. Financial highlights

You should read the summary of our proforma financial information in conjunction with the full text of this Prospectus, including the report on the compilation of proforma consolidated financial information and Accountant's Report set out in Sections 13.1 and 14 of this Prospectus and the management's discussion and analysis of financial condition and results of operations as set out in Section 13.2 of this Prospectus.

Our proforma financial information as illustrated below have been compiled based on the accounting principles and bases consistent with those adopted by our Group.

##### 3.5.1. Statements of comprehensive income

The following table summarises the proforma consolidated statements of comprehensive income for the past four (4) financial years which have been prepared for illustrative purposes to show the results of our Group, prepared on the assumption that the current structure of our Group existed throughout the financial years under review.

	Compiled historical financial results <sup>(1)</sup>	Proforma		
		FYE 2010	FYE 2011	FYE 2012
	(RM' 000)	(RM' 000)	(RM' 000)	(RM' 000)
Revenue	157,444	181,753	188,751	231,389
Cost of goods sold	(117,315)	(156,869)	(155,886)	(171,472)
<b>Gross profit</b>	<b>40,129</b>	<b>24,884</b>	<b>32,865</b>	<b>59,917</b>
Administrative expenses	(7,888)	(8,680)	(9,207)	(10,068)
Distribution expenses	(7,683)	(7,083)	(9,307)	(9,698)
Other operating expenses	(5,168)	(1,204)	(424)	(3,645)
Other operating income	1,382	1,672	3,105	1,988
<b>Result from operating activities</b>	<b>20,772</b>	<b>9,589</b>	<b>17,032</b>	<b>38,494</b>
Finance costs	(1,118)	(1,990)	(2,646)	(2,500)
Interest income	38	104	144	150
<b>PBT</b>	<b>19,692</b>	<b>7,703</b>	<b>14,530</b>	<b>36,144</b>
Income tax expense	(3,163)	(715)	(2,514)	(7,116)
<b>PAT</b>	<b>16,529</b>	<b>6,988</b>	<b>12,016</b>	<b>29,028</b>
<b>Other comprehensive income, net of tax</b>	16,529	6,988	12,016	29,028
Foreign currency translation differences	1	(101)	76	275
<b>Total comprehensive income for the year</b>	<b>16,530</b>	<b>6,887</b>	<b>12,092</b>	<b>29,303</b>
EBITDA	26,222	15,168	22,475	44,381

## 3. INFORMATION SUMMARY (Cont'd)

	Compiled historical financial results <sup>(1)</sup>	Proforma		
		FYE 2010	FYE 2011	FYE 2012
	(RM' 000)	(RM' 000)	(RM' 000)	(RM' 000)
No. of Shares <sup>(2)</sup>	270,000	270,000	270,000	270,000
Gross EPS (RM) <sup>(3)</sup>	0.07	0.03	0.05	0.13
Net EPS (RM) <sup>(4)</sup>	0.06	0.03	0.04	0.11
GP margin (%)	25.5	13.7	17.4	25.9
PBT margin (%)	12.5	4.2	7.7	15.6
PAT margin (%)	10.5	3.8	6.4	12.5

## Notes:

- (1) The financial results of the FYE 2010 was compiled on a prorated basis from the audited financial statements for the financial year/ period ended 31 December 2009 and 30 June 2010 due to the non-coterminous year end of certain Subsidiaries
- (2) Number of Shares in issue after completion of the Acquisitions and our IPO
- (3) The gross EPS is computed based on the consolidated PBT divided by the number of Shares in issue after our IPO
- (4) The net EPS is computed based on the consolidated PAT divided by the number of Shares in issue after our IPO

## 3.5.2. Statement of financial position

Our proforma consolidated statements of financial position have been prepared for illustrative purposes only based on our consolidated statement of financial position as at FYE 2013 and on the assumption that our Listing had been effected on 30 June 2013.

	As at 30 June 2013	(I) After Acquisitions	(II) After (I), IPO and utilisation of proceeds
	(RM' 000)	(RM' 000)	(RM' 000)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	-	73,230	116,980
Investment properties	-	2,797	2,797
Intangible asset (development cost)	-	-	2,000
Deferred tax assets	-	701	701
	-	<b>76,728</b>	<b>122,478</b>
<b>Current assets</b>			
Inventories	-	47,221	47,221
Trade and other receivables	945	57,924	57,924
Tax recoverable	-	216	216
Cash and cash equivalents	-(1)	41,317	55,624
	<b>945</b>	<b>146,678</b>	<b>160,985</b>
<b>TOTAL ASSETS</b>	<b>945</b>	<b>223,406</b>	<b>283,463</b>



## 3. INFORMATION SUMMARY (Cont'd)

	As at 30 June 2013	(I) After Acquisitions	(II) After (I), IPO and utilisation of proceeds
	(RM' 000)	(RM' 000)	(RM' 000)
<b>EQUITY</b>			
Share capital	-( <sup>(1)</sup> )	57,375	67,500
Share premium	-	-	60,900
Reserve	(632)	51,022	50,054
Shareholders' equity	(632)	108,397	178,454
<b>TOTAL EQUITY</b>	<b>(632)</b>	<b>108,397</b>	<b>178,454</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans and borrowings	-	10,965	10,965
Deferred tax liabilities	-	5,034	5,034
	-	<b>15,999</b>	<b>15,999</b>
<b>Current liabilities</b>			
Loans and borrowings	-	39,897	29,897
Trade and other payables	1,577	56,907	56,907
Provision for taxation	-	2,206	2,206
	<b>1,577</b>	<b>99,010</b>	<b>89,010</b>
<b>TOTAL LIABILITIES</b>	<b>1,577</b>	<b>115,009</b>	<b>105,009</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>945</b>	<b>223,406</b>	<b>283,463</b>
No. of ordinary shares in issue ('000)	-( <sup>(2)</sup> )	229,500	270,000
(Net liabilities)/NA	(632)	108,397	178,454
(Net liabilities)/NTA	(632)	108,397	176,454
NA per share (RM)	(79,000) <sup>(2)</sup>	0.47	0.66
NTA per share (RM)	(79,000) <sup>(2)</sup>	0.47	0.65

## Notes:

(1) Denotes RM2.00

(2) Denotes/ Based on 8 ordinary shares of RM0.25 each

### 3. INFORMATION SUMMARY (Cont'd)

#### 3.5.3. Proforma consolidated statement of cash flows

Our proforma consolidated statement of cash flows for the FYE 2013 below has been prepared for illustrative purposes only, based on the audited financial statement for the FYE 2013 of our Group and other adjustments necessary for the elimination of all intercompany transactions and balances and on the assumption that our Group's current structure had been in existence since 1 July 2012.

	<u>FYE 2013</u>
	<u>(RM' 000)</u>
<b><i>Cash flow from operating activities</i></b>	
PBT	36,144
Adjustments for:	
Depreciation	5,887
Interest expense	2,500
Gain on disposal of property, plant and equipment	(312)
Interest income	(150)
Unrealised gain on foreign exchange	(1,398)
Fair value loss on derivative instruments	957
<b>Operating profit before working capital changes</b>	<u><b>43,628</b></u>
Changes in working capital:	
Inventories	(1,599)
Trade and other receivables	5,173
Trade and other payables	(4,140)
<b><i>Cash generated from operations</i></b>	<u><b>43,062</b></u>
Income taxes paid	(2,865)
<b><i>Net cash from operating activities</i></b>	<u><b>40,197</b></u>
 <b><i>Cash flow used in investing activities</i></b>	
Proceeds from disposal of property, plant and equipment	690
Interest received	150
Acquisition of property, plant and equipment	(17,623)
<b><i>Net cash used in investing activities</i></b>	<u><b>(16,783)</b></u>
 <b><i>Cash flow from financing activities</i></b>	
Interest paid	(2,886)
Net proceed from bankers' acceptance	8,059
Net proceed from packing credit	4,403
Repayment of term loan	(1,795)
Repayment of finance lease liabilities	(733)
Drawdown of term loan	6,788
Fixed deposits pledged to licensed banks	(1,391)
Amount due to directors	(402)
Amount due to shareholders	(1,230)
<b><i>Net cash from financing activities</i></b>	<u><b>10,813</b></u>

**3. INFORMATION SUMMARY (Cont'd)**

	<b>FYE 2013</b>
	<b>(RM' 000)</b>
Net increase in cash and cash equivalents	34,227
Exchange differences on translation of the financial statement of foreign subsidiaries	3
Cash and cash equivalents as at 1 July 2012	(899)
<b>Cash and cash equivalents as at 30 June 2013*</b>	<b>33,331</b>

Note:

\* Components of cash and cash equivalents as at 30 June 2013:

	<b>FYE 2013</b>
	<b>(RM'000)</b>
Cash and cash equivalents	41,317
Less: Fixed deposits pledged with a licensed bank	(7,533)
Bank overdrafts	(453)
	<b>33,331</b>

**3.6. Summary of our IPO**

IPO Price : RM1.85

IPO Size : 67,500,000 Shares comprising 40,500,000 Issue Shares and 27,000,000 Offer Shares

	<b>Institutional Offering</b>	<b>Retail Offering</b>			<b>Total</b>
	<b>Placement to institutions and/or selected investors</b>	<b>Our eligible Directors, employees and business associates</b>	<b>Malaysian Public</b>		
			<b>Bumiputera</b>	<b>Not designated</b>	
<b>Issue Shares</b>	20,250,000	6,750,000	6,750,000	6,750,000	40,500,000
<b>Offer Shares</b>	27,000,000	-	-	-	27,000,000

Institutional Offering\* : The institutional offering of 47,250,000 Shares comprising 27,000,000 Offer Shares and 20,250,000 Issue Shares to institutional and selected investors in Malaysia, Hong Kong and Singapore

Retail Offering\* : Offering of up to 20,250,000 Shares by our Company for application by retail investors, comprising:

- (i) 13,500,000 Issue Shares offered to the Malaysian Public via balloting where 50.0% or 6,750,000 Issue Shares are designated for Bumiputera investors; and
- (ii) 6,750,000 Issue Shares for application by eligible Directors, employees, business associates and persons who have contributed to the success of our Group.

**3. INFORMATION SUMMARY (Cont'd)**

Utilisation of proceeds : We intend to utilise the gross proceeds from sale of the Issue Shares of approximately RM74.9 million in the following manner:

Purpose	Amount of total proceeds raised	Percentage of total proceeds raised
	(RM'000)	(%)
R&D	4,000	5.3
Capital expenditure	41,750	55.7
Working capital	13,675	18.3
Repayment of bank borrowings	10,000	13.3
Listing expenses	5,500	7.4
<b>Total gross proceeds</b>	<b>74,925</b>	<b>100.0</b>

Note:

\* Subject to clawback and reallocation provisions

Please refer to Section 4 of this Prospectus for further information on our IPO.

**3.7. Risk factors**

Before investing in our Shares, you should carefully consider the following risk factors (which may not be exhaustive), along with other matters in this Prospectus.

**3.7.1. Risks relating to our business operations**

- (i) We are subject to the fluctuations in prices of raw materials;
- (ii) We are exposed to foreign currency exchange risks;
- (iii) We are dependent on major suppliers;
- (iv) The financial and operational conditions and the overall profitability of our Group will depend on the continued employment and performance of our Directors and key employees (both management and personnel);
- (v) We are dependent on foreign labour;
- (vi) We are exposed to operational risk; and
- (vii) We are exposed to unexpected and uncontrollable events.

**3.7.2. Risks relating to our industry**

- (i) The global condom industry is highly competitive;
- (ii) The lack of long term contracts;
- (iii) We are exposed to product liability risk;
- (iv) We are exposed to the risk of revocation of certifications, approvals, permits and licenses;
- (v) There is a risk that there may be alternatives to or substitutions of our core product;
- (vi) There is a risk that our manufacturing facilities may be underutilised after our planned expansion; and
- (vii) There is a risk that there may be a cure or vaccine for HIV/AIDS.

**3.7.3. Risks relating to our Listing and investment in our Shares**

- (i) There may be a delay to or failure of our Listing;
- (ii) There has been no prior market for our Shares;
- (iii) Volatility in our share price and trading volume;
- (iv) Control by our Promoters; and
- (v) We are dependent on dividends from our Subsidiaries.

Please refer to Section 5 of this Prospectus for further information on the risk factors.

## 4. PARTICULARS OF OUR IPO

### 4.1 Opening and closing of applications

Applications for our Shares will be opened at 10.00 a.m. on 11 October 2013 and closed at 5.00 p.m. on 23 October 2013 or such later date or dates as our Directors, the Selling Shareholders and the Underwriter may decide in their absolute discretion. **Late applications will not be accepted.**

### 4.2 Indicative timetable

The following events are intended to take place on the following tentative dates:

Events	Tentative date
Issuance of Prospectus / Opening of Retail Offering	11 October 2013 at 10.00 a.m
Closing of Retail Offering	23 October 2013 at 5.00 p.m.
Balloting of applications for the Issue Shares pursuant to the Retail Offering	25 October 2013
Allotment/transfer of the IPO Shares to successful applicants	4 November 2013
Listing	6 November 2013

The applications for the Retail Offering will close on the time and date stated above or such later date or dates as our Directors, the Selling Shareholders and Underwriter may decide in their absolute discretion.

Should the closing date and/or time for the application of the Retail Offering be extended, the dates for the balloting of applications for the IPO Shares pursuant to the Retail Offering, allotment/transfer of the IPO Shares to successful applicants and our Listing may be extended accordingly. We will announce any extension of time for the application for the Issue Shares by way of advertisements in widely circulated English and Bahasa Malaysia newspapers within Malaysia.

### 4.3 Details of our IPO

Our IPO comprises the Institutional Offering and Retail Offering for a total of 67,500,000 Shares. These IPO Shares will be issued/offered based on the terms and conditions set out in this Prospectus and will be allocated and allotted in the following manner:

#### 4.3.1 Institutional Offering

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

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

For details on the Selling Shareholders, please refer to Section 4.8 of this Prospectus.

As at the date of this Prospectus, all our institutional and selected investors have provided their irrevocable undertakings to subscribe for the entire Institutional Offering.

#### 4. PARTICULARS OF OUR IPO (Cont'd)

##### 4.3.2 Retail Offering

Retail Offering of 20,250,000 Issue Shares, representing 7.5% of our 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 our 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 our 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 our enlarged issued and paid-up share capital, are made available for application by our eligible Directors, employees, business associates and persons who have contributed to the success of our Group. The allocation of these Issue Shares are as follows:

Category	No. of eligible persons	Aggregate number of Issue Shares allocated
Eligible Directors <sup>(1)</sup>	8	800,000
Eligible directors of our Subsidiaries and employees of our Group <sup>(2)</sup>	Up to 600	3,500,000
Eligible business associates and persons who have contributed to the success of our Group <sup>(3)</sup>	Up to 100	2,450,000
<b>Total</b>	<b>Up to 708</b>	<b>6,750,000</b>

Notes:

- (1) The allocation to our eligible Directors is based on, amongst others, their respective roles, responsibilities and contribution to our Company. Each of our Directors shall be allocated 100,000 Issue Shares each.

The allocation of Issue Shares made available to our eligible Directors are as follows:

Directors	Designation	No. of Issue Shares allocated
Tan Sri Dato' Seri Arshad bin Ayub	Chairman, Independent Non-Executive Director	100,000
Goh Siang	Senior Executive Director	100,000
Goh Leng Kian	Executive Director, Technical and R&D	100,000
Goh Yen Yen	Executive Director, Administration	100,000
Lam Jiuan Jiuan	Non-Independent Non-Executive Director	100,000
Wong Yien Kim	Independent Non-Executive Director	100,000
Jonathan Law Ngee Song	Independent Non-Executive Director	100,000
Dato' Dr. Ong Eng Long	Independent Non-Executive Director	100,000
<b>Total</b>		<b>800,000</b>

#### 4. PARTICULARS OF OUR IPO (Cont'd)

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- (2) *The allocation to our eligible employees is based on, amongst others, staff grade in our Group and length of service. Goh Yin, our QA Director and Goh Miah Kiat, our Chief Executive Officer, who are also our substantial shareholders and Promoters have been allocated 100,000 Issue Shares each. Chew Cheng Chuan, the General Manager of UTSB and our existing shareholder, has been allocated 90,000 Issue Shares. Lim Poh Chuan, a director of ISB and our existing shareholder, has been allocated 100,000 Issue Shares.*
- (3) *The allocation to eligible business associates and persons who have contributed to the success of our Group is based on, level of contribution rendered by these people to the success of our Group in terms of our Group's turnover and profitability growth, as approved by our Board. The business associates and persons who have contributed to the success of our Group include our business contacts, our customers and our suppliers, who have contributed to the business development and success of our Group.*

##### 4.3.3 Clawback and reallocation

The Retail Offering and Institutional Offering shall be subject to the following clawback and reallocation provisions.

- (i) Any Issue Share 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 the other eligible Directors, employees, business associates and persons who have contributed to the success of the our Group. Thereafter, any of the reallocated Issue 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 under the Retail Offering; and
- (ii) Subject to (i), 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.

There is no minimum subscription in terms of proceeds to be raised by our Company and the Selling Shareholders. However, in order to comply with the public spread requirements of Bursa Securities, the minimum subscription in terms of the number of Shares will be the number of Shares required to be held by public shareholders for us to comply with the public spread requirements under the Listing Requirements or as approved by Bursa Securities. There is no over-allotment or 'greenshoe' option that will result in an increase in the amount of the IPO Shares.

#### 4. PARTICULARS OF OUR IPO (Cont'd)

In summary, the IPO Shares are allocated in the following manner:

Categories	Offer Shares		Issue Shares		Total	
	No. of Shares	% of the enlarged share capital	No. of Shares	% of the enlarged share capital	No. of Shares	% of the enlarged share capital
	('000)	(%)	('000)	(%)	('000)	(%)
<b><u>Institutional Offering</u></b>						
Private placement to institutions and/ or selected investors in Malaysia, Singapore and Hong Kong	27,000	10.0	20,250	7.5	47,250	17.5
<b><u>Retail Offering</u></b>						
Malaysian Public (via balloting):						
- Designated for Bumiputera	-	-	6,750	2.5	6,750	2.5
- Not designated	-	-	6,750	2.5	6,750	2.5
Directors and eligible employees of our Group	-	-	4,300	1.6	4,300	1.6
Eligible business associates and persons who have contributed to the success of our Group	-	-	2,450	0.9	2,450	0.9
<b>Total</b>	<b>27,000</b>	<b>10.0</b>	<b>40,500</b>	<b>15.0</b>	<b>67,500</b>	<b>25.0</b>

#### 4.4 Classes / Ranking of Our Shares

As at the date of this Prospectus and upon completion of our IPO, we have only one (1) class of shares, namely ordinary shares of RM0.25 each in our Company. The IPO Shares, upon allotment and issuance, will rank *pari passu* in all respects with our existing Shares including voting rights and will be entitled to all dividends, rights and distributions that may be declared subsequent to the date of allotment of the Issue Shares, subject to any applicable rules of Bursa Depository.

Subject to any special rights attached to any shares which we may issue in the future, our shareholders shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share the profits paid out by us as dividends or other distributions. Similarly, if our Company is liquidated, our shareholders shall be entitled to the surplus (if any), in accordance with our M&A after the satisfaction of any preferential payments in accordance with the Act and our liabilities.

At any general meeting of our Company, each shareholder shall be entitled to vote in person, by proxy, by attorney or by duly authorised representative. On a show of hands, each present shareholder either in person, by proxy, by attorney or other duly authorised representative shall have one (1) vote. On a poll, each present shareholder either in person, by proxy, by attorney or other duly authorised representative shall have one (1) vote for each Share held. A proxy may but need not be a member of our Company and the provisions of Section 149 (1)(b) of the Act shall not apply to our Company.



#### 4. PARTICULARS OF OUR IPO (Cont'd)

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##### 4.5 Basis of arriving at the IPO Price

The Promoters, the Selling Shareholders, the Principal Adviser, the Underwriter and the Joint Placement Agents have determined and agreed to the IPO Price of RM1.85 per Share, based on the following factors:

- (i) our Group's historical financial information as listed in Sections 13 and 14 of this Prospectus;
- (ii) our competitive advantages and key strengths in terms of our:
  - established market reputation and proven track record;
  - strong in-house R&D capabilities driven by continuous innovation;
  - recognition as a pre-qualified manufacturer;
  - ability to manufacture high quality condoms;
  - ability to handle large volumes with minimal interruptions; and
  - wide market coverage supported by extensive product mix.

Further details on our competitive advantages and key strengths are outlined in Section 7.18 of this Prospectus;

- (iii) our future plans, strategies and prospects in terms of the:
  - expansion plan to double our annual manufacturing capacity of approximately three (3) billion pieces presently to six (6) billion pieces by the end of 2015;
  - introduction of automation systems;
  - continuous development of new products; and
  - expansion into new OBM markets, including South East Asian countries and India.

Further details on our future plans, strategies and prospects are outlined in Sections 7.21 and 7.22 of this Prospectus;

- (iv) our Group's position as the world's largest condom manufacturer;
- (v) the overview and prospects of the global condom industry as outlined in Section 8 of this Prospectus; and
- (vi) our proforma consolidated NA attributable to shareholders of RM0.66 per Share based on our enlarged issued and paid-up share capital pursuant to our Listing; and
- (vii) our historical net EPS of approximately 10.8 sen (computed based on our consolidated historical PAT for the FYE 2013 and our enlarged issued and paid-up share capital upon our Listing) and the net PE multiple of approximately 17.1 times.

**You should also take note that upon and subsequent to our Listing, the market price of our Shares is subject to the vagaries of market forces and other uncertainties, which may affect the pricing of our Shares being traded. You are reminded to consider carefully the risk factors as set out in Section 5 of this Prospectus before deciding to invest in our Shares.**

**Based on the IPO Price, the total market capitalisation of our Company upon Listing shall be RM499.5 million.**

#### 4. PARTICULARS OF OUR IPO (Cont'd)

##### 4.6 Purposes of our IPO

The purposes of our IPO are as follows:

- (i) to enable us to enhance our corporate stature through our listing status, which will further enhance our corporate reputation and assist us in expanding our customer base and brand recognition;
- (ii) to raise proceeds for the purpose stated in Section 4.9 of this Prospectus;
- (iii) to enable us to have access to the capital market for cost effective capital raising and financial flexibility for future expansion and the continuing growth of our Group;
- (iv) to obtain listing of and quotation for our entire issued and paid-up share capital of 270,000,000 Shares on the Main Market;
- (v) to provide an opportunity for the eligible Directors, employees, business associates and persons who have contributed to the success of our Group and the Malaysian Public and institutions to participate in our continuing growth by way of equity participation; and
- (vi) to create liquidity for our Shares.

##### 4.7 Dilution

Dilution is the amount by which the IPO Price paid by subscribers of our Shares exceeds our consolidated NA per Share after our IPO. The audited NA per Share of our Group as at 30 June 2013, adjusted for the Acquisitions up to the date of this Prospectus, but before adjusting for the net proceeds from the sale of the Issue Shares, was approximately RM108.4 million based on the number of Shares in issue before our IPO.

The following table illustrates such dilution on a per Share basis:

No.	Details	RM
(i)	IPO Price	1.85
(ii)	NA per Share attributable to existing shareholders of our Company as at 30 June 2013, after adjusting for the Acquisitions and prior to our IPO	0.47
(iii)	Proforma consolidated NA per Share as at 30 June 2013, after giving effect to our IPO and utilisation of proceeds	0.66
(iv)	Increase in NA per Share to the existing shareholders compared to (iii) assuming the existing shareholders:	
	(a) do not subscribe	(a) 0.19
	(b) subscribe <sup>(1)</sup>	(b) 0.18
	for the 790,000 Issue Shares made available to them as eligible Directors and employees (as disclosed in Section 4.3.2(ii) of this Prospectus)	
(v)	Dilution in NA per Share to new investors <sup>(2)</sup>	1.19
(vi)	Dilution in NA per Share to new investors as a percentage to the IPO Price <sup>(2)</sup>	64.3%

Notes:

- (1) Average NA per share is RM0.47 (calculated based on the weighted average of NA per Share as disclosed in item (ii) and allocated shares at the IPO Price)
- (2) Quantum of dilution and percentage to IPO Price is the same whether existing shareholders subscribe or not subscribe Issue Shares made available to them as eligible Directors and employees as the Issue Shares are subject to reallocation and are also underwritten.

#### 4. PARTICULARS OF OUR IPO (Cont'd)

##### 4.8 Selling Shareholders

The Selling Shareholders who are offering the Offer Shares and their shareholdings in our Company and their respective relationships with our Group since the date of our incorporation are as follows:

Selling Shareholders	Address	Material relationship with our Group	Shares held as at the LPD <sup>(1)</sup>		Shares held immediately prior to Listing <sup>(2)</sup>		Shares held immediately upon Listing <sup>(3)</sup>			
			No. of Shares	(%)	No. of Shares	(%)	No. of Shares	(%)		
Goh Siang	No. 2, Jalan Mutiara 4 Taman Mutiara 82000 Pontian Johor	<ul style="list-style-type: none"> <li>Promoter;</li> <li>Substantial shareholder; and</li> <li>Senior Executive Director.</li> </ul>	15,880,601	6.92	10,280,586	4.48	3,375,000	1.47	7,005,586	2.59
Goh Leng Kian	No. 1, Jalan Mutiara 3 Taman Mutiara 82000 Pontian Johor	<ul style="list-style-type: none"> <li>Promoter;</li> <li>Substantial shareholder; and</li> <li>Executive Director, Technical and R&amp;D.</li> </ul>	19,680,605	8.58	14,080,590	6.14	3,375,000	1.47	10,805,590	4.00
Goh Yen Yen	No. 1, Jalan Mutiara 3 Taman Mutiara 82000 Pontian Johor	<ul style="list-style-type: none"> <li>Promoter;</li> <li>Substantial shareholder; and</li> <li>Executive Director, Administration.</li> </ul>	16,430,559	7.16	10,830,543	4.72	3,375,000	1.47	7,555,543	2.80
Lam Jiuian Jiuian	16-C, Block 20, Baguio Villa Pokfulam Hong Kong	<ul style="list-style-type: none"> <li>Promoter</li> <li>Substantial shareholder; and</li> <li>Non-Independent Non-Executive Director.</li> </ul>	14,530,559	6.33	8,930,543	3.89	3,375,000	1.47	5,655,543	2.09

## 4. PARTICULARS OF OUR IPO (Cont'd)

Selling Shareholders	Address	Material relationship with our Group	Shares held as at the LPD <sup>(1)</sup>		Shares held immediately prior to Listing <sup>(2)</sup>		Offer Shares		Shares held immediately upon Listing <sup>(3)</sup>	
			No. of Shares	(%)	No. of Shares	(%)	No. of Shares	(%)	No. of Shares	(%)
Goh Yin	No. 1, Jalan Mutiara 3 Taman Mutiara 82000 Pontian Johor	<ul style="list-style-type: none"> <li>Promoter;</li> <li>Substantial shareholder; and</li> <li>QA Director.</li> </ul>	16,430,563	7.16	10,830,547	4.72	3,375,000	1.47	7,555,547	2.80
Goh Miah Kiat	No. 1, Jalan Mutiara 3 Taman Mutiara 82000 Pontian Johor	<ul style="list-style-type: none"> <li>Promoter;</li> <li>Substantial shareholder; and</li> <li>Chief Executive Officer.</li> </ul>	16,430,601	7.16	10,830,585	4.72	3,375,000	1.47	7,555,585	2.80
Lam Yiu Pang Albert	16-C, Block 20, Baguio Villa Pokfulam Hong Kong	<ul style="list-style-type: none"> <li>Promoter; and</li> <li>Substantial shareholder.</li> </ul>	14,530,559	6.33	22,430,543	9.77	3,375,000	1.47	19,055,543	7.06
Goh Ai Noi	No. 1, Jalan Mutiara 3 Taman Mutiara 82000 Pontian Johor	<ul style="list-style-type: none"> <li>Promoter; and</li> <li>Substantial shareholder.</li> </ul>	16,430,559	7.16	10,830,543	4.72	3,375,000	1.47	7,455,543	2.76

## Notes:

(1) Based on the issued and paid-up capital of 229,500,000 Shares after the Acquisitions

(2) Based on the issued and paid-up capital of 229,500,000 Shares after the Acquisitions and incorporates effects of the Transfer of Shares

(3) Based on the enlarged issued and paid-up capital of 270,000,000 Shares and incorporates effects of the Transfer of Shares, our IPO and assuming full subscription of the issue Shares made available to eligible Directors and employees (as disclosed in Section 4.3.2(ii) of this Prospectus)

The Selling Shareholders shall bear all the placement and miscellaneous fees relating to their respective portion of the Offer Shares. Save as disclosed above, the Selling Shareholders do not have any other material relationship with our Company or our Group since the date of our incorporation.

#### 4. PARTICULARS OF OUR IPO (Cont'd)

##### 4.9 Use of proceeds

Our Company will not receive any proceeds from the Selling Shareholders' sale of 27,000,000 Offer Shares. This offer for sale is expected to raise gross proceeds of approximately RM50.0 million which will accrue entirely to the Selling Shareholders.

The expected total gross proceeds from the sale of the Issue Shares is approximately RM74.9 million. We intend to utilise the gross proceeds in the following manner:

Details of the proposed utilisation	Notes	Amount of total proceeds raised (RM'000)	Percentage of total proceeds raised (%)	Timeframe for utilisation of proceeds
R&D	(1)	4,000	5.3	Within 36 months
Capital expenditure	(2)	41,750	55.7	Within 36 months
Working capital	(3)	13,675	18.3	Within 36 months
Repayment of bank borrowings	(4)	10,000	13.3	Within 6 months
Listing expenses	(5)	5,500	7.4	Within 6 months
<b>Total gross proceeds</b>		<b>74,925</b>	<b>100.0</b>	

(1) **R&D**

The amount of RM4.0 million is proposed to be utilised for the development/ enhancement of our machineries and the future development of products of our Group in accordance to the following breakdown:

<b>Description of proposed utilisation</b>	<b>RM'000</b>
Development/ enhancement of machineries	3,000
Product development	1,000
<b>Total</b>	<b>4,000</b>

The development/ enhancement of machineries includes the research, design and development of new manufacturing machineries as well as machinery customisation, improvisation and automation.

Machinery customisation is required to cater to the continuous introduction of new products and packaging designs by our customers. For example, we customise our foiling machines to cater to different foiling packages which include round and rectangular foiling as well as blister pack.

Continuous improvisation is conducted to our manufacturing machineries to ensure that the machineries are able to run at desired optimum level even with the introduction of new raw materials.

Machinery automation has been continuously explored by our Group as new avenues to increase efficiency and reduce our reliance on manual labour. For more details on machinery automation, please refer to Section 7.21(ii) of this Prospectus.

Our Group is constantly looking into expanding our existing range of products to ensure continuous growth in revenue. For more details, please refer to Section 7.21(iii) of this Prospectus.

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#### 4. PARTICULARS OF OUR IPO (Cont'd)

##### (2) Capital expenditure

In order to cater for the expansion of our manufacturing facilities, our Group proposes to allocate RM41.8 million for capital expenditure, in accordance to the following breakdown:

<u>Description of proposed utilisation</u>	<u>RM'000</u>
<u>Construction of new manufacturing facility for KISB</u>	
• Construction of new buildings	10,000
• Installation of 10 condom dipping lines	7,500
• Installation of 50 ET machines and 40 foiling machines	7,500
<u>Expansion of manufacturing facility for ITL</u>	
• Installation of five (5) condom dipping lines	5,000
• Installation of 25 ET machines and 20 foiling machines	5,000
<u>Expansion of manufacturing facility for ISB</u>	
• Installation of five (5) condom dipping lines	5,000
• Installation of 10 ET machines and 10 foiling machines	1,750
<b>Total</b>	<b>41,750</b>

For further information on our Group's expansion and capital expenditure plans, please refer to Section 12.3 of this Prospectus.

##### (3) Working capital

Our requirement for working capital will increase in line with our expected expansion and business growth. Therefore, our Group proposes to allocate RM13.7 million for our working capital requirements as follows:

<u>Description of proposed utilisation</u>	<u>RM'000</u>
Human capital	4,000
Marketing, promotion and branding activities – exhibition, trade shows, advertisement to enhance corporate image	5,000
Other working capital requirements	4,675
<b>Total</b>	<b>13,675</b>

##### Human capital

In tandem with our Group's expansion plans, we intend to increase our workforce to support the growth in our business.

##### Marketing, promotion and branding activities – exhibition, trade/road shows, advertisement to enhance corporate image

We also intend to increase our marketing, promotion and branding activities to enhance our Group's corporate image and brand presence.

As part of our marketing and promotional activities, we intend to continue participating in international trade shows and exhibitions to promote our products globally. In addition, we are embarking on a branding exercise to reposition our brand presence and increase our brand value.

##### Other working capital requirements

In line with our business growth, we plan to utilise funds for various aspects of our Group's cash cycle such as the purchase of raw materials and to finance other operating costs of our Group's day-to-day operations. This will enable us to conduct our operations without being dependent on external borrowings.

##### (4) Repayment of bank borrowings

The amount of RM10.0 million is proposed to be utilised for the repayment of bank borrowings. The bank borrowings were selected after taking into consideration the interest rates and the tenure of the banking facilities is set out below:

<u>Banking facility</u>	<u>Amount outstanding as at the LPD</u>	<u>Proposed repayment</u>	<u>Interest rate (% per annum) / maturity</u>	<u>Purpose of borrowing</u>
	<u>RM'000</u>	<u>RM'000</u>		
Banker's acceptance	31,415	10,000	2.05% - 6.25% / one (1) to three (3) months from the LPD	Purchase of raw material

#### 4. PARTICULARS OF OUR IPO (Cont'd)

(5) **Listing expenses**

Our Company will bear the entire listing expenses and fees incidental to our Listing of approximately RM5.5 million as follows:

<b>Description of proposed utilisation</b>	<b>RM'000</b>
Estimated professional fees <sup>(1)</sup>	3,100
Underwriting, placement and brokerage fees	1,500
Other fees and expenses such as printing, advertising and roadshow expenses incurred in connection with our IPO	600
Miscellaneous expenses and contingencies	300
<b>Total</b>	<b>5,500</b>

Note:

<sup>(1)</sup> Include fees for the Principal Adviser, Financial Adviser, Reporting Accountants, Solicitors to our Company for our IPO, Independent Market Researcher, Company Secretary, Issuing House and Share Registrar.

If the actual cost of R&D, capital expenditure and listing expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital purposes. Conversely, if the actual R&D, capital expenditure and listing expenses are lower than budgeted, the excess will be used for working capital purposes.

We intend to place the proceeds raised from the sale of the Issue Shares (including accrued interest, if any) or the balance thereof with banks or licensed financial institutions in interest-bearing instruments / funds prior to the eventual utilisation of the proceeds from our IPO for the above intended purposes.

There is no minimum subscription to be raised from our IPO. The effect of the utilisation of proceeds on our proforma consolidated balance sheets as at 30 June 2013 is reflected in Section 13.1 of this Prospectus.

#### 4.10 Financial impact from utilisation of proceeds

The financial impact and benefits from the proceeds of the sale of the Issue Shares include, amongst others, the following:

- (i) help enhance our current capabilities through the further expansion of our manufacturing facilities in order to support and increase our existing customer base;
- (ii) help increase our manufacturing capabilities by acquiring new machineries to meet the growing demands for our products, in line with the expanding global condom market, with condom sales increasing from 22.8 billion pieces in 2012 to 30.4 billion pieces in 2016 (Source: IMR Executive Summary); and
- (iii) help strengthen our liquidity and cash flow position by increasing our working capital.

#### 4.11 Brokerage, underwriting commission and placement fee

(i) **Brokerage**

We will bear the brokerage fees relating to the Issue Shares pursuant to the Retail Offering, at the rate of 1.0% of the IPO Price in respect of successful applications, which bear the stamp of RHB Investment Bank, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of Malaysian Investment Banking Association in Malaysia or the Issuing House.

Joint Placement Agents are entitled to charge brokerage commission to institutional and selected investors under the Institutional Offering. For avoidance of doubt, such brokerage commission shall not be payable by us.

#### 4. PARTICULARS OF OUR IPO (Cont'd)

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(ii) **Underwriting commission**

The Underwriter shall underwrite all the IPO Shares under the Retail Offering subject to clawback and reallocation.

We will pay the Underwriter an underwriting commission of 2.0% of the IPO Price multiplied by the number of IPO Shares underwritten ("**Underwritten Shares**").

(iii) **Placement fee**

The Joint Placement Agents shall identify the institutions and/or selected investors for the entire Institutional Offering subject to clawback and reallocation.

We will pay the Joint Placement Agents a placement commission of 1.0% to 1.5% of the IPO Price multiplied by the number of Issue Shares subscribed by institutions and/or selected investors identified by the Joint Placement Agents.

The Selling Shareholders will pay the Joint Placement Agents a placement commission of 1.0% to 1.5% of the IPO Price multiplied by the number of Offer Shares subscribed by institutions and/or selected investors identified by the Joint Placement Agents.

In the event the clawback and reallocation provision is implemented in accordance with Section 4.3.3 of this Prospectus, the amount of Underwritten Shares shall: (a) be reduced by the number of the IPO Shares that are clawed back from the Retail Offering and reallocated to the Institutional Offering and are duly subscribed by institutions and/or selected investors ("**Clawed Shares**"); and (b) be deemed to be part of the IPO Shares placed out to institutional and selected investors under the Institutional Offering.

Accordingly, the Underwriter shall not be entitled to any commission in respect of the Clawed Shares and the Joint Placement Agents shall be entitled to such fee and commission in respect of any Clawed Shares subscribed.

#### 4.12 Salient terms of the Underwriting Agreement

Unless stated, all capitalised terms and clause references used in this section shall bear the same meanings and references as prescribed in the Underwriting Agreement.

We have entered into an Underwriting Agreement with the Underwriter (referred to as "Sole Underwriter" in the Underwriting Agreement), whereby the Sole Underwriter shall underwrite all 20,250,000 Issue Shares offered under the Retail Offering. The salient terms of the Underwriting Agreement, amongst others, are set out below. Save for the term "Underwriting Agreement", all other references used are as defined in the Underwriting Agreement:

- (i) The Sole Underwriter agrees to underwrite the Underwritten Shares upon such terms and conditions in the Underwriting Agreement. The Sole Underwriter's obligations under the Underwriting Agreement are conditional upon:
  - (a) the Underwriting Agreement being duly executed by the respective Parties and consequently duly stamped within the statutory time frame;



#### 4. PARTICULARS OF OUR IPO (Cont'd)

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- (b) on or prior to the Closing Date, there is no material adverse change nor development likely to result in any material adverse change, in the condition (financial or otherwise) of the Company or its Subsidiaries, which is material to the IPO as set out in the Prospectus, nor the occurrence of any event or the discovery of facts which are inaccurate, untrue or incorrect to any extent which is or will be material in the opinion of the Sole Underwriter, which results in the representations and warranties contained in the Underwriting Agreement untrue and incorrect in any material respect as though they had been given and made on such date with reference to the subsisting facts and circumstances, nor the occurrence of any breach of the undertakings contained in the Underwriting Agreement;
- (c) the Sole Underwriter receiving the relevant irrevocable undertakings, statutory declarations, application forms and banker's drafts or cashier's orders from the respective investors in relation to the Institutional Offering;
- (d) the delivery to the Sole Underwriter prior to the registration date of the Prospectus with the SC, two (2) certified extracts of each of the following:
  - (aa) all resolutions of the board of directors of the Company: (i) approving the IPO and the Listing and the transactions contemplated by each of the same; (ii) approving and authorising the execution of the Underwriting Agreement as well as such person authorised to execute the Underwriting Agreement; (iii) approving the issue and allotment of the IPO Shares under the IPO; (iv) approving and authorising the issuance of the Prospectus; and (v) confirming that the Directors, collectively and individually, accept full responsibility for the accuracy of all information stated in the Prospectus in the form previously agreed by or on behalf of the Sole Underwriter; and
  - (bb) a certificate, in the form or substantially in the form contained in the first schedule of the Underwriting Agreement, dated the date of the Prospectus signed by duly authorised officers of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as is referred to in Clause 2.2.2 of the Underwriting Agreement;
- (e) the Prospectus being in the form and substance satisfactory to the Sole Underwriter;
- (f) the delivery to the Sole Underwriter on the Closing Date of such reports and confirmations dated the same from the Directors of the Company as the Sole Underwriter requires to ascertain that there is no material change subsequent to the date of the Underwriting Agreement that will adversely affect the performance or financial position of the Company or its Subsidiaries;
- (g) the Sole Underwriter satisfied that the Company has made arrangements for payment of the expenses referred to in Clause 15 of the Underwriting Agreement;
- (h) the IPO not being prohibited by any statute, order, rule, regulation or directive promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia, including but not limited to Bursa Securities and the SC;
- (i) the Company having complied including the IPO is in compliance with the CMSA, policies, guidelines and requirements of Bursa Securities and/or the SC and all related revisions, amendments and/or supplements;

#### 4. PARTICULARS OF OUR IPO (Cont'd)

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- (j) the Prospectus issued within one (1) month after the date of the Underwriting Agreement or within such extended period agreed in writing by the Sole Underwriter;
  - (k) all Approvals required for the IPO, the Admission and the Listing, including but not limited to approvals from the SC, Bursa Securities and the MITI and are in full force and effect as at the Closing Date and that all conditions of the Approvals (except for any which can only be complied with after the completion of the IPO) have been complied with;
  - (l) the execution of the Placement Agreement and such agreements not having been terminated or rescinded pursuant to the provisions thereof (for clarity, the execution of the Placement Agreement by the Joint Placement Agents shall be at their sole discretion); and
  - (m) the Sole Underwriter satisfied that there are no breach of, or failure by the Company to comply with, any of their obligations under the Underwriting Agreement, and that the Company have complied with, and that the IPO (including the offer, sale and issue of IPO Shares), the Listing and the transactions contemplated under the Underwriting Agreement are in compliance with, all relevant laws.
- (ii) If any condition set out above is not satisfied by the Closing Date, the Sole Underwriter shall be entitled to terminate the Underwriting Agreement and except for the liability of the Company for payment of the Underwriting Commission, costs and expenses provided in the Underwriting Agreement incurred prior to termination and any claims under to Clause 3.3.1 of the Underwriting Agreement, there shall be no further claims by the Sole Underwriter against the Company, and the Parties shall be released and discharged from their obligations PROVIDED THAT the Sole Underwriter may at its discretion waive compliance with any of the provisions of Clause 2.2 of the Underwriting Agreement.
- (iii) The Sole Underwriter may give written notice to the Company at any time before Closing Date, terminate, cancel or withdraw its commitment to underwrite the Underwritten Shares if:
- (a) there is breach by the Company of any of the representations, warranties or undertakings contained in the Underwriting Agreement, which cannot be remedied or, if remediable, is not remedied to the Sole Underwriter's satisfaction within such days as stipulated within the notice given to the Company, or by the Closing Date, whichever is earlier; or
  - (b) there is withholding of information by the Company or Selling Shareholder which is required to be disclosed to the Sole Underwriter under to the Underwriting Agreement, and if remediable, is not remedied within such days as stipulated within the notice given to the Company, in the opinion of the Sole Underwriter, may or can be expected to have, a material adverse effect on the business or operations of the Karex Group, success of the IPO, or distribution or sale of the Issue Shares; or
  - (c) there occurred, happened or come into effect any material and adverse change to the business or financial condition of the Company or the Karex Group; or

#### 4. PARTICULARS OF OUR IPO (Cont'd)

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- (d) there occurred, happened or come into effect any of the following circumstances which has an adverse effect on the condition or financial position of the Company:
  - (aa) any material change, or any development involving prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or
  - (bb) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Sole Underwriter (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);  
  
which, (in the opinion of the Sole Underwriter), would have or can be expected to have, a material adverse effect on and/or materially prejudice the business or the operations of the Company, success of the IPO, or distribution or sale of the Issue Shares, or has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or
- (e) there is failure by the Company to perform any of its obligations specified in the Underwriting Agreement; or
- (f) any of the conditions precedent set out in the Underwriting Agreement are not duly satisfied by the Closing Date.
- (iv) Upon notice(s) being given under Clause 9.1 of the Underwriting Agreement, the Sole Underwriter shall be released and discharged of its obligations under the Underwriting Agreement without prejudice to its rights whereby the Underwriting Agreement shall be of no further force or effect and no Party shall be under any liability to any other in respect of the Underwriting Agreement, except that the Company shall remain liable in respect of its obligations and liabilities under Clause 3 of the Underwriting Agreement, the Underwriting Commission any antecedent breaches and under the Underwriting Agreement for the payment of the costs and expenses already incurred up to the date of termination or in connection with such termination and for the payment of any taxes, duties or levies within seven (7) days from the date of the same being due.
- (v) If the Underwriting Agreement is terminated due to the Company taking positive steps not to proceed with the IPO resulting in the Sole Underwriter being unable to perform its obligations, the Sole Underwriter is entitled to the Underwriting Commission in addition to the costs and expenses incurred.
- (vi) If the Underwriting Agreement is terminated pursuant to Clause 9.1.4 of the Underwriting Agreement, the Sole Underwriter and the Company may decide to defer the IPO by amending its terms or terms of the Underwriting Agreement and may enter into a new underwriting agreement accordingly, but neither the Sole Underwriter nor the Company shall be under any obligation to enter into a fresh agreement.

4. PARTICULARS OF OUR IPO (Cont'd)

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- (vii) It will be an event of force majeure if the Sole Underwriter is unable to perform its obligations resulting from any events beyond the control of the Sole Underwriter, including any of the following:
- (a) acts of God, national disorder, armed conflict or serious threat of the same, hostilities, embargo, detention, revolution, riot, looting or other labour disputes, any unavailability of transportation or severe economic dislocation, earthquake, typhoon, outbreak of war, outbreak of disease, acts of terrorism or the declaration of a state of national emergency;
  - (b) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing. For clarity, if the conditions of the stock market in Malaysia deteriorates to the extent that the FTSE Bursa Malaysia KLCI ("**Index**") is, at the close of normal trading on Bursa Securities, on any Market Day: (i) on or after the date of the Underwriting Agreement; and (ii) prior to the Closing Date, lower than ninety per centum (90%), of the level of Index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of the Underwriting Agreement and remains at or below that level for at least three (3) consecutive Market Days, it shall be deemed a material adverse change in the stock market condition; or
  - (c) any new law, regulation, directive, policy or ruling or any material change in law, regulation, directive, policy or ruling in any jurisdiction or any change in the interpretation or application thereof by any court or other competent authority which would prohibit or impede the obligations of the Sole Underwriter or any events beyond the control of the Sole Underwriter;
  - (d) the imposition of any moratorium, suspension or material restriction on trading in all securities generally on Bursa Securities for one (1) or more consecutive Market Days;

which may or can reasonably be expected to have, a material adverse effect on and/or materially prejudice the business or the operations of the Company or the Korex Group, success of the IPO, or distribution or sale of the Issue Shares, or which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms.

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**4. PARTICULARS OF OUR IPO (Cont'd)**

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- (viii) In the event of a force majeure pursuant to the Underwriting Agreement, the Sole Underwriter may, consult with the Company, at any time prior to or on the Closing Date:
  - (a) terminate the Underwriting Agreement by giving notice to the Company in the manner as set out in Clause 16 of the Underwriting Agreement; or
  - (b) request for the Closing Date to be extended to such reasonable date as the Sole Underwriter may decide.
  
- (ix) Upon delivery of the notice of termination pursuant to Clause 10.2.1 of the Underwriting Agreement and in the manner as set out in Clause 16 of the Underwriting Agreement, the Underwriting Agreement will terminate each Party's rights and obligations will cease and none of the Parties will have any claim against each other except such claims of the costs and expenses of the Sole Underwriter and the Underwriting Commission as set out in the Underwriting Agreement.

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## 5. RISK FACTORS

We are exposed to a number of possible risks that may arise from economic, business, market and financial factors and developments, which may have an adverse impact on the financial performance of our Group and/or our share price performance. You should carefully consider the risks and investment considerations set out below along with the other matters in this Prospectus before you make your investment decision.

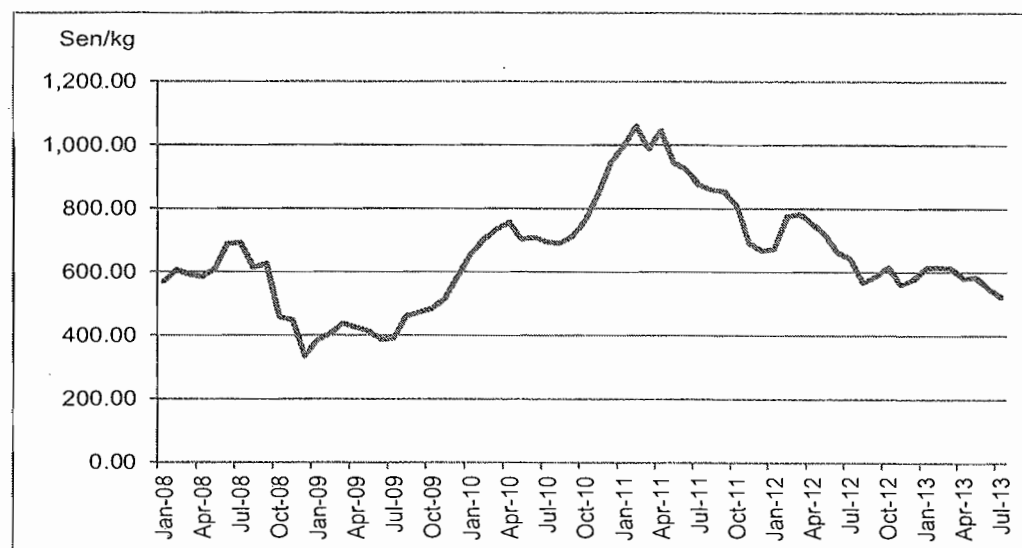
The risks and investment considerations set out below are not an exhaustive list of the challenges that we currently face or that may develop in the future. These and other risks, whether known or unknown, may have a material adverse effect on the financial performance of our Group and/or our share price.

### 5.1 Risks relating to our business operations

#### (i) We are subject to the fluctuations in prices of raw materials

The common raw materials we use include Pre-vulcanised latex, silicone oil, foil, boxes and carton boxes. For the FYE 2013, our main raw material was Pre-vulcanised latex. For more details on the major types of raw materials that we purchased for our manufacturing operations, please refer to Section 7.12 of this Prospectus.

Pre-vulcanised latex, key for manufacturing of our condoms, is produced from latex concentrate which in turn is an internationally traded commodity, where its price is subject to demand and supply forces.



The prices of latex concentrate experienced high volatility in the market between January 2008 and July 2013. Owing to the efficiency of the global market place, any volatility in the prices of latex concentrate are quickly translated along the supply chain, affecting the cost of condom manufacturing. This contributes to the uncertainty in the costs of condom manufacturing. In turn, this impacts the manufacturing and marketing planning processes of condom manufacturers.

In the first seven (7) months of 2013, the average prices of latex concentrate declined by 18.5% over the corresponding period of 2012, due to the health of the global automotive industry, as natural rubber is the primary input for tyres. The tyre industry accounts for approximately 70% of global natural rubber consumption. Global economic weakness, due to the eurozone sovereign debt crisis, has prompted anticipation of slower automotive sales growth. This has, in turn, lead to expectations of poorer tyre sales and a corresponding decline in natural rubber demand.

## 5. RISK FACTORS (Cont'd)

The outlook for the latex concentrate market remains uncertain as external factors continue to play a major role in determining prices. The market is expected to be impacted by concerns over the eurozone sovereign debt crisis, the Chinese and global economies, as well as the vagaries of the weather that lead to floods in the natural rubber producing countries.

(Source: Infobusiness Research)

Our average raw material cost comprise approximately 69.6% of our cost of sales for the past four (4) FYEs, any fluctuation of raw material costs will have an impact on our profit margin. Any increase in raw material prices will result in lower gross profit and vice versa on the assumption of constant product selling price.

To mitigate the fluctuations in raw material pricing, we work closely with our customers in planning their respective manufacturing forecasts to map out our manufacturing schedules so that we may determine a more accurate supply forecast and plan our purchases accordingly.

Notwithstanding above, there can be no assurance that any increase in the price of raw materials will not adversely affect our business performance.

Please refer to Sections 13.2.2(i) and 13.2.3 of this Prospectus for details of the impact of raw materials prices on our Group.

### (ii) We are exposed to foreign currency risks

For the FYE 2013, 91.2% of our total revenue was denominated and transacted in foreign currencies (mainly in USD). Most of our purchases were denominated in the local currencies of our operations, i.e. RM and THB. Our net gains and losses in foreign exchange translation for the FYE 2010, FYE 2011, FYE 2012 and FYE 2013 are shown below:

	FYE 2010	FYE 2011	FYE 2012	FYE 2013
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Realised	(2,654)	(37)	1,229	(1,508)
Unrealised	(1,527)	328	1,568	1,398
<b>Total</b>	<b>(4,181)</b>	<b>291</b>	<b>2,797</b>	<b>(110)</b>

To mitigate foreign currency risk, our Group entered into various foreign exchange forward contracts with banking institutions to sell foreign currencies at agreed prices for fixed periods of time during the FYE 2010 to FYE 2013. Our foreign exchange forward contracts were for converting sales receipts denominated in foreign currencies to RM and THB.

We also maintain accounts in USD, GBP and Euro for business transacted in foreign currencies. These foreign currency accounts are later used to make payments in the respective foreign currencies incurred in our business, thus forming a natural hedge to minimise our foreign currency exchange risk exposure. Furthermore, we enter into foreign exchange forward contracts in relation to USD for hedging purposes. In addition, we constantly monitor our foreign currency exchange risk exposure and will hedge as and when we consider necessary.

Going forward, our Group will continue to enter into foreign exchange forward contracts to hedge a majority of our net exposure.

## 5. RISK FACTORS (Cont'd)

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Notwithstanding the above measures in place to minimise our foreign currency exchange risk exposure, any significant currency fluctuation such as the continued strengthening of the RM and/or THB against the USD, GBP and Euro, may materially and adversely impact our financial performance.

Please refer to Sections 13.2.4 and 13.2.5 of this Prospectus for details of foreign exchange gains and losses incurred by our Group for the past four (4) FYEs.

### (iii) **We are dependent on major suppliers**

Our business relies on our major suppliers, such as Revertex and Getahindus from Malaysia, which represented 25.3% and 17.5% respectively of our Group's total purchases for the FYE 2013. We have maintained business relationships with Revertex and Getahindus for the last 24 years and five (5) years respectively. Nevertheless, our dependency on a single supplier for Pre-vulcanised latex is mitigated by the availability of alternative sources.

MPIB has been our reliable supplier for packaging foil for the last 17 years. Our reliance on MPIB is mitigated as we can source packaging foil from other local suppliers.

To date, our current suppliers have been reliable and were able to supply to us with sufficient raw materials in a timely manner. There are no interruptions of raw materials supply to our Group for the FYE 2010 to FYE 2013.

There can be no assurance that we will be able to continue to obtain sufficient supply of raw materials in a timely manner from our existing suppliers. A reduction in the supply of any main raw material may lead to an increase in costs or result in disruptions to our manufacturing operations schedule.

For more information on our major suppliers, please refer to Section 7.13 of this Prospectus.

### (iv) **The financial and operational conditions and the overall profitability of our Group will depend on the continued employment and performance of our Directors and key employees (both management and personnel)**

Our future performance depends to a significant extent on the expertise, experience and continued efforts of our Directors and key employees. This is one of our Group's key success factors and the loss of the services of our Directors and key employees could materially affect our Group's operations.

We believe that our success largely dependent on good management succession planning and our ability to continue to attract, motivate and retain qualified and skilled personnel. To ensure smooth succession planning at the middle level, we train and groom younger members of our management team to gradually take on greater responsibilities. As part of our Group's human resource planning, our staff are required to undergo training programmes consisting mandatory training (on-the-job and ISO certification training) as well as selective intermediate and advanced training. Trainings are mostly conducted in-house with the exception of selective intermediate and advanced trainings which are conducted by third (3<sup>rd</sup>) parties. These include conferences and seminars that highlight new developments and progress in the field of standards and regulatory requirements. By exposing our employees to these conferences and seminars, we equip our personnel with the knowledge and know-how to grow our Group's business as well as to enhance their career progression capabilities.



## 5. RISK FACTORS (Cont'd)

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We recognise the importance of attracting and retaining our Directors and key employees and have put in place competitive remuneration packages. In addition, our Group has also set aside a portion of the Issue Shares to eligible Directors and employees of our Group in order to provide an opportunity for them to participate in the continuing growth of our Group by way of equity participation as well as to instill loyalty amongst them.

Over the years, our Group has been able to retain our Directors and most of the key employees as a result of the aforementioned. This coupled with the cordial relationship between us have ensure the Directors' and key employees' continued employment and performance in our Group.

Notwithstanding the above, there can be no assurance that the above measures will be successful in retaining our Directors and key employees (both management and personnel).

### (v) We are dependent on foreign labour

Our operations in Malaysia are dependent on the supply of foreign labour. As at the LPD, approximately 60.5% of our employees are foreign workers mainly from Myanmar, Nepal and Vietnam. Therefore, inadequate supply of labour as well as any policy revision in respect of foreign workers may disrupt our manufacturing process.

As part of our effort to reduce our dependency on manual labour, we have increased the usage of automated ET machines in our manufacturing flow. In addition, we work closely with our recruitment agencies for the recruitment and renewal of work permits for the foreign workers. To date, we have not experienced any acute shortage in the supply of labour for our operations nor were there any interruptions in our operations during the past 12 months due to an acute shortage of foreign labour. For the FYE 2012, there was a delay of new foreign workers' arrival to replace the expiring foreign workers during the 6P programme (process of legalising illegal foreign workers) initiated by the Government of Malaysia.

The Malaysian government has introduced a minimum wage policy of RM900 per month for the Peninsular Malaysia that came into effect on 1 January 2013. However, this revision to the wages is not material and is minimal to our manufacturing cost.

### (vi) We are exposed to operational risk

Any failure in our internal processes, people or systems may result in losses in manufacturing, revenue and our reputation.

Our processes are designed so that each and every condom manufactured will go through a series of in-process testing to ensure the final product meets international standards. We continue to monitor and improve our processes to minimise the occurrence of operational failures. In addition, our testing machines are recalibrated at set intervals and samples are taken at random to be analysed and tested further. The entire batch of condoms will be rejected and scrapped if any discrepancies are found.

We have not faced any material losses due to operational risks in the past as we have been conducting regular maintenance and inspections to our machineries as well as trainings for the responsible personnel.

We are also in the process of increasing the usage of automated ET machines to reduce human error while, at the same time, increase our rate of manufacturing. Regardless, total elimination of operational risk is not possible and we may be susceptible to failures in operations.

## 5. RISK FACTORS *(Cont'd)*

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### (vii) **We are exposed to unexpected and uncontrollable events**

Our Group is susceptible to risks due to uncontrollable external factors such as outbreak of fire and floods, explosion, energy crisis, sabotage, civil commotion and other calamity which may cause significant losses or damage to our products, manufacturing facilities, warehouse and office, thus disrupting and affecting our business operations.

We are also aware of the adverse consequences arising from inadequate insurance coverage for accidents and outbreaks of fire which could disrupt our business operations. To mitigate this risk, we have taken up necessary insurance covering our Group's premises, fixed assets as well as personal injury insurance covering our employees.

For the past four (4) FYEs, our business operations are not affected by unexpected and uncontrollable events.

However, there is no assurance that this coverage will be sufficient to cover all potential losses and to indemnify our Group against all possible liabilities arising from operations disruption.

## 5.2 Risks relating to our industry

### (i) **The global condom industry is highly competitive**

We have and will continue to face competition from existing competitors and potential new market entrants. Well established international condom manufacturers in particular may have greater financial resources, similar fundamentals and capabilities to compete with us on cost, reliability, quality, time-to-market and capacity.

However, we believe that we set ourselves apart from many of our competitors by offering the following:

- (a) Our Group's market reputation and position as the world's largest condom manufacturer in terms of annual manufacturing capacity;
- (b) Extensive product mix. We offer condoms in various flavours, colours and textures to suit the needs and specifications of our customers. This allows us to expand our coverage across a much wider market segment;
- (c) Manufacturing flexibility. Our manufacturing capacity allows us to accommodate both small or large manufacturing batches and urgent orders; and
- (d) Against international competitors, we may leverage on Malaysia's reputation as the world's leading manufacturer of latex products.

Due to the key reasons above and because of our reputation, the flexibility, diversity of our market coverage and our international distribution network, we have a potentially wider customer base. We will also continue to take other pro-active measures to mitigate competition risks, including continuous reviews of our development and market strategies in response to market demand.

Despite the highly competitive global condom industry, our Group's revenue has been on an increasing trend annually as a result of the increased sales of condoms for the past four (4) FYEs.

## 5. RISK FACTORS (Cont'd)

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Notwithstanding the above, there is no assurance that the financial and operational conditions and the overall profitability of our Group will not be affected by competition from other players in the industry.

### (ii) The lack of long term contracts

In general, our Group does not enter into long-term contracts with our customers. Our business is normally transacted via purchase orders, which is commonplace practice in the industry. Despite this, we have built an established track record and credible name in the industry throughout our 25 years of experience with our customers. As a result, we have a continuous flow of orders for our products from some of our major customers. Despite not having long term contracts with them, 60% of our top 10 customers in the FYE 2013 have had more than six (6) years of business relationship with us. Furthermore, our Group's geographical reach in exports is a testimony to our Group's product acceptance in the global condom industry.

The lack of long term contracts does not have significant impact on our Group's financial and operational conditions as well as our long term overall profitability as evidenced by the increase in our Group's revenue.

Notwithstanding the above, there can be no assurance that the absence of any long-term contracts with our customers will not have an adverse effect on the financial and operational conditions and the overall profitability of our Group in the long term.

For further details on our major customers, please refer to Section 7.11 of this Prospectus.

### (iii) We are exposed to product liability risk

Our products, namely condoms, may from time to time be subjected to customers' complaints. As a result, we may face an inherent risk of exposure to product liability claims. Also, any product liability claims or allegations made against us, regardless of the authenticity and validity, would have a negative impact on our Group's credibility and reputation.

We are a manufacturer of condoms and do not have direct contact with consumers. As such, insurance coverage in relation to product liability (including claims of damages by consumers) is covered by our customers (distributors). Nevertheless, we may still be subject to the cost of recalling and replacing the defective batches of our products should they be found to be out of specification during our customers' pre-shipment inspections or throughout the shelf life of our products.

To minimise product liability risk, our Group has implemented stringent QA procedures (as disclosed in Section 7.8 of this Prospectus). In addition, all our tender market orders are subject to independent third (3<sup>rd</sup>) party laboratory tests. These tests will be used to authenticate any complaints received. We are also in constant discussion with our customers to ensure that their requirements are fully understood and addressed.

We are not subject to any product liability claims during the FYE 2010 up to the LPD.

## 5. RISK FACTORS (Cont'd)

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**(iv) We are exposed to the risk of revocation of certifications, approvals, permits and licenses**

We have to comply with the laws, regulations and specific conditions set by the relevant authorities. As at the LPD, our Group has obtained all necessary certifications, approvals, permits and licenses in order for us to manufacture and market our condoms in the countries to which we export our products. However, as disclosed in Annexure A, we are in the midst of applying to the Fire and Rescue Department for one (1) of our manufacturing facilities in Port Klang to obtain the fire certificate from the Fire and Rescue Department ("**Property Application**").

Notwithstanding the lack of fire certificate, all of our manufacturing facilities are fully insured. We have taken up necessary insurance covering our premises and fixed assets of our manufacturing facilities in Port Klang with a value of RM6.92 million as at 30 June 2013. However, there may be complication to insurance claims pertaining to the outbreak of fire due to the lack of fire certificate.

Therefore, we are working closely with the Fire and Rescue Department for our Property Application and do not foresee any issues in getting the approval from the Fire and Rescue Department. Please refer to Section (b) of Annexure B for further details of our Property Application.

Any revocation of our certifications, approvals, permits and licenses could materially and adversely affect the financial and operational conditions and the overall profitability of our Group.

Apart from that, our Group has not encountered any difficulties in maintaining and renewing the relevant certifications, approvals, permits and licenses in the past. To date, none of these certifications, approvals, permits and licenses have been revoked and we will continue to take preventive measures such as implementation of QMS, human, safety and environment system as well as operational procedures in our daily operations. However, there can be no assurance that the regulatory authorities will not attempt to vary, modify or impose further conditions on us.

**(v) There is a risk that there may be alternatives to or substitutions for our core product**

We may face product substitutions from new technologies that may arise in the future. This may affect the demand for our products in the market and could materially and adversely affect the financial and operational conditions and the overall profitability of our Group.

There is no impact on our Group's financial and operational conditions and the overall profitability as a result of the availability of alternatives or substitutions for our core product (condoms) for the last four (4) FYEs.

Nonetheless, condom is the single most efficient, available technology in the world to reduce the sexual transmission of STI and HIV as well as offers dual protection for prevention of unintended pregnancy.

*(Source: IMR Executive Summary)*

## 5. RISK FACTORS (Cont'd)

**(vi) There is a risk that our manufacturing facilities may be underutilised after our planned expansion**

We plan to expand our manufacturing facilities as stated in Section 7.21 of this Prospectus. Our expansion programmes are expected to double our annual manufacturing capacity of approximately three (3) billion pieces presently to six (6) billion pieces by 2015.

Our manufacturing outputs and approximate global market share for the last three (3) FYEs are as follows:

	<b>Manufacturing output</b>	<b>Global demand of condoms</b>	<b>Global market share<sup>(2)</sup></b>
	<b>(billion pieces)</b>	<b>(billion pieces)</b>	<b>(%)</b>
FYE 2011	2.40	21.20	11.3
FYE 2012	1.95	22.80	8.6
FYE 2013	2.42	24.50 <sup>(1)</sup>	9.9

Notes:

(1) Forecasted based on a CAGR of 7.5%.

(2) Estimated based on pieces of condoms manufactured during our financial year over the global demand for the respective calendar years

The global demand for condoms is expected to increase from 22.8 billion pieces of condom per year in 2012 to 30.4 billion pieces of condoms per year in 2016 (as illustrated in Section 1.10 of the IMR Executive Summary). To attain an 80.0% utilisation rate of our expanded manufacturing capacity in 2016, we will have to manufacture 4.8 billion pieces of condoms per year. These 4.8 billion pieces of condoms represent 15.8% of the forecasted global market share of condoms for 2016, a 59.6% increase from our global market share of 9.9% in the FYE 2013.

As such, there is a risk that our manufacturing facilities may be underutilised after our planned expansion if we are not able to increase our global market share by achieving the required sales.

To minimise this risk, we will continue to adopt marketing strategies such as participating in various medical exhibitions and trade shows as well as conducting sales calls and product demonstrations in order to sustain and expand our sales. For more details on our marketing strategies, please refer to Section 7.10(i) of this Prospectus.

**(vii) There is a risk that there may be a cure or vaccine for HIV/AIDS**

In the event there is a cure or vaccine for HIV/AIDS in the future, this may affect the demand for our products in the market and could materially and adversely affect the financial and operational conditions and the overall profitability of our Group.

Nonetheless, condom is the single most efficient, available technology in the world to reduce the sexual transmission of STI and HIV and offers dual protection for the prevention of unintended pregnancy.

(Source: IMR Executive Summary)

## 5. RISK FACTORS (Cont'd)

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### 5.3 Risks relating to our Listing and investment in our Shares

#### (i) There may be a delay to or failure of our Listing

Our Listing may potentially be delayed or aborted upon the occurrence of certain events, including the following:

- (a) the Underwriter exercises its rights pursuant to the Underwriting Agreement to discharge itself from its obligations;
- (b) failure of our institutional and selected investors under the Institutional Offering fail to pay for the subscription of our Shares allocated to them;
- (c) we are not able to meet the public spread requirements of at least 25% of the enlarged issued and paid-up share capital of our Company being held by a minimum of 1,000 public shareholders holding not less than 100 Shares each at the point of Listing;
- (d) the revocation of the approval by Bursa Securities for the listing and/or admission to the Official List for whatsoever reason; and
- (e) any unexpected and uncontrollable event(s), which are beyond our control before our Listing.

The above risks are mitigated by the following:

- (a) the institutional and selected investors in Malaysia, Singapore and Hong Kong have provided written undertakings to subscribe for the respective portion of the Issue Shares and Offer Shares to be placed to them;
- (b) the portion of the Issue Shares allocated to the Malaysian Public are fully underwritten; and
- (c) our Directors and RHB Investment Bank as the Principal Adviser, Underwriter and Joint Placement Agent will endeavour to ensure that our Group is able to meet the public spread requirement by allocating the Issue Shares applied for by the Malaysian Public to the required number of public shareholders during the balloting process.

If our Listing is aborted, investors will not receive any Shares and the Selling Shareholders and our Company will return in full, without interest, all monies paid in respect of any application for our Shares. If any such monies are not repaid in full within 14 days after the Selling Shareholders and our Company are liable to repay, the provisions of subsections 243(2) and 243(6) of the CMSA shall apply accordingly. In the event our Listing is aborted and our Shares have been allotted to the shareholders, a return of monies to holders of our Shares could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation requires the sanction of our shareholders by special resolution in a general meeting, consent of our creditors (unless dispensation with such consent has been granted by the High Court of Malaysia) and the confirmation of the High Court of Malaysia. There can be no assurance that such monies can be recovered within a short period of time or at all in such circumstances.

## 5. RISK FACTORS (Cont'd)

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### (ii) There has been no prior market for our Shares

There has been no prior market for our Shares and it is uncertain whether a market will develop or, if a market does develop, whether it will be sustained. There is no assurance to the liquidity of any market that may develop for our Shares.

Our Shares could be trade at prices that may be lower than the IPO Price depending on various factors including prevailing economic conditions in Malaysia, our operating results and the markets for similar securities. In addition, there can be no assurance that the market of our Shares is not subjected to disruptions that may cause volatility in the prices of our Shares.

Please refer to Section 4.5 of this Prospectus on the basis for the determination of the IPO Price.

### (iii) Volatility in our share price and trading volume

Shares of other companies listed on Bursa Securities have experienced considerable price volatility in the past. It is possible that our Shares will be subject to price volatility, which may have no direct correlation with our Group's NA value, financial results or performance. Price volatility may also affect the ability of our shareholders to sell and the price at which our Shares can be sold.

The market price of our Shares may fluctuate as a result of variations in the liquidity of the market for our Shares, differences between our actual financial operating results and those expected by investors and analysts, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations. The market price of our Shares is also susceptible to certain new developments within the condom industry, acquisitions or strategic alliances by our competitors. In addition, many of the risks described in Section 5 of this Prospectus could materially and adversely affect the market price of our Shares.

On the other hand, the performance of our Shares on the Main Market could be affected by external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. These are also largely driven by internal factors such as the economic and political conditions of the country as well as the growth potential of the various economic sectors. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risk to the market price of our Shares, which could potentially result in losses for investors in acquiring our Shares.

### (iv) Control by our Promoters

Upon completion of our IPO, our Promoters as set out in Section 9.1 of this Prospectus will collectively control 63.31% of our enlarged issued and paid-up share capital. By virtue of such joint control, our Promoters will be able to exercise some extent of influence on the outcome of certain matters requiring the vote of our shareholders unless they are required to abstain from voting by law, covenants and/or by the relevant authorities. The interests of our Promoters may individually or collectively differ from or conflict with the interests of other shareholders of our Company.

Nevertheless, our Group has appointed four (4) independent non-executive directors and set up of an audit committee to monitor that any future transaction involving related party(ies) are entered into based on arm-length terms and conditions which are not detrimental to our Group and to facilitate good corporate governance whilst promoting greater corporate transparency.

**5. RISK FACTORS (Cont'd)**

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**(v) We are dependent on dividends from our Subsidiaries**

We conduct all of our operations through our Subsidiaries. Accordingly, dividends and other distributions received from our Subsidiaries are our principal source of income.

The factors below may hinder our Company and our Subsidiaries' ability to pay dividends or make other distributions and to meet our financial obligations:

- (a) availability of our Subsidiaries' distributable reserves and them having sufficient funds that are not needed to fund their operations, other obligations or business plans;
- (b) changes in applicable accounting standards;
- (c) our claims as a shareholder will generally rank junior to all claims of our Subsidiaries' creditors and claimants. In the event of a liquidation of a Subsidiary, there may not be sufficient assets for us to recoup our investment in that Subsidiary; and
- (d) our Company and/or our Subsidiaries may not obtain the consent of certain financial institutions for the payment/ distribution of dividends (as disclosed in Section 13.2.11(iii) of this Prospectus).

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## 6. INFORMATION ON OUR GROUP

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### 6.1 Our history

Our Group's history started in the late-1980s following from the boom in the Malaysian rubber glove industry with many manufacturers in operation as a result of the AIDS outbreak and the subsequent implementation of a mandatory policy for the use of latex gloves to prevent blood borne infections such as AIDS. Our Group was formed in 1988 when Mr Goh Huang Chiat and his sons, namely Goh Phon, Goh Siang and Goh Leng Kian (collectively, known as the "Goh family") decided to venture into manufacturing rubber-based medical devices. Prior to this, Mr. Goh Huang Chiat was primarily involved in the business of processing natural rubber.

The Goh family decided to venture into the condom manufacturing industry, which is a more obscure and niche segment of the rubber-based medical device manufacturing industry as the natural rubber glove manufacturing industry was facing heavy competition then. Hence, we incorporated Banrub in 1988 (in Johor Bahru) and commenced operations in a factory located at Larkin Industrial Estate with a manufacturing capacity of approximately 60 million pieces of condoms per annum. Goh Phon, Goh Siang and Goh Leng Kian assisted Goh Huang Chiat in the marketing, operations and R&D aspects of our business.

During the initial stage, we started as an OBM whereby several brand names of condoms such as "Carex", "Passion", "Mega", "Skin Love" and "Mandom" were marketed in the Malaysian and Singaporean market. Our distributors were mainly convenience shops and pharmacies. Our condoms under the Carex brand were well accepted in the Singaporean market, and thus, in order to safeguard our interests, in 1990, we trademarked the "Carex" brand name in Singapore. At the same time, we established an R&D division to focus on product innovations and manufacturing efficiency.

In-line with our business expansion, we decided to increase our product offerings to include probe covers in 1992. Goh Yen Yen joined our Group in 1993 to oversee the finance and administration department. In 1994, Banrub changed its name to KISB.

The condom industry became a highly regulated industry in the mid-1990s as a result of the severity of the global HIV/AIDS outbreak. The newly implemented regulations, amongst others, the introduction of air burst tests and more stringent pinhole tests, whereby the maximum failure rate of condoms allowed is 10 and 2 pieces of condoms, respectively, based on a sample size of 315 has minimised competition as industry players who were unable to comply were eliminated. This drove us to grow further as we continuously emphasised the quality of our condoms to meet the stringent requirements and specifications set by regulatory authorities and customers.

Furthermore, in order to control the outbreak of HIV/AIDS cases globally many institutional buyers were actively involved in prevention programmes to prevent the spreading of HIV/AIDS. Subsequently, we seized this opportunity to participate in the tender market involving these institutional buyers. Due to the increased demands from the tender market, we expanded our operations to Pontian in 1994.

In 1998, Goh Yin joined our Group as our QA Director. UTSB was incorporated in 1998 as our Group ventured into the catheter manufacturing business as we foresee a growing market for catheters. As our condoms manufacturing business grew, HMSB and ISB were incorporated in 1999 to expand our condom manufacturing capacity. HMSB and ISB commenced its operations in Pontian, Johor and Sungai Buloh, Selangor respectively.

In 1999, Goh Miah Kiat joined our Group to take charge of the marketing and business development of our Group. We also started participating in international medical exhibitions to market our products and services to customers at the international level. Through these medical exhibitions, we have been able to improve the sales of our products and increase our customer base.

## 6. INFORMATION ON OUR GROUP (Cont'd)

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In 2000, we started to supply lubricating jelly to our customers via outsourcing. In 2005, we started manufacturing our own lubricating jelly in-house at our Pontian Besar factory.

In 2003, business opportunities in the Thai market as well as the tax incentive and attractive land leasing rates offered by the Board of Investment of Thailand led to the establishment of ITL and the construction of a manufacturing facility in Hat Yai, Thailand. In addition, the availability of skilled and unskilled labour at a lower wage rate compared to the wage rate in Malaysia was also factor of the establishment of our Thai manufacturing facility. ITL commenced operations in 2006 to manufacture condoms for customers both in Thailand and overseas. At the same time, we were granted a tax incentive by the Board of Investment of Thailand which allows us to enjoy 13 years of tax incentives for condoms manufactured by ITL's current manufacturing facilities (100% tax exemption for the first eight (8) years (i.e. from 2006 to 2013) and 50% tax exemption for the subsequent five (5) years (i.e. from 2014 to 2018)). In addition, a similar tax incentive will be granted for the condoms to be manufactured by ITL's new manufacturing facilities (expected to be completed by the end of 2013) for the same duration (13 years from completion). For more details on ITL, please refer to Section 6.4.1(ii) of this Prospectus.

In early 2004, we rented a larger factory in Pontian Besar to expand and increase the manufacturing capacity of KISB. Subsequently, we relocated the manufacturing operations of KISB, HMSB and UTSB on a gradual basis to this new Pontian Besar factory. As at the LPD, Pontian Jaya remains as our Group's finance office as well as packaging centre and warehouse.

In 2004, due to capacity limitation, ISB's entire operations in Sungai Buloh were relocated to a larger factory located in Port Klang.

In 2010, we acquired a piece of vacant land with a land area of approximately 7.259 hectares in Pontian for the construction of a centralised manufacturing facility in the future. In 2012, we acquired a vacant factory adjacent to our current Port Klang factory for our future expansion. Please refer to Section 12.3 of this Prospectus for more information on our expansion plans.

### 6.2 Information on our Company

Our Company was incorporated in Malaysia under the Act as a private limited company on 27 September 2012 with the name Karex Sdn Bhd. Subsequently, on 5 October 2012, our Company was converted into a public limited company. Our Company is an investment holding company whilst our Subsidiaries are principally involved in the manufacturing and sale of condoms, sterile catheters, latex probe covers latex sleeves and rubber products.

Prior to the IPO, our Company had undertaken a pre-IPO restructuring which comprised the following:

- (i) Establishment of Karex as a special purpose acquisition vehicle for our IPO on 27 September 2012;

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## 6. INFORMATION ON OUR GROUP (Cont'd)

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(ii) The acquisitions of KISB, ITL, ISB and HMSB by us and UTSB by KISB, for an aggregated consideration of approximately RM57.4 million to be settled via the issuance of approximately 229.5 million Shares to their respective shareholders on 23 September 2013. Details of the Acquisitions are as follows:

- (a) We acquired the entire issued and paid-up share capital of KISB from Lam Juan Juan, 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 known as "**Vendors I**") for a purchase consideration of RM35,474,998 to be satisfied via the issuance of 141,899,992 Shares. The purchase consideration of RM35,474,998 was arrived on a "*willing-buyer willing-seller*" basis and represents approximately 0.66 times of the consolidated NA of KISB for the FYE 2012 of approximately RM53.9 million. We had on 30 November 2012 entered into the KISB SSA with Vendors I for the acquisition of KISB;
- (b) We acquired the entire issued and paid-up share capital of ITL from Innolatex Limited, Goh Siang, Goh Leng Kian and Goh Miah Kiat (collectively known as "**Vendors II**") for a purchase consideration of RM12,500,000 to be satisfied via the issuance of 50,000,000 Shares. The purchase consideration of RM12,500,000 was arrived on a "*willing-buyer willing-seller*" basis and represents approximately 1.61 times of the NA of ITL for the FYE 2012 of approximately RM7.8 million. We had on 30 November 2012 entered into the ITL SSA with Vendors II for the acquisition of ITL.

Subsequently, we had on 28 June 2013 entered into a letter of variation with Vendors II to vary the ITL SSA by increasing the number of ITL shares to be acquired to 1,620,000 of THB100 each in ITL as ITL were required to increase its registered share capital from THB120,000,000 to THB162,000,000 in order for ITL to derive, amongst others, taxation relief under the Promotion Investment Act 2520.

We have nominated KISB and ISB to hold one (1) share each in ITL to comply with the requirement under Thai Law that a private company must be held by a minimum of three (3) shareholders.

- (c) We acquired the entire issued and paid-up share capital of ISB from AJNA, Goh Leng Kian, Lim Poh Chuan, Goh Yen Yen, Goh Yin, Goh Miah Kiat and Goh Ai Noi (collectively known as "**Vendors III**") for a purchase consideration of RM4,750,000 to be satisfied via the issuance of 19,000,000 Shares. The purchase consideration of RM4,750,000 was arrived on a "*willing-buyer willing-seller*" basis and represents approximately 0.61 times of the NA of ISB for the FYE 2012 of approximately RM7.8 million. We had on 30 November 2012 entered into the ISB SSA with Vendors III for the acquisition of ISB;
- (d) We acquired the entire issued and paid-up share capital of HMSB from CIL for a purchase consideration of RM3,300,000 to be satisfied via the issuance of 13,200,000 Shares. The purchase consideration of RM3,300,000 was arrived on a "*willing-buyer willing-seller*" basis and represents approximately 0.50 times of the NA of HMSB for the FYE 2012 of approximately RM6.6 million. We had on 30 November 2012 entered into the HMSB SSA with CIL for the acquisition of HMSB; and

**6. INFORMATION ON OUR GROUP (Cont'd)**

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- (e) We acquired the remaining 40% equity interest in UTSB not already owned by KISB through KISB from Goh Siang, Goh Leng Kian, Chew Cheng Chuan and the Estate of Abdul Rahman bin Rashid (collectively known as "**Vendors IV**") for a purchase consideration of RM1,350,000 to be satisfied via the issuance of 5,400,000 Shares. The purchase consideration of RM1,350,000 was arrived on a "*willing-buyer willing-seller*" basis and represents approximately 0.71 times based on 40% of the NA of UTSB for the FYE 2012 of approximately RM1.9 million. We and KISB had on 30 November 2012 entered into the UTSB SSA with Vendors IV for the acquisition of UTSB.

The Acquisitions are interdependent on each other and are satisfied via issuance of Shares. Our consolidated NA upon completion of the Acquisitions will approximate the sum of all individual Subsidiary's NA. The cost of investment in the Subsidiaries will also be based on the respective individual Subsidiary's NA upon completion of the Acquisitions. Therefore, our Company and Subsidiaries will be able to pay dividends out of post-acquisition profits of these Subsidiaries.

The purchase consideration for ITL is higher than its NA, however there will be no impact of impairment of investments in the entity as the cost of investment at our Company level is the same as the NA of ITL as explained in the preceding paragraph.

- (iii) The rationalisation of our Promoters' shareholding structure via the Transfer of Shares which shall comprise:
- (a) the transfer of Shares held by Innolatex Limited pursuant to the Acquisitions to Innolatex Limited's shareholders;
  - (b) the transfer of Shares held by CIL pursuant to the Acquisitions to CIL's shareholders; and
  - (c) the transfer of 13,500,000 Shares each held by Lam Juan Juan, Goh Siang, Goh Leng Kian, Goh Yen Yen, Goh Yin, Goh Miah Kiat and Goh Ai Noi pursuant to the Acquisitions to KOL,

after the registration of this Prospectus and would result in KOL holding 94,500,000 Shares, representing 35.0% equity interest in our Group upon our Listing. Please refer to Section 9.1.1 of this Prospectus for details of KOL's shareholders.

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## 6. INFORMATION ON OUR GROUP (Cont'd)

### 6.3 Share capital

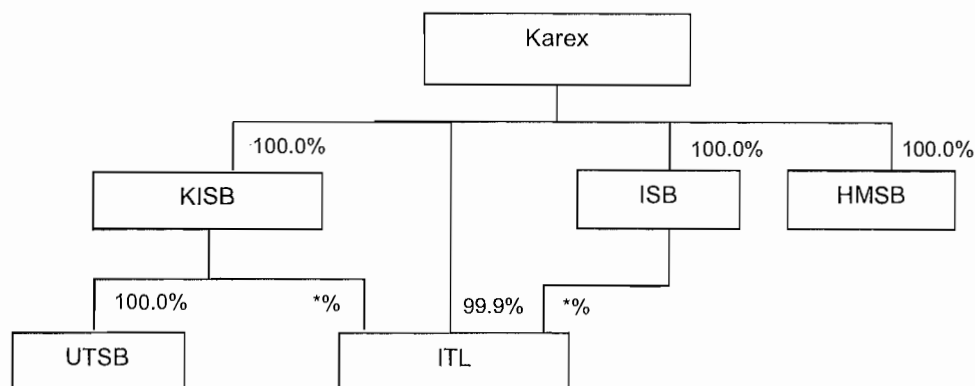
Our authorised share capital upon Listing will be RM500,000,000 comprising 2,000,000,000 Shares whilst our issued and paid-up share capital upon Listing will be RM67,500,000 comprising 270,000,000 Shares.

As at the LPD, our Company does not have any outstanding warrants, options, convertible securities or uncalled capital.

The changes in our issued and paid-up share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Par value	Consideration	Purpose	Cumulative issued and paid-up share capital
		(RM)			(RM)
27 September 2012	4	0.50	Cash, at RM0.50 per share	Subscriber Shares	2
30 November 2012	8	0.25	Other than cash	Subdivision of Shares	2
23 September 2013	141,899,992	0.25	Other than cash, at RM0.25 per share	Consideration for the acquisition of KISB	35,475,000
23 September 2013	50,000,000	0.25	Other than cash, at RM0.25 per share	Consideration for the acquisition of ITL	47,975,000
23 September 2013	19,000,000	0.25	Other than cash, at RM0.25 per share	Consideration for the acquisition of ISB	52,725,000
23 September 2013	13,200,000	0.25	Other than cash, at RM0.25 per share	Consideration for the acquisition of HMSB	56,025,000
23 September 2013	5,400,000	0.25	Other than cash, at RM0.25 per share	Consideration for the acquisition of UTSB	57,375,000

Upon Listing, our Group structure is as follows:



Note:

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

## 6. INFORMATION ON OUR GROUP (Cont'd)

### 6.4 Our subsidiaries and associated companies

As at the LPD, our Subsidiaries are:

<u>Our direct subsidiaries / Company no.</u>	<u>Date / Place of incorporation</u>	<u>Par value</u>	<u>Issued and paid-up share capital</u>	<u>Our effective interest</u> (%)	<u>Principal activities</u>
KISB (170363-X)	4 May 1988 / Malaysia	RM1.00	RM2,500,000	100	Manufacturing and sale of condoms
ITL (0905546001692)	7 August 2003 / Thailand	THB100.00	Registered capital of THB162,000,000 of which THB130,500,000 is paid-up as at the LPD	100	Manufacturing of all types of condoms, rubber finger gloves, hand gloves and/or products from rubber
ISB (500319-M)	2 December 1999 / Malaysia	RM1.00	RM250,000	100	Manufacturing and sale of condoms
HMSB (480951-X)	13 April 1999 / Malaysia	RM1.00	RM1,000,000	100	Manufacturing of condoms, latex probe covers and latex sleeves
<u>Our indirect subsidiary / Company no.</u>	<u>Date / Place of incorporation</u>	<u>Par value</u>	<u>Issued and paid-up share capital</u>	<u>Our effective interest</u> (%)	<u>Principal activities</u>
<u>Subsidiary of KISB</u>				(%)	
UTSB (472154-X)	16 November 1998 / Malaysia	RM1.00	RM500,000	100	Manufacturing of sterile catheters

#### 6.4.1 Our direct subsidiaries

##### (i) KISB

##### (a) History and business

KISB was incorporated in Malaysia under the name of Banrub Sdn Bhd as a private limited company under the Act on 4 May 1988 and commenced operations in 1989. KISB assumed its present name on 5 February 1994 and is principally involved in the manufacturing and sale of condoms.

6. INFORMATION ON OUR GROUP (Cont'd)

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(b) **Share capital**

As at the LPD, the authorised share capital of KISB is RM5,000,000 comprising 5,000,000 shares in KISB, of which RM2,500,000 comprising 2,500,000 shares in KISB have been issued and fully paid-up.

There were no changes in the issued and paid-up share capital of KISB for the last four (4) years preceding the LPD.

As at the LPD, KISB does not have any outstanding warrants, options, convertible securities or uncalled capital.

(c) **Subsidiary and associated companies**

As at the LPD, KISB has a subsidiary, UTSB. Further details on UTSB are disclosed in Section 6.4.2 of this Prospectus.

KISB does not have any associated companies as at the LPD.

(ii) **ITL**

(a) **History and business**

ITL was incorporated in Thailand as a private company under the Civil and Commercial Code of Thailand on 7 August 2003 and commenced operations in 2006. ITL is principally involved in the manufacturing of all types of condoms, rubber finger gloves, hand gloves and/or products from rubber.

(b) **Share capital**

As at the LPD, the registered share capital of ITL is THB162,000,000 comprising 1,620,000 shares of which THB130,500,000 have been paid-up.

There were no changes in the registered and paid-up share capital of ITL for the last four (4) years preceding the LPD except in the FYE 2013 where ITL's registered and paid-up share capital was increased from THB120,000,000 comprising 1,200,000 shares to a registered capital of THB162,000,000 comprising 1,620,000 shares of which THB130,500,000 have been paid-up.

As at the LPD, ITL does not have any outstanding warrants, options, convertible securities or uncalled capital.

(c) **Subsidiary and associated companies**

As at the LPD, ITL does not have any subsidiary or associated companies.

6. INFORMATION ON OUR GROUP (Cont'd)

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(iii) ISB

(a) History and business

ISB was incorporated in Malaysia as a private limited company under the Act on 2 December 1999 and commenced operations in 2000. ISB is principally involved in the manufacturing and sale of condoms.

(b) Share capital

As at the LPD, the authorised share capital of ISB is RM500,000 comprising 500,000 shares in ISB of which RM250,000 comprising 250,000 shares in ISB have been issued and fully paid-up.

There were no changes in the issued and paid-up share capital of ISB for the last four (4) years preceding the LPD.

As at the LPD, ISB does not have any outstanding warrants, options, convertible securities or uncalled capital.

(c) Subsidiary and associated companies

As at the LPD, ISB does not have any subsidiary or associated companies.

(iv) HMSB

(a) History and business

HMSB was incorporated in Malaysia as a private limited company under the Act on 13 April 1999 and commenced operations in 2000. HMSB is principally involved in the manufacturing of condoms, latex probe covers and latex sleeves.

(b) Share capital

As at the LPD, the authorised and issued and paid-up share capital of HMSB is RM1,000,000 comprising 1,000,000 shares in HMSB.

There were no changes in the issued and paid-up share capital of HMSB for the last four (4) years preceding the LPD.

As at the LPD, HMSB does not have any outstanding warrants, options, convertible securities or uncalled capital.

(c) Subsidiary and associated companies

As at the LPD, HMSB does not have any subsidiary or associated companies.



## 6. INFORMATION ON OUR GROUP (Cont'd)

### 6.4.2 Our indirect subsidiary company

#### (i) UTSB

##### (a) History and business

UTSB was incorporated in Malaysia as a private limited company under the Act on 16 November 1998 and commenced operations in 1999. UTSB is principally involved in the manufacturing of sterile catheters.

##### (b) Share capital

As at the LPD, the authorised and issued and paid-up share capital of UTSB is RM500,000 comprising 500,000 shares in UTSB.

There were no changes in the issued and paid-up share capital of UTSB for the last four (4) years preceding the LPD.

As at the LPD, UTSB does not have any outstanding warrants, options, convertible securities or uncalled capital.

##### (c) Subsidiary and associated companies

As at the LPD, UTSB does not have any subsidiary or associated companies.

### 6.4.3 Our associated companies

As at the LPD, our Group does not have any associated companies.

## 6.5 Capital expenditures and divestures

The details of material capital expenditures for the past four (4) FYEs are as follows:

	<u>Method of financing</u>	<u>FYE 2010</u>	<u>FYE 2011</u>	<u>FYE 2012</u>	<u>FYE 2013</u>
		(RM'000)	(RM'000)	(RM'000)	(RM'000)
<b><u>Capital expenditures</u></b>					
<b>Malaysia</b>					
- Machinery	a mix of internally generated funds and bank borrowings	10,141	4,469	3,508	2,276
- Land	a mix of internally generated funds and bank borrowings	-	8,373	1,074	5,500
<b>Thailand</b>					
- Machinery	a mix of internally generated funds and bank borrowings	1,655	256	1,031	1,696

**6. INFORMATION ON OUR GROUP (Cont'd)**

	<u>Method of financing</u>	<u>FYE 2010</u>	<u>FYE 2011</u>	<u>FYE 2012</u>	<u>FYE 2013</u>
		(RM'000)	(RM'000)	(RM'000)	(RM'000)
<b>Thailand</b>					
- Renovations	a mix of internally generated funds and bank borrowings	23	71	18	998
<b>Total capital expenditures</b>		<u>11,819</u>	<u>13,169</u>	<u>5,631</u>	<u>10,470</u>
<b>Capital divestures</b>					
<b>Malaysia</b>					
- Sale of properties		-	-	783	-
<b>Total capital divestures</b>		<u>-</u>	<u>-</u>	<u>783</u>	<u>-</u>

As at the LPD, our Group does not have any material expenditures and divestures currently in progress.

**(i) Malaysia**

Capital expenditure for the FYE 2010 is mainly for installation of two (2) condom dipping lines, 13 manual ET machines and seven (7) foiling machines, upgrades of four (4) condom dipping lines and purchase of six (6) automated ET machines, to increase our manufacturing capacity.

Capital expenditure for the FYE 2011 is mainly for installation of two (2) condom dipping lines, six (6) ET machines and seven (7) foiling machines to increase our manufacturing capacity. Further, our Group has acquired a piece of land measuring approximately 18 acres located in Pontian for the future expansion of our Group.

Capital expenditure for the FYE 2012 is mainly for installation of one (1) condom dipping line and ten (10) foiling machines to increase our manufacturing capacity. In addition, during the same financial year, our Group sold three (3) residential properties to related-parties (disclosed in Section 11.1.1 of this Prospectus) as the said properties are non-core assets of our Group and they are non-revenue generating.

Capital expenditure for the FYE 2013 is mainly for the acquisition of a factory building for ISB in Port Klang and replacement parts for the machineries.

**(ii) Thailand**

Capital expenditure for the FYE 2010 is mainly for installation of two (2) condom dipping lines and six (6) foiling machines to increase our manufacturing capacity.

Capital expenditure for the FYE 2011 is mainly for installation of two (2) foiling machines to increase our foiling capacity.

Capital expenditure for the FYE 2012 is mainly for installation of five (5) manual ET machines to increase our testing capacity.

Capital expenditure for the FYE 2013 is mainly for the upgrade of the existing machineries and renovation work performed.

## 6. INFORMATION ON OUR GROUP (Cont'd)

### 6.6 Key milestones and achievements

Our key milestones and achievements since our incorporation are as follows:

Year	Key milestones & achievements
1988	We incorporated Banrub to venture into the condom industry.
1989	We marketed and distributed our brand of condoms in the Malaysian and Singaporean market. This marked our first foray in the OBM market.
1990	KISB registered the trademark "Carex" in Singapore.  We established an R&D team to focus on the design and development of manufacturing machinery starting with our own dipping line.  We secured our first contract to manufacture and supply semi-finished condoms which signified our venture into the commercial market.
1992	We ventured into the probe covers manufacturing business.
1993	Banrub secured an order from Gem Plaza LLC from UAE, to supply them with our Carex condoms to the Middle Eastern countries. Since then, we started to market and distribute our Carex condoms via intermediaries such as distributors and traders.
1994	We successfully secured in our first tender offers by institutional buyers such as international agencies, NGOs and government which mark a significant milestone of venturing into the tender market.
1998	UTSB was incorporated and commenced operations in the manufacturing of sterile catheters.
1999	We started participating and attending international exhibitions and tradeshow to market and promote our products and services.  We received ISO certifications (ISO13485, ISO9001 and Directive93/42/EEC certifications from SGS United Kingdom Ltd.).
2005	We ventured into the business of manufacturing of lubricating jelly.
2006	We expanded our condoms manufacturing business into Thailand.
2009	We succeeded in developing Polyisoprene probe covers.

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## 7. BUSINESS OVERVIEW

### 7.1 Overview

Our Group became the world's largest condom manufacturer in terms of annual manufacturing capacity in the FYE 2012 with an annual manufacturing capacity of approximately three (3) billion pieces. Our global market sales cover more than 110 countries. During the FYE 2013, we manufactured approximately 2.4 billion pieces of condoms. According to the IMR Executive Summary, our leading position is further reflected by our export market share of 60.8% (export volume from Malaysia was approximately 7.6 million kg) amongst condom manufacturers in Malaysia for the year 2012.

In addition to our core business, we also manufacture other rubber-based medical devices and complementary products such as probe covers, catheters and lubricating jelly. In terms of revenue break down, condom sales have contributed approximately 90% to our total revenue for the FYE 2010, FYE 2011, FYE 2012 and FYE 2013. For further details on our Group's products and the segmentation of revenue by product, please refer to Section 13.2.1(i) of this Prospectus.

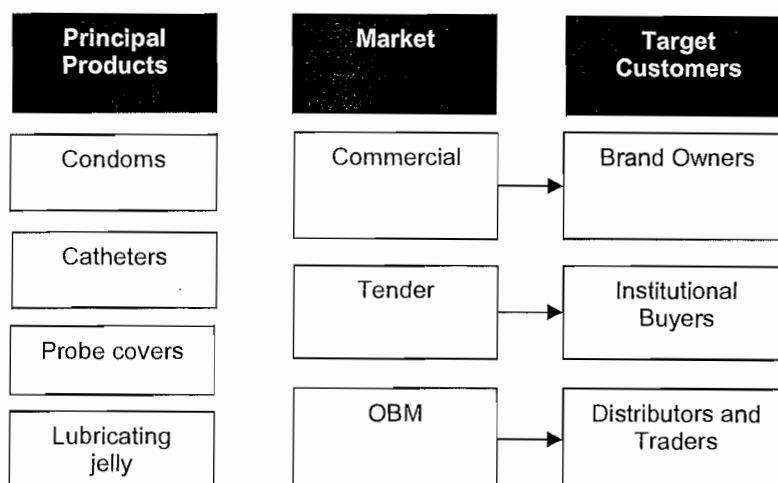
Our products are principally sold in the commercial, tender and OBM markets. For the FYE 2013, commercial, tender and OBM market constituted approximately 59.7%, 36.1% and 4.2%, respectively to our Group's total revenue. For further details on these markets, please refer to Section 7.10(ii) of this Prospectus.

The commercial market is where we manufacture condoms for brand owners. This includes customers such as Ansell Limited (*Lifestyle brand*), Reckitt Benckiser PLC (*Durex brand*), Line One Laboratories Inc (*Trustex brand*) and Global Protection Corp (*One brand*).

The tender market is where we tender to institutional buyers to manufacture condoms for them. Institutional buyers consist of NGOs and government agencies such as UNFPA, USAID, PSI and MSI and may also include international purchasing agents such as JSI and Crown Agents.

Lastly, we also manufacture condoms under our own brands, namely Carex and INNO. These condoms are distributed in countries such as UAE, South Africa, India, Nigeria and Bangladesh.

Our business model is illustrated in the diagram below:



## 7. BUSINESS OVERVIEW (Cont'd)

Our competitive advantages and key strengths provide us with a strong platform to compete against other business operators, as well as to facilitate business sustenance and growth. Our competitive advantages and key strengths are as follows:

- (i) Established market reputation with proven track record;
- (ii) Strong in-house R&D capabilities driven by continuous innovation;
- (iii) Recognition as a pre-qualified manufacturer;
- (iv) Ability to manufacture high quality condoms;
- (v) Ability to handle large volume with minimal interruptions; and
- (vi) Wide market coverage supported by extensive product mix.

Please refer to Section 7.18 of this Prospectus for further details of our Group's competitive advantages and key strengths.

### 7.2 Principal place of business and location of principal assets

Our operational facilities and factories are currently located in Malaysia and Thailand. Please refer to Annexure A of this Prospectus for further details on our Group's properties.

### 7.3 Principal activities and products

Our Group is principally involved in the manufacturing of the following products:






- (i) condoms;
- (ii) catheters;
- (iii) probe covers; and
- (iv) lubricating jelly.

#### (i) Manufacturing of condoms


Our core business is the manufacturing of condoms, which is a protection device most commonly used during sexual intercourse to reduce the possibility of pregnancy as well as the spreading of STIs and HIV. Currently, the manufacturing of condoms is undertaken by KISB, ITL, ISB and HMSB.

Condom sales contribute approximately 90.0% to our Group's total revenue for the FYE 2013.

Our condoms are available in diverse types including:

No.	Types of condoms	Description
1.	Basic shapes	<div style="display: flex; justify-content: space-around; align-items: center;">      </div> <div style="display: flex; justify-content: space-around; margin-top: 5px;"> <span>Baggy</span> <span>Baggy ribbed</span> <span>Contoured / Anatomic</span> <span>Thick head</span> <span>Flared</span> </div>
2.	Basic sizes	<ul style="list-style-type: none"> <li>(a) 49 mm +/- 2 mm;</li> <li>(b) 52 mm +/- 2 mm;</li> <li>(c) 53 mm +/- 2 mm;</li> <li>(d) 54 mm +/- 2 mm;</li> <li>(e) 56 mm +/- 2 mm; and</li> <li>(f) 60 mm +/- 2 mm.</li> </ul>

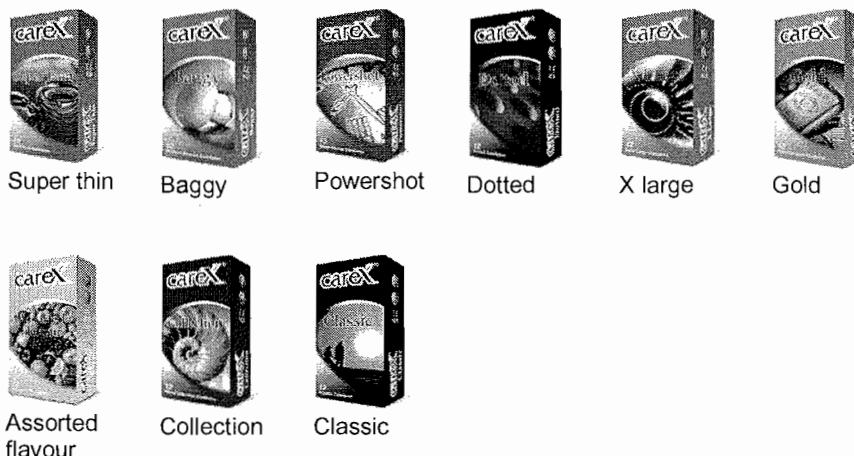
## 7. BUSINESS OVERVIEW (Cont'd)

No.	Types of condoms	Description
3.	Basic colours	(a) black; (b) brown; (c) blue; (d) green; (e) orange; (f) pink; (g) purple; (h) red; (i) gold; (j) silver; (k) yellow; (l) duo-coloured; and (m) tri-coloured.
4.	Basic textures / surfaces	 <p>Dotted / Studded    Ribbed    Contoured ribbed    Contoured, ribbed, dotted (3 in 1)    Super dotted (rough &amp; tough)</p>
5.	Basic flavours / fragrances	(a) durian; (b) lychee; (c) pineapple; (d) apple; (e) lemon; (f) strawberry; (g) chocolate; (h) vanilla; (i) banana; (j) raspberry; (k) coffee; (l) perfume; (m) passion fruit; (n) blackcurrant; (o) grape; and (p) peppermint.
6.	Foil packaging	(a) square; (b) rectangular; (c) round; (d) blister pack; and (e) twin pack including lubricants.
7.	Consumer packaging	(a) box packaging; (b) flow pack; (c) blister pack; (d) tin pack; and (e) wallet pack.

Customisation of other shapes, sizes, colours, textures / surfaces and flavours / fragrances are available upon request from customers.

## 7. BUSINESS OVERVIEW (Cont'd)

Below are examples of condoms manufactured by our Group:



### (ii) Manufacturing of catheters

We are also involved in the manufacturing of urethral catheters, which is a flexible tube commonly made from silicone rubber or natural rubber that can be inserted into the urinary bladder creating a channel for the passage of fluid or for continuous irrigation of the bladder. It is commonly use for the drainage of fluid from the bladder.

Currently, the manufacturing of catheters is being carried out by UTSB. We market our catheters to the tender and OBM markets under three (3) brands:

- (a) CHROMA;
- (b) ProCare; and
- (c) UroCare.

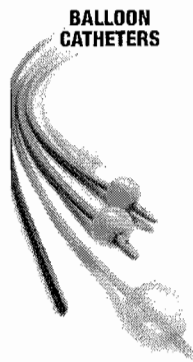
For the FYE 2013, approximately 5.4% of our Group's total revenue were attributed to catheters. Our catheters are available in different sizes, balloon capacities and functions, including:

No.	Types of catheters	Description
1.	Features	(a) seamless; (b) form fitting; (c) flexible and safe; and (d) leakage resistance.
2.	Types	(a) one way; (b) short-term; (c) irrigation; (d) post-operation; and (e) bladder drainage
3.	Tips	(a) Nelaton; (b) Tiemann; (c) Couvelaire (d) Mercier; and (e) Frohmuller.

## 7. BUSINESS OVERVIEW (Cont'd)

No.	Types of catheters	Description
4.	Length	(a) 22 cm; (b) 30 cm; and (c) 40 cm.
5.	Balloon capacity	(a) 3 ml; (b) 5 ml; (c) 10 ml; (d) 30 ml; and (e) 60 ml.

Below is example of catheters manufactured by our Group:



Balloon catheters

### (iii) Manufacturing of probe covers

We are also involved in the manufacturing of probe covers, which is a type of hygienic protection for patients during ultrasonic examinations. Currently, the manufacturing of probe covers is undertaken by KISB and ISB. As at the LPD, we supply probe covers only to the commercial market.

Our probe covers are available in different features and types as follows:










No.	Types of probe covers	Description
1.	Features	(a) seamless; (b) form fitting; (c) flexible and safe; and (d) leakage resistance.



## 7. BUSINESS OVERVIEW (Cont'd)

No.	Types of probe covers	Description
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2.	Types	
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TYPE	DRAWING	LENGTH	DIAMETER
KX01		55 mm	13.5 mm
KX02		200 mm	20 mm
KX03		200 mm	26 mm
KX04		300 mm	26 mm
KX05		200 mm	28 mm
KX06		300 mm	30 mm
KX07		195 mm	33 mm
KX08		285 mm	19 mm
KX09		300 mm	17 mm

Probe covers are also available in natural rubber latex and Polyisoprene.

### (iv) Manufacturing of lubricating jelly

Lubricating jelly is a complementary product to our condoms manufacturing business that is undertaken by KISB, to cater for the commercial, tender and OBM markets.

Lubricating jelly is used to reduce friction between body parts, or between body parts and other objects. Our lubricating jelly is greaseless, non-toxic and water soluble, thus, making them suitable for gynaecological use or when additional lubrication is needed.

No.	Types of lubricating jelly	Description
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1.	Features	(a) water based; (b) long lasting; (c) clear and non-staining; (d) silky smooth; and (e) latex friendly.
2.	Types	(a) regular; (b) flavoured; (c) fragranced; (d) warming gel; and (e) cooling gel.
3.	Flavour	(a) aloe vera; (b) strawberry; (c) cherry; (d) vanilla; (e) chocolate; and (f) tutti frutti.

**7. BUSINESS OVERVIEW (Cont'd)**

No.	Types of lubricating jelly	Description
4.	Packaging	(a) sachet – 3 ml, 4 ml, 5 ml or 10 ml; (b) tube – 20 ml, 50 ml, 60 ml, 100 ml or 120 ml; and (c) pump bottle – 150 ml, 200 ml, 250 ml, 300 ml or 500 ml.

Customisation of other flavours, fragrances and packaging are available upon request from customers.

Below are examples of lubricating jelly manufactured by our Group:



Cooling lubricating jelly    Warming lubricating jelly    Water based lubricating jelly

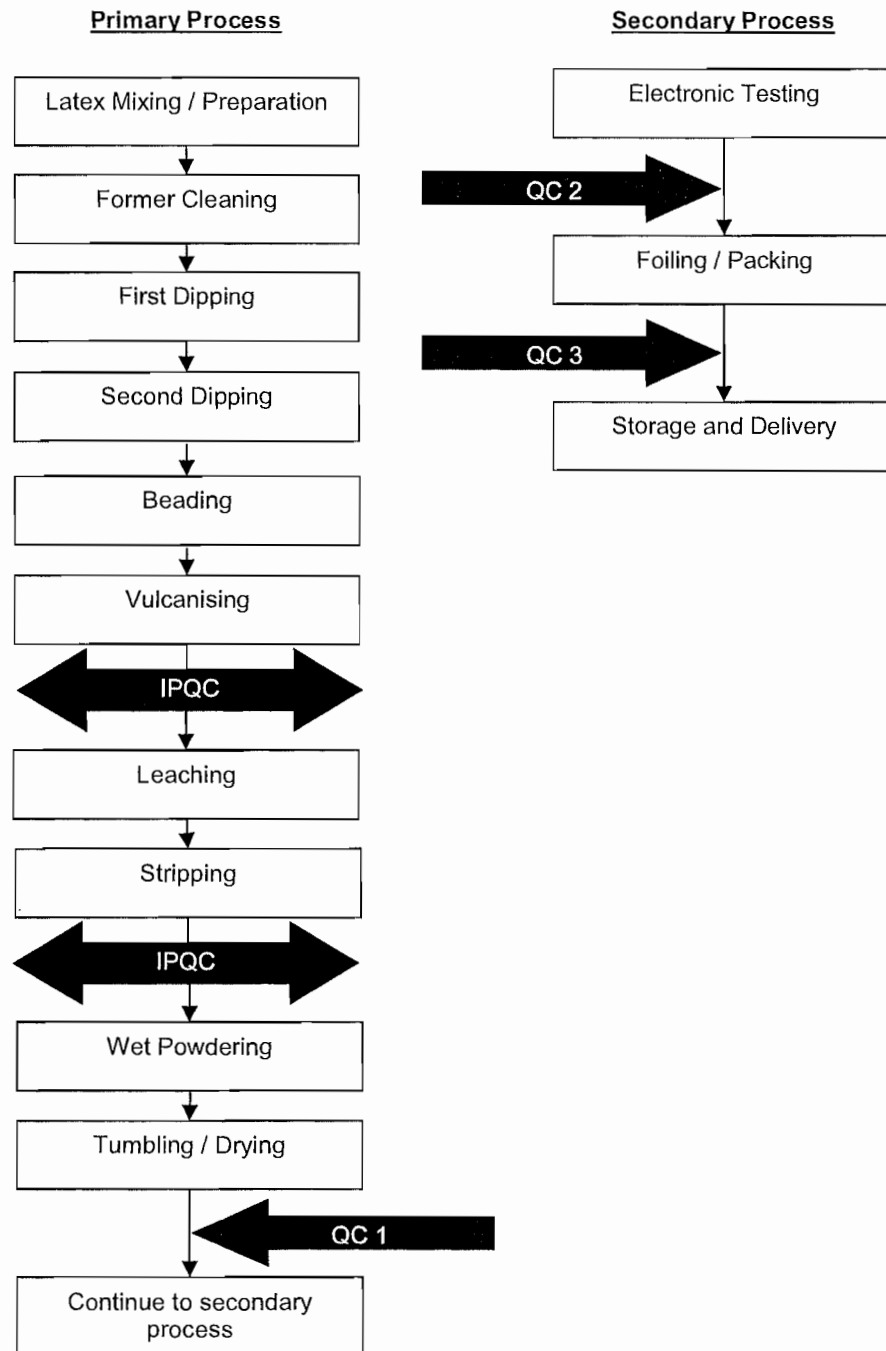
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7. BUSINESS OVERVIEW (Cont'd)

7.4 Process flow

(i) Manufacturing of condoms

In general, the process flow for our manufacture of condoms is illustrated in the diagram below:



## 7. BUSINESS OVERVIEW (Cont'd)

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### Latex mixing and preparation

Majority of our condoms are manufactured using Pre-vulcanised latex. Pre-vulcanised latex is a form of compounded latex supplied ready for use, requiring only dilution with deionised water. We source the Pre-vulcanised latex from our approved suppliers. A series of stringent inspections and testing are conducted prior to the Pre-vulcanised latex being accepted and stored in our storage tanks. All Pre-vulcanised latex are marked and recorded for efficient tracking and monitoring. The purpose of tracking and monitoring the Pre-vulcanised latex is to ensure that the quality of the Pre-vulcanised latex is not compromised and meet the required specification. The said batch of Pre-vulcanised latex will be isolated and recalled if it is found to be compromised and non-conformity of the required specification. The Pre-vulcanised latex are then mixed evenly before being transferred to the dipping machines to commence the dipping process.

### Former cleaning

Condom formers are washed thoroughly and brush dried before they are dipped into the first latex tank to begin the condom dipping process.

### Dipping process

The dipped condom formers are then withdrawn slowly so that a thin, smooth and uniformed film is achieved. The first dipped layer on the condom formers is dried in the first oven before it is dipped in the second latex tank.

Our Group's dipping technology utilises a double dipping process (a commonly and widely used technology in the rubber industry) to minimise defects of our condoms. After the second dip, the condom films are dried again in the second oven before being beaded.

### Beading

The condom formers are then moved to the beading station where the open end of the condom is beaded. The condoms are then dried and fully vulcanized in the third (3<sup>rd</sup>) oven.

### Leaching

The condoms are then leached in the leaching tank containing diluted ammonia solution. This leaching process removes excess protein and soluble chemicals from the condoms.

### Stripping

The leached condoms are stripped by water jet before being collected in the collection baskets. Subsequently, the condom formers are rinsed with fresh water before brush dried, thus completing the dipping cycle.

### Wet powdering

Powdering solution is added into the mixer together with the condoms from the collection baskets. It is later drained and transferred to the hydro-extractor to remove excess powder solution.

### Tumbling / drying

The condoms are later placed into a tumble dryer.

## 7. BUSINESS OVERVIEW (Cont'd)

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### Electronic testing

The dried condoms are 100% electronically tested in a high voltage pin-hole testing machine (also referred as ET machines) for pinholes.

The testing principle is based on the following procedures:

- (a) The condoms are loaded either manually or automatically over a stainless steel mandrel and subjected to be tested by a rotating conductive rubber brush;
- (b) A high voltage electrical current is applied between the mandrel and the test brush;
- (c) Condoms with pinholes will allow electricity to pass from the rubber brush to the mandrel and this will divert the condoms to the reject bin; and
- (d) The accepted condoms are rolled automatically and randomly collected for another round of laboratory testing before sending them to be foiled.

### Foiling / Packing

After the condoms passed the sampling and acceptance level tests, they will be sent for foiling. The condoms are placed on the feeding belt, transported and lubricated by an automatic lubricant dispenser before hermetically (airtight and sterile) sealed into foils. A lot number and expiry date will be ink printed onto the foils as the condoms roll out of the foiling machines. Subsequently, the condoms are packed according to the packaging specifications set by the customers.

### Storage and delivery

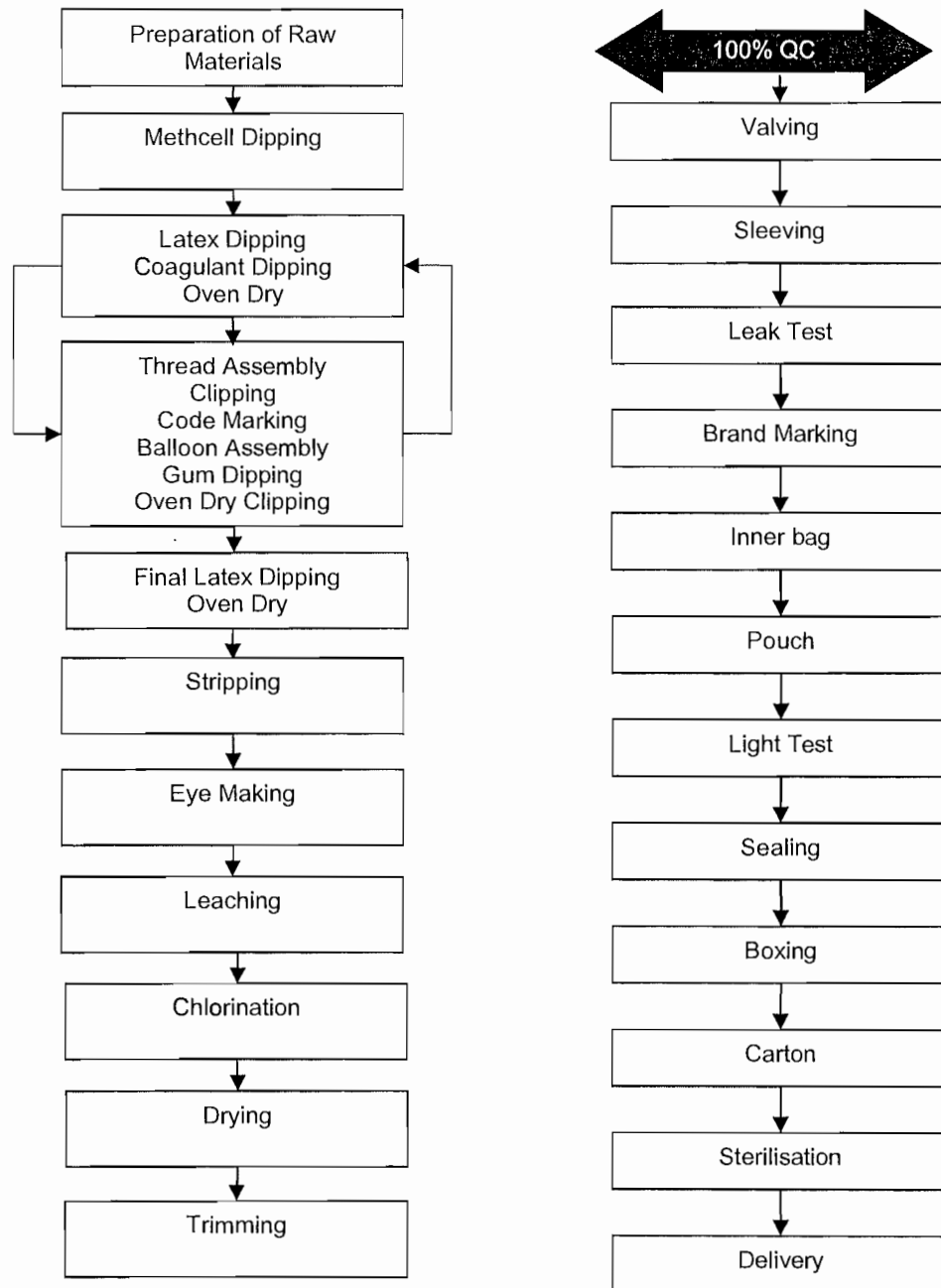
Packed condoms are stored in a cool and dry place and ready for shipment.

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## 7. BUSINESS OVERVIEW (Cont'd)

### (ii) Manufacturing of catheters

The process flow for the manufacturing of catheters is illustrated in the diagram below:



The manufacturing of catheters starts from the collection and preparation of raw materials. Catheters are generally made from either silicone or latex rubber, depending on the use. A catheter can either have two or three outlets. In a two-way catheter, one outlet acts as a urine output and the other inflates the balloon. A three-way catheter has the same function as a two-way catheter, but uses the third (3<sup>rd</sup>) outlet for bladder irrigation. Catheters vary in sizes from 2 mm to 10 mm in diameter. The balloon itself varies in sizes from 5 cc to 60 cc, depending on the intended use. The balloon is normally filled with sterile water. Catheter can also be attached to a drainage bag.

## 7. BUSINESS OVERVIEW (*Cont'd*)

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In the preparation of the raw materials, we will conduct an inspection on the raw materials to ensure the specifications are in accordance with our manufacturing requirement.

The following are the basic catheters manufacturing processes.

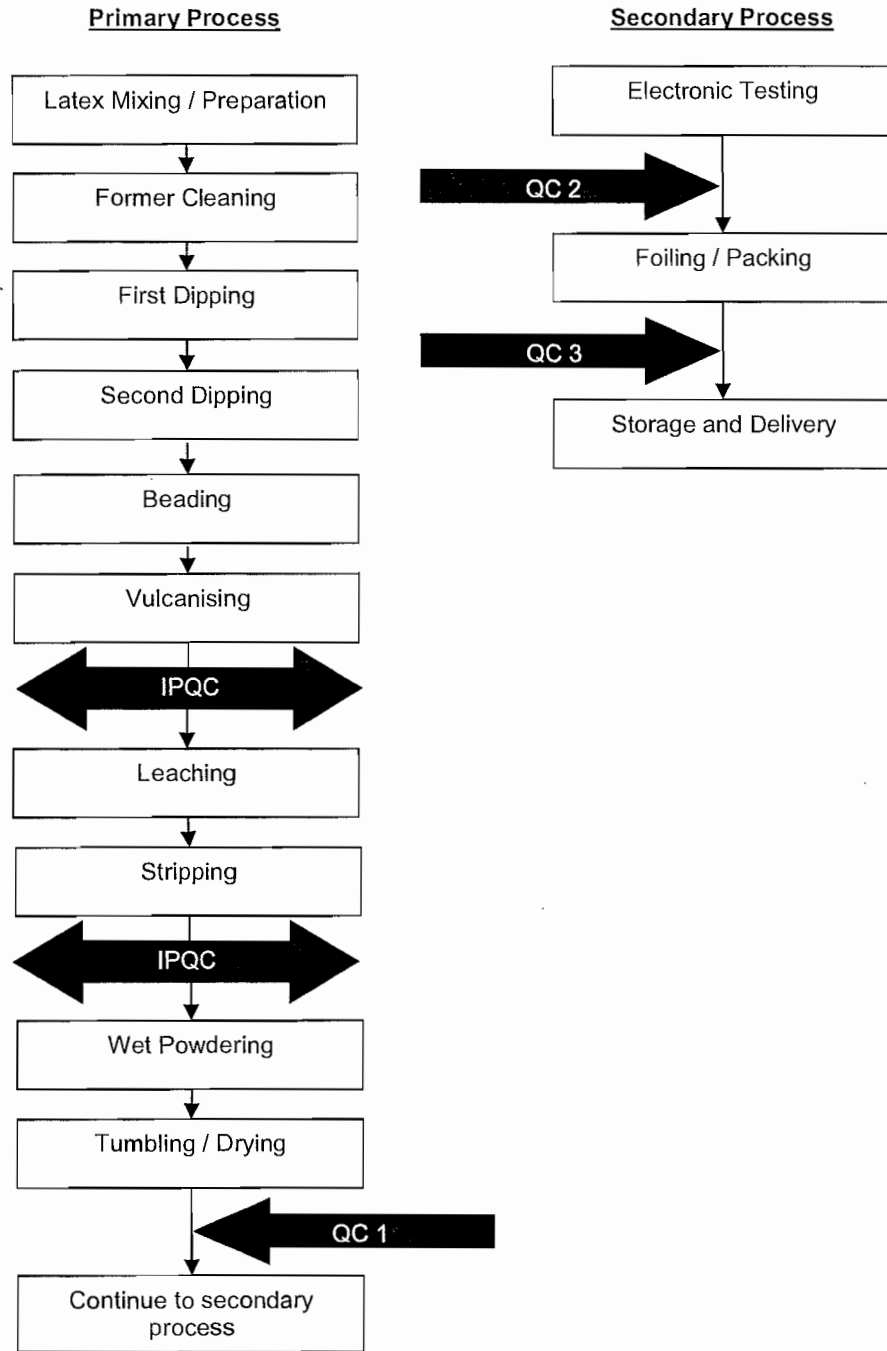
- (a) The first step in the manufacturing of a catheter is the manufacturing of the long, thin tube that will be inserted into the bladder.
- (b) A thin band of cured latex is then slipped over the tube by hand to form a sheath around the tube. It is positioned so that the latex covers the inflation eye that has been punched in the tube.
- (c) The entire length of the tube is dipped in latex, which creates an overcoat layer and bonds the edges of the band to the tube, to form a balloon. This adds to the thickness of the balloon and is used to adjust the outer diameter of the tube to the desired size.
- (d) A small opening is then punched in the distal end of the tube furthest end of the tube to form the drainage eye.
- (e) The catheter is then transported to the packaging centre for 100% functional, visual and size gauge tests.
- (f) Thereafter, we will send the catheters to brand marking followed by packaging into inner bag, pouch, sealing, boxing and cartoning. After completing the packaging process, all packed catheters will be sterilised before delivery.

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7. BUSINESS OVERVIEW (Cont'd)

(iii) Manufacturing of probe covers

The process flow for the manufacture of probe covers is illustrated in the diagram below:



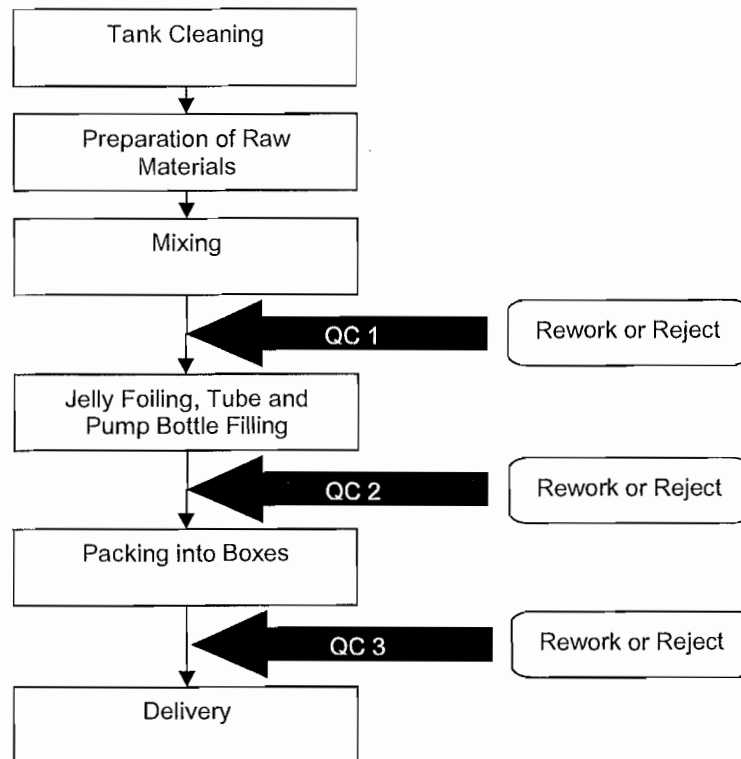
The manufacturing process for probe covers is similar to that of condoms with the exception of different formers being used. Please refer to Section 7.4(i) of this Prospectus for further details of the condoms manufacturing process.



## 7. BUSINESS OVERVIEW (Cont'd)

### (iv) Manufacturing of lubricating jelly

The process flow for the manufacturing of lubricating jelly is illustrated in the diagram below:



#### Tank cleaning

Prior to the manufacturing process, the mixing tank is cleaned thoroughly to remove unwanted residuals which may contaminate the mixing process.

#### Preparation of raw materials

For the preparation of raw materials / ingredients, our manufacturing staff will gather the relevant raw materials / ingredients and weigh them based on a pre-set formula.

#### Mixing

After all the relevant raw materials / ingredients are gathered, it will be mixed in the mixing tank.

#### Jelly foiling, tube and pump bottle filling

A portion of the mixed jellies will be taken from the mixing tank for testing in terms of pH, viscosity and specific gravity. After passing the test, the mixed lubricating jelly will be released for foiling, tube and pump bottle filling.

## 7. BUSINESS OVERVIEW (Cont'd)

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### Packing into boxes

Upon completing the foiling, tube and pump bottle filling processes, we will conduct a second set of QC inspection on the packaging quality. Foil sealing, tube and pump bottle quality, lubricant leakages, labelling and lubricant amount will be checked during this QC inspection. Subsequently, the packed lubricating jelly will be released for final box packaging.

### Delivery

After all the packed lubricating jelly is boxed, it will be stored in the warehouse. Prior to delivery, we will carry out a third (3<sup>rd</sup>) set of QC inspection involving checking of shipment and verifying it against a sales review to ascertain whether all boxes are labelled properly with customer particulars, carton number, quantity, lot number and expiry date.

## 7.5 Technology used

Our key technologies are represented by the condoms dipping machines, ET machines and foil sealing machines.

Our R&D team continuously strives to develop, manufacture, improve and customise our machineries.

As condoms are our Group's core product, the major technologies utilised in our condoms manufacturing operations include the following:

### (i) **Condoms dipping machines**

We have successfully designed, developed and improved efficient condom dipping lines which are able to manufacture more condoms per manufacturing cycle. For example, we have manufactured double-former dipping lines with tighter gap between the condom formers to increase the number of pieces manufactured without compromising the quality of the final products. This system is adopted by all the condom dipping machines in our factories in Port Klang, Johor and Thailand.

In recent years, we have successfully developed new dipping lines with greater flexibility in terms of different length, texture and colour.

As at the LPD, we have 32 dipping lines in various sizes with the capacity to manufacture approximately three (3) billion pieces of condoms annually.

### (ii) **ET machines**

All condoms are electronically tested for pinholes with the ET machines by subjecting them to a high-voltage test that rejects condoms with pinhole(s). As at the LPD, most of our manual ET machines are developed in-house. Through our continuous R&D effort, we managed to develop twin-station ET machines, which saves manufacturing space and energy cost per any given manufacturing area.

Since 2010, we have invested in six (6) automated ET machines in our Pontian factory. Subsequently, we also conduct customisation work on these automated ET machines to improve their efficiency. Currently, our automated ET machines can test up to 300 pieces of condoms per minute as compared to 40 pieces per minute under the manual system. One (1) automated ET machine can reduce the manual labour required to operate a manual ET machine of seven (7) workers, therefore reducing our dependence on labour.

## 7. BUSINESS OVERVIEW (Cont'd)

### (iii) Condom foil sealing machines

We also design and develop our own condom foil sealing machines. By developing our own machines, we can ensure consistency of quality during the manufacturing process. As a result, we have better control on the final product finishing. Overall, we have single lane and double lanes condom foil sealing machines which can manufacture square, rectangular and round shaped foils.

Currently, we have two (2) blister pack foiling machines. Our innovation in designing and developing new styles of packaging gives us a competitive advantage over other players in the industry as attractive packaging enable our products to attract more consumers.

### 7.6 Manufacturing capacity

Our Group's approximate manufacturing output, capacity and utilisation for the FYE 2010 to FYE 2013 are as follows:

Company	FYE 2010				FYE 2011			
	Installed capacity <sup>(1)</sup> (million pieces)	Manufacturing output <sup>(2)</sup> (million pieces)	Utilisation rate (%)		Installed capacity <sup>(1)</sup> (million pieces)	Manufacturing output <sup>(2)</sup> (million pieces)	Utilisation rate (%)	
KISB	1,562.6	1,272.7	81.5%		1,867.8	1,613.0	86.4%	
ISB	189.0	158.4	83.8%		189.0	159.3	84.31%	
HMSB <sup>(3)</sup>	48.3	25.4	52.5%		48.3	23.2	48.0%	
ITL	604.8	491.0	81.2%		725.8	603.0	83.1%	
<b>Total</b>	<b>2,404.7</b>	<b>1,947.5</b>	<b>81.0%</b>		<b>2,830.9</b>	<b>2,398.5</b>	<b>84.7%</b>	
Company	FYE 2012				FYE 2013			
	Installed capacity <sup>(1)</sup> (million pieces)	Manufacturing output <sup>(2)</sup> (million pieces)	Utilisation rate (%)		Installed capacity <sup>(1)</sup> (million pieces)	Manufacturing output <sup>(2)</sup> (million pieces)	Utilisation rate (%)	
KISB	1,998.3	1,317.2	65.9%		1,998.3	1,637.0	81.9%	
ISB	217.7	151.3	69.5%		217.7	173.8	79.8%	
HMSB <sup>(3)</sup>	48.3	14.3	29.6%		48.3	24.2	50.1%	
ITL	725.8	464.9	64.1%		725.8	582.7	80.3%	
<b>Total</b>	<b>2,990.1</b>	<b>1,947.7</b>	<b>65.1%</b>		<b>2,990.1</b>	<b>2,417.7</b>	<b>80.9%</b>	

Notes:

- (1) Annual capacity is calculated based on machinery and equipment installed capacity and operating 15 hours per day for an average of 26 days per month, adjusted for festive and holiday periods.
- (2) Manufacturing output is calculated based on number of lines, average manufacturing capacity per line per day and the number of days operational.
- (3) Lower utilisation rate as this manufacturing line is predominantly used for customised condoms.

## 7. BUSINESS OVERVIEW (Cont'd)

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Due to time needed for maintenance of equipment, changing of formers and latex in the dipping lines to accommodate different orders, our maximum utilisation rate attainable based on our manufacturing mix is around 80% of our installed capacity. There are minimal idle workers as workers are required even during machine downtime for maintenance work, changing of formers, cleaning of latex tanks and other chores.

For the FYE 2011 compared to the previous financial year, our Group's manufacturing output increased by 0.5 billion pieces of condoms, or 23.2%, from 1.9 billion to 2.4 billion pieces of condoms. The increase in manufacturing was mainly due to the increase in sales/demand of condoms in the FYE 2011.

For the FYE 2012 compared to the previous financial year, our Group's manufacturing output decreased by 0.5 billion pieces, or 18.8%, from 2.4 billion to 1.9 billion pieces of condoms. This was attributed to the higher frequency in changing of formers which resulted in our dipping line downtime to increase by 47.6% from the FYE 2011 to FYE 2012 to cater for the unusual sequence of orders received during the financial year. In addition, the suspension of foreign workers application process by the relevant authorities during the 6P programme (process of legalising illegal foreign workers) also affected our capacity utilisation as the replacement of expiring foreign workers was delayed.

For the FYE 2013 compared to the previous financial year, our Group's manufacturing output increased by 0.5 billion pieces, or 24.1%, from 1.9 billion pieces of condoms to approximately 2.4 billion pieces of condoms. Our manufacturing utilisation rate also increased to 80.9% from 65.1%. This was attributed to the increase in sales/demand of condoms and lower frequency in changing of formers due to favourable timing of order sequences received and the types of condoms manufactured during the financial year.

### 7.7 R&D

Our R&D team consisting of nine (9) personnel lead by our Technical and R&D Director, Mr. Goh Leng Kian focuses on optimising the productivity in our manufacturing processes. We continuously identify prospective technology and expedient adaptations to refine our manufacturing processes via the machinery customisation or conversion of manual motions into automated sequences. This enables us to reduce human errors that may impact our product quality. Furthermore, the improved manufacturing processes enhance our cost and efficiency.

In addition to the above, R&D on product development is constantly on-going to ensure that we have the flexibility to cater to our customers' varying demands such as the tattoo condoms, glow in the dark condoms, super thin condoms as well as Polyisoprene condoms. We are in a position to leverage on the amassment of product knowledge over the years and understanding of product usage circumstances, to design and develop products, that increases our product offering and continue to improve product quality that meet international standards.

#### (i) Productivity improvement

Over the years, we have consistently installed advanced machinery in line with the latest technology, as well as machinery modification innovations, to improve our manufacturing processes. In addition, we have also successfully customise our condom dipping machines and condom foiling machines to cater to our customers' demands.

In terms of dipping lines, we have customised our dipping machines to manufacture super thin condoms, custom fit condoms as well as Polyisoprene condoms and probe covers.

## 7. BUSINESS OVERVIEW (Cont'd)

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In terms of foiling machines, we have customised our foiling machines to manufacture round shape condom foils, twin pack condoms (one (1) condom and one (1) lubricant in the same foil) as well as condoms packed in buttercups.

We strive to improve our productivity by leveraging on our accumulated experience throughout the years as well as upgrading our knowledge base by researching and studying relevant technical information and publications.

The combination of the above enables us to make informed decisions to construction, modification and purchase of relevant machineries. Furthermore, we endeavour to understand the machinery mechanisms in order to maximise its practical and optimum usage.

We are currently focusing on introducing further automation in our manufacturing process. A fully automated system will reduce our reliance on manual labour for the same process as well as increasing efficiency.

### **Productivity improvement efforts**

Our past productivity improvement efforts include the following:

- (a) Reduced the gap between the condom formers in our condoms dipping lines to increase condoms output by approximately 16% with the same amount of energy consumption;
- (b) Enhanced our condoms dipping machines to manufacture ultra-thin condoms at a thickness of approximately 0.05 mm as compared to a regular thickness of 0.07 mm;
- (c) Customised ET machines and improved their testing efficiency from a single station to a twin-station ET machine by using the same indexing table. As such, this would enable us to have more ET machines in one (1) place, thus reducing our energy consumption and results in cost saving for us;
- (d) Increased the length of our condoms dipping machines to manufacture additional condoms per cycle. With a longer dipping line, the space between the first and second dipping process is longer, hence allowing the dipping process to run at a faster pace. Consequently, it increases our manufacturing output; and
- (e) Replacement of our low energy consumption heaters with infrared heaters which reduce energy consumption from 2 kW to 1.5 kW per heater, resulting in approximately 25% reduction in power consumption.

### **(ii) Product development**

We are constantly in discussion with our clients in regards to product specifications based on the latest trends and market needs, upon which we rely on our R&D capabilities to develop prototypes, prior to commencement of manufacturing and commercialisation.

The idea of new prototypes may be generated in-house or provided to us by our customers. New prototypes revolve around product enhancements in size, texture, colour, flavour, shapes and lubricant coupled with packaging concept. Based on the combination of material formulation, former specifications, QA assessment and modification of machines, we conceptualise the manufacturing process to determine the optimum method of developing the prototypes.

## 7. BUSINESS OVERVIEW (Cont'd)

Upon the development of these prototypes, we will conduct comprehensive quality assessments and tests as well as stability study on these prototypes to ensure that they meet all regulatory standards.

We will then commercialise the new prototype and conduct full scale manufacturing upon receiving customer confirmation of orders based satisfactory design, quality and pricing.

### Product development efforts

Through our in-house R&D efforts, we have successfully manufactured a range of products including:

No.	Products	Description
1	Condoms	<ul style="list-style-type: none"> <li>• glow in the dark;</li> <li>• duo-coloured;</li> <li>• tri-coloured;</li> <li>• tattoo;</li> <li>• metallic coloured (gold and silver colour);</li> <li>• 95 condom sizes for Theyfit branded condoms;</li> <li>• super-studded; and</li> <li>• ultra-thin and super-thin.</li> </ul>
2	Probe covers	<ul style="list-style-type: none"> <li>• using Polyisoprene as a raw material</li> </ul>
3	Packaging	<ul style="list-style-type: none"> <li>• round foil packaging;</li> <li>• blister pack packaging; and</li> <li>• twin-pack (combination of condoms and lubricating jelly).</li> </ul>

Furthermore, we have successfully compounded our own formulated post-vulcanised latex for the manufacturing of our condoms. This will enable us to control our cost of manufacturing as well as improve the quality of our product.

### (iii) R&D expenditure

Description	FYE 2010	FYE 2011	FYE 2012	FYE 2013
R&D expenditure (RM'000)	1,591	1,862	2,530	2,980
Revenue (RM'000)	157,444	181,753	188,751	231,389
R&D expenditure / Revenue (%)	1.01	1.02	1.34	1.29

## 7.8 Product quality and QA

### QA Activities

Our QA department is an independent department whereby approved procedures and working instructions are being carried out here. Implementation of these procedures is the responsibility of the respective area owners with assistance from trained QA personnel. Specifications are maintained for each product and the raw materials used. QA is responsible to monitor the conformity of the product from raw materials to finished goods.

### Compounded Latex Test

We analyse the quality of the compounded latex in which only good quality latex is used in the manufacturing of our condoms.

**7. BUSINESS OVERVIEW (Cont'd)**

**Pinhole Testing**

In various stages of the manufacturing process, condoms are randomly collected for pinhole test in accordance to various international standards.

**Air Burst Test**

The air burst test is used to determine the overall strength of a condom. Condoms, placed in the air burst chamber, are filled with air at a regulated rate until they burst. The minimum airburst volume and pressure is 18 litres of air and 1kPa.

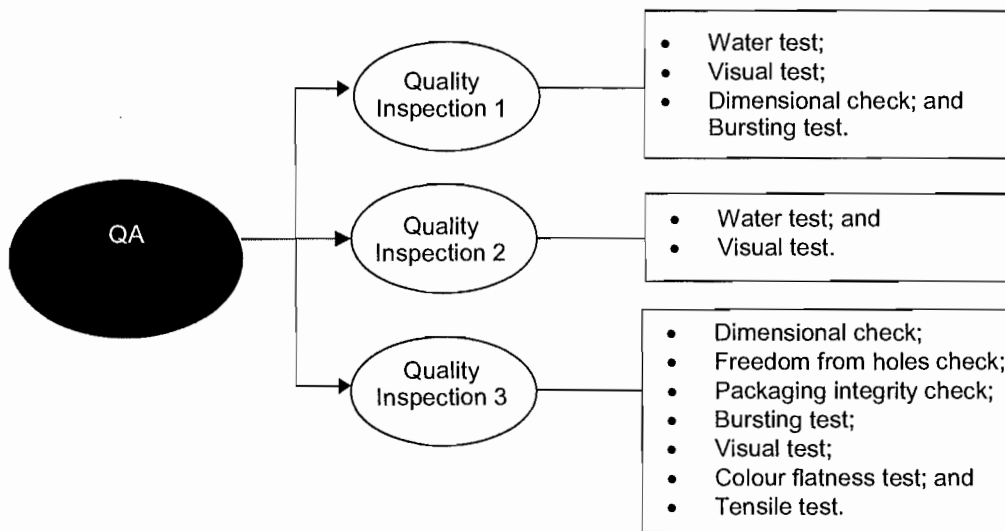
**Packaging Integrity Test**

Foil condoms are randomly sampled for packaged integrity test to ensure that they are hermetically (airtight and sterile) sealed to prevent leakage and cross contamination.

**Dimensional Test**

Dimension of condoms, such as thickness, width and length are checked by specific equipment such as thickness gauge, ruler and length gauge respectively.

We carry out sampling inspection to ensure our condoms meet the stringent quality requirements set by our customers, regulatory authorities and accredited bodies. These inspections include, and not limited to the following:



**Quality Inspection 1**

Condom samples are collected from the dipping process right after they are tumble-dried. 130 to 165 samples are collected depending on the characteristic of the condoms, from each batch for the following tests:

- (i) Water test (pinholes) – 80 samples;
- (ii) Visual – 125 samples;
- (iii) Width and Length – 10 samples;
- (iv) Thickness – 5 samples;
- (v) Bursting test – 10 samples; and
- (vi) Tensile test – 5 samples.

## 7. BUSINESS OVERVIEW (Cont'd)

### Quality Inspection 2

All condom batches will be 100% electronically tested after they have passed Quality Inspection I. After the ET process, 200 samples will be collected for visual and water test. If they fail the acceptable quality level, the batch will be put on hold for disposition. Upon passing the tests, the batches will be transferred to the warehouse.

### Quality Inspection 3

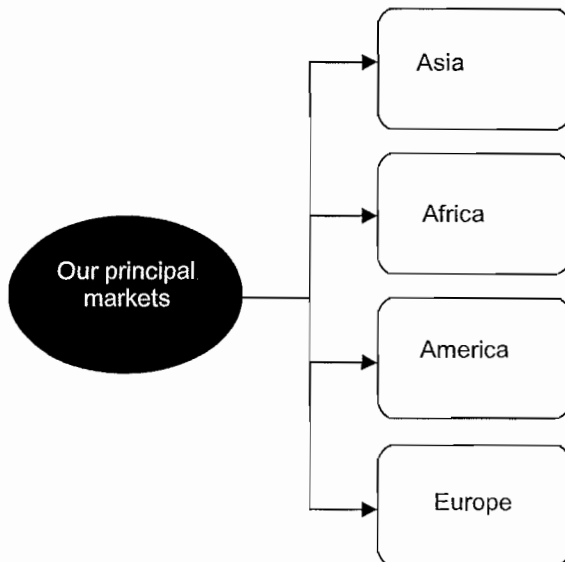
At Quality Inspection 3, samples are taken progressively during foiling and tested as per customers' requirement before product release. Our QC inspector shall take samples according to the required tests for the whole shipment lot.

An additional 200 samples will be retained by our QA department. These samples will be tested if there is any future dispute. They will be kept in a clean and dry location with a temperature of  $30 \pm 5^{\circ}\text{C}$ . The products that failed the test will not be released for shipment and will be on hold pending disposal. There are no incidents whereby entire batches of condoms are disposed of for the financial years under review.

As a result of the aforementioned stringent QA and QC processes, our Group has had a low rate of rejected condoms (i.e. 2% to 3% of our total manufacturing) for the last four (4) FYEs. As at the LPD, we have a team of approximately 183 personnel, led by our QA Director, involved in QA and QC.

### 7.9 Principal markets

As at the LPD, our principal markets are depicted in the diagram below:



For the FYE 2013, the export market contributed approximately 91.2% whilst the local market contributed approximately 8.8% of our Group's total revenue.



## 7. BUSINESS OVERVIEW (Cont'd)

For the FYE 2013, our revenue contributions segmented by countries are as follows:

	Revenue for the FYE 2013	
	RM'000	%
<b>PRINCIPAL MARKETS</b>		
Asia*	85,177	36.8
Africa	71,234	30.8
America	42,210	18.2
Europe	32,768	14.2
<b>TOTAL</b>	<b>231,389</b>	<b>100.0</b>

Note:

\* Includes Malaysia and Thailand

Our largest export market was the Asian region (China, Vietnam, Philippines, Myanmar and Bangladesh) which accounted for approximately 36.8% of our Group's total revenue for the FYE 2013. This was followed by the African region (South Africa, Tanzania, Zimbabwe and Nigeria), which represented approximately 30.8% of our Group's total revenue. The Malaysian market contributed approximately RM19.0 million, 8.2% of our Group's total revenue for the FYE 2013, whereby our products are sold to the commercial market.

The remaining two (2) regions (Brazil, US, Germany and Italy) contributed a total of 32.4% of our Group's total revenue for the FYE 2013.

We continuously strive to have a balance mix between the tender and commercial markets. For the FYE 2010 to FYE 2013, these two (2) markets have been consistently between approximately 40% to 50% each.

For the past four (4) FYEs, the increase of revenue from the commercial market is a reflection of our success in increased marketing efforts and continuous R&D in this segment.

Revenue from the OBM market was maintained at an average 3% to 5% of our total revenue.

Revenue from the tender market decreased marginally by 4% in the FYE 2011 and 5% in the FYE 2012 as a result of timing differences between the new tenders and the deliveries of our tender projects.

For more details, please refer to Section 13.2.1(iii) of this Prospectus.

### 7.10 Marketing and distribution

#### (i) Marketing strategies

Our sales and marketing team adopts the following marketing strategies to sustain and expand our business:

- (a) actively participate in various medical exhibitions and related trade shows;
- (b) expanding our market presence and developing new business opportunities by conducting sales calls and product demonstrations as well as working closely with potential and existing customers to help us plan and allocate sufficient manufacturing capacity to meet their requirements;

## 7. BUSINESS OVERVIEW (Cont'd)

- (c) creating awareness for our Group and products via manufacturing directories such Federation of Malaysian Manufacturers directory which is distributed locally and globally; and
- (d) continuously updating our corporate website and to leverage on our listing on the Malaysian Rubber Export Promotion Council MARKETPLACE website, to provide better access and convenience for existing and potential customers.

As at the LPD, we have a sales and marketing team led by our Chief Executive Officer together with 16 sales and marketing personnel, focusing on sales, marketing and business development functions.

As part of our marketing and promotional methods to create awareness with the aim of increasing sales, we have participated in various medical exhibitions and trade shows including the following:

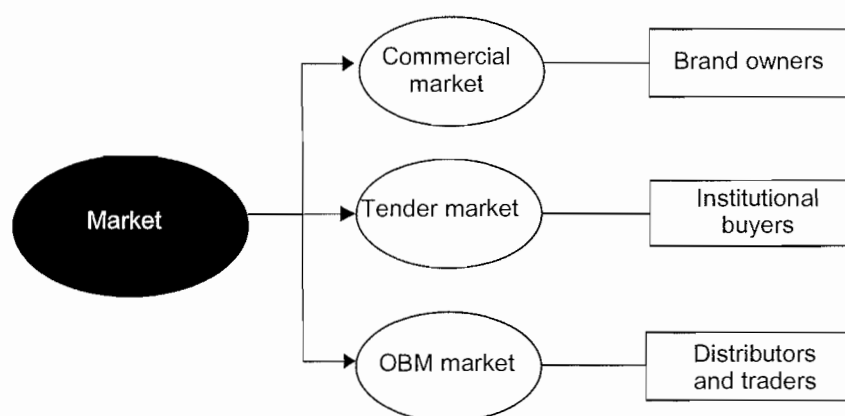
<b>Year</b>	<b>Name of events</b>	<b>Location</b>
2010	(i) Private Label Manufacturer Association ("PLMA") Trade Show 2010	Amsterdam, the Netherlands
	(ii) MEDICA Expo 2010	Dusseldorf, Germany
2011	(i) Arab Health 2011	Dubai, UAE
	(ii) PLMA Trade Show 2011	Amsterdam, the Netherlands
	(iii) FIME International Medical Expo 2011	Florida, US
	(iv) MEDICA Expo 2011	Dusseldorf, Germany
2012	(i) Arab Health 2012	Dubai, UAE
	(ii) PLMA Trade Show 2012	Amsterdam, the Netherlands
	(iii) FIME International Medical Expo 2012	Florida, USA
	(iv) MEDICA Expo 2012	Dusseldorf, Germany
	(v) Malaysian Rubber Glove Manufacturers Association Expo 2012	Kuala Lumpur, Malaysia
	(vi) Expo Medical 2012	Buenos Aires, Argentina
	(vii) Public Health Trade Fair 2012	Kiev, Ukraine
2013	(i) PLMA Trade Show 2013	Amsterdam, the Netherlands
	(ii) Arab Health 2013	Dubai, UAE
	(iii) Women Delivers 2013 Conference	Kuala Lumpur, Malaysia

## 7. BUSINESS OVERVIEW (Cont'd)

### (ii) Distribution channels

We market our products through three (3) distribution channels as depicted below:

- (a) commercial market through brand owners such as multinational corporations which distribute to consumers;
- (b) tender market through institutional buyers such as NGOs, government and procurement agencies (multilateral and bilateral organisation); and
- (c) OBM market through intermediaries such as our distributors and traders.



For the FYE 2013, commercial, tender and OBM markets accounted for 59.7%, 36.1% and 4.2% of our total revenue respectively.

#### (a) Commercial market

Our products are sold to brand owners in the commercial market which is our Group's core revenue contributor. As at the LPD, we manufacture and supply condoms, catheters, probe covers and lubricating jelly to brand owners which are mainly located in the US, UK, Germany, Netherlands and Russia. Under the commercial market segment, we manufacture their products which will then be marketed under their brands. We have long standing relationships with our brand owners, the longest being 19 years.

In the past and including the LPD, we have commercial orders from the respective parties below:

Brand Owners	Products	Country	Notable brand	Length of relationship (years)
Line One Laboratories Inc.	Condoms and lubricating jelly	US	Trustex	19
Global Protection Corp	Condoms and lubricating jelly	US	ONE	11
Ansell Limited	Condoms and lubricating jelly	US	Lifestyles	8
BSN Medical	Catheters	Germany	Norta	8
Bolear Medical Limited	Probe covers	Russia	Viva	7

## 7. BUSINESS OVERVIEW (Cont'd)

<u>Brand Owners</u>	<u>Products</u>	<u>Country</u>	<u>Notable brand</u>	<u>Length of relationship (years)</u>
M.P.I. Pharmaceutica GmbH	Condoms and lubricating jelly	Germany	Masculan	7
Sheating Technology	Probe covers	US	Not available	7
Reckitt Benckiser Group PLC	Condoms and lubricating jelly	UK	Durex	2

### (b) Tender market

In the tender market segment, we participate in tender projects by international agencies, NGOs and government. As at the LPD, products supplied to this market includes condoms and lubricating jelly only.

It is tougher to secure a customer in the tender market as compared to the commercial market due to its stringent requirements. In order to be able to supply to this market, we have to be a pre-qualified manufacturer. For further details on the criteria of a pre-qualified manufacturer, please refer to Section 7.18(iii) of this Prospectus.

In the past and including the LPD, we have successfully secured orders from the respective parties below:

<u>Institutional buyers</u>	<u>Products</u>	<u>Country</u>	<u>Length of relationship (years)</u>
PSI	Condoms and lubricating jelly	US	19
Crown Agents	Condoms and lubricating jelly	UK	12
UNFPA	Condoms and lubricating jelly	Denmark	10
MSI	Condoms	UK	9
JSI / USAID	Condoms	US	5

### (c) OBM market

Our products are sold to distributors and traders in the OBM market, whereby these products are marketed under our own brand name. As at the LPD, products supplied to this market includes condoms, catheters and lubricating jelly. Our products are marketed under the brand name "Carex" and "INNO" for condoms, whilst "CHROMA", "UroCare" and "ProCare" for catheters. As at the LPD, we have 75 distributors and traders globally to distribute our products to, amongst others, UAE, Hong Kong, India, Singapore, Bangladesh, South Africa and Nigeria.

## 7. BUSINESS OVERVIEW (Cont'd)

Our major distributors and traders are shown in the table below:

Distributors and traders	Products	Country	Length of relationship (years)
Gem Plaza LLC	Condoms	UAE	21
Life Link International	Condoms	Bangladesh	19
Coral Healthcare Pte Ltd	Condoms	India	12
Coralatex Marketing	Condoms and lubricating jelly	Singapore	10
Pharcomedic S.A.R.L.	Condoms	Morocco	7
Elecare Pharmaceuticals	Condoms	Africa	4

By tapping into our respective distributors' and traders' network, we are able to expand our market coverage without significant investment in marketing and logistics. These distributors and traders would rely on their own distribution networks to sell our Group's products to consumers.

### 7.11 Major customers

Our major customers (being those contributed 10% or more of total our Group's total revenue) for the FYE 2010, FYE 2011, FYE 2012 and FYE 2013 are as follows:

Major customers and our products purchased	FYE 2010		FYE 2011		FYE 2012		FYE 2013	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
JSI / USAID (5-year relationship) - condoms	22,711	14.4	35,949 <sup>(1)</sup>	19.8	17,311 <sup>(2)</sup>	9.2	19,775	8.5
Crown Agents <sup>(3)</sup> (12-year relationship) - condoms - lubricating jelly	16,433	10.4	13,417	7.4	3,937	2.1	576	0.2
	<b>39,144</b>	<b>24.9</b>	<b>49,366</b>	<b>27.2</b>	<b>21,248</b>	<b>11.3</b>	<b>20,351</b>	<b>8.7</b>
Others	118,300	75.1	132,387	72.8	167,503	88.7	211,038	91.3
<b>Revenue</b>	<b>157,444</b>	<b>100.0</b>	<b>181,753</b>	<b>100.0</b>	<b>188,751</b>	<b>100.0</b>	<b>231,389</b>	<b>100.0</b>

For the FYE 2013, none of our customers individually contributed more than 10% of our Group's total revenue.

Notes:

- (1) Revenue from JSI/USAID increased was mainly due to an increase in the condom orders by JSI/USAID in the FYE 2011.
- (2) In the FYE 2012, revenue from JSI/USAID decreased was mainly due to the spill-over inventories as a result of large orders placed in the previous year.
- (3) The decrease over the last three (3) FYEs was due to manufacturing schedule mismatch as the timing of requisition of orders/tenders, quantity required as well as condoms' specifications from Crown Agents do not coincide with our overall manufacturing schedule.

## 7. BUSINESS OVERVIEW (Cont'd)

We have enjoyed long-term business relationships with our customers. As at the LPD, 60% of our top 10 customers have established strong relationship with us for over six (6) years. This provides us with a stable customer base to sustain and grow the business.

### 7.12 Raw materials

The major types of raw materials that we purchased for our manufacturing operations for the FYE 2010, FYE 2011, FYE 2012 and FYE 2013 are as follows:

	FYE 2010		FYE 2011		FYE 2012		FYE 2013	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
<b>Raw material for manufacturing</b>								
– Pre-vulcanised latex	34,240	34.7	65,475	52.1	51,580	48.1	49,305	42.8
– Foil	18,863	19.1	19,047	15.1	19,042	17.8	21,858	19.0
– Inner box, outer box and leaflet	10,170	10.3	10,631	8.5	10,140	9.5	9,775	8.5
– Silicone oil	5,880	6.0	6,059	4.8	5,354	5.0	8,373	7.3
– Others <sup>(1)</sup>	29,498	29.9	24,564	19.5	15,054	19.6	25,850	22.4
<b>Total purchases of raw material</b>	<b>98,652</b>	<b>100.0</b>	<b>125,775</b>	<b>100.0</b>	<b>107,170</b>	<b>100.0</b>	<b>115,161</b>	<b>100.0</b>

Note:

(1) Including ammonia, corn starch, magnesium carbonate, silicone emulsions, flavouring and colour pigments

For the FYE 2013, our purchases of raw materials and other input materials from local sources accounted for 94.3% whilst the remaining 5.7% were sourced directly from imports.

The majority of our raw material costs are made up of Pre-vulcanised latex (also known as compounded latex), foil, packaging materials such as inner box, outer box, leaflets and silicone oil. The price of Pre-vulcanised latex is subject to demand and supply forces and any fluctuation of raw material costs will have an impact on our profit margin. Apart from Pre-vulcanised latex, the prices of other raw materials have remained relatively stable over the last four (4) FYEs.

For more details on the fluctuation of the price of Pre-vulcanised latex, please refer to Section 5.1(i) of this Prospectus. For more details of the historical impact of this fluctuation of raw material cost, please refer to Section 13.2.2(i) of this Prospectus.

As at the LPD, we have not faced any shortages in the availability of raw materials and any other inputs required by our Group in the last 12 months.

Please refer to Section 1.6.2 of the IMR Executive Summary for the reliance and vulnerability of natural rubber latex.

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## 7. BUSINESS OVERVIEW (Cont'd)

### 7.13 Major suppliers

The table below lists our Group's suppliers that represented 10% or more of total Group purchases over the last four (4) financial years:

Major suppliers	Description of products supplied to our Group	Length of relationship (years)	FYE 2010		FYE 2011	
			(RM'000)	%	(RM'000)	%
Revertex	Pre-vulcanised latex	24	26,597	27.0	44,188	35.1
Getahindus	Pre-vulcanised latex	5	7,643	7.8	21,287	16.9
MPIB	Foil	17	14,169	14.4	12,404	9.9
<b>Total purchases from major suppliers</b>			<b>48,409</b>	<b>49.2</b>	<b>77,879</b>	<b>61.9</b>
<b>Total purchases (RM'000)</b>			<b>98,652</b>		<b>125,775</b>	

Major suppliers	Description of products supplied to our Group	Length of relationship (years)	FYE 2012		FYE 2013	
			(RM'000)	%	(RM'000)	%
Revertex	Pre-vulcanised latex	24	32,269	30.1	29,157	25.3
Getahindus	Pre-vulcanised latex	5	19,311	18.0	20,148	17.5
MPIB	Foil	17	11,209	10.5	15,880	13.8
<b>Total purchases from major suppliers</b>			<b>62,789</b>	<b>58.6</b>	<b>65,185</b>	<b>56.6</b>
<b>Total purchases (RM'000)</b>			<b>107,170</b>		<b>115,160</b>	

Our business is dependent on our major suppliers, Revertex, Getahindus and MPIB from Malaysia, which represented 25.3%, 17.5% and 13.8% respectively of our Group's total purchases for the FYE 2013.

For the FYE 2010, FYE 2011, FYE 2012 and FYE 2013, Revertex represented 27.0%, 35.1%, 30.1% and 25.3% of our Group's total purchases respectively. Revertex is one of our suppliers of Pre-vulcanised latex and we have been dealing with them for approximately 24 years.

Nevertheless, our dependency on Revertex is mitigated by availability of alternative sources for Pre-vulcanised latex that we are currently purchasing from Getahindus, represented 7.8%, 16.9%, 18.0% and 17.5% of our Group's total purchases for the FYE 2010, FYE 2011, FYE 2012 and FYE 2013 respectively. Similar to Revertex, Getahindus has been our supplier of Pre-vulcanised latex for approximately five (5) years.

### 7.14 Approvals, major licenses and permits

For details on our approvals, major licenses and permits, please refer to Annexure B of this Prospectus.






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## 7. BUSINESS OVERVIEW (Cont'd)

### 7.15 Intellectual property rights

We have taken steps to protect our trademarks. As at the LPD, we have registered the following trademarks:

#### Trademarks

No.	Trademark	Registered owner	Country	Class	Trademark no.	Date of registration	Expiry date
1		KISB	Singapore	10	T90/03927E	8 March 2007	30 May 2017
2	Carex 	ISB	Malaysia	10	06013419	31 July 2006	31 July 2016
3	INNO 	ITL	Thailand	10	239610	14 September 2005	13 September 2015
4	Carex 	KISB	Malaysia	10	2010011529	28 June 2010	28 June 2020
5	Carex 	KISB	Malaysia	5	2010011528	28 June 2010	28 June 2020



## 7. BUSINESS OVERVIEW (Cont'd)

Class 5 and 10 classification for the respective countries, Malaysia and Thailand are as follows:

	<b>Class 5</b>	<b>Class 10</b>
Malaysia	Pharmaceutical, veterinary and sanitary preparations; dietetic substances adapted for medical use, food for babies; plasters, material for dressings; material for stopping teeth, dental wax; disinfectants; preparations for destroying vermin; fungicides, herbicides	Surgical, medical, dental and veterinary apparatus and instruments, artificial limbs, eyes and teeth; orthopaedic articles and suture materials
Thailand	-	Surgical, medical, dental and veterinary apparatus and instruments, artificial limbs, eyes and teeth; orthopaedic articles; suture materials

### 7.16 Interruptions to business

There has been no material interruption to our business operations in the past 12 months.

### 7.17 Seasonality

Generally, there are no sharp contrasts in seasonality as our products are for general applications that are not tied to any seasonality factors.

### 7.18 Competitive advantages and key strengths

Our competitive advantages and key strengths provide us with a strong platform to compete against other business operators, as well as to facilitate business sustenance and growth. Our competitive advantages and key strengths are as follows:

#### (i) Established market reputation and proven track record

We have an established market reputation and proven track record in the industry, in particular as a condom manufacturer. This is substantiated as follows:

- (a) we have been in operation since 1988 and this long history gives us a business and market track record to supply our products to internationally recognised brands and institutional buyers;
- (b) we are the world's largest condom manufacturer with an annual manufacturing capacity of approximately three (3) billion pieces for the FYE 2012. For more details, please refer to Section 1.9 of the IMR Executive Summary;
- (c) we have expanded into the commercial, tender and OBM markets throughout the years and the long standing relationships we share with our customers are a testament of customers' satisfaction and loyalty to us. For more details, please refer to Section 7.10(ii) of this Prospectus; and
- (d) our products are exported to more than 110 countries, which cover the Africa, Asia, America and Europe region. For more details, please refer to Section 7.9 of this Prospectus.

## 7. BUSINESS OVERVIEW (Cont'd)

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In addition, our in-house condom brands, both "Carex" and "INNO" are distributed in the Middle Eastern countries. As at the LPD, there are no negative feedback and product liability claims made against our Group.

Our established market reputation and proven track record will continue to provide us with the platform to capitalise on the potential growth of the global condom industry.

According to the IMR Executive Summary, the sales of condoms globally is expected to grow at a CAGR of 7.5% from 22.8 billion pieces in 2012 to 30.4 billion pieces in 2016.

### (ii) Strong in-house R&D capabilities driven by continuous innovation

We have our own in-house expertise to design and develop various types of condoms. Over the years, we have successfully developed a variety of condoms which differ in terms of shapes, sizes, textures / surfaces, colours, flavours and fragrances. One of the more notable efforts of our R&D team was the success of our thinner condoms. Our R&D team's continuous effort in developing thinner condoms paid off as the thinner condoms delivered a better all-round value proposition to our customers as well as consumers. For further details, please refer to Section 7.7 of this Prospectus.

In addition to the development of condoms, our R&D team also develops new packaging concepts, including round condom foils and blister packed condoms.

Our in-house capabilities to develop new products will continue to provide us the platform to expand our product range, which are aligned to latest trends and our customers' product design requirements.

Besides product development, our R&D team has the capability to design, develop, re-engineer and customise machines. We designed and developed majority of our primary manufacturing machines, namely dipping machines, ET machines and foiling machines. This has given us a competitive advantage as we are able to operate more cost effectively.

### (iii) Recognition as a pre-qualified manufacturer

Due to the stringent nature of the tender market, in order to supply to institutional buyers, we have to receive certain certifications from and be registered as a pre-qualified manufacturer with the respective agencies. In order to be a pre-qualified manufacturer, we must have a proven track record supported by a five (5)-year real time stability report to demonstrate our manufacturing capability and product quality that meets international standards as well as customers' specific requirements. Further, we must also furnish three (3)-years of our financial results to our customers for their consideration in addition to the relevant ISO certifications such as ISO 9001, ISO13485 and Directive 93/42/EEC. We have been registered as one of the pre-qualified manufacturers for PSI, UNFPA, JSI / USAID and Crown Agents since 1994.

Being recognised as a pre-qualified manufacturer has enabled our Group to derive consistent stream of income from the tender market.

For more details on certifications, please refer to Annexure C of this Prospectus.

## 7. BUSINESS OVERVIEW (Cont'd)

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### (iv) Ability to manufacture high quality condoms

We have an established QMS and all of our factories have equipped laboratories to monitor and conduct quality inspection on our products as well as our manufacturing processes in a systematic and comprehensive manner.

Since our inception, we have obtained various certifications such as ISO/IEC 17025, CE mark, BSI Kitemark, TISI Standard, FDA 510(k), CMDCAS and SABS mark for our manufactured products. Such certifications, approvals, licenses or permits are required by the relevant authority of the respective countries to where we export our products.

Our compliance with these international standards and requirements demonstrates our ability to continually manufacture products that can meet our customers' differing needs and specifications. Over the last four (4) years, our condoms have passed tests conducted by independent third (3<sup>rd</sup>) party laboratories and achieved a passing rate of over 99%.

In addition, we also place significant emphasis on quality and this is reflected through our accreditation of ISO 9001 quality management system and ISO 13485 medical device-quality management system.

Product quality is not only critical in helping us to maintain customer loyalty through customer satisfaction and continuing business patronage but also serve as a reference site for new customers.

For more details on certifications, please refer to Annexure C of this Prospectus.

### (v) Ability to handle large volumes with minimal interruptions

We manage to achieve economies of scale through our large volumes of manufacturing, which has lowered our average cost per unit. For the FYE 2013, we manufactured approximately 2.4 billion pieces of condoms.

Our ability to undertake large volumes of orders provides us with an additional advantage over other manufacturers that are limited in terms of capacity. This is particularly pertinent when large quantity orders are required in a tender process or over a short period of time.

Moreover, our ability of ensuring uninterrupted supply of condoms is important for our customers as they would have difficulty in searching for new or existing manufacturers to address the shortage of supply.

In order to minimise interruptions, we match our manufacturing forecast to customers' demand schedule. In the last 12 months, our factories in Malaysia and Thailand have not experienced any material business interruption.

### (vi) Wide market coverage supported by extensive product mix

Over the years, we have expanded our market coverage to more than 110 countries. This has allowed us to reduce our reliance on one (1) single market and mitigate single customer risk by having such a diverse market. In addition, the coverage of different markets provides us with the platform to optimise business opportunities in various countries.

## 7. BUSINESS OVERVIEW (Cont'd)

Furthermore, we are capable to manufacture and supply a wide range of condoms which are distinguished in terms of shapes, sizes, colours, textures / surfaces and flavours / fragrances. This will distinguish us from other manufacturers as we are able to cater to our customers' varying demands.

### 7.19 Dependency on patents, licences, industrial, commercial or financial contracts or new manufacturing processes

#### (i) Dependency on registrations, patents and intellectual rights

Our Group is not dependent on any registrations, patents and intellectual rights for our business operations.

#### (ii) Dependency on major licences

Save for the major licences disclosed in Annexure B of this Prospectus, our Group is not dependent on any other major licences.

#### (iii) Dependency on industrial, commercial and financial contracts

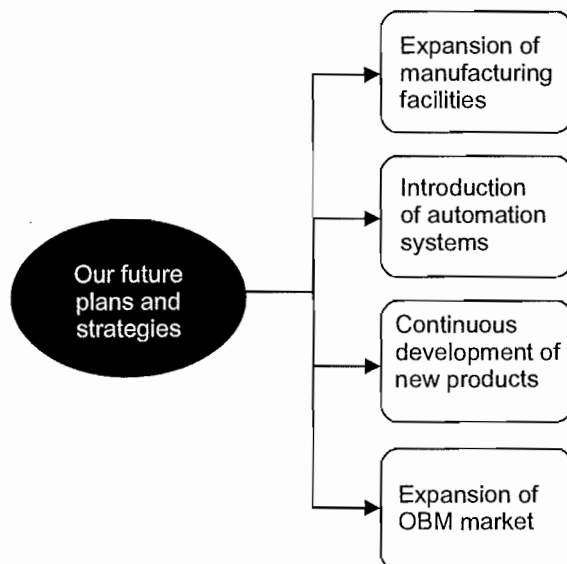
There are no material agreements or contracts (including informal arrangement or understanding or understandings), as at the LPD, which have been entered into by our Group and which our Group is highly dependent upon.

### 7.20 Awards, accreditations and recognition

Please refer to Annexure C for the details of our Group's accreditations and recognition.

### 7.21 Future plans and strategies

Our future plans are focused in four (4) key areas as depicted in the diagram below:



## 7. BUSINESS OVERVIEW (Cont'd)

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### (i) Expansion of manufacturing facilities

Part of our plans includes the expansion of our manufacturing facilities to cater for our business expansion particularly in the manufacturing of condoms.

#### (a) Expansion of manufacturing facilities in Pandamaran, Port Klang

We have acquired a new factory adjacent to our existing Port Klang factory, with a built-up area of 25,038 sq. ft. We have renovated the new factory and will complete installing the additional condom dipping lines, ET machines and foiling machines by the end of 2013. As at the LPD, we have installed four (4) out of the five (5) planned condom dipping lines in our Port Klang factory.

Please refer to Section 12.3 of this Prospectus for further details of the expansion of manufacturing facilities in Pandamaran, Port Klang.

#### (b) Expansion of manufacturing facility in Haadyai, Thailand

We also plan to expand our Thailand's factory manufacturing capacity by adding new condom dipping lines, ET machines and foiling machines which is expected to be completed by the end of 2013. As at the LPD, we have completed building a new warehouse to cater for this expansion.

Please refer to Section 12.3 of this Prospectus for further details of the expansion of manufacturing facility in Haadyai, Thailand.

#### (c) Construction of a new manufacturing facility in Pontian

Currently, our main factory and warehouses are located in Pontian. We intend to move these facilities to a newly constructed manufacturing facility in Pontian. For this purpose, we have acquired a piece of land measuring approximately 18 acres (781,335 sq. ft.) in Pontian.

We intend to construct this new manufacturing facility in the first (1<sup>st</sup>) quarter of 2014 and expect completion by the first (1<sup>st</sup>) quarter of 2015.

Please refer to Section 12.3 of this Prospectus for further details of the construction of a new manufacturing facility in Pontian.

### (ii) Introduction of automation systems

As part of our future plans, we intend to introduce further automation in our manufacturing process. A fully automated system will reduce our reliance on manual labour for the same process as well as increasing efficiency.

We have purchased an automatic condom testing machine, fully integrated with ET and foiling functions, with a testing capacity up to 200 pieces of condom per minute. The cost of the capital expenditure will be financed via bank borrowings and internally generated funds. This new machine also has an auto loading system into the foiling machines which further eliminates labour involvement. As at the LPD, the machine is pending delivery to our manufacturing facility in Pontian. This machine will be installed at our Pontian factory by the end of 2013.

## 7. BUSINESS OVERVIEW (Cont'd)

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### (iii) Continuous development of new products

We will continue our emphasis on R&D with the aim of developing new and improved products to widen our existing range of products for our existing customers by focusing on technical areas such as research, formulation, testing and the condom manufacturing processes.

The development of new products will be financed through our Group's annual R&D budget. As part of our future plans, we intend to expand on our existing range of products to cover the following:

- (a) manufacturing thinner condoms;
- (b) manufacturing condoms using synthetic materials;
- (c) introducing newly designed urological catheters; and
- (d) expanding the range of lubricating jelly.

### (iv) Expansion of OBM market

As part of our future plan, we intend to venture into new OBM markets, including South East Asian countries and India. This is because OBM market enables us to enjoy better profitability as compared to contract manufacturing and it reduces our reliance on commercial and tender markets. The cost our OBM market expansion will be financed through our Group's annual marketing budget. As part of our strategy to achieve this, we plan to leverage on the distribution networks of our established and long-term distributors and traders to help us market our products in the new venture countries.

## 7.22 Prospects

We believe the prospects of the Group are favourable based on the following:

### (i) The growing demand for our product

With the growing world population, the demand for condoms is expected to grow in tandem. The global sex ratio is approximately 1.01 males to one (1) female, with 66.0% aged between 15 years old and 64 years old. China, the most populous country in the world, reported that 37.8% of its population or approximately 507.7 million are males between the ages of 15 years old and 64 years old, while India contributes 406.1 million (33.7% of its population) followed by the US 104.2 million (33.2% of its population). Such global demographic naturally presents a huge potential market for our products especially condoms.

*(Source: IMR Executive Summary)*

### (ii) No substitution presently for our products

As discussed in Section 1.1 of the IMR Executive Summary, the condom is a key enabler used in prevention of STI, HIV as well as for family planning purposes. With the rising number of reported STI cases and HIV infections, condoms remain the leading choice to prevent the transmission of both diseases. In both instances, there is no substitute product for prevention other than abstinence.

## 7. BUSINESS OVERVIEW (Cont'd)

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In South Africa, one of the countries with the highest HIV/AIDS infected incidences, survey has shown that awareness and knowledge of HIV prevention method have improved in recent years. Studies have shown that 75% of adults above 15 years of age actually used condoms in 2009 as compared to 27% in 2002. The South African government, via its HIV prevention campaigns is distributing 450 million condoms per annum.

For family planning, while there are several substitute products such as oral contraceptive pills and female condoms, condoms remain a popular choice due to its economical and easy to use nature.

### (iii) Evolution of our product

Over the years, condoms have evolved from a simple family planning product to a generally accepted lifestyle product. This is evident with the introduction of colours, flavours, textures to the condoms as well as various innovative forms of packaging. Condoms are today widely marketed amongst social media and are being marketed together with many forms of lubricating jelly and adult toys. In addition to the safety aspects, consumers today are looking at experiencing enhanced pleasure derived from our products. Therefore, we are focused in launching more products with such features to cater for this growing demand.

### (iv) Our expansion plans

As discussed in Section 12.3, we plan to increase our dipping lines by an additional 30 by the end of 2015. Our expansion programmes are expected to double our annual manufacturing capacity of approximately three (3) billion pieces presently to six (6) billion pieces by the end of 2015. Our growth opportunity will increase significantly with this improved capacity and economies of scale.

### (v) Our favourable industry outlook

*"The global condom market is expected to expand at a healthy rate over the near future. Globally, the condom market is anticipated to increase from 22.8 billion pieces in 2012 to 30.4 billion pieces in 2016, registering a CAGR of 7.5%."*

*(Extracted from the IMR Executive Summary appended in Section 8)*

The increase in demand for condoms is anticipated to drive the global sales of condom manufacturers, including our products, in tandem.

For further details on our industry outlook, please refer to Section 1.10 of the IMR Executive Summary.

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8. INDUSTRY OVERVIEW

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27 SEP 2013

The Board of Directors  
**Karex Berhad**  
10th Floor, Menara Hap Seng  
No. 1 & 3 Jalan P. Ramlee  
50250 Kuala Lumpur

Dear Sirs / Madams,

**EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT  
("EXECUTIVE SUMMARY") FOR KAREX BERHAD ("KAREX" OR THE "COMPANY")**

This Executive Summary has been prepared for inclusion in the Prospectus pursuant to the listing of Karex on the Main Market of Bursa Malaysia Securities Berhad.

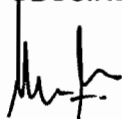
This research is undertaken with the purpose of providing a strategic and competitive analysis of the global condom industry. The research methodology includes both primary research, involving in-depth interviews with pertinent companies, as well as secondary research such as reviewing press articles, periodicals, government literatures, in-house databases, Internet research and online databases.

The report contains information supplied by and analysis based on public and private sources. To the extent such sources have been cited herein, we hereby confirm that we are allowed to reference such sources. Although we believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information, we have not verified the data for accuracy or completeness, and make no representation with respect to information from any source external to us.

Infobusiness Research & Consulting Sdn Bhd ("Infobusiness Research") has prepared this Executive Summary in an independent and objective manner and has taken all reasonable consideration and care to ensure the accuracy and completeness of the Executive Summary. In addition, Infobusiness Research acknowledges that if there are significant changes affecting the contents of the Executive Summary after the issue of the Prospectus and before the issue of securities, then Infobusiness Research has an on-going obligation to either cause the Executive Summary to be updated for the changes and, where applicable, cause the Company to issue a Supplementary Prospectus, or withdraw our consent to the inclusion of the Executive Summary in the Prospectus.

The Executive Summary is highlighted in the following sections.

for and on behalf of  
**INFOBUSINESS RESEARCH & CONSULTING SDN BHD**



**Mark Lee**  
Director



## 8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

## EXECUTIVE SUMMARY

This executive summary has been prepared to provide an overview of the global condom industry in which Karex operates in.

### 1.1 INTRODUCTION TO CONDOMS

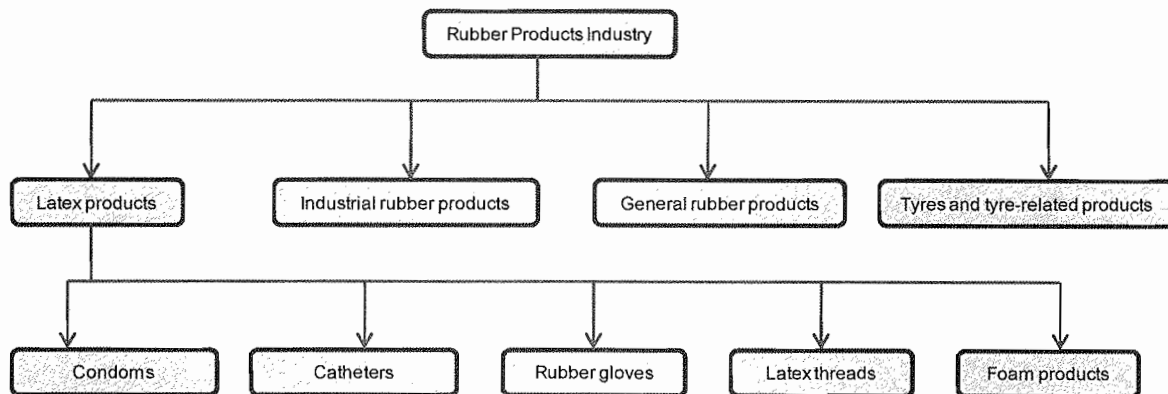
A condom, also known as a prophylactic, is a thin sheath used as a barrier against unwanted pregnancies, STI and HIV. A condom is the single most efficient, available technology in the world to reduce the sexual transmission of STI and HIV, as well as offers dual protection for prevention of unintended pregnancy.

As a contraceptive, the health benefits of condoms are substantial. Contraceptives prevent unintended pregnancies, reduce the number of abortions and lower the incidence of death and disability relating to pregnancy and childbirth complications. The long-term benefits range from better child health to greater family savings and stronger national economies.

A condom is both a rubber product and a medical device, and this is further explained below.

The rubber products industry in Malaysia utilises processes that convert natural rubber (and synthetic rubber) into finished products for intermediate and final consumption. It can be categorised into latex products, industrial rubber products, general rubber products and tyres and tyre-related products. Condoms are classified under the latex products category, as illustrated in the figure below.

**Figure 1: Segmentation of Rubber Products Industry in Malaysia**



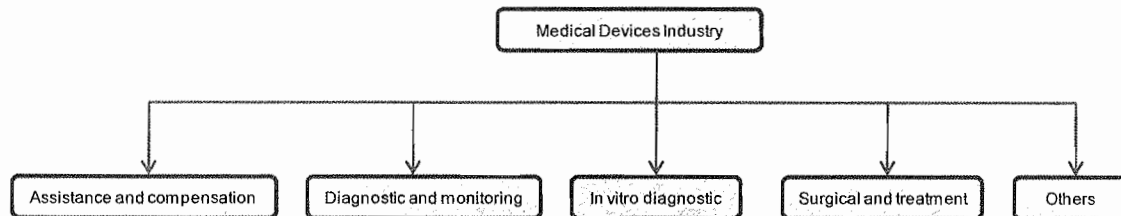
Source: Infobusiness Research

Condoms are also classified as medical devices by the Ministry of Health in Malaysia. By definition, a medical device is an instrument, appliance, implant, machine, material, calibrator, apparatus, in vitro reagent, or other similar or related article which is used to cope with human diseases, care for human injuries, meet human anatomical needs, maintain human physiological functions, support or sustain human life, control human conception, disinfect medical devices and examine specimens taken from human bodies.

## 8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

Figure 2: Segmentation of Medical Devices Industry



Source: Infobusiness Research

Broadly, the medical devices industry can be further segmented into the following categories:

- Assistance and compensation medical devices such as mobility aids and prosthetic devices;
- Diagnostic and monitoring medical devices such as vital signs monitoring devices and medical imaging devices;
- In vitro diagnostic medical devices such as erythrocyte sedimentation rate analysers and haematology analysers;
- Surgical and treatment medical devices such as catheters, scalpel and dialysis equipment; and
- Other medical devices such as transfusion, injection and collection equipment, first aid and wound care equipment, as well as condoms.

As condoms are classified as medical devices, they are subject to numerous government regulations and international standards which are further described below.

## 1.2 GOVERNMENT REGULATIONS

Condoms are classified as medical devices and as such, are highly regulated by various regulatory authorities around the world. These agencies are empowered to issue licenses for medical devices in a particular country or region. In addition, some carry out or commission factory audits and product testing. They generally have the power to refuse to license manufacturers, to recall products and to close factories in the event of continued non-compliance with their regulations.

As most countries have their own regulatory procedures, it is crucial for the national regulatory authorities to work closely with condom importers and inform them of the procurement procedures and testing protocols that will be used to verify the quality of the condoms before they are shipped to the country. The importers also need to be aware of and comply with any specific local laws and regulations.

The national regulatory authority may order and commission confirmatory testing and in-market compliance testing of the product by a third party laboratory in order to ensure that the quality of the condoms in a particular shipment has not deteriorate during handling, shipping and storage.

## 8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

Below is a brief discussion of regulatory procedures for the condom industry in selected countries, including Malaysia.

- FDA 510(k) pre-market clearance in the United States ("US"): Prior to marketing a condom in the US, a condom manufacturer must submit documentation to the Food and Drug Administration ("FDA") and obtain a pre-market clearance (510(k)). The documentation has to demonstrate that the product is equivalent to one that is already on the market. A 510(k) pre-market clearance indicates that the manufacturer has submitted acceptable safety data on the product and complies with FDA's requirements for the manufacture and distribution of the product. Factory audits are conducted periodically to monitor compliance.

Conformité Européenne ("CE") marking in the European Union ("EU"): Condoms intended for sale or distribution within the EU must carry the CE mark, which verifies that the product meets the essential requirements of medical device directive 93/42/EEC and 2007/47/EC. Compliance with EN ISO 4074 (European designation for the standard) can be taken as evidence of compliance with the essential requirements of the medical device directive. Manufacturing facilities are required to be certified to International Organization for Standardization ("ISO") 13485.

Under the medical device directive 93/42/EEC which covers EU countries, all medical devices are classified in ascending order of risk, into four (4) categories below:

- Class I: generally regarded as low risk eg. stethoscopes;
- Class IIa: generally regarded as low-medium risk eg. hearing aids;
- Class IIb: generally regarded as medium-high risk eg. condoms; and
- Class III: generally regarded as high risk eg. prosthetic heart valves.

Condoms are classified as Class IIb devices. This is based on the potential risk to the user.

- State Food and Drug Administration of China: All imported medical devices, including condoms, must obtain a registration certificate from the State Food and Drug Administration of China, which has a comprehensive system for medical device registration and inspection, including product testing and factory audits, before being sold in China. In addition, the General Administration of Quality Supervision, Inspection and Quarantine, a state organisation, is tasked with overseeing inspection, quarantine and establishing the technical standards of goods for both imports and exports.
- Thai FDA: Condoms are classified under Licensed Medical Devices (Class 1), which is the most stringent controlled class under the Medical Device Control Division of the Thai FDA. Class 1 medical devices require a licence authorisation from the Thai FDA to be eligible for importing and marketing purposes in the country. The products must also comply with the standards of the Thai Industrial Standards Institute (based on the ISO standards).
- Medical Device Act 2012 in Malaysia: The Medical Device Act 2012 was gazetted on 9 February 2012 and came into force on 30 June 2013. All manufacturers, importers, distributors and authorised representatives of medical devices, including condoms, are required to register their devices with the Medical Device Authority under the Ministry of Health, Malaysia. Medical devices will be sold under strict conditions so as not to jeopardise people's health. Medical devices will be categorised into four (4) groups, namely low risk, medium risk, high medium risk and high risk. Condoms fall under the category of medium risk.

## 8. INDUSTRY OVERVIEW (Cont'd)

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# infobusiness

In addition, the following environmental quality regulations are applicable to companies involved in condom manufacturing in Malaysia:

- **ENVIRONMENTAL QUALITY (CLEAN AIR) REGULATIONS 1978**

The manufacturing of condoms is potentially highly polluting due to the use of some hazardous chemicals in the process. Latex concentrate is usually treated by ammonia solution so as to prolong its lifespan. The ammonia solution causes a strong odour, particularly near the centrifugation area of the factory. This may have adverse effects on workers' health, especially the respiratory system.

The Environmental Quality (Clean Air) Regulations 1978 require companies to adopt "a best practicable means" policy in regard to manufacturing processes, operation methods, raw material selection, pollutant removal facilities, among others, in order to render harmless a wide variety of irritating air pollutants. The requirements apply to approximately 40 substances, including ammonia.

- **ENVIRONMENTAL QUALITY (INDUSTRIAL EFFLUENT) REGULATIONS 2009**

Under the Environmental Quality (Industrial Effluent) Regulations 2009, any industrial effluent produced by industrial premises will have to be treated by an industrial effluent treatment system. The owner or occupier of the premise shall operate and maintain the industrial effluent treatment system in accordance with sound engineering practice for the treatment of industrial effluent.

Condom manufacturers consume large volumes of water, use chemicals and produced enormous amounts of wastes and effluent. The discharge of untreated rubber effluent to waterways may cause serious and prolonged consequences, and result in water pollution that affects human health. With the global trend towards sustainable development, condom manufacturers need to focus on cleaner manufacturing technology, waste minimisation, resource recovery and water recycling.

A combination of physical, biological and chemical methods is widely used in the treatment of wastewater from rubber processing factories. Under the physical method, the condom factories usually install a rubber trap pond to separate rubber particles prior to discharging it into another wastewater system for a more thorough treatment. The biological method, which is the next stage in wastewater treatment, involves aerobic and / or anaerobic treatment.

Subsequently, under the chemical method, coagulants and flocculants are formulated to assist in the solid / liquid separation of suspended particles in solution. Conditioning a solution to promote the removal of suspended particles requires coagulation and/or flocculation. Coagulants neutralise the repulsive electrical charges surrounding particles, allowing them to "stick together" creating clumps. Flocculants facilitate the agglomeration or aggregation of the coagulated particles to form larger flocs and thereby hasten gravitational settling.

- **ENVIRONMENTAL QUALITY (SCHEDULED WASTES) REGULATIONS 2005**

Sludge refers to any deposits of particulate matter settled from any liquid. At present, all sludge generated from the industrial wastewater treatment system is classified as scheduled wastes in Malaysia. Scheduled wastes generated from the manufacturing of condoms fall under Environmental Quality (Scheduled Wastes) Regulations 2005. The sludge has to be disposed of at the central treatment facilities of Kualiti Alam Sdn Bhd.

## 8. INDUSTRY OVERVIEW (Cont'd)

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# infobusiness

### 1.3 INTERNATIONAL STANDARDS

Standards are developed and published by national and international standards bodies to establish the minimum safety, performance and quality requirements for a wide range of products, including medical devices such as condoms. Standards may either be generic or product-specific. Various types of organisations and bodies participate in the development of these standards, including manufacturers, national regulatory authorities, researchers, consumer groups, international agencies and testing laboratories. In many cases, compliance has been made mandatory.

In addition to specifying safety, performance and quality requirements, standards also specify test methods that can be used to verify that the products comply with these requirements. The principal international standards authority is the ISO, the worldwide federation of national standards bodies.

The ISO has created a quality management scheme specifically for medical device manufacturing and this is described in ISO 13485. The ISO 13485 standard is based on the ISO 9001:2008 process model approach and it is a quality management standard specifically developed for the manufacture of medical devices such as condoms. This standard prescribes the documentation, procedures and structures to be followed in all types of establishments to facilitate the manufacturing of medical devices of a consistent standard. It is intended for organisations that design, develop, produce, install or service medical devices, with the primary objective of harmonising medical device regulatory requirements, thereby reducing conflicting and different demands on manufacturers.

Meanwhile, the more specialised ISO 4074, which is an internationally agreed set of standards for condoms, emphasises on product safety, performance and test methods to verify compliance for male latex condoms, as well as the minimum standard requirements. This standard specifies the essential performance requirements that latex condoms are expected to meet and the test methods that are used to assess compliance with these requirements. It is based on extensive research and an ongoing consultation process involving experts from around the world with representations from condom manufacturers, testing bodies, standards institutes, procurement agencies and consumer associations.

Pursuant to ISO 4074, the limits for the maximum percentage of defective condoms are specified in terms of acceptable quality limit ("AQL"). The tests required under ISO 4074 include air inflation test, shelf life studies, water leak test, packaging integrity test and dimensional test. Since the publication of ISO 4074, manufacturers have been required to complete both accelerated and real-time studies to determine the shelf-lives of their condoms.

In addition, there is also the World Health Organization / United Nations Population Fund ("WHO / UNFPA") Specification. It is a model that buyers can use to tell potential suppliers their exact requirement. This includes some "performance requirements" which reiterate the ISO standard requirements, some general requirements and some design requirements. It is intended for use by institutional buyers. For condoms to be effective and safe, they must be manufactured to the highest international standards and quality assurance procedures.

8. INDUSTRY OVERVIEW (Cont'd)

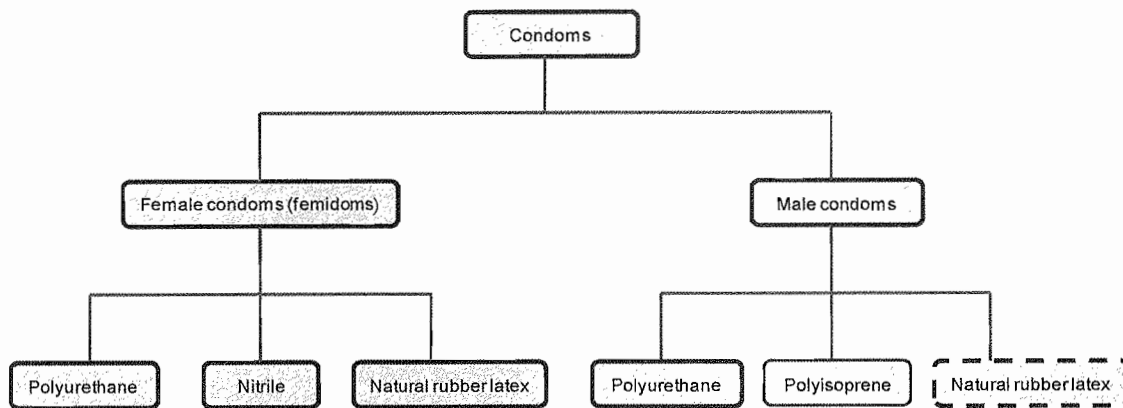
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## 1.4 DIFFERING SEGMENTS

Besides the general classification of condoms into the male and female categories, they can be further subdivided based on the raw materials they are made from. Most condoms are made from natural rubber latex. Polyurethane, polyisoprene and nitrile are different forms of synthetic rubber and condoms made from synthetic rubber are used by persons allergic to natural rubber latex.

The classification is illustrated in the figure below.

Figure 3: Segmentation of Condom Industry



Note:

Karex is involved in the manufacturing of male condoms made from natural rubber latex, as indicated by the dotted box.

Source: Infobusiness Research

As Karex is involved in the manufacturing of male condoms, the discussion in the remaining sections is confined to this segment of the industry.

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## 8. INDUSTRY OVERVIEW (Cont'd)

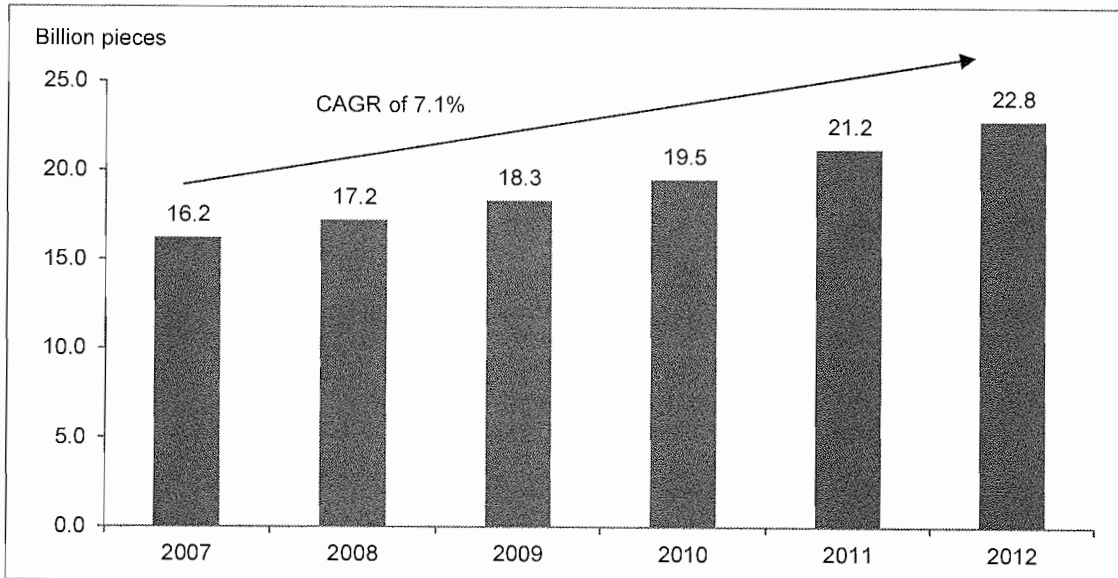
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## 1.5 OVERVIEW OF THE GLOBAL CONDOM MARKET

## 1.5.1 Global Sales

Global sales of condoms increased from 16.2 billion pieces in 2007 to 22.8 billion pieces in 2012, yielding a compounded annual growth rate ("CAGR") of 7.1% during the period.

**Figure 4: Global Sales of Condoms**



Source: Infobusiness Research

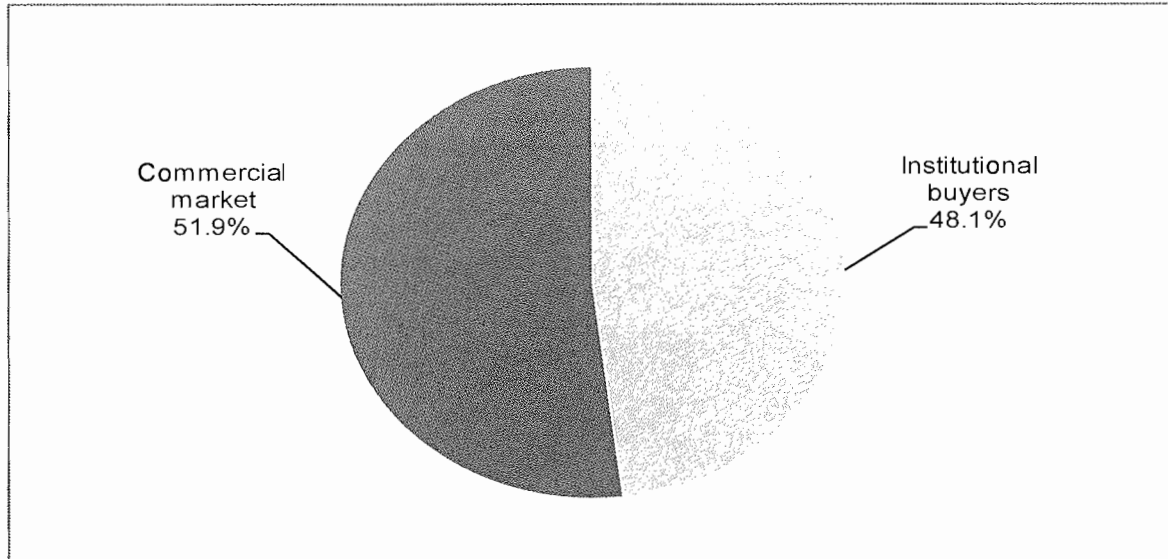
Approximately 48.1% of global sales of condoms are distributed annually to consumers through the tender market to institutional buyers such as governments, NGOs, multilateral and bilateral organisations. The condoms are provided to consumers either free or at subsidised prices. The remaining 51.9% is accounted by the commercial market, which comprises own brand manufacturers ("OBM") and brand owners, which sell the condoms to consumers.

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## 8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

Figure 5: The Global Condom Market



Source: Infobusiness Research

Condom usage in any country is closely correlated to its population numbers. By inference, countries such as China, India, the US, and Brazil are heavy users of condoms.

The Asia Pacific region was the largest market for condoms in terms of unit shipment, representing approximately 49.9% of global sales of condoms in 2011. Two (2) of the world's most populous countries, China and India, are located in the Asia Pacific region.

The number of condom factories in operation globally is estimated at about 110 manufacturing plants. The majority of these plants manufacture only condoms made from natural rubber latex, while some also manufacture condoms made from synthetic rubber. The majority of these plants reside in locations in close proximity to sources of raw materials, for simplified logistics and speedy delivery, and where labour costs are competitive.

### 1.5.2 Global Exports of Condoms in USD

The global exports of condoms registered a CAGR of 7.3% between 2007 and 2011, from USD362.1 million to USD479.8 million, as shown in the table below. In terms of exports in USD to the rest of the world, Thailand, Malaysia and China registered impressive growths during the corresponding period. Although the Netherlands registered the highest CAGR of 59.5% in exports to the rest of the world during the period; it was relatively low in terms of value.



## 8. INDUSTRY OVERVIEW (Cont'd)

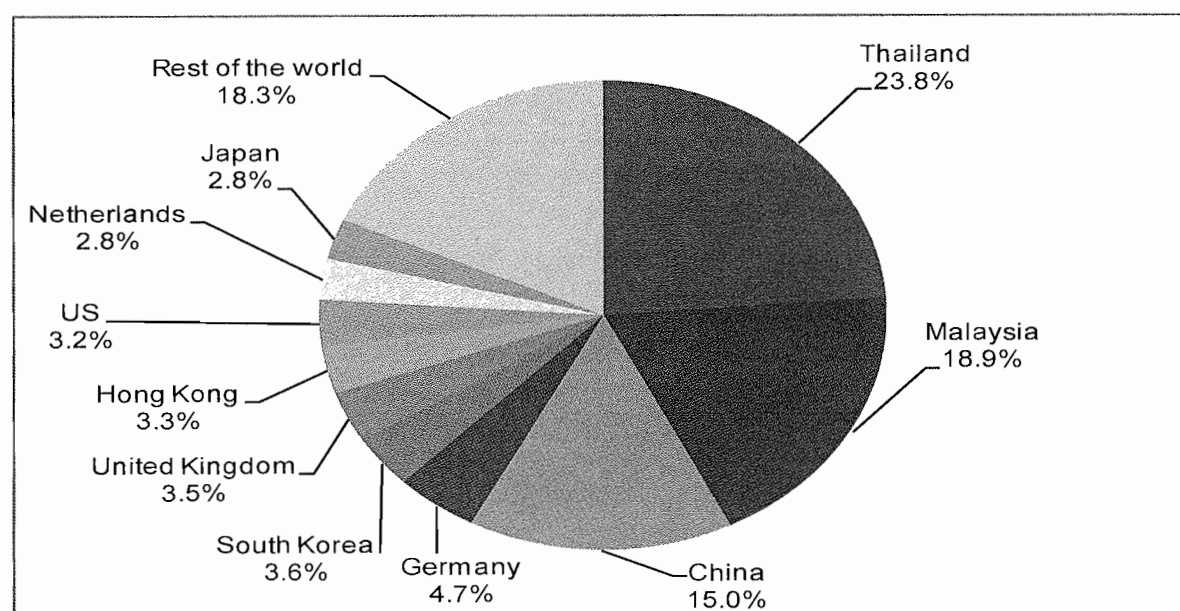
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**Table 1: Major Global Exporters of Condoms (USD Million)**

Country	2007	2008	2009	2010	2011	CAGR
Thailand	64.4	68.5	72.0	87.2	114.2	15.4%
Malaysia	44.1	68.4	66.3	88.1	90.6	19.7%
China	34.3	38.9	38.7	53.5	72.1	20.4%
Germany	16.5	21.6	33.4	26.7	22.7	8.3%
South Korea	14.4	18.0	17.0	15.0	17.4	4.8%
United Kingdom	28.7	31.6	29.6	28.1	17.0	-12.3%
Hong Kong	8.6	8.5	6.5	10.6	15.7	16.2%
US	26.7	24.2	17.9	16.8	15.5	-12.7%
Netherlands	2.1	2.5	1.2	3.4	13.6	59.5%
Japan	9.7	11.7	9.8	11.8	13.4	8.4%
subtotal	249.5	293.9	292.4	341.2	392.2	12.0%
Rest of the world	112.6	124.3	109.4	121.7	87.6	-6.1%
Total	362.1	418.2	401.8	462.9	479.8	7.3%

Source: Infobusiness Research

In terms of USD, the top ten global exporters of condoms accounted for 81.7% of global exports in 2011. Thailand was the largest exporter of condoms in 2011, accounting for 23.8% of global exports. This was followed by Malaysia (18.9%) and China (15.0%) in the same year. However, in terms of quantity in kilograms, Malaysia was the largest exporter of condoms (please refer to section 1.5.4).

**Figure 6: Share of Major Global Exporters of Condoms, USD Value, 2011 (%)**


Source: Infobusiness Research

## 8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

## 1.5.3 Top Ten Export Markets from Malaysia

China was the largest export destination for condoms from Malaysia during the period between 2007 and 2011, as shown in the table below. Malaysian exports of condoms to China increased from USD4.9 million to USD12.3 million over the corresponding period, registering a CAGR of 25.9%. After China, Singapore was the second biggest export destination (a large proportion of which is re-exported), followed by the US, Brazil and Iran.

**Table 2: Major Export Destinations of Condoms from Malaysia (USD Million)**

Country	2007	2008	2009	2010	2011	CAGR
China	4.9	7.0	9.6	10.2	12.3	<b>25.9%</b>
Singapore	0.4	0.7	0.7	4.7	11.9	<b>133.5%</b>
US	2.6	5.2	3.8	5.3	4.9	<b>17.2%</b>
Brazil	1.4	3.1	2.2	2.3	3.8	<b>28.4%</b>
Iran	0.9	1.9	2.7	3.1	3.8	<b>43.3%</b>
South Africa	3.0	3.2	3.6	3.8	3.6	<b>4.7%</b>
Japan	1.4	2.9	2.3	3.6	3.5	<b>25.7%</b>
Germany	2.1	2.2	2.6	3.5	3.2	<b>11.1%</b>
Spain	1.3	1.4	1.3	1.3	2.6	<b>18.9%</b>
Argentina	0.04	0.4	0.5	1.4	2.5	<b>181.2%</b>
subtotal	18.0	28.0	29.3	39.2	52.1	<b>30.4%</b>
Rest of the world	26.1	40.2	37.1	49.0	38.5	<b>10.2%</b>
Total	44.1	68.2	66.4	88.2	90.6	<b>19.7%</b>

Source: Infobusiness Research

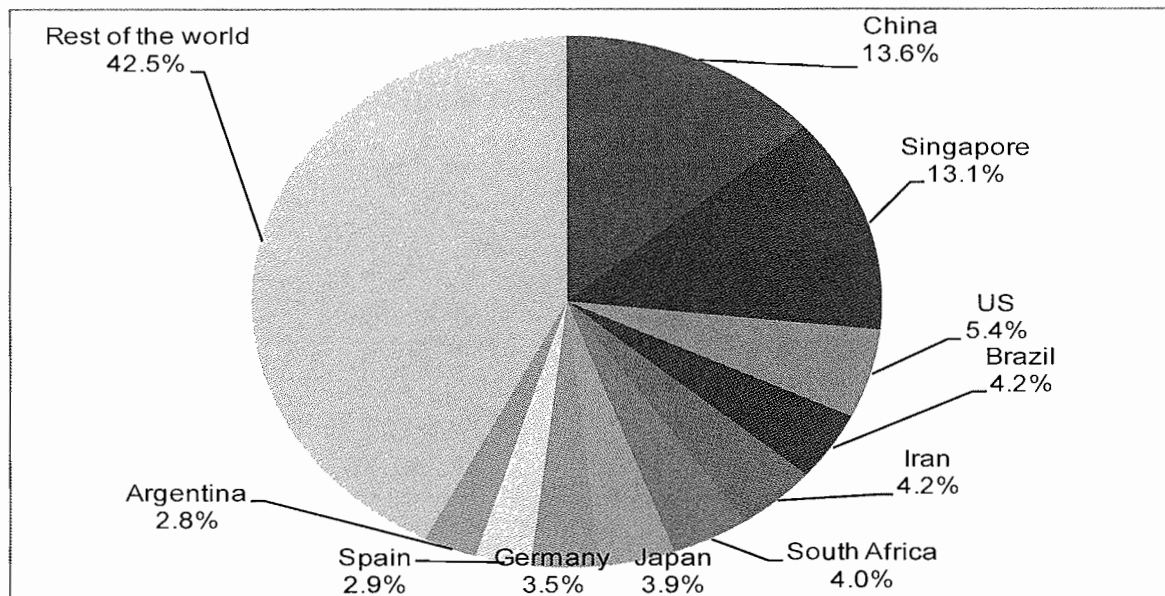
China's share of exports of condoms from Malaysia rose from 11.1% to 13.6% over the corresponding period, indicating its growing importance to the Malaysian condom industry.

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8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

Figure 7: Export Market Share of Condoms from Malaysia, USD Value, 2011 (%)



Source: Infobusiness Research

### 1.5.4 Exports of Condoms from Malaysia in Kilograms

In terms of export quantity in kilograms, Malaysia was the largest exporter of condoms during the years between 2009 and 2012, as shown in the table below. This was followed by Thailand and China. The key difference in ranking of export countries in terms of USD value (as per section 1.5.2) as opposed to quantity in kilograms, is principally due to the fact that the condom manufacturers in Thailand are OBM, as opposed to contract manufacturers. Condoms produced under OBM command a higher price in the market, as opposed to condoms produced under contract manufacturing, and this is reflected in the export figures in USD from Thailand.

Table 3: Export of Condoms in Kilograms

Country	Quantity in kilograms			
	2009	2010	2011	2012
Malaysia	8,873,312	11,970,185	10,925,319	12,450,643
Thailand	6,858,962	8,185,559	8,789,342	10,610,810
China	5,705,526	6,452,887	7,053,275	7,261,164

Source: Infobusiness Research

## 8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

### 1.6 DEMAND AND SUPPLY

#### 1.6.1 Demand Drivers

##### Explosion in Global Population

The consumption of condoms is closely correlated with the expanding global population, in particular women married or in a consensual union. Even if marriage is increasingly being postponed, the majority of men and women eventually marry or live in a consensual union. The latter refers to a man or a woman regularly cohabiting in a marriage-like relationship.

The global population is expanding at an exponential rate. At some point around 1800, after untold millennia of human history, global population reached its first billion. The global population is now expanding by one (1) billion about every 12 years. The 20<sup>th</sup> century began with about 1.6 billion and by the end of that century, it had reached 6.1 billion. As the global population is expected to explode to reach 8.1 billion in 2025, it will increase the consumption of contraceptives such as condoms in tandem.

The expansion in population is also straining food supplies, leading to hunger and famine in many parts of the world. There was an estimated 925 million undernourished people in the world in 2010. Evidently, there is a need to form more effective family planning programmes to prevent the situation from worsening, particularly in countries with a high proportion of youths in the sexually-active range.

##### Rising Incidences of STI

Approximately one (1) million cases of STI occur daily worldwide. In the US alone, more than 19 million STI occur annually, with almost half of those transmitted occurring among young persons aged between 14 years old and 24 years old. One (1) in every four (4) women between 14 years old and 19 years old is infected with at least one (1) STI in the US.

Further exacerbating the danger, some STI exist without symptoms. More than 30 types of bacteria, viruses and parasites can be transmitted from person to person as a result of sexual activities, both heterosexual and homosexual, due to fluid exchanges. The most common types are as follows:

- Chlamydia;
- Genital herpes;
- Genital warts;
- Gonorrhoea;
- Hepatitis B;
- Pubic lice;
- Syphilis;
- Trichomoniasis; and
- Yeast infections.

Condoms assist to prevent the transmission of STI by reducing the likelihood of exposure through genital contact or fluid secretions, to the partner. When used consistently and correctly, they are highly effective in reducing STI. They can physically block the fluids, preventing the spread of disease. Condoms made from natural rubber latex do not have pores that can allow micro-organisms to pass through.

## 8. INDUSTRY OVERVIEW (Cont'd)

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# infobusiness

### High Number of Infections of HIV

Approximately 30 years after AIDS was first reported, HIV continues to spread. There are principal differences between these two (2) terms, although they are related terms used in medical science:

- HIV is a virus and is the cause of AIDS. Without treatment, the HIV infection is allowed to progress and eventually, it will develop into AIDS in the vast majority of cases.
- AIDS is a medical condition caused by an infection with HIV, which alters the immune system, making people much more vulnerable to infections and diseases. This susceptibility worsens as the disease progresses.

Globally, more than 30 million people have died from AIDS. Existing prevention efforts, although improving, are often insufficiently comprehensive or inadequately tailored to local epidemics. This requires stronger country surveillance systems, especially among specific population subgroups at higher risk of HIV infections, development of new prevention approaches and improved tools to strengthen national responses.

Besides injecting drug users, HIV is also spread through heterosexual and homosexual activities. In particular, HIV prevalence rates have been consistently higher among homosexuals as compared to the general population. Left unchecked, AIDS has the potential to wipe out a significant portion of humanity as it is one of the most devastating diseases in history.

Married women are also at risk for HIV in countries where transmission occurs primarily through heterosexual activities and cultural norms condone male promiscuity and /or patriarchal control of the couple's sexual activities. A time bomb is created when an infected person has multiple partners.

Resistance to AIDS drugs is growing in eastern and southern Africa. Tiny genetic mutations that make AIDS immune to key frontline drugs have been increasing. As bacteria becomes resistant to antibiotics, it is fear that strains of HIV will emerge that will blunt the armoury of antiretrovirals, the medication used in the treatment of infection of retroviruses such as HIV. Over a period of eight (8) years starting from 2003, the prevalence of resistant virus in untreated people soared from around 1% to 7.3% in eastern Africa, and from around 1% to 3.7% in southern Africa. As such, condoms will continue to play an important role in the prevention of transmission of HIV.

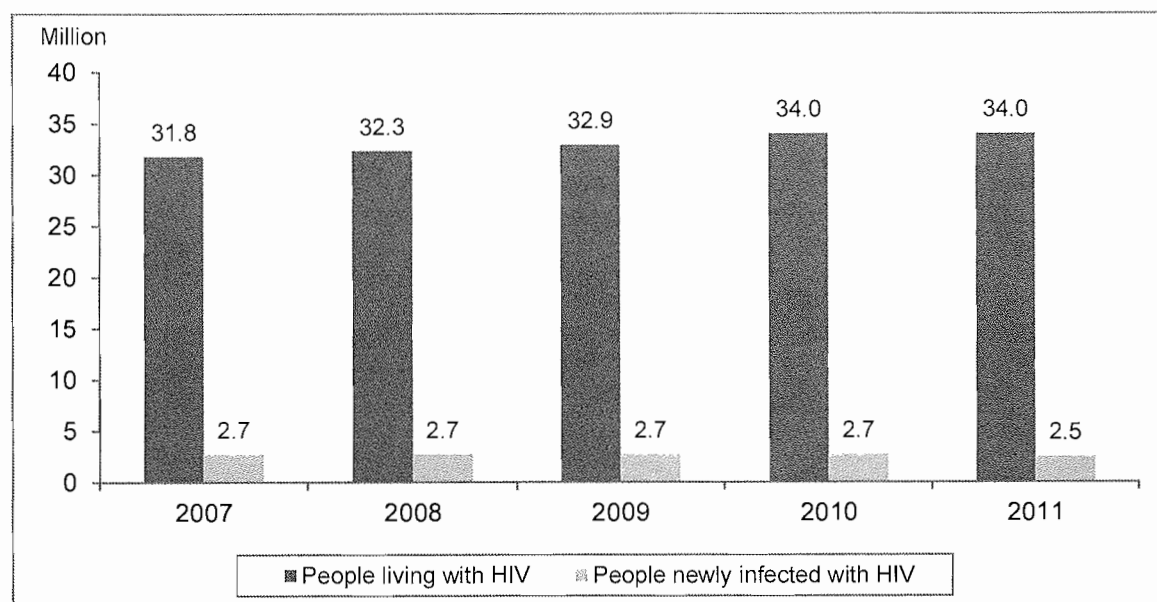
The presence of untreated STI increases the risk of both acquisition and transmission of HIV by a factor of up to 10. In other words, this means that the presence of untreated STI increases the risk of both acquisition and transmission of HIV by up to 10 times. Prompt treatment for STI is thus critical to reduce the risk of HIV infection.

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## 8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

Figure 8: People Living with HIV and People Newly Infected with HIV



Source: Infobusiness Research

AIDS continues to be a major global health priority. Although progress has been achieved in preventing an increase in HIV infections, the number of people living with HIV continues to increase, from 31.8 million in 2007 to 34 million in 2011, generating a CAGR of 1.7% during the period. An estimated 1.7 million people died of AIDS-related illness in 2011. AIDS-related illnesses remain one of the leading causes of death globally and are projected to continue as a significant global cause of premature mortality in the coming decades.

During the years between 2007 and 2010, the number of HIV infections had remained fairly constant at 2.7 million infections annually. They declined to 2.5 million infections in 2011. This yields a CAGR of -1.9% between 2007 and 2011.

Condoms represent the most cost effective use of resources in combating HIV in the world. The usage of condoms is a critical element in a comprehensive, effective and sustainable approach to HIV prevention. High quality condoms are effective as a barrier to contracting HIV as research has shown that proper and consistent usage of condoms greatly reduces the risk of HIV transmission.

For example, during the early years of the HIV epidemic, sex workers in Thailand were a significant source of infection in the country. A national programme to promote free, easily accessible condoms was instrumental in reversing the tide. As a result, Thailand has received international recognition for its successful interventions to reduce the transmission of HIV through sex workers and is looked upon as a role model for HIV education and awareness campaigns that include the extensive promotion and wide acceptance of condoms as a HIV prevention strategy.

## 8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

### Family Planning

The usage of condoms is a key enabler in family planning as the unprecedented explosion in population has become a cause for grave concern all over the world. Family planning saves lives as it reduces both maternal and newborn mortality rates as well as improves the health and well-being of women and their existing children. All sexually active women, from menarche to perimenopause face the risk of pregnancy. Menarche refers to the first menstrual period of a girl, which signals the body's coming readiness for childbearing.

Pregnancy may occur during perimenopause, which refers to the months or years leading up to menopause. In other words, perimenopause is the transition period leading to menopause, when the levels of hormones produced by the aging ovaries fluctuate, leading to irregular menstrual patterns. Although chances of getting pregnant during perimenopause are slim, methods of birth controls such as the usage of condoms are needed to prevent unintended pregnancies. Menopause is defined as the time when there have been no menstrual periods for 12 consecutive months and is the end of childbearing years.

Family planning refers to the decision-making process by couples on the number of children that they would like to have in their lifetime and the age interval between children. Increasing number of couples are making decisions about their family size and spacing and in the process, are using family planning to help achieve their objectives. A woman's ability to space and limit her pregnancies has a direct impact on her health and well-being as well as on the outcome of each pregnancy. Family planning is one of the leading strategies to improve family life and welfare, control unwanted population growth and assist in the development of a country.

Family planning has profound health, economic and social benefits for families and communities through the following:

- Protecting the health of women by reducing high risk pregnancies;
- Protecting the health of children by allowing sufficient time between pregnancies;
- Reducing abortions;
- Supporting women's rights and opportunities for education, employment and full participation in society; and
- Protecting the environment by stabilising population growth.

According to the UN, approximately 220 million women in the developing countries who do not want to get pregnant cannot get reliable access to contraception, resulting in over 75 million unintended pregnancies every year. This puts women and girls at serious risk of death or disability during pregnancy and childbirth. Estimates have indicated that, by preventing pregnancies and unsafe abortions, reliable access to quality family planning services and information can reduce maternal deaths by one third, which equates to saving the lives of between 100,000 and 175,000 women each year.

In India, conservative, patriarchal attitudes and inadequate spending in public health spending meant that only about 40% of the country's women use contraception, while 63,000 women died annually during childbirth due to a lack of reproductive-health services. Government figures indicate that around 20% of pregnancies in India are either unwanted or poorly timed.

On the other hand, impressive progress has been made in family planning programmes in China. Approximately 400 million births had been prevented from being added to the world's most populous population of approximately 1.34 billion, since the national family policy, often referred to as the "one child policy" was introduced in the late seventies to curb pressure on the environment and resources.

## 8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

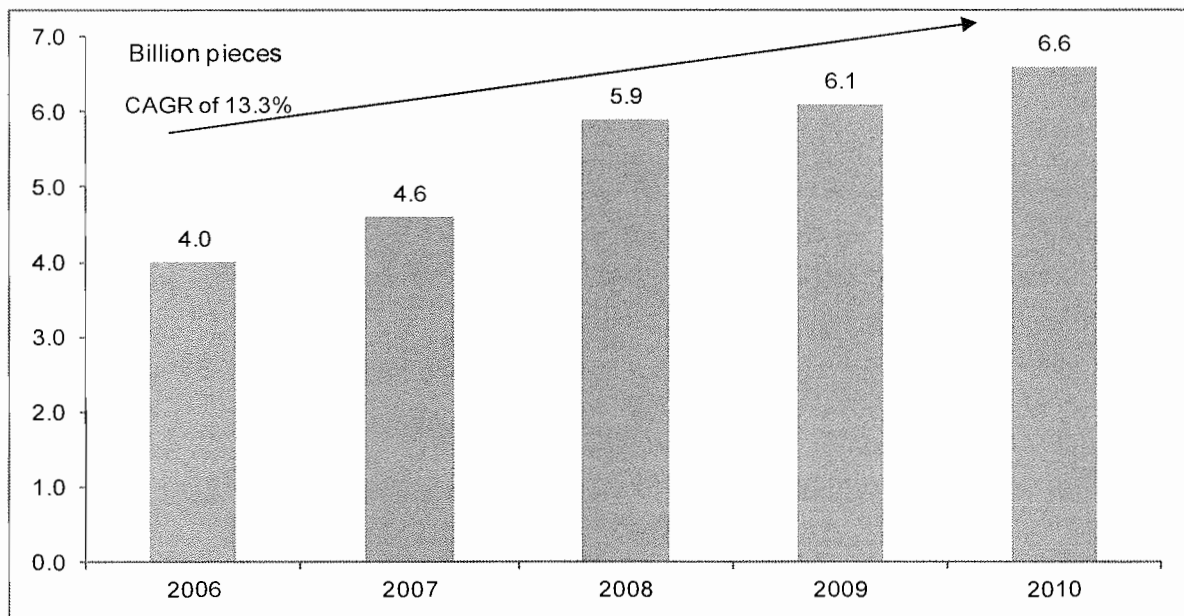
## Procurement of Condoms by Institutional Buyers

Institutional buyers comprise the following:

- Governments;
- Multilateral organisations;
- Bilateral organisations; and
- NGOs.

Many governments around the world are beginning to purchase family planning products as a step towards ensuring contraceptives, including condoms, are available to their citizens. They are taking on increasing responsibility for funding family planning products as the demand for contraception continues to increase. As governments increasingly fund their own contraceptive supplies for public sector programmes, they are taking a more active role in procuring them. Global government procurement of condoms increased from 4.0 billion pieces in 2006 to 6.6 billion pieces in 2010, yielding a CAGR of 13.3%.

Figure 9: Global Procurement of Condoms by Governments



Source: Infobusiness Research

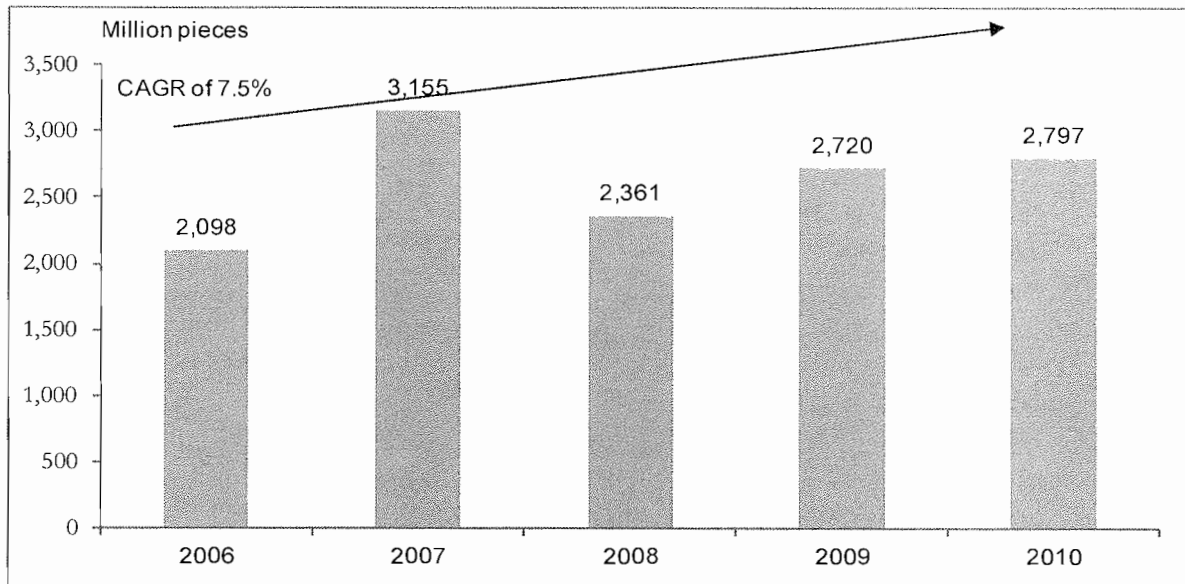
Although condoms are cost-effective products, cost continues to be a barrier to their availability in many developing countries. Due to limited availability of government funding for family planning in these countries, international agencies such as multilateral organisations, bilateral organisations and NGOs are also involved in the distribution of subsidised and/or donated contraceptives, including condoms. Global unit shipment of donated condoms by multilateral organisations, bilateral organisations and NGOs increased from 2.1 billion pieces in 2006 to 2.8 billion pieces in 2010, yielding a CAGR of 7.5% during the period.



## 8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

Figure 10: Global Unit Shipment of Donated Condoms by Multilateral Organisations, Bilateral Organisations and NGOs



Source: Infobusiness Research

Donors comprising UNFPA, which is a multilateral organisation, and bilateral organisations such as the United States Agency for International Development (“USAID”), have embarked on programmes to make condoms available to low income people in these countries. This is supplemented by the NGOs, which provide monetary aid and subsidised condoms at affordable prices.

Besides UNFPA and USAID, other bilateral organisations and NGOs involved in condom donations, distribution of condoms at subsidised prices and monetary aid to support the procurement of condoms, are as follows:

- UK Department for International Development (“DFID”);
- Federal German Ministry for Economic Cooperation and Development (“MBZ/KfW”);
- International Planned Parenthood Federation (“IPPF”);
- Marie Stopes International (“MSI”); and
- Population Services International (“PSI”).

### Condoms are used as a Lifestyle Product

The onset of the AIDS crisis in the 1980s changed the perceptions of condoms, leading to greater social acceptance. In line with growing public health campaigns promoting the concept of safe sex, there is increased and enhanced advertising stressing upon the social acceptance of condoms. Government-subsidised HIV prevention programmes in places such as China, Thailand, South Africa, Uganda and India have also assist to distribute donated condoms free-of-charge through established government health infrastructure. The usage of condoms has become more and more acceptable, even in conservative societies.

## 8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

Through campaigns such as advertising and promotions, condom manufacturers in the commercial market have managed to project an image of condoms as a lifestyle product. They are able to supply a wide assortment of condoms in terms of textures, flavours, colours, shapes and sizes, so as to attract a wide spectrum of consumers in the market. Through promotions by the condom manufacturers, consumers are becoming more aware of their ability to achieve a healthy lifestyle and sexual wellness via the effective usage of condoms. In turn, this has the effect of boosting the usage and sales of condoms in the market in many countries.

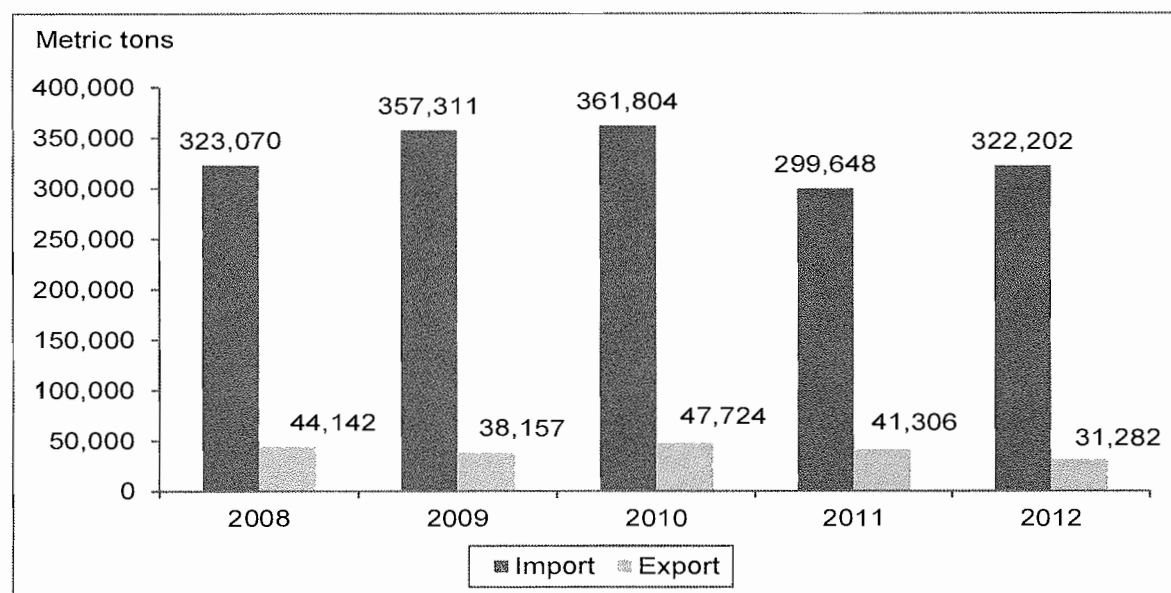
## 1.6.2 Supply Conditions

### Reliance on and Vulnerability to Imports

The condom industry in Malaysia relies on the imports of natural rubber latex. The natural rubber latex required by condom manufacturers in Malaysia is sourced both locally as well as imported from Thailand.

Malaysia is a net importer of natural rubber latex, with imports exceeding exports by a large margin. However, as natural rubber latex is viewed as a commodity, it is easily obtained from suppliers. The import of natural rubber into Malaysia had decreased by a CAGR of 0.1% between 2008 and 2012, from 323,070 metric tons to 322,202 metric tons.

Figure 11: Import and Export of Natural Rubber Latex



Source: Infobusiness Research

### Production of Natural Rubber Latex in Malaysia

The production of natural rubber latex had decreased rapidly by a CAGR of 16.1% from 153,709 metric tons in 2008 to 75,985 metric tons in Malaysian in 2012, as illustrated in the figure below. This was principally due to the conversions of rubber estate into crops such as oil palm plantations as well as property development projects. The adoption of crop diversification and the boom in manufacturing activities catalysed by the various industrial master plans since 1986 have seen the reallocation of resources away from natural rubber cultivation. The transformation of the Malaysian economy into an industrialised one, fuelled by expansion in the manufacturing and services sectors has seen the agricultural sector taken a secondary role.

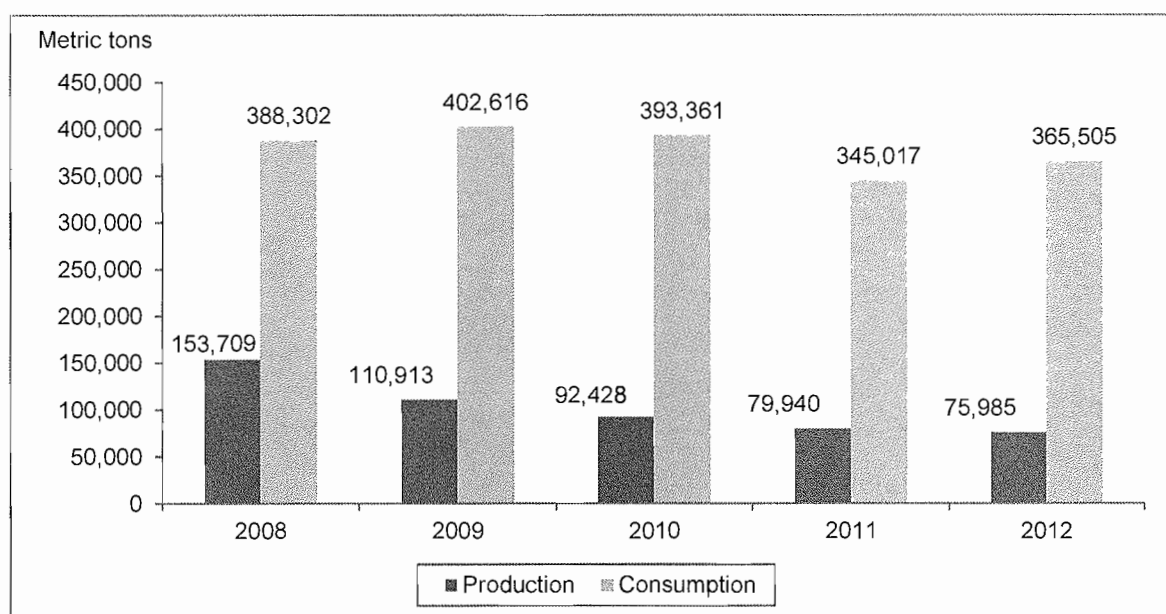
## 8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

Furthermore, rubber trees have a long gestation period and there is also the problem of labour shortage as it is labour-intensive and requires skilled tappers. The younger generation workers prefer to work in factories rather than plantations in rural areas.

As a result of these factors, the consumption of natural rubber latex had exceeded the production of natural rubber latex by a wide margin in the country in the years between 2008 and 2012, as illustrated in the figure below.

Figure 12: Production and Consumption of Natural Rubber Latex in Malaysia



Source: Infobusiness Research

### Supply of Packaging Materials

Packaging materials such as foils and boxes comprise a large proportion of the inputs associated with condom manufacturing. As a consumer product, packaging constitutes an important element in boosting sales as eye-catching attractive colours and convenient packaging spur consumers to purchase on impulse. Packaging also assists to differentiate the products of different manufacturers in the market. It also serves as regulatory requirements on labelling such as brand name, manufacture date, expiry date and instructions of use. In other words, packaging is part and parcel of a consumer product such as condoms as it serves to communicate the attributes of the product to consumers.

### Availability of Labour

As condom manufacturing is relatively labour-intensive, the supply of labour is critical to the smooth operations of a condom factory. This also extends to human capital in the form of skilled labour such as technicians, rubber technologists and engineers. Insufficient labour availability may give rise to interruptions in manufacturing operations, affecting shipment schedules as well as impacting on contractual agreements on timely deliveries of condoms to customers. Due to the relatively high cost of automation in plant and machinery and therefore their cost-effectiveness, condom manufacturers still need to rely on a sufficient supply of labour for their manufacturing operations to a certain extent.

## 8. INDUSTRY OVERVIEW (Cont'd)

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# infobusiness

### 1.7 SUBSTITUTES

There are no substitutes to condoms in the prevention of STI and HIV, except for abstinence. Condoms are the single most efficient available technology in reducing STI and HIV. For consumers suffering from natural rubber latex allergy, there are alternative condoms made from polyurethane and polyisoprene.

For family planning purposes, there are a number of substitutes to the male latex condoms. They vary in their degree of effectiveness in birth control and are as follows:

- Female condoms;
- Intra-uterine devices;
- Oral contraceptives;
- Emergency contraceptive pills;
- Injectable contraceptives;
- Sub-dermal implants;
- Diaphragm or cervical cap; and
- Spermicides.

### 1.8 INDUSTRY PLAYERS AND COMPETITION

#### 1.8.1 Condom Companies in Malaysia

Karex is principally involved in the manufacturing of condoms and other rubber-based medical devices and complementary products such as probe covers, catheters and lubricating jelly for the global market. It is involved in supplying condoms to both the commercial market and institutional buyers such as governments, multilateral organisations, bilateral organisations and NGOs. In addition to manufacturing its own in-house brands as an OBM, its condoms are also manufactured and sold to institutional buyers such as UNFPA and USAID, and brand owners such as Ansell Ltd. and Reckitt Benckiser PLC.

For the purpose of comparison, the selected closest comparable companies to Karex in Malaysia are based on locally incorporated companies that are also involved in condom manufacturing. There are eight (8) other comparable companies in Malaysia and their principal activities are shown in the table below.

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## 8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

Table 4: Closest Comparable Condom Companies in Malaysia

Company	Principal Activities
Karex.	It is principally involved in the manufacturing of condoms and other rubber-based medical devices and complementary products such as probe covers, catheters and lubricating jelly for the global market.
Dongkuk Techco Rubber Industries Sdn Bhd.	It is principally involved in the manufacturing of condoms and finger cots. Finger cots are used in handling electronic components and food as well as other non-medical uses.
Medical-Latex (DUA) Sdn Bhd.	It is a subsidiary of the Beiersdorf Group, Germany. Medical-Latex (DUA) Sdn Bhd is involved in the manufacturing of condoms while the Beiersdorf Group is involved in the manufacturing of skin care products and self-adhesive systems and product solutions.
Nulutex Sdn Bhd.	It is principally involved in the manufacturing of latex dipped products such as condoms, probe covers and latex gloves.
Pleasure Latex Products Sdn Bhd.	It is principally involved in the manufacturing of condoms, as well as toys.
Richter Rubber Technology Sdn Bhd.	It is involved in the manufacturing of machinery which produce and test condoms, as well as the manufacturing of condoms itself.
Sagami Manufacturers Sdn Bhd.	It is a subsidiary of Sagami Rubber Industries Co. Ltd. in Japan and it is involved in the manufacturing of condoms.
SSN Medical Products Sdn Bhd.	It is principally involved in the manufacturing of condoms.
Takaso Rubber Products Sdn Bhd.	It is a subsidiary of Takaso Resources Bhd. Takaso Rubber Products Sdn Bhd is involved in the manufacturing of rubber and baby products, as well as trading in baby apparels, infant milk and toiletries.

Source: Infobusiness Research

The manufacturing activities of the closest comparable companies in Malaysia are shown in the table below. Most of the closest comparable companies in Malaysia are involved in condom manufacturing using natural rubber latex, as well as being involved in both contract manufacturing and OBM.

Table 5: Manufacturing Activities of Closest Comparable Condom Companies in Malaysia

Company	Natural rubber latex	Polyurethane	Polyisoprene	Contract manufacturing	OBM
Karex.	√			√	√
Dongkuk Techco Rubber Industries Sdn Bhd.	√			√	√
Medical-Latex (DUA) Sdn Bhd.	√			√	√
Nulutex Sdn Bhd.	√			√	√
Pleasure Latex Products Sdn Bhd.	√			√	√
Richter Rubber Technology Sdn Bhd.	√			√	√
Sagami Manufacturers Sdn Bhd.	√	√			√
SSN Medical Products Sdn Bhd.	√			√	√
Takaso Rubber Products Sdn Bhd.	√				√

Source: Infobusiness Research

## 8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

Based on the latest publicly available financial statements, Karex is ranked number one (1) in terms of gross profit margin, as compared to the eight (8) closest comparable companies in Malaysia. It is also ranked number one (1) in terms of profit before tax margin, as shown in the table below.

**Table 6: Financial Comparisons of Closest Comparable Condom Companies in Malaysia**

Company	Financial year ended	Revenue (RM Million)	Gross profit (RM Million)	Gross profit margin (%)	Profit before tax (RM Million)	Profit before tax margin (%)
Karex <sup>1</sup>	30/06/13	231.39	59.92	25.9	36.14	15.6
Nulutex Sdn Bhd.	31/12/11	7.47	1.32	17.7	0.16	2.1
Takaso Rubber Products Sdn Bhd. <sup>2</sup>	31/07/12	13.19	2.26	17.1	-1.47	N. A.
Sagami Manufacturers Sdn Bhd.	31/12/12	43.71	7.39	16.9	4.28	9.8
SSN Medical Products Sdn Bhd.	31/12/11	26.36	4.16	15.8	1.53	5.8
Richter Rubber Technology Sdn Bhd.	31/12/11	23.82	2.88	12.1	0.74	3.1
Medical-Latex (DUA) Sdn Bhd.	31/12/11	19.48	1.56	8.0	-2.61	N. A.
Pleasure Latex Products Sdn Bhd.	31/12/11	44.95	N. A.	N. A.	1.54	3.4
Dongkuk Techco Rubber Industries Sdn Bhd.	31/12/11	3.05	-0.69	N. A.	-3.25	N. A.

**Notes:**

N. A. = Not Applicable / Not Available

1. Includes revenue from Innolatex (Thailand) Limited.

2. Takaso Rubber Products Sdn Bhd is a subsidiary of Takaso Resources Bhd

Source: Infobusiness Research and management of Karex

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## 8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

## 1.8.2 Public Listed Condom Companies

Globally, there are a handful of public listed companies involved in condom manufacturing. They are very diversified in their operations and are involved in the manufacturing of a wide range of rubber-related and non-rubber related products, as shown in the table below. The products are marketed and sold in various countries around the world.

Table 7: Profile on Public Listed Condom Companies

Company	Country of Origin	Principal Activities	FYE	Revenue (USD Million)	Revenue (RM Million)
Reckitt Benckiser PLC.	United Kingdom	It is involved in the manufacturing and marketing of household products (eg. harpic), health products (eg. strepsils) and personal care products, including condoms (eg. Durex brand).	31/12/12	14,446.1	44,753.6
Church & Dwight Co. Inc.	US	It is involved in the development, manufacturing and marketing of a broad range of household (eg. baking soda), personal care and speciality products, including condoms (eg. Trojan brand). The products are used in both consumer and industrial applications.	31/12/12	2,921.9	9,051.9
Ansell Ltd.	Australia	It is involved in protection solutions. It designs, develops and manufactures a wide range of hand and arm protection solutions, clothing and condoms (eg. SKYN brand). Its operations are organised into four (4) global business units: industrial, medical, sexual wellness, and specialty markets.	30/06/12	1,255.0	3,887.9
Okamoto Industries Ltd.	Japan	It is involved in the manufacturing of a wide range of products, including condoms, flexible plastic packaging, gloves, adhesive tapes, rubber bands, medical devices, heating pads, dehumidifiers, humidity absorbers, sports gear, wall coverings, automotive interiors and others.	31/03/13	698.1	2,162.7
Fuji Latex Co. Ltd.	Japan	It is involved in the manufacturing and sale of condoms and probe covers, as well as industrial shock absorbers, rotary dampers and others.	31/03/13	61.9	191.8
Sagami Rubber Industries Co. Ltd.	Japan	It is involved in the manufacturing of condoms, catheters, probe covers and plastic films, as well as various healthcare products and services.	31/03/13	40.3	124.9
Cupid Ltd.	India	It is involved in the manufacturing of male and female condoms, as well as lubricants, latex dental dams and probe covers.	31/03/13	5.3	16.4

Note:

The exchange rate is 1USD = RM3.09797

Source: Infobusiness Research

## 8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

All the public listed condom companies aforementioned are involved in the manufacturing of condoms made from natural rubber latex while some of them also manufacture condoms made from polyurethane and polyisoprene, as shown in the table below.

**Table 8: Types of Condoms Manufactured by the Public Listed Companies**

Company	Natural rubber latex	Polyurethane	Polyisoprene
Reckitt Benckiser PLC.	√	√	√
Church & Dwight Co. Inc.	√	√	
Ansell Ltd.	√		√
Okamoto Industries, Inc.	√	√	
Fuji Latex Co. Ltd.	√		
Sagami Rubber Industries Co. Ltd.	√	√	
Cupid Ltd.	√		

Source: Infobusiness Research

## 1.9 MARKET SHARE

Karex (Malaysian operations) exported 7.6 million kilograms of condoms in 2012. As Malaysia exported around 12.5 million kilograms of condoms in 2012, Karex (Malaysian operations) accounted for an export market share of 60.8% in 2012. This makes it the largest exporter of condoms from Malaysia.

Karex is the biggest condom manufacturer in the world, in terms of annual manufacturing capacity, as shown in the ensuing table. The possession of a large manufacturing capacity enables it to absorb sudden surges in demand from customers and to ramp-up its production.

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## 8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

Table 9: Estimated Annual Manufacturing Capacities of Selected Condom Companies

Name of Company	Location	Estimated Annual Manufacturing Capacity (pieces)
Karex.	Malaysia and Thailand	3.0 billion
Thai Nippon Rubber Industry Co. Ltd.	Thailand	2.0 billion
TTK-LIG Ltd.	India	1.5 billion – 2.0 billion
HLL Lifecare Ltd.	India	1.6 billion
Suretex Ltd. <sup>1</sup>	Thailand	1.2 billion
Qingdao London Durex Co. Ltd. <sup>2</sup>	China	1.0 billion
Guilin Latex Factory.	China	0.95 billion
Unidus Corp. <sup>3</sup>	China and South Korea	0.92 billion
Guangzhou Guangxiang Enterprises Group Co. Ltd. Doubleone Latex Factory.	China	0.75 billion
Pleasure Latex Products Sdn Bhd.	Malaysia	0.70 billion
SSL Manufacturing (Thailand) Ltd. <sup>2</sup>	Thailand	0.70 billion
Suretex Prophylactics (India) Ltd. <sup>1</sup>	India	0.40 billion
Church & Dwight Co. Inc.	US	0.37 billion
Nulatex Sdn Bhd.	Malaysia	0.36 billion
J.K. Ansell Ltd. <sup>1</sup>	India	0.35 billion

## Notes:

1. Part of Ansell Ltd.

2. Part of Reckitt Benckiser PLC

3. Unidus Corp. is a South Korean company

Source: Infobusiness Research

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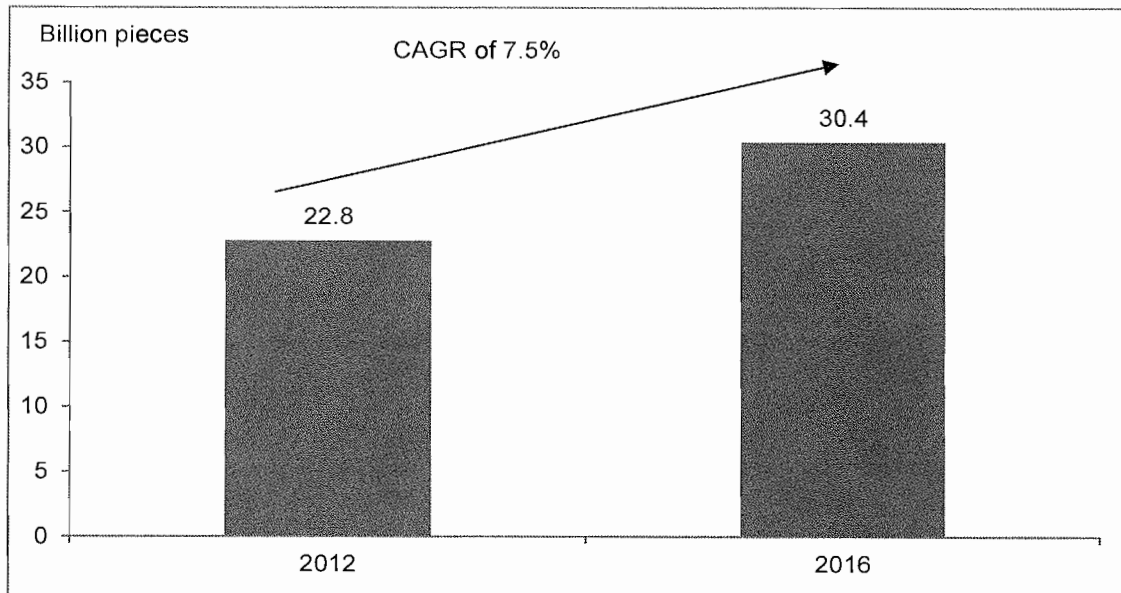
## 8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

## 1.10 OUTLOOK AND PROSPECTS

The global condom market is expected to expand at a healthy rate over the near future. Globally, the condom market is anticipated to increase from 22.8 billion pieces in 2012 to 30.4 billion pieces in 2016, registering a CAGR of 7.5%.

Figure 13: Forecasted Global Condom Market



Source: Infobusiness Research

This is due to a combination of factors such as population growth, prevalence of use and increasing awareness. As a relatively inexpensive form of birth control as families seek to limit household size in an era of rising inflation, the market potential for condoms holds promises primarily in the developing countries. Given limited condom usage in these countries, there are ample opportunities for further growth. The other main driver of growth continues to be the prevention of STI and HIV.

Besides rising health awareness as well as cheap and easy to use, UN health programmes and advertisements on sexual health are pushing up condom sales globally. The resolution adopted by the UN General Assembly on HIV and AIDS in 2011 shows the recognition by the world body on the challenges posed by the disease to the development, progress and stability of the world at large. As a result, there is a commitment by member nations of the UN to achieve universal access to HIV prevention, care, treatment and support by 2015, in the resolution. This is anticipated to further drive the demand for condoms, among others.

With the expanding world population, the demand for condoms is expected to grow in tandem. The global sex ratio is approximately 1.01 males to one (1) female, with 66.0% of the males aged between 15 years old and 64 years old. China, the most populous country in the world, reported that 37.8% of its population or approximately 507.7 million are males between the ages of 15 years old and 64 years old, while India contributes 406.1 million (33.7% of its population), followed by the US at 104.2 million (33.2% of its population). Such global demographic naturally presents a huge potential market for condoms.

## 8. INDUSTRY OVERVIEW (Cont'd)

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# infobusiness

With the global population projected to increase to 8.1 billion in 2025 from 7 billion in 2012, basic necessities such as food and water are under more strain than ever. As a result, the role of contraceptives such as condoms in family planning is becoming more crucial.

### 1.11 THE GLOBAL ECONOMY

In 2012, the international economic landscape became more challenging relative to the preceding year. Global growth experienced a synchronised moderation as weakening economic conditions in several key economies affected international trade and subsequently generated adverse spillover effects on domestic activities in the emerging economies.

The global growth outlook is expected to improve in 2013. Financial and policy risks have receded compared to the situation over the recent two (2) years. Policy measures introduced in the latter half of 2012 have reduced policy uncertainties and stress in the financial markets. In the advanced economies, the pace of recovery is likely to be weak, with the differential in national growth rates reflecting the degree of economic and financial stress in the individual economies.

The outlook for the emerging economies is relatively more favourable in 2013, despite their vulnerability to external developments. For most of these economies, domestic demand remains the key driver of growth. Overall, the pace of global growth would be contingent on the strength of the revival in private sector activities in the United States ("US"), the commitment towards a credible and comprehensive set of crisis resolution policies in the euro area, and the sustainability of domestic demand in the emerging economies.

The US economy is expected to register modest growth, supported by an improvement in private demand which is expected to partially offset the ongoing fiscal consolidation. Consumption activities will remain a key driver of the private sector-led growth, supported by a recovery in the housing and labour markets. Economic activities in the euro area are expected to remain weak due to structural constraints and the continued fiscal consolidation. While tensions in the financial markets have receded, fragile growth still persists particularly in the crisis-affected economies due to the ongoing fiscal austerity measures and structural adjustments.

In Japan, economic growth is expected to moderate, reflecting the diminishing effects from reconstruction-related demand over the recent two (2) years, amid protracted weakness in domestic activities. The economic expansion in China is expected to remain robust, with domestic economic activities set to become stronger during the year.

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## 8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

Table 10: Global Real Gross Domestic Product ("GDP"), 2009-2013<sup>f</sup>

Growth (%)	2009	2010	2011	2012 <sup>e</sup>	2013 <sup>f</sup>
World GDP	-0.6	5.2	3.9	3.2	3.5
US	-3.1	2.4	1.8	2.2	2.0
Japan	-5.5	4.7	-0.6	2.0	1.2
euro area *	-4.4	2.0	1.4	-0.6	-0.2
China	8.8	10.4	9.3	7.8	8.2

Notes:

\* = Indicates member countries of the Euro area (Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Slovak Republic, Slovenia, Spain)

e = estimate

f = forecast

Source: Bank Negara Malaysia

## 1.12 THE MALAYSIAN ECONOMY

The Malaysian economy performed better than expected in 2012, with a growth of 5.6%. The strong growth was supported by resilient domestic demand, which cushioned the negative impact of the weak external environment. Domestic demand recorded its highest rate of expansion for the decade, supported by stronger consumption and investment spending. Continued resilience in domestic demand was underpinned largely by sound macroeconomic fundamentals, the more diversified and balanced economic structure, the stronger and more developed financial system, and greater macroeconomic policy flexibility.

The Malaysian economy is expected to remain on a steady growth path with an expansion of between 5% and 6% in 2013. Economic activities will be anchored by the continued resilience of domestic demand, and supported by a gradual improvement in the external sector.

The services and manufacturing sectors are expected to be the key contributors to overall growth, driven by the continued resilience of domestic demand and supported by the gradual improvement in the global economic environment, which is projected to augur well for international trade activities. The services and manufacturing sectors are projected to increase at 5.5% and 4.9%, respectively.

The domestic-oriented industries within the manufacturing sector, in particular, the consumer-related cluster such as food and motor vehicles, are likely to benefit from the continued growth in private consumption. The construction-related manufacturing cluster is also expected to perform well. The export-oriented industries such as electrical and electronics are projected to be supported by demand for products in the consumer and telecommunications segments. In the primary-related cluster, growth is anticipated to be supported by firm demand for resource-based products, such as refined petroleum products, chemicals and chemical products, and rubber products.

Consumption-related activities in the services sector such as retail trade, accommodation and restaurants are anticipated to continue to be supported by private sector spending. Growth in the finance and insurance sub-sector is projected to be sustained, reflecting robust demand for financing, particularly by businesses.

## 8. INDUSTRY OVERVIEW (Cont'd)

# infobusiness

Growth in the construction sector is anticipated to expand by 15.9%, driven by the civil engineering sub-sector as the momentum of construction activities in oil and gas, transportation and utilities is expected to remain strong. The agriculture sector is expected to grow by 4% in 2013, supported by higher output of crude palm oil and food commodities, especially livestock and vegetables. The mining sector is projected to increase by 5% in 2013, on higher production of natural gas, crude oil and condensates.

**Table 11: Annual Change in Real GDP by Sector, 2009-2013<sup>f</sup> (2005 prices)**

Growth (%)	2009	2010	2011	2012 <sup>p</sup>	2013 <sup>f</sup>
GDP	-1.5	7.2	5.1	5.6	5.0-6.0
Agriculture	0.1	2.4	5.9	0.8	4.0
Manufacturing	-9.0	11.9	4.7	4.8	4.9
Mining	-6.5	-0.4	-5.7	1.4	5.0
Construction	6.2	6.0	4.6	18.5	15.9
Services	2.9	7.2	7.0	6.4	5.5

Notes:

*p* = preliminary

*f* = forecast

Source: Bank Negara Malaysia

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## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

### 9.1 Promoters and substantial shareholders

Our Promoters and substantial shareholders are as follows. We confirm that there is no any other person who, directly or indirectly, jointly or severally, has control over our Company. Our Promoters who are individuals are also our Selling Shareholders.

Name	Country of incorporation/ Nationality	Age	Designation	Before Listing*				Upon completion of Listing**			
				Direct		Indirect		Direct		Indirect	
				No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
KOL	British Virgin Islands	-	• Promoter	94,500,000	41.18	-	-	94,500,000	35.00	-	-
AJNA	British Virgin Islands	-	• Promoter	3,800,000	1.66	-	-	3,800,000	1.41	-	-
Goh Siang	Malaysian	63	• Promoter; and • Senior Executive Director.	10,280,586	4.48	94,500,000 <sup>(1)</sup>	41.18	7,005,586	2.59	94,500,000 <sup>(1)</sup>	35.00
Goh Leng Kian	Malaysian	58	• Promoter; and • Executive Director, Technical and R&D.	14,080,590	6.14	94,500,000 <sup>(1)</sup>	41.18	10,805,590	4.00	94,500,000 <sup>(1)</sup>	35.00
Goh Yen Yen	Malaysian	70	• Promoter; and • Executive Director, Administration.	10,830,543	4.72	94,500,000 <sup>(1)</sup>	41.18	7,555,543	2.80	94,500,000 <sup>(1)</sup>	35.00

**9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

Name	Country of incorporation/ Nationality	Age	Designation	Before Listing*			Upon completion of Listing**				
				No. of Shares	%	No. of Shares	%	No. of Shares	%		
Goh Yin	Malaysian	65	<ul style="list-style-type: none"> <li>Promoter, and</li> <li>QA Director.</li> </ul>	10,830,547	4.72	94,500,000 <sup>(1)</sup>	41.18	7,555,547	2.80	94,500,000 <sup>(1)</sup>	35.00
Lam Jiuan Jiu	Australian	61	<ul style="list-style-type: none"> <li>Promoter, and</li> <li>Non-Independent Non-Executive Director.</li> </ul>	8,930,543	3.89	98,300,000 <sup>(2)</sup>	42.83	5,655,543	2.09	98,300,000 <sup>(2)</sup>	36.41
Goh Miah Kiat	Malaysian	35	<ul style="list-style-type: none"> <li>Promoter, and</li> <li>Chief Executive Officer.</li> </ul>	10,830,585	4.72	94,500,000 <sup>(1)</sup>	41.18	7,555,585	2.80	94,500,000 <sup>(1)</sup>	35.00
Lam Yiu Pang Albert	Australian	66	<ul style="list-style-type: none"> <li>Promoter</li> </ul>	22,430,543	9.77	3,800,000 <sup>(3)</sup>	1.66	19,055,543	7.06	3,800,000 <sup>(3)</sup>	1.41
Goh Ai Noi	Malaysian	57	<ul style="list-style-type: none"> <li>Promoter</li> </ul>	10,830,543	4.72	94,500,000 <sup>(1)</sup>	41.18	7,455,543	2.76	94,500,000 <sup>(1)</sup>	35.00

## Notes:

\* Incorporates effects of the Acquisitions and Transfer of Shares

\*\* Incorporates effects of the Acquisitions, Transfer of Shares, the IPO and assuming full subscription of the Issue Shares made available to eligible Directors and employees (as disclosed in Section 4.3.2(ii) of this Prospectus)

(1) Deemed interested by virtue of his/her interest in KOL

(2) Deemed interested by virtue of her interest in KOL and AJNA

(3) Deemed interested by virtue of his equity interest in AJNA

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## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 9.1.1 Profile

#### (i) KOL

*Our Promoter and substantial shareholder*

KOL was incorporated in the British Virgin Islands under the BVI Business Companies Act as a company limited by shares on 20 October 2010. The issued and paid-up share capital of KOL is 7 ordinary shares. KOL's principal activity is investment holding company.

The sole Director of KOL is Lam Jiuan Jiu.

The shareholdings of KOL as at the LPD and upon completion of our Listing is below:

Name	As at the LPD and upon completion of our Listing			
	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Lam Jiuan Jiu	7*	100.00	-	-
Goh Siang	-	-	1*	14.29
Goh Leng Kian	-	-	1*	14.29
Goh Yen Yen	-	-	1*	14.29
Goh Yin	-	-	1*	14.29
Goh Miah Kiat	-	-	1*	14.29
Goh Ai Noi	-	-	1*	14.29

Note:

\* Lam Jiuan Jiu is holding one (1) share on trust for each of Goh Siang, Goh Leng Kian, Goh Yen Yen, Goh Yin, Goh Miah Kiat and Goh Ai Noi, and one (1) share for herself.

#### (ii) AJNA

*Our Promoter*

AJNA was incorporated in the British Virgin Islands under the International Business Companies Act as a company limited by shares on 4 October 1995. The issued and paid-up share capital of AJNA is 1,000 ordinary shares. AJNA's principal activity is asset and investment holding.

The Directors of AJNA are Lam Jiuan Jiu and Lam Yiu Pang Albert.

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## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (*Cont'd*)

The shareholdings of AJNA as at the LPD and upon completion of our Listing:

Name	As at the LPD and upon completion of our Listing			
	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Lam Juan Juan	500	50.0	-	-
Lam Yiu Pang Albert	500	50.0	-	-

**(iii) Goh Siang**  
*Senior Executive Director*

Goh Siang is our Senior Executive Director with over 35 years of experience in the rubber and latex industry.

Goh Siang has gained substantial amount of experience since 1976 via his engagement with the General Rubber Goods Division in Dunlop Ltd, Manchester, UK, for two (2) years. After his stint in the UK, Goh Siang joined Ban Seng Hong Sdn Bhd as a General Manager in 1978, where he was in charge of overseeing the production of "Standard Malaysian Rubber" and marketing function of the company.

Since 1990, Goh Siang has been with our Group. He is involved in the planning, organising and charting our Group's direction in the manufacturing, sales and marketing of condoms and other medical disposable products worldwide; the marketing and logistic of international business transactions; and the planning and organising of latex condom and catheter manufacturing plants.

Goh Siang graduated with a Bachelor of Science Degree with Honours in Chemical Engineering and a Master of Science in Polymer Technology from the Loughborough University of Technology, UK in 1975.

**(iv) Goh Leng Kian**  
*Executive Director, Technical and R&D*

Goh Leng Kian is our Executive Director in Technical and R&D. His specialist experience in the condom and latex dipping industries spans over 20 years.

Goh Leng Kian's experience includes the establishment of the condom and catheter manufacturing plants, exposing him to a wide spectrum of roles including the supervision and management for the detail design, construction, installation, commissioning and testing of all related equipment, systems as well as the facilities of the projects. He also has over 30 years of experience in the rubber and latex industry.

Goh Leng Kian's career started in 1980 with Ban Seng Hong Sdn Bhd as a Mechanical Engineer, where he is in charge of the engineering unit for the company's rubber processing facilities. He joined our Group in 1988. He is currently responsible for overseeing our Group's manufacturing facilities, including production and technical matters. This includes the construction and development of our condom dipping lines, ET and foiling machines, R&D activities such as improving the dipping process, new automation to improve production efficiency and product quality and overall yield of the factories as well as sourcing of new packaging machinery.

**9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

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Goh Leng Kian graduated with a Bachelor of Science Degree with Honours in Mechanical Engineering from the Loughborough University of Technology, UK in 1979.

**(v) Goh Yen Yen**  
*Executive Director, Administration*

Goh Yen Yen is our Executive Director in Administration with over 20 years of experience in handling human resource, finance and administration system, internal quality auditing and also hands-on experience in budget, control and overhead cost and capital expenditure.

She graduated with a Bachelor Degree of Art in Geography with Honours from the University of Malaya in 1969. Prior to joining Karex in 1996, she was a teacher in various secondary schools in Johor for 26 years.

**(vi) Goh Yin**  
*QA Director*

Goh Yin is our QA Director with more than 10 years of experience in managing the QA and QC department in our Group. She is also a qualified Lead Auditor responsible for carrying out System Audits for our Group as well as the quality management representative for our Group.

Goh Yin graduated with a Bachelor of Science Degree majoring in Chemistry and a Diploma in Education from the University of Otago, New Zealand in 1975. She started teaching in various secondary schools in Johor since 1976 before joining our Group in 1998.

**(vii) Goh Miah Kiat**  
*Chief Executive Officer*

Goh Miah Kiat is our Chief Executive Officer. Goh Miah Kiat became an integral part of our Group in 1999. For over 10 years he has been overseeing the marketing and logistics of our international business transactions, brand development and coordination activities of our Group.

Goh Miah Kiat has been acting as a representative of Malaysia in TC 157 (the technical committee for the standardisation of non-systemic contraceptives and STI barrier prophylactics) since year 2000.

Throughout his career, Goh Miah Kiat has actively contributed to the development and promotion of condoms in Malaysia. He played a part in the development of the following:

- (a) Global Condom Standard, ISO 4074;
- (b) MS ISO 16037:2010 in association with SIRIM, Malaysia; and
- (c) ISCR/TC 8 - Non Systemic Contraceptives and STI Barrier Prophylactics that contributed the development of the Malaysian Condom Standard

Goh Miah Kiat graduated with a Bachelor's Degree in Economics and Management from the University of Sydney in 1999. He is currently a member of the Board of Trustee, member of the Marketing Committee and member of the Scholarship Committee in the Malaysian Rubber Export Promotional Council.

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (*Cont'd*)

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(viii) **Lam Jiuan Jiu**  
*Non-Independent Non-Executive Director*

Lam Jiuan Jiu is our Non-Independent Non-Executive Director. She brings with her, her vast 30 years of experience from the financial and corporate management industry.

Lam Jiuan Jiu started out in 1976, where she joined the Commercial Banking Company of Sydney, as a management trainee, where she gained a wide spectrum of retail banking experience before moving on to join Tricontinental Australia Limited in 1978. In 1979, she moved to Hong Kong and joined Toronto Dominion Bank in its Asia and Australasia Division as a Regional Credit Manager, responsible for credit approvals of banks/corporate and monitoring country limits. In 1986, she joined the Canadian Imperial Bank of Commerce for three (3) years as the Corporate Marketing Manager in charge of major public listed companies and as well as corporate company accounts. In 1989, she joined Barclays Bank PLC and she is currently a senior banker within Wealth and Investment Management Division based out of Hong Kong.

She graduated with a Bachelor of Economics majoring in Accounting and Commercial Laws from the University of Sydney, Australia in 1976. She is also a Fellow of Certified Public Accountant ("CPA"), Australia as well as a member of the Hong Kong Registered Financial Planners.

(ix) **Lam Yiu Pang Albert**  
*Our Promoter and substantial shareholder*

Albert Lam has been serving as an Independent Non-Executive Director of Mexan Limited, a company listed on the board of the Hong Kong Stock Exchange since April 2007. His experience includes senior positions in the big four international audit firms and being the Chief Accountant in a public listed banking group. Albert currently owns an auditing practice and is involved in some trading business.

Albert Lam graduated with a Bachelor's Degree in Economics from the University of Tasmania, Australia 1971. He is an associated member of the Institute of Chartered Accountants in Australia since 1975 as well as a certified public accountant of the Hong Kong Institute of Certified Public Accountants with a Practising Certificate since 1979.

(x) **Goh Ai Noi**  
*Our Promoter and substantial shareholder*

Goh Ai Noi is one of the pioneers of our Group. She started her career in 1988 when she joined the Banrub production department. She was then appointed as the Head of Probe Covers division when Banrub started the manufacturing of probe covers. She remained as the Head of Probe Covers division until her retirement in 2006.

## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 9.1.2 Changes in our Promoters' and substantial shareholders' shareholdings

The changes in our Promoters' and substantial shareholders' shareholdings since our incorporation and as at the date of Prospectus are as follows:

Name	As at 27 September 2012 (date of incorporation)			As at the date of this Prospectus (after the Acquisitions)		
	Direct		Indirect	Direct		Indirect
	No. of shares	%	No. of shares	No. of Shares	%	No. of Shares
KOL	-	-	-	-	-	-
AJNA <sup>(1)</sup>	-	-	-	3,800,000	1.66	-
Goh Siang	-	-	-	15,880,601	6.92	-
Goh Leng Kian	2 <sup>(2)</sup>	50.00	-	19,680,605	8.58	-
Goh Yen Yen	-	-	-	16,430,559	7.16	-
Goh Yin	2 <sup>(2)</sup>	50.00	-	16,430,563	7.16	-
Lam Jiuuan Jiuuan	-	-	-	14,530,559	6.33	3,800,000 <sup>(3)</sup>
Goh Miah Kiat	-	-	-	16,430,601	7.16	-
Lam Yiu Pang Albert	-	-	-	14,530,559	6.33	3,800,000 <sup>(3)</sup>
Goh Ai Noi	-	-	-	16,430,559	7.16	-
<b>Total</b>	<b>4</b>	<b>100.00</b>	<b>-</b>	<b>134,144,606</b>	<b>58.46</b>	<b>3,800,000</b>
						<b>1.66</b>

Notes:

- (1) AJNA is our Promoter but not considered our substantial shareholder
- (2) Ordinary shares of RM0.50 each (where each share was subsequently subdivided into 2 shares of RM0.25 each on 30 November 2012)
- (3) Deemed interested by virtue of his/her equity interest in AJNA

## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (*Cont'd*)

### 9.2 Directors

Our Directors are as follows:

Name	Nationality	Age	Designation
Tan Sri Dato' Seri Arshad Bin Ayub	Malaysian	85	Chairman, Independent Non-Executive Director
Goh Siang	Malaysian	63	Senior Executive Director
Goh Leng Kian	Malaysian	58	Executive Director, Technical and R&D
Goh Yen Yen	Malaysian	70	Executive Director, Administration
Lam Jiuan Jiuan	Australian	61	Non-Independent Non-Executive Director
Wong Yien Kim	Malaysian	59	Independent Non-Executive Director
Jonathan Law Ngee Song	Malaysian	47	Independent Non-Executive Director
Dato' Dr. Ong Eng Long	Malaysian	69	Independent Non-Executive Director

#### 9.2.1 Profiles

Please refer to Section 9.1.1 of this Prospectus for the profiles of:

- (i) **Goh Siang (*Senior Executive Director*);**
- (ii) **Goh Leng Kian (*Executive Director, Technical and R&D*);**
- (iii) **Goh Yen Yen (*Executive Director, Administration*); and**
- (iv) **Lam Jiuan Jiuan (*Non-Independent Non-Executive Director*).**

The profiles of our four (4) other directors are as follows:

- (i) **Tan Sri Dato' Seri Arshad Bin Ayub**  
*Chairman, Independent Non-Executive Director*

Tan Sri Dato' Seri Arshad is our Chairman, Independent Non-Executive Director with a distinguished career in the Malaysian Civil Service, where he have held various senior positions in various Ministries in the Malaysian Government from 1958 till 1983, including serving as Deputy Governor of Bank Negara Malaysia (1975 – 1977), Deputy Director General in the Economics Planning Unit of the Prime Minister's Department (1977 – 1978) and as Secretary General in the Ministry of Primary Industries (1978), Ministry of Agriculture (1979 – 1981) and Ministry of Land and Regional Development (1981 – 1983). He was also a Member of Justice Harun's Salaries Commission for statutory bodies.

## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (*Cont'd*)

Presently, Tan Sri Dato' Seri Arshad sits on the Board of Directors of the various public listed companies such as Malayan Flour Mills Berhad, Tomypak Holdings Berhad, KULIM (M) Berhad and Top Glove Corporation Berhad. He is also a member of the Board of several private limited companies such as PFM Capital Sdn Bhd, Ladang MOCCIS Sdn Bhd, Zalaraz Sdn Bhd (a family company), Land Rover (M) Sdn Bhd, Bata (M) Sdn Bhd and Nakagawa Rubber Industries Sdn Bhd.

Tan Sri Dato' Seri Arshad is currently serving as President of the Malaysian Rubber Products Manufactures Association (MRPMA). He is also Chairman of Board Directors of University Malaya, Pro Chancellor of Universiti Teknologi MARA (UiTM), Chancellor of KPJ Healthcare University College (KPJUC) and Chancellor of INTI International University (INTI IU). He is a Governor of Tuanku Jaafar College, Chairman of PINTAR Foundation, Trustee of AmanahRaya Berhad Foundation, Chairman of Bistari Johor Berhad, Chairman of Lembaga Bersekutu Pemegang Amanah Pengajian Tinggi Islam Malaysia, Director of Lion Education Foundation, Patron of Arshad Ayub Foundation, Advisor of Yayasan Budiman (YBUiTM) and a member of Tun Razak Foundation, Pak Rashid Foundation, Lung Foundation of Malaysia and Advisor of Malaysian Malay Businessman And Industrialists Association (PERDASAMA).

Tan Sri Dato' Seri Arshad graduated with a Diploma in Agriculture from College of Agriculture, Serdang, Selangor in 1954 and later obtained a Bachelor of Science (Honours) Economics and Statistics from University of Wales, Aberystwyth, United Kingdom in 1958. In 1964, he obtained a postgraduate Diploma in Business Administration from Management Development Institute, Lausanne, Switzerland.

**(ii) Wong Yien Kim**  
*Independent Non-Executive Director*

Wong Yien Kim is our Independent Non-Executive Director. He is also the Senior General Manager Finance of Kumpulan Perangsang Selangor Berhad ("KPS"). In addition, he has been on the board of directors of Taliworks Corporation Bhd since 2007 serves as a member of the audit committee and investment committee of Taliworks Corporation Bhd.

Wong Yien Kim joined KPS in 1983 as an Accountant and was appointed Chief Accountant for several of KPS' subsidiaries. Prior to joining KPS, he was attached to SAP Holdings Berhad for seven (7) years and held the position of Head of Division, Finance. He was also the Vice President, Finance of Kumpulan Darul Ehsan Berhad from 1 January 2000 to 9 May 2011.

Wong Yien Kim has been a member of the Malaysian Institute of Accountants and the Institute of Chartered Accountants England and Wales since 1982.

**(iii) Jonathan Law Ngee Song**  
*Independent Non-Executive Director*

Jonathan Law graduated from Australia National University with a Bachelor of Commerce degree and Bachelor of Laws degree in 1987 and 1989 respectively. He was admitted as Advocate and Solicitor, High Court of Malaya in 1991.

**9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

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Jonathan Law practiced as a legal assistant in Allen & Gledhill from 1991 to 1995 and was subsequently promoted to partner of the firm in 1995. He joined Nik, Saghir & Ismail in 1996 and has been a partner since.

Jonathan Law has been on the board of directors of Evergreen Fibreboard Berhad since 2007 and has been serving as the chairman of the board since 2010. He is also a non-executive independent director of Anglo-Eastern Plantations PLC, a company listed on the London Stock Exchange.

**(iv) Dato' Dr. Ong Eng Long**  
*Independent Non-Executive Director*

Dato' Dr. Ong Eng Long graduated from University of Malaya with a Bachelor of Science (Hons) Degree in 1969 and obtained a PhD from Queen Mary College, London in 1973.

He started off at the Rubber Research Institute of Malaysia ("RRIM") as a Senior Research Officer in 1973. He has held different positions in RRIM up to 1998 when it merged with two (2) other organisations to form the Malaysian Rubber Board.

He was the former Deputy Director General of the Malaysian Rubber Board from 1998 to May 2001 and the former Deputy Chief Executive Officer of the Malaysian Rubber Export Promotion Council from 2001 to 2008.

Dato' Dr. Ong Eng Long has been the Technical Adviser for Kossan Rubber Industries Bhd since July 2008, the Chairman of ISO/TC 157 Non-Systemic Contraceptives and STI Barrier Prophylactics since 2007 and the Chairman of ISO/TC 45 SC4 Rubber Products Other Than Hoses since 2005. ISO/TC 157 is the technical committee that is responsible for, amongst others, the international condom standards while ISO/TC 45 is responsible for, also amongst others, international rubber glove standards. He has been involved with standards development for the past two (2) decades. Dato' Dr. Ong has more than 150 publications in areas of rubber physics and latex dipped products.

Dato' Dr. Ong Eng Long is a council member of the Institute of Chemistry, Malaysia since 2001. He is also a member of the advisory group to the Moody International Certification (Malaysia) Sdn. Bhd. Dato' Dr. Ong Eng Long is also the President of the Malaysian Rubber Product Manufacturers' Association.

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## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 9.2.2 Directors' shareholdings in our Company

Our Board and their respective shareholdings in our Company before and after Listing are as follows:

Name	Before Listing*			After Listing**		
	No. of Shares	%	Indirect	No. of Shares	%	Indirect
Tan Sri Dato' Seri Arshad Bin Ayub	-	-	-	100,000	0.04	-
Goh Siang	10,280,586	4.48	94,500,000 <sup>(1)</sup>	7,005,586	2.59	94,500,000 <sup>(1)</sup>
Goh Leng Kian	14,080,590	6.14	94,500,000 <sup>(1)</sup>	10,805,590	4.00	94,500,000 <sup>(1)</sup>
Goh Yen Yen	10,830,543	4.72	94,500,000 <sup>(1)</sup>	7,555,543	2.80	94,500,000 <sup>(1)</sup>
Lam Jiu Juan Jiu Juan	8,930,543	3.89	98,300,000 <sup>(2)</sup>	5,655,543	2.09	98,300,000 <sup>(2)</sup>
Wong Yien Kim	-	-	-	100,000	0.04	-
Jonathan Law Ngee Song	-	-	-	100,000	0.04	-
Dato' Dr. Ong Eng Long	-	-	-	100,000	0.04	-

#### Notes:

\* Incorporates effects of the Acquisitions and Transfer of Shares

\*\* Incorporates effects of the Acquisitions, Transfer of Shares, the IPO and assuming full subscription of the Issue Shares made available to eligible Directors and employees (as disclosed in Section 4.3.2(ii) of this Prospectus)

(1) Deemed interested by virtue of his/her equity interest in KOL

(2) Deemed interested by virtue of her equity interest in AJNA and KOL



**9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

**9.2.3 Representative of corporate shareholders**

None of our Directors represent any corporate shareholders.

**9.2.4 Principal business activities outside our Group and principal directorships**

The following table sets out information on our Directors of:

- (i) their directorships held within past five (5) years; and
- (ii) principal business activities performed outside our Group as at the LPD.

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
Tan Sri Dato' Seri Arshad Bin Ayub	<i>Directorships as at the LPD:</i> <ul style="list-style-type: none"> <li>• Yayasan Dewan Perniagaan Melayu Johor</li> <li>• Pintar Foundation</li> <li>• Kumpulan Pendidikan YPJ Sdn Bhd</li> <li>• Permata Photo Scan Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>• 1 August 1994</li> <li>• 8 July 2010</li> <li>• 21 November 1997</li> <li>• 23 August 1995</li> </ul>	<ul style="list-style-type: none"> <li>• -</li> <li>• -</li> <li>• -</li> <li>• -</li> </ul>	<ul style="list-style-type: none"> <li>• Non-Executive Director</li> <li>• Non-Executive Director</li> <li>• Non-Executive Director</li> <li>• Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>• Association</li> <li>• Association</li> <li>• Provision of education programme to SPM holders</li> <li>• Provision of printing services</li> </ul>	<ul style="list-style-type: none"> <li>• President of the Malaysian Rubber Products Manufactures Association (MRPMA)</li> <li>• Chairman of Board Directors of University Malaya</li> <li>• Pro Chancellor of Universiti Teknologi MARA (UITM)</li> </ul>

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	• Pembangunan Pantai Lido Sdn Bhd	• 21 April 1995	• -	• Non-Executive Director	• Property development	• Chancellor of KPJ Healthcare University College (KPJUC)
	• Bistari Johor Berhad	• 1 October 1991	• -	• Non-Executive Director	• Provision of education and training services	• Chancellor of INTI International University (INTI IU)
	• Nakagawa Rubber Industries Sdn Bhd	• 5 March 1991	• -	• Non-Executive Director	• A subsidiary of Daishin Industries Co. specialising in the crafting of original equipment manufacturer automotive mats	• Governor of Tuanku Jaafar College
	• CD Initiative (M) Sdn Bhd	• 3 April 1990	• -	• Non-Executive Director	• Design management and marketing consultancy general trading	• Chairman of PINTAR Foundation
	• Land Rover (Malaysia) Sdn Bhd	• 9 March 1989	• -	• Non-Executive Director	• Authorised distributor of Land Rover	• Trustee of AmanahRaya Berhad Foundation
	• Kulim (Malaysia) Berhad	• 31 January 1987	• -	• Non-Executive Director	• Investment holding company (oil palm plantations)	• Chairman of Bistari Johor Berhad

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	• Ladang MOCCIS Sdn Bhd	• Not available	• -	• Director	• Investment holding company (oil palm plantations)	• Chairman of Lembaga Bersekutu Pemegang Amanah Pengajian Tinggi Islam Malaysia
	• Persekutuan Badan Pendidikan dan Pembangunan Melayu	• 5 July 2004	• -	• Non-Executive Director	• Association	
	• Top Glove Corporation Bhd	• 4 September 2000	• -	• Non-Executive Director	• Manufacturing of rubber gloves	• Director of Lion Education Foundation
	• Tomypak Holdings Berhad	• 10 March 1996	• -	• Non-Executive Director	• Manufacture and sale of packaging materials, polyethylene, polypropylene films and sheets	• Patron of Arshad Ayub Foundation
	• MOCCIS Development Sdn Bhd	• 15 February 1994	• -	• Non-Executive Director	• Property development and property management	• Advisor of Yayasan Budiman (YBUJTM)
	• Johmewah Maju Paper Mill Sdn Bhd	• 9 July 1998	• -	• Non-Executive Director	• Paper mills	• Member of: Tun Razak Foundation - Pak Rashid Foundation

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	• Bata (Malaysia) Sdn Bhd	• 9 September 1994	• -	• Non-Executive Director	• Manufacturing and marketing of shoes	• Lung Foundation of Malaysia
	• Pembinaan Zaleha Sdn Bhd	• 14 March 1987	• -	• Non-Executive Director	• Dormant (ceased operations)	• Advisor of Malaysian Malay Businessman And Industrialists Association (PERDASAMA)
	• Zalaraz Sdn Bhd	• 17 July 1984	• -	• Non-Executive Director	• Investment holding company (property development and investment holding)	
	• Sato Amoy Construction (Malaysia) Sdn Bhd	• 9 February 1993	• -	• Non-Executive Director	• Contracting and engineering company	
	• Malayan Flour Mills Bhd	• 22 December 1987	• -	• Non-Executive Director	• Flour milling and poultry operations	
	• Lung Foundation of Malaysia	• 19 April 2006	• -	• Non-Executive Director	• Association	

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	<i>Previous directorship held within the five (5) years:</i>					
	• Amanahraya-JMF Capital Sdn Bhd	• 20 August 1997	• 8 October 2012	• Non-Executive Director	• Fund management and investment company	
	• Amanahraya Investment Management Sdn Bhd	• 11 October 1995	• 8 October 2012	• Non-Executive Director	• Fund management and investment company	
	• LBI Capital Bhd	• 1 March 2005	• 15 June 2012	• Non-Executive Director	• Investment holding, management and property investment (property development and manufacturing of footwear products)	
	• Pelaburan Johor Berhad	• 1 April 1999	• 2 June 2011	• Non-Executive Director	• Investment corporation for the state of Johor and the Federal Government	
	• Sanichi Technology Berhad	• 2 April 2010	• 21 March 2011	• Non-Executive Director	• Design and fabrication of precision moulds and tooling	

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	• Sindora Berhad	• 7 July 1995	• 16 January 2011	• Non-Executive Director	• Investment holding company (timber industry, oil palm industry property development)	
	• KPJ Healthcare Berhad	• 1 September 1994	• 16 June 2011	• Non-Executive Director	• Provision of healthcare services	
	• Amanahraya Capital Group Sdn Bhd	• 1 November 2010	• 8 October 2010	• Non-Executive Director	• Fund management and investment company	
	• Malaysian Rubber Export Promotion Council	• 14 April 2000	• 31 December 2009	• Non-Executive Director	• Company limited by guarantee to undertake the promotion of rubber and rubber products in the world markets, particularly in support of the small and medium enterprise	
	• Rockwool Trading (M) Sdn Bhd	• 15 March 1993	• 19 November 2009	• Non-Executive Director	• Trading of stone wool insulation	

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	<ul style="list-style-type: none"> <li>Saint-Gobain AAC Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>15 November 1989</li> </ul>	<ul style="list-style-type: none"> <li>19 November 2009</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Trading of ceiling contractors, plaster products, ceiling boards, ceiling supplies, gypsum boards, plasterboard partition, aluminium ceilings, metal ceiling, ceiling constructor, plasterglass ceiling, fibrous plaster ceilings and aluminium partitions</li> </ul>	
	<ul style="list-style-type: none"> <li>MCCM Resources Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>17 August 2004</li> </ul>	<ul style="list-style-type: none"> <li>21 October 2009</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Trading of electronic goods</li> </ul>	
	<ul style="list-style-type: none"> <li>MOCCIS Trading Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>18 March 1995</li> </ul>	<ul style="list-style-type: none"> <li>9 June 2008</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Trading of electronic goods</li> </ul>	

**9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	<ul style="list-style-type: none"> <li>Greenfield Berhad</li> </ul>	<ul style="list-style-type: none"> <li>28 July 2006</li> </ul>	<ul style="list-style-type: none"> <li>14 March 2008</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Investment holding company (manufacturing, marketing and distributing of agricultural related systems and products)</li> </ul>	
	<ul style="list-style-type: none"> <li>Asia Brands Corporation Berhad</li> </ul>	<ul style="list-style-type: none"> <li>30 May 1996</li> </ul>	<ul style="list-style-type: none"> <li>19 February 2008</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Investment holding company (apparel, footwear, design and lease of properties)</li> </ul>	
Goh Siang	<p><i>Directorships as at the LPD:</i></p> <ul style="list-style-type: none"> <li>Omni Star Co. Ltd.</li> <li>Hevealatex Industries Sdn Bhd</li> <li>Formulatex Industries Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>16 January 2008</li> <li>30 August 2005</li> <li>8 September 2005</li> </ul>	<ul style="list-style-type: none"> <li>-</li> <li>-</li> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Director</li> <li>Director</li> <li>Director</li> </ul>	<ul style="list-style-type: none"> <li>Trading company (natural rubber latex)</li> <li>Trading company (natural rubber latex)</li> <li>Dormant (no commencement of operations)</li> </ul>	Nil.



9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	<ul style="list-style-type: none"> <li>Hevea Engineering Sdn Bhd</li> <li>Ultra Distributions Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>29 June 2002</li> <li>5 June 2000</li> </ul>	<ul style="list-style-type: none"> <li>-</li> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Director</li> <li>Director</li> </ul>	<ul style="list-style-type: none"> <li>Dormant commencement of operations)</li> <li>Dormant (ceased operations)</li> </ul>	
	<p><i>Previous directorship held within the five (5) years:</i></p> <ul style="list-style-type: none"> <li>Bigel Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>18 March 2005</li> </ul>	<ul style="list-style-type: none"> <li>5 July 2012</li> </ul>	<ul style="list-style-type: none"> <li>Director</li> </ul>	<ul style="list-style-type: none"> <li>Trading company (rubber products)</li> </ul>	
Goh Leng Kian	<p><i>Directorships as at the LPD:</i></p> <ul style="list-style-type: none"> <li>Hevea Engineering Sdn Bhd</li> <li>Ultra Distributions Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>29 June 2002</li> <li>5 June 2000</li> </ul>	<ul style="list-style-type: none"> <li>-</li> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Director</li> <li>Director</li> </ul>	<ul style="list-style-type: none"> <li>Dormant commencement of operations)</li> <li>Dormant (ceased operations)</li> </ul>	Nil.
	<p><i>Previous directorship held within the five (5) years:</i></p> <p>Nil.</p>					

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
Lam Jiu-an	<i>Directorships as at the LPD:</i>					
Jiu-an	• AJNA	• 4 October 1995	• -	• Non-Executive Director	• Investment holding company (equity and property)	• Director in Private Banking, Barclays Bank PLC (Hong Kong)
	• Top Dragon Resources Sdn Bhd	• 16 December 2010	• -	• Non-Executive Director	• Investment holding company (Malaysian properties)	
	• KOL	• 20 October 2010	• -	• Non-Executive Director	• Investment holding company (equity)	
	• CIL	• 10 December 1998	• -	• Non-Executive Director	• Investment holding and trading company (equity and trading of Foley balloon catheters)	
	• Innolax Limited	• 10 August 2004	• -	• Non-Executive Director	• Investment holding and trading company (equity and trading of machineries)	
	• Maharani Limited	• 20 October 2010	• -	• Non-Executive Director	• Investment holding company (equity)	

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	<i>Previous directorship held within the five (5) years:</i> Nil.					
Wong Yien Kim	<i>Directorships as at the LPD:</i> <ul style="list-style-type: none"> <li>Taiworks Corporation Berhad</li> </ul>	<ul style="list-style-type: none"> <li>1 October 2007</li> </ul>	<ul style="list-style-type: none"> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Investment holding, provision of contracting and project management services</li> <li>(management, operation and maintenance of water treatment plants in Malaysia)</li> </ul>	<ul style="list-style-type: none"> <li>Acting as corporate representative for KPS or Kumpulan Darul Ehsan Berhad</li> <li>Senior General Manager Finance of KPS</li> </ul>
	<ul style="list-style-type: none"> <li>Syarikat Pengeluar Air Selangor Holdings Berhad</li> <li>Cash Band (M) Berhad</li> </ul>	<ul style="list-style-type: none"> <li>28 June 2002</li> <li>11 September 2006</li> </ul>	<ul style="list-style-type: none"> <li>-</li> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Investment holding company (water concessionaire)</li> <li>Investment holding company and management / own of a golf club (hospitality business)</li> </ul>	

**9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	• KDE Recreation Berhad	• 15 November 2006	• -	• Non-Executive Director	• Country and golf club management	
	• Syarikat Pengeluar Air Sungai Selangor Sdn Bhd	• 28 June 2002	• -	• Non-Executive Director	• Operation, maintaining, managing, constructing and undertaking of rehabilitation and refurbishment of dam and water	
	• Darul Ehsan Multimedia Corporation Sdn Bhd	• 24 August 2007	• -	• Non-Executive Director	• Dormant (ceased operations)	
	• KDEB Anzagain Sdn Bhd	• 27 August 2007	• -	• Non-Executive Director	• Dormant (ceased operations)	
	• Application Service Provider Enterprise Sdn Bhd	• 24 August 2007	• -	• Non-Executive Director	• Dormant (ceased operations)	
	• Success Spectre Sdn Bhd	• 27 August 2007	• -	• Non-Executive Director	• Dormant (ceased operations)	

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	<ul style="list-style-type: none"> <li>KDEB Waste Management Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>23 April 2008</li> </ul>	<ul style="list-style-type: none"> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Investment holding company (equity and waste management)</li> </ul>	
	<ul style="list-style-type: none"> <li>Hebat Abadi Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>23 April 2008</li> </ul>	<ul style="list-style-type: none"> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Collection and transportation of solid waste</li> </ul>	
	<ul style="list-style-type: none"> <li>Usaha Mutlak Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>24 August 2007</li> </ul>	<ul style="list-style-type: none"> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Dormant (ceased operations)</li> </ul>	
	<ul style="list-style-type: none"> <li>Rangkai Aman Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>24 August 2007</li> </ul>	<ul style="list-style-type: none"> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Dormant (ceased operations)</li> </ul>	
	<ul style="list-style-type: none"> <li>Sistem Penyuraian Trafik KL Barat Holdings Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>1 March 2001</li> </ul>	<ul style="list-style-type: none"> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Designing, constructing, operating and management of toll operations and highway maintenance</li> </ul>	
	<ul style="list-style-type: none"> <li>Sistem Penyuraian Trafik KL Barat Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>1 March 2001</li> </ul>	<ul style="list-style-type: none"> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Investment holding and provision of management services (toll road concessions)</li> </ul>	

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	• Perangsang Water Management Sdn Bhd	• 1 April 2002	• -	• Non-Executive Director	• Operation and management of water related projects	
	• KHSB Properties Sdn Bhd	• 24 December 2009	• -	• Non-Executive Director	• Dormant (ceased operations)	
	• Viable Chip (M) Sdn Bhd	• 24 August 2007	• -	• Non-Executive Director	• Investment holding company (water management)	
	• Brisdale International Hotel Sdn Bhd	• 17 November 2010	• -	• Non-Executive Director	• Operation of hotels and investment of property	
	• JAKS-KDEB Consortium Sdn Bhd	• 10 October 2007	• -	• Non-Executive Director	• Supply of full range fittings to water supply industry	
	• Waicemerlang Sdn Bhd*	• 9 March 1994	• -	• Non-Executive Director	• Dormant (ceased operations)	
	• Vision Eight Eight Sdn Bhd*	• 17 September 1991	• -	• Non-Executive Director	• Dormant (ceased operations)	

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	• Astran Enterprises Sdn Bhd*	• 10 October 1991	• -	• Non-Executive Director	• Dormant (ceased operations)	
	• Long Jingong Berhad*	• 28 December 1991	• -	• Non-Executive Director	• Dormant (ceased operations)	
	• KL Rivercity Sdn Bhd	• 19 July 2000	• -	• Non-Executive Director	• Dormant (ceased operations)	
	• Kuala Langat Mining Sdn Bhd	• 15 March 2011	• -	• Non-Executive Director	• Dormant (ceased operations)	
	• Konsortium Jaringan Selangor Sdn Bhd	• 18 March 2011	• -	• Non-Executive Director	• Lead coordinator in respect of planning, implementation and maintenance of telecommunication towers and telecommunication related services	

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	<i>Previous directorship held within the five (5) years:</i>					
	• Cyberview Sdn Bhd	• 20 May 2008	• 19 March 2012	• Alternate Director	• Development of Cyberjaya	
	• Konsortium Air Selangor Sdn Bhd	• 12 February 2008	• 14 January 2012	• Non-Executive Director	• Water main and line construction	
	• Segar Prima Sdn Bhd	• 23 April 2008	• 23 December 2011	• Non-Executive Director	• Marketing for company various types of environmental products that include garbage bin, litter bins and equipment for solid waste collection and cleansing	



9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
• Alam Flora Sdn Bhd		• 24 April 2008	• 21 October 2011	• Alternate Director	• Provision of solid waste management services in Malaysia, including waste collection and cleansing, disposal and minimization, recycling, and storage	
• Mantapmurni Sdn Bhd		• 6 May 2000	• 5 August 2011	• Non-Executive Director	• Operation and management of water related projects	
• Titisan Modal (M) Sdn Bhd		• 12 October 2005	• 10 June 2011	• Non-Executive Director	• Infrastructure and utilities – water	
• Konsortium Abass Sdn Bhd		• 2 May 2006	• 10 June 2011	• Non-Executive Director	• Infrastructure and utilities – water	
• Syarikat Bekalan Air Selangor Sdn Bhd		• 18 March 2011	• 10 June 2011	• Non-Executive Director	• Infrastructure and utilities – water	

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	<ul style="list-style-type: none"> <li>Kumpulan Perangsang Selangor Berhad</li> </ul>	<ul style="list-style-type: none"> <li>18 September 2007</li> </ul>	<ul style="list-style-type: none"> <li>20 April 2011</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Infrastructure and property development company</li> </ul>	
	<ul style="list-style-type: none"> <li>Kumpulan Hartanah Selangor Berhad</li> </ul>	<ul style="list-style-type: none"> <li>22 April 2008</li> </ul>	<ul style="list-style-type: none"> <li>20 April 2011</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Infrastructure and property development company</li> </ul>	
	<ul style="list-style-type: none"> <li>Nippon Paint (Malaysia) Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>6 May 2000 / 8 April 2002</li> </ul>	<ul style="list-style-type: none"> <li>15 January 2009</li> </ul>	<ul style="list-style-type: none"> <li>Alternate Director / Director</li> </ul>	<ul style="list-style-type: none"> <li>Manufacturing and sale of paint and related products</li> </ul>	
	<ul style="list-style-type: none"> <li>Nipsea Hardware (M) Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>15 July 2002</li> </ul>	<ul style="list-style-type: none"> <li>15 January 2009</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Property investment company</li> </ul>	
	<p>Note: * Not acting as corporate representative</p>					
Jonathan Law Ngee Song	<p>Directorships as at the LPD:</p> <ul style="list-style-type: none"> <li>Evergreen Fibreboard Berhad</li> </ul>	<ul style="list-style-type: none"> <li>8 January 2007</li> </ul>	<ul style="list-style-type: none"> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Manufacturing of medium density board</li> </ul>	<ul style="list-style-type: none"> <li>Partner of Messrs. Nik, Saghir &amp; Ismail</li> </ul>

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	• Jasa Wibawa Sdn Bhd	• 15 March 2012	• -	• Non-Executive Director	• Reforestation concession	
	• Upeca Technologies Sdn Bhd	• 7 April 2011	• -	• Non-Executive Director	• Holding companies for precision machines and components	
	• Bionis Sdn Bhd	• 30 April 2008	• -	• Non-Executive Director	• Properties holding company	
	• Maple Success Sdn Bhd	• 18 May 2009	• -	• Non-Executive Director	• Properties holding company	
	• Jasdani Enterprise Sdn Bhd	• 28 August 2008	• -	• Non-Executive Director	• Properties holding company	
	• Gerbang Kapital Sdn Bhd	• 17 July 2009	• -	• Non-Executive Director	• Properties holding company	
	• Chateau Network Sdn Bhd	• 4 May 2009	• -	• Non-Executive Director	• Dormant (ceased operations)	

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
	<ul style="list-style-type: none"> <li>Acromaju Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>4 May 2009</li> </ul>	<ul style="list-style-type: none"> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Dormant (ceased operations)</li> </ul>	
	<ul style="list-style-type: none"> <li>Anglo-Eastern Plantations Plc</li> </ul>	<ul style="list-style-type: none"> <li>4 July 2013</li> </ul>	<ul style="list-style-type: none"> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Operating and development of plantations in Indonesia and Malaysia</li> </ul>	
	<i>Previous directorship held within the five (5) years:</i>					
	<ul style="list-style-type: none"> <li>Village Roadshow Distribution (M) Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>8 September 1997</li> </ul>	<ul style="list-style-type: none"> <li>6 September 2012</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Entertainment company</li> </ul>	
	<ul style="list-style-type: none"> <li>Sovereign Paradise Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>20 August 2009</li> </ul>	<ul style="list-style-type: none"> <li>9 January 2011</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Food distributor</li> </ul>	
	<ul style="list-style-type: none"> <li>JEK Food Specialists Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>27 July 2009</li> </ul>	<ul style="list-style-type: none"> <li>31 May 2010</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Investment holding company (food franchising business)</li> </ul>	

9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
Dato' Dr. Ong Eng Long	<i>Directorships as at the LPD: Nil.</i>					Nil.
	<i>Previous directorship held within the five (5) years: Nil.</i>					

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## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Our Directors are of the view that their involvement in other business activities outside our Company do not affect their contributions to our Group and are not expected to affect the operations of our Group as they are all non-executive directors in other companies and are not involved in the day-to-day operations of other companies.

Transactions between our Group and our Directors in their personal capacity or the abovementioned companies and businesses in which they have interests as directors or substantial shareholders, if any, are carried out on arm's length basis and on usual business terms.

Any involvement of Directors in business activities outside our Company may give rise to a conflict of interest situation with our businesses. Our Directors have fiduciary duties, under Malaysian law, to act in the best interests of our Company and are required to declare any conflicts of interests. On matters or transactions requiring the approval of our Board, Directors who are deemed interested or conflicted in such matters shall abstain from deliberations and voting on the related resolutions.

### 9.2.5 Directors' remuneration, fees and material benefits-in-kind

The remuneration, fees and material benefits-in-kind (including any contingent or deferred compensation accrued for the year) paid or payable to our Directors for their services to our Group are as follows:

Directors	Remuneration, fees and material benefits-in-kind band (RM'000)	
	FYE 2013	FYE 2014
	Actual	Proposed
Tan Sri Dato' Seri Arshad bin Ayub	-	50 – 100
Goh Siang	400 – 500	400 – 500
Goh Leng Kian	400 – 500	400 – 500
Goh Yen Yen	200 – 300	200 – 300
Lam Jiuan Jiuan	-	100 – 200
Wong Yien Kim	-	50 – 100
Jonathan Law Ngee Song	-	50 – 100
Dato' Dr. Ong Eng Long	-	50 – 100

The remuneration of our Directors, which includes salaries, bonuses, fees and allowances as well as other benefits, must be considered and recommended by our Remuneration Committee and subsequently, be approved by our Board. Any change in Directors' fees, as set out in our Company's M&A, must be approved by our shareholders pursuant to a resolution in a general meeting where notice of any proposed increase shall be given. Please refer to Section 16.2 of this Prospectus for further details on our M&A.

## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 9.2.6 Board practices

#### (i) Directors' term in office

The details of the date of expiration of the current term of office for each of our Directors and the period for which our Directors have served in that office as at the LPD are as follows:

<u>Directors</u>	<u>Date of appointment</u>	<u>Expiration of the current term of office</u>	<u>Years of service in our Group</u>
Tan Sri Dato' Seri Arshad bin Ayub	30 November 2012	At the annual general meeting after our Listing in accordance with M&A	1
Lam Jiuan Juan	30 November 2012	At the annual general meeting after our Listing in accordance with M&A	1
Goh Siang	30 November 2012	At the annual general meeting after our Listing in accordance with M&A	25
Goh Leng Kian	30 November 2012	At the annual general meeting after our Listing in accordance with M&A	25
Goh Yen Yen	30 November 2012	At the annual general meeting after our Listing in accordance with M&A	20
Wong Yien Kim	30 November 2012	At the annual general meeting after our Listing in accordance with M&A	1
Jonathan Law Ngee Song	30 November 2012	At the annual general meeting after our Listing in accordance with M&A	1
Dato' Dr. Ong Eng Long	29 July 2013	At the annual general meeting after our Listing in accordance with M&A	1

#### (ii) Audit Committee

Our Audit Committee, established on 30 November 2012 and appointed by our Board, comprises the following members:

<u>Audit Committee members</u>	<u>Designation</u>
Wong Yien Kim	Chairman
Tan Sri Dato' Seri Arshad bin Ayub	Member
Jonathan Law Ngee Song	Member

Our Audit Committee is responsible for the recommendations to our Board regarding the selection of the external auditors, review of the results and scope of the audit and other services provided by our Group's external auditors and review and evaluation of our Group's internal audit and control functions. Our Audit Committee is also responsible for the assessment of financial risk and matters relating to related party transactions and conflict of interests. Our Audit Committee may obtain advice from independent parties and other professionals in the performance of its duties.

## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (*Cont'd*)

### (iii) Remuneration Committee

Our Remuneration Committee, established on 30 November 2012 and appointed by our Board comprises the following members:

<u>Remuneration Committee members</u>	<u>Designation</u>
Tan Sri Dato' Seri Arshad bin Ayub	Chairman
Jonathan Law Ngee Song	Member
Goh Yen Yen	Member

Our Remuneration Committee is primarily responsible for recommending to our Board the policy and framework for our Directors' remuneration including remuneration and terms of service of our Executive Directors in all its forms, drawing from external advice, if necessary.

The determination of remuneration of our Executive and Non-Executive Directors shall be a matter to be determined by our Board as a whole after taking into consideration our Remuneration Committee's recommendations.

### (iv) Nomination Committee

Our Nomination Committee, established on 30 November 2012 and appointed by our Board comprises the following members:

<u>Nomination Committee members</u>	<u>Designation</u>
Jonathan Law Ngee Song	Chairman
Wong Yien Kim	Member
Lam Juan Jiuan	Member

Our Nomination Committee is primarily responsible for proposing new nominees for our Board as well as our Directors to fill the seats on board committees, and assessing our Directors on an on-going basis.

In particular, our Board through our Nomination Committee would review on an annual basis the required mix of skills and experience and other core qualities, including core competencies, which our Non-Executive Directors should bring to our Board.

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## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (*Cont'd*)

### 9.3 Key management

The management of our Group is headed by our Chief Executive Officer, Goh Miah Kiat and assisted by a team of key management as follows:

<u>Name</u>	<u>Nationality</u>	<u>Age</u>	<u>Designation</u>
Goh Miah Kiat	Malaysian	35	Chief Executive Officer
Goh Yin	Malaysian	65	QA Director
Goh Chok Siang	Malaysian	42	Financial Controller of Karex
Boong Siew Choon	Malaysian	47	Administration and Purchasing Manager of KISB
Goh Mui Gek	Malaysian	39	Client Service Manager of KISB
Mohd Asri bin Che Me	Malaysian	46	Primary Production Manager of KISB
Leng Fook Peng	Malaysian	59	Technical Manager of KISB
Ng Leong Fock	Malaysian	44	R&D Manager of KISB
Lim Lai Peng	Malaysian	34	QA Manager of KISB
Ooi Chong Beng	Malaysian	35	Finance Manager of KISB
Chew Cheng Chuan	Malaysian	62	General Manager of UTSB
Zaihan bin Adam @ Mohamad Sam	Malaysian	52	Production Manager of UTSB
Tee Poh Suan	Malaysian	47	Operations Manager of ISB
Wong Chee Ling	Malaysian	37	Marketing Manager of ISB
Thirumal Senthilkumar	Indian	44	General Manager of ITL
Yothin Chirong	Thai	41	Production Manager of ITL

#### 9.3.1 Profiles

Please refer to Section 9.1.1 of this Prospectus for the profiles of:

- (i) **Goh Miah Kiat (*Chief Executive Officer*); and**
- (ii) **Goh Yin (*QA Director*).**

The profiles of our Company's other key management personnel are set out below:

- (i) **Goh Chok Siang**  
*Financial Controller of Karex*

Goh Chok Siang was appointed as our Group Financial Controller on 1 April 2013. He is responsible for overseeing the entire finance functions as well as the accounts department of our Group. He holds a Diploma in Accounting from London Chamber of Commerce and Industry and obtained his professional qualification from the Association of Chartered Certified Accountants in 1999. He is a Chartered Accountant with the Malaysian Institute of Accountants since 1999.

## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (*Cont'd*)

He started his career in 1995 as an audit assistant in Leslie Yap & Co and subsequently in 1996, he joined Kassim Chan & Co as an audit assistant. In 1997, he joined the Lion Group as an accountant. Thereafter, he left the Lion Group and joined ATIS Corporation Berhad ("ATIS"), an investment holding company involved in industrial supply and consumer products, as a Group Accountant in 2002. During his tenure as Group Accountant in ATIS, he was involved in the listing of ATIS' subsidiary, Genetec Technology Berhad on the MESDAQ Market of Bursa Securities (now known as the ACE Market). He was promoted as ATIS' Regional Accountant three (3) years later, whereby he supervised and assisted in the setting up of the finance departments of ATIS' foreign subsidiaries and quarterly reporting functions. In 2007, he served as the Lion Group's Chief Accountant whereby he was responsible for, amongst others, ad hoc corporate exercises (merger and acquisition and debt restructuring), preparation of consolidated financial statements for public listed companies as well as quarterly financial results for announcement purpose on Bursa Securities. He held the position of Director in Wong Chau Hwa & Co, a public accounting firm where he was involved in the business development and strategising functions of the firm from 2010 before joining our Group in 2013.

### (ii) **Boong Siew Choon**

*Administration and Purchasing Manager of KISB*

Boong Siew Choon holds a Bachelor of Science in Business and Management Studies and a Postgraduate Diploma in Management from the University of Sheffield, England. She started her career back in 1993, when she joined MCL Corp Berhad as a trainer officer and subsequently Amalan Tepat Sdn Bhd as a marketing executive in 1994. In 1995, she joined General Labels and Labelling (M) Sdn Bhd, a subsidiary company of KomarkCorp Berhad, specialising in the printing of label and manufacturing of automatic labelling machines, as its Assistant Marketing Manager. She was responsible for the business development, process of sales orders and collection.

In 1998, Boong Siew Choon joined our Group as Administration and Purchasing Manager, responsible for overseeing general operation and purchasing. She is also responsible for coordinating with the marketing and production divisions and to supervise and carry out our Group's daily administrative duties.

### (iii) **Goh Mui Gek**

*Client Service Manager of KISB*

Goh Mui Gek holds a Diploma in Customer Management majoring in Mass Communication from Ilham Institute of Communication. She started her career in 1993 when she joined Meridian Advertising as an Account Executive and subsequently Spencer Azizul Advertising as an Account Manager in 1994 where she was responsible for managing the full operations of the Bank Bumiputera and Mobikom accounts. In 1998, she joined Naga DDB Sdn Bhd as an Account Director and was responsible for the management and strategic planning for advertising and promotion for Ministry of Tourism, UOB Bank and Exxon Mobil Lubricant. In 2003, she joined KISB as Client Service Manager. She is responsible for KISB's overall customer service, delivery management and suppliers coordination.

**9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

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**(iv) Mohd Asri bin Che Me**  
*Primary Production Manager of KISB*

Mohd Asri bin Che Me graduated from Sekolah Kebangsaan Muatzam, Kedah in 1986. He was a primary school temporary teacher for three (3) years prior to joining Ampri Rubber Product Sdn Bhd in 1989. He was the Head of the production department responsible in the supervision of the company's gloves manufacturing and regulate schedule. In 1997, he joined KISB as a Primary Production Manager and is responsible for overseeing the entire production planning and operation. He possesses over 20 years of experience in the rubber-based products manufacturing industry.

**(v) Leng Fook Peng**  
*Technical Manager of KISB*

Leng Fook Peng graduated from Kluang High School in 1972 and started his career in the same year when he joined Revertex, a polymers supplier, as its Technologist. He was with Revertex for 39 years before he joined KISB in 2011. Currently, he is our Technical Manager and is responsible for the production support, raw materials evaluation and new product development. He has many years of experience in the rubber processing industry.

**(vi) Ng Leong Fock**  
*R&D Manager of KISB*

Ng Leong Fock graduated in 1994 with a Bachelor of Science degree majoring in Chemistry (Science & Natural Resources) from University Kebangsaan Malaysia, Sabah. He joined Revertex in 1994 as a R&D and Technical Service Chemist. He was responsible for the R&D and technical services for Revertex. In 1996, he joined Getahindus as a Technical Manager and was in-charge of R&D and Technical activities. Ng Leong Fock possesses 18 years of experience in the rubber processing business, in the areas of R&D and technical activities and supports. In 2002, he joined KISB as a R&D Manager and is responsible R&D of new products and management of KISB's IETS and purity and recycled water system.

**(vii) Lim Lai Peng**  
*QA Manager of KISB*

Lim Lai Peng graduated in 2003 with a Bachelor of Science (Honours) degree in Chemistry from University of Putra Malaysia. She joined Regent Hospital Products Sdn Bhd in 2004 as a QA Chemist responsible for the supervision on all QA-related functions including calibration, in process QC and final product QC. In 2005, she joined Revertex as a Technical Service Chemist responsible for new product development, trouble shooting on customers' factories and production floors as well as raw materials evaluation.

Lim Lai Peng possesses eight (8) years of experience in the chemistry field. She joined our Group in 2011 as a QA Manager who is responsible for our Group's regulatory affairs, machinery and equipment calibration in the laboratories and production floors as well as overseeing the entire QC division of our Group and to co-ordinate with the R&D and production divisions.

**9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

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**(viii) Ooi Chong Beng**  
*Finance Manager of KISB*

Ooi Chong Beng is registered as a chartered accountant with the Malaysian Institute of Accountants and is also a member of CPA Australia. He graduated with a Degree in Bachelor of Commerce, majoring in Accounting and Management from the University of Sydney, Australia in 1999. In 2000, he joined Public Investment Bank Berhad. He was a Dealer's Representative handling investment trade orders, financial enquiries on trade, entitlements and new issue of shares.

In 2010, he joined our Group as our Finance Manager who is responsible for our Group's finance related matters, including financial analysis of latex pricing and foreign exchange movements to support our Group's financial management decision making.

**(ix) Chew Cheng Chuan**  
*General Manager of UTSB*

Chew Cheng Chuan graduated with a Bachelor of Applied Science (Honours) degree from University of Science Malaysia in 1975. He possesses over 36 years of experience in consumer electronics, semiconductor and medical device industries. Over the years, he has worked with various large manufacturing corporations such as Motorola Malaysia Sdn Bhd as an engineer, Siemens Semiconductor Sdn Bhd as a senior quality and reliability engineer, and an assistant quality manager, European Malaysia Electronic Sdn Bhd as a process control manager and Production manager, and Beiersdorf Malaysia Sdn Bhd as a quality & regulatory affairs manager. He joined UTSB in 1999 as QA/QMS Manager. In 2007, he was promoted to General Manager of UTSB where he is responsible for the overall operation of UTSB's catheters manufacturing business.

**(x) Zaihan bin Adam @ Mohamad Sam**  
*Production Manager of UTSB*

Zaihan bin Adam @ Mohamad Sam graduated with a Vocational Certificate of Education Examination in 1978. He has almost 30 years' experience in the rubber-based medical devices manufacturing industry, specialising in the manufacturing of catheters. In 1983, he joined Medical-Latex Sdn Bhd as a production supervisor and was responsible for overseeing the production activities of the company. In 1994, he joined Rusch Sdn Bhd as a production manager to oversee the clean room production activities. In 1998, he joined Maersk Medical Sdn Bhd as a planning, purchasing, and production executive and was in charge of planning, procurement as well as the monitoring of production activities. In 2001, he became a latex Foley catheter consultant whereby he provides consultancy services to catheter manufacturing on manufacturing matters. In 2007, he joined UTSB as Production Manager and is responsible for UTSB's overall manufacturing planning and activities.

**9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

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**(xi) Tee Poh Suan**  
*Operations Manager of ISB*

Tee Poh Suan graduated in 1991 with a Bachelor of Engineering degree with Honours Class II (Upper Division) Chemical from University of Malaya. She has over 21 years of working experience in manufacturing, QA and purchasing management when she worked for various manufacturing companies in ceramic tiles, concrete piles, Styrofoam and condoms. Upon graduation, she joined Guocera Tile Industries Sdn Bhd as a production executive whereby she was in charge of production planning and process improvements. In 1995, she joined Industrial Concrete Products Sdn Bhd as a production engineer and was responsible for monitoring the production activities of the Company. She joined Amrich Foam Sdn Bhd as a QA Executive in 1998. In 1999, she joined Pleasure Latex Products Sdn Bhd as a QA Manager. In 2000, she joined ISB as a QA Manager and was later promoted to Operations Manager in 2008. She has been with ISB for over 12 years and her responsibilities include overall management and operation of the production department, handling of purchasing activities, factory operation management, production planning, process improvement, manufacturing optimisation and implementation of company QMS.

**(xii) Wong Chee Ling**  
*Marketing Manager of ISB*

Wong Chee Ling graduated in 1998 with a Bachelor of Business Administration degree majoring in Marketing & Management Information Systems from University of Oklahoma, US. She started her career when she joined Pleasure Latex Products Sdn Bhd as their Marketing Executive in 1998. She was later promoted to Marketing Manager. Her responsibilities were brand development and marketing of condoms in the local and international markets. In 2003, she joined ISB as Marketing Manager. She has been actively involved marketing and tendering of our ISB's products such as condoms, lubricating jelly and probe covers; attending exhibitions; and brand development. Presently, she possesses over 13 years of working experiences in sales and marketing and brand development for the condom industry.

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9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (*Cont'd*)

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(xiii) **Thirumal Senthilkumar**  
*General Manager of ITL*

Thirumal Senthilkumar holds a Master of Science in Organic Chemistry from Annamalai University, India, graduating in 1993. He started his career in condom business in 1994 when he joined TTK-LIG Limited as the Production Supervisor. TTK-LIG Limited is a condom manufacturer in India manufacturing Durex and Kohinoor brands condom. In 1998, he joined Indus Medicare Limited, a condom manufacturer, as its Manufacturing Manager to operate its manufacturing plant.

In 2002, he joined a protection solutions provider specialising in condom manufacturing and reselling, Ansell Limited, as its QA and Technical Manager. He was responsible for its condom manufacturing activities, especially in the technical supports, quality controls and regulatory planning and management.

In 2006, he joined Biogreen Medical Sdn Bhd as its General Manager and was responsible to oversee the entire company's condom manufacturing operations. He joined ITL as General Manager in 2010. He is responsible for the overall production operation of the condom manufacturing operations in Thailand factory. He possesses 18 years of experience in the condom manufacturing business. From his experience and knowledge in the condom industry, he has provided us with a great overview and the improvement in our operations so as to meet the highest quality standard and specifications set by condom resellers globally.

(xiv) **Yothin Chirong**  
*Production Manager of ITL*

Yothin Chirong graduated with a Bachelor of Science degree majoring in Rubber Technology from Prince of Songkla University, Thailand in 1995. He started his career in the rubber industry in 1996 when he joined Inoue Rubber (Thailand) Public Co., Ltd, specialising in the manufacturing of rubber and elastomer products for the automotive parts and industrial parts industries as an Assistant Mixing Chief. He is responsible for the planning of rubber compound mixing used in the manufacturing of the company's rubber and elastomer products.

Yothin Chirong later joined Hycare International Co., Ltd, a glove manufacturing company in Thailand, as a Laboratory and Compound Manager. He was responsible for laboratory activities, including testing of raw materials and manufactured products, as well as raw material preparation such as mixing and formulation of compound latex used in the dipping process.

In 2009, Yothin Chirong joined ITL as a Production Manager. He is responsible in assisting ITL's General Manager to operate, manage and monitor the manufacturing activities in the Thailand factory.

## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 9.3.2 Key management's shareholdings in our Company

The shareholdings of our key management in our Company as at the LPD and after our Listing are as follows:

Name	Before Listing*			After Listing**		
	Direct No. of Shares	%	Indirect No. of Shares	Direct No. of Shares	%	Indirect No. of Shares
Goh Miah Kiat	10,830,585	4.72	94,500,000 <sup>(1)</sup>	7,555,585	2.80	94,500,000 <sup>(1)</sup>
Goh Yin	10,830,547	4.72	94,500,000 <sup>(1)</sup>	7,555,547	2.80	94,500,000 <sup>(1)</sup>
Goh Chok Siang	-	-	-	50,000	0.02	-
Boong Siew Choon	-	-	-	70,000	0.03	-
Goh Mui Gek	-	-	-	60,000	0.02	-
Mohd Asri bin Che Me	-	-	-	60,000	0.02	-
Leng Fook Peng	-	-	-	40,000	0.01	-
Ng Leong Fook	-	-	-	50,000	0.02	-
Lim Lai Peng	-	-	-	30,000	0.01	-
Ooi Chong Beng	-	-	-	30,000	0.01	-
Chew Cheng Chuan	1,350,000	0.59	-	1,440,000	0.53	-
Zaihan bin Adam @ Mohamad Sam	-	-	-	40,000	0.01	-
Tee Poh Suan	-	-	-	50,000	0.02	-
Wong Chee Ling	-	-	-	50,000	0.02	-
Thirumal Senthikumar	-	-	-	60,000	0.02	-

## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name	Before Listing*				After Listing**			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Yothin Chirong	-	-	-	-	30,000	0.01	-	-

**Notes:**

\* Incorporates effects of the Acquisitions and Transfer of Shares

\*\* Incorporates effects of the Acquisitions, Transfer of Shares, the IPO and Offer for Sale and assuming full subscription of the Issue Shares made available to eligible Directors and employees (as disclosed in Section 4.3.2(ii) of this Prospectus)

(1) Deemed interested by virtue of his/her equity interest in KOL

### 9.3.3 Involvement of key management and Executive Directors in other business and corporations

As at the LPD, save as disclosed in Section 9.2.4 and below, all of our key management and Executive Directors are not involved in the operations of other businesses and/or corporations.

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
Goh Miah Kiat	Directorships as at the LPD:					
	• Top Dragon Resources Sdn Bhd	• 16 December 2010	• -	• Non-Executive Director	• Investment holding company (Malaysian properties)	• Member of Malaysian Rubber Export Promotional Council's Board of Trustee, Marketing Committee and Scholarship Committee
	• Gohstar Industries Sdn Bhd	• 18 February 1997	• -	• Non-Executive Director	• Investment holding company (equity)	



9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name	Directorship	Date of appointment	Date of resignation	Type of directorship	Principal activities	Involvement in business activities other than as a Director
•	Malaysian Rubber Export Promotion Council	20 June 2012	• -	• Non-Executive Director	• Company limited by guarantee to undertake the promotion of rubber and rubber products in the world markets, particularly in support of the small and medium enterprise	

Previous directorship held within the five (5) years:  
Nil.

We confirm that the involvement by our key management and Executive Directors in other business and corporations, if any, will not affect their contribution to our Company.

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## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT (*Cont'd*)

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### 9.3.4 Management succession planning

We recognise the need to ensure continuity in our management in order to maintain our competitive edge over our competitors. We believe that the continued success of our Group depends, amongst others, on the support and dedication of our management personnel. Our Group has put in place human resource strategies, which include competitive compensation packages, reward schemes and succession plan.

We are aware that the loss of any of our key management could materially and adversely affect our Group. In view thereof, our Group has made efforts to motivate and retain our staff through performance-based incentives, and to enhance their skills and competencies by providing training.

To this end, our employees undergo continuous training to enable them to acquire and enhance relevant skills and competencies in line with our business objectives and also as part of our employees' career advancement programme. On-the-job training is another significant approach of transferring knowledge from specialists to new or junior employees. Hence, the investment in human capital increases the competency of our existing employees. In addition, these development activities serve to groom the lower and middle management staff to progressively assume the responsibilities of senior management.

Further, our Group's middle management team is constantly exposed to various aspects of our Group's business activities in order to ensure that they have a full understanding of our Group's businesses to be adequately equipped with the knowledge necessary for them to assume the senior management position.

Notwithstanding the above, our Group has also documented all technical and standard operating procedures for our operations. These include all detailed work instructions, quality control procedures, testing methods and other reference documents, where it will serve as a reference guide for new employees.

Please refer to Section 9.3.1 of this Prospectus on the profiles and working experience of our key management.

### 9.4 Declarations from our Promoters, Directors and key management

As at the LPD, none of our Promoters, Directors, key management are or have been involved in any of the following events (whether in or outside Malaysia):

- (i) a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel;
- (ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) any judgment was entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or
- (v) the subject of any order, judgment or ruling of any court, government or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 9.5 Family relationships and associations

Save as disclosed below and the family relationship between our Promoters who are individuals and their shareholdings in the Promoters who are corporates, as at the LPD, there are no family relationship and/or associates between/amongst our Promoters / substantial shareholders, Selling Shareholders, Directors and key management:

- (i) Lam Jiuan Jiu, Goh Siang, Goh Leng Kian, Goh Yen Yen, Goh Yin and Goh Ai Noi are siblings;
- (ii) Goh Miah Kiat is the nephew to Lam Jiuan Jiu, Goh Siang, Goh Leng Kian, Goh Yen Yen, Goh Yin and Goh Ai Noi;
- (iii) Lam Yiu Pang Albert is the spouse of Lam Jiuan Jiu;
- (iv) Boong Siew Choon is the spouse of Goh Leng Kian; and
- (v) Goh Mui Gek is the sister of Goh Miah Kiat and niece to Lam Jiuan Jiu, Goh Siang, Goh Leng Kian, Goh Yen Yen, Goh Yin and Goh Ai Noi.

### 9.6 Service agreements

There are no existing or proposed service agreements between our Directors and key management with our Group.

### 9.7 Benefits paid or intended to be paid

Save for the remuneration, fees and material benefits-in-kind paid and payable to our Directors as set out in Section 9.2.5 of this Prospectus, no amount has been paid or benefits given within the two (2) years preceding the date of this Prospectus, nor is it intended to be so paid or given, to our Promoters, Directors and substantial shareholders.

### 9.8 Employees

The breakdown of our employees for the past four (4) FYE 2010 to FYE 2013 is as follows:

Category of employees	Total employees							
	FYE 2010		FYE 2011		FYE 2012		FYE 2013	
	Malaysia	Thailand	Malaysia	Thailand	Malaysia	Thailand	Malaysia	Thailand
Directors / General Manager	7	3	7	4	7	4	8	4
Engineering / R&D	9	2	15	3	14	3	15	3
Sales and marketing	10	4	11	4	12	4	12	5
Technician / Supervisory	58	18	54	21	50	23	52	27

## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Category of employees	Total employees							
	FYE 2010		FYE 2011		FYE 2012		FYE 2013	
	Malaysia	Thailand	Malaysia	Thailand	Malaysia	Thailand	Malaysia	Thailand
Admin and clerical	69	5	67	5	62	5	65	7
Manufacturing workers	1,108	700	936	417	1,003	470	1,076	555
General workers	15	34	14	19	14	43	15	50
<b>Total</b>	<b>1,276</b>	<b>766</b>	<b>1,104</b>	<b>473</b>	<b>1,162</b>	<b>552</b>	<b>1,243</b>	<b>651</b>

The average number of our contractual/temporary employees for the FYE 2013 is 64 in Malaysia and 14 in Thailand. In the FYE 2011, there was a realignment of workforce to optimise ITL's worker's performance. This has resulted in the change from three (3) shifts per day to two (2) shifts per day. In order to ensure that the manufacturing output of ITL was not affected by the realignment of workforce, the workers are allowed to work eight (8) hour shift plus four (4) hours of overtime per day.

Our employees are presently not members of any labour union. There has been no industrial dispute between our employees and our Group over the past five (5) years.

### 9.9 Training

We believe our employees are key assets that play an important role toward our continuous growth and we recognise the importance of retraining quality employees. It is our policy to encourage the development and training of our employees for the improvement of overall skills set for the enhancement of productivity. We believe professional development is an on-going process and encourage our employees to improve their skills and knowledge through hands-on training and field experience.

Each of our manufacturing facilities provides technical training programmes for our employees that allow them to gain technical knowledge and skills to effectively operate our manufacturing processes. There are two (2) general categories to our Group's training programmes namely the mandatory training and selective intermediate and advance training.

#### (i) Mandatory Training

##### (a) On-the-Job Training

All operators are required to undertake on-the-job training for a minimum span of three (3) months for their respective operating processes. These training programmes are conducted in-house by the respective operation process supervisors. Below is the list of compulsory training programmes for the operators:

##### **Primary Production**

- (i) Latex handling;
- (ii) Operating of dipping machines; and
- (iii) Powdering, washing, spin dry and tumbler drying.

## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, SELLING SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### Secondary Production

- (i) Operating of ET machines;
- (ii) Operating of foiling machines; and
- (iii) Operating of packing machines.

### (b) ISO Certification training

In relation to the ISO certification, selected employees are required to attend ISO 9001 and ISO 13485 Awareness Training programmes to ensure full compliance to the QMS. Usually, the department heads will identify the personnel for these training programmes which are conducted in-house. Details of the training programmes are as follows:

- (i) overview of the key management principles in ISO9001;
- (ii) overview of the additional technical requirements in ISO13485;
- (iii) quality management system;
- (iv) resource management;
- (v) product realisation; and
- (vi) measurement, analysis and improvement.

### (ii) Selective Intermediate and Advance Training

We arrange for employees at the supervisory level and above to attend various public training programmes in technical areas pertaining to our operations to further enhance their skill and knowledge on the job from time to time. Below is the list of trainings completed in the past:

<u>Trainings</u>	<u>Organiser</u>
International Conference on Rubber Latex Technology, Latex Dipped Products Manufacturing Optimisation and Troubleshooting	Rubber Industry Academy, TechnoBiz Communications Co. Ltd.
Latex and Synthetic Polymer Dispersion	Smithers Rapra Technology Limited, UK
Malaysia FRS Update and IFRS Convergence Seminar	KPMG
Micrometer and vernier caliper calibration	National Institute of Metrology (Thailand)
Weighing Machine Calibration	Industry Development Center for Export
US FDA Quality Regulation (21 CFR part 820) Medical Device Reporting (21 CFR Part 803) Pre-Market Notification 510(K) (21 CFR Part 807) Training	TUV SUD PSB (Thailand) Limited
Total Quality Management	Department of Industrial Promotion
First Aid Training	St. John Ambulans Malaysia
Fire Prevention Awareness Seminar	Jabatan Bomba & Penyelamat Malaysia
Training/Briefing Safe Handling of Ammonia Solution	Technogas (M) Sdn. Bhd.
Industrial Effluent Treatment System Operation	Jabatan Alam Sekitar Malaysia
FDA, QSR, Awareness Training	Mr. Senthilkumar of ITL

**10. APPROVALS AND CONDITIONS**

**10.1 Approvals from the relevant authorities**

The approvals required and their salient conditions for our Listing are as follows:

Approval required	Salient conditions imposed	Status of compliance				
SC which was obtained vide its letter dated 12 June 2013 pursuant to Section 214(1) of the CMA and the equity requirements for public companies	(i) Karex to allocate at least 12.5% of its enlarged issued and paid-up share capital to Bumiputera investors at the point of listing. This includes the shares offered to Malaysian public via balloting, of which 50% are to be offered to Bumiputera investors.	To be complied				
	(ii) Karex to appoint a full-time Chief Financial Officer who is fit and proper, fully qualified and competent to effectively discharge his/her role as the officer primarily responsible for the financial management of a listed company.	Complied				
	(iii) In relation to the following property of Karex: <table border="1" style="margin-left: 20px;"> <thead> <tr> <th>Property</th> <th>Condition of approval</th> </tr> </thead> <tbody> <tr> <td>PTD Nos. 7906, 7907 and 7915, Taman Pontian Jaya, Batu 34, Jalan Johor, Pontian, Johor</td> <td>The company is to rectify the unapproved structures within six (6) months from the date of the SC's approval letter.</td> </tr> </tbody> </table>	Property	Condition of approval	PTD Nos. 7906, 7907 and 7915, Taman Pontian Jaya, Batu 34, Jalan Johor, Pontian, Johor	The company is to rectify the unapproved structures within six (6) months from the date of the SC's approval letter.	Complied as per the notification to the SC on 7 October 2013
Property	Condition of approval					
PTD Nos. 7906, 7907 and 7915, Taman Pontian Jaya, Batu 34, Jalan Johor, Pontian, Johor	The company is to rectify the unapproved structures within six (6) months from the date of the SC's approval letter.					
	(iv) RHB Investment Bank / Karex to fully comply with the requirements of the SC's Equity Guidelines and Prospectus Guidelines – Equity pertaining to the implementation of the Proposed Listing.	Noted				

The SC has vide its letter dated 12 June 2013 noted that the equity structure in relation to Bumiputera, Non-Bumiputera and foreign shareholdings in our Company arising from the implementation of our Listing would change as follows:

Shareholders	Existing	After Listing
	% held	% held
Bumiputera	-	12.58 <sup>(1)</sup>
Non-Bumiputera	100.00	76.86
Foreigners	-	10.56
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

<sup>(1)</sup> Comprises the following:

- (a) 10% of the enlarged share capital of Karex (comprising 27,005,520 Karex Shares) to be held by existing Bumiputera investors, subject to recognition by MITI; and
- (b) 2.5% of the enlarged share capital of Karex (comprising 6,750,000 Karex Shares) to be made available to Bumiputera investors under the offer to Malaysian Public via balloting.

**10. APPROVALS AND CONDITIONS (Cont'd)**

The SC vide its letter dated 26 April 2013 approved the waiver sought in relation to compliance with paragraph 12.15 of the Prospectus Guidelines. The details of the waiver sought, accompanying condition imposed by the SC and the status of compliance are as follows:

Reference	Details of waiver sought	Decision of the SC and conditions imposed	Status of compliance
Paragraph 12.15 of the Prospectus Guidelines	Relief from complying with Paragraph 12.15 of the Prospectus Guidelines where the pro forma financial information for a group of corporations must be prepared based on the audited results of the corporations.	Approved, subject to the Reporting Accountant i.e. Messrs. KPMG providing a confirmation that the Adjusted FYE 30 June 2010 Group Results, as disclosed in Karex's registrable prospectus, are not misleading.	Complied (Reporting Accountant i.e. Messrs. KPMG has vide its letter dated 29 April 2013 provided its confirmation that the Adjusted FYE 30 June 2010 Group Results as disclosed in Section 3.5 and Section 13.1 subsection 2.1 of Karex's registrable prospectus is not misleading)

Approval required	Salient conditions imposed	Status of compliance
MITI vide its letter dated 25 June 2013	To notify MITI upon completion of the Listing.	To be complied
Bursa Securities for the admission of our Company to the Official List of Bursa Securities and the listing of and quotation for the entire enlarged issued and paid-up share capital of our Company on the Main Market which was obtained vide its letter dated 10 September 2013	-	-

**10. APPROVALS AND CONDITIONS (Cont'd)****10.2 Moratorium on sale of our Shares**

In accordance with Section 5.29 (a) of the SC Guidelines, our Promoters are not allowed and have undertaken not to sell, transfer or assign their entire shareholdings in our Company as at the date of our Listing for a period of six (6) months from the date of our admission to the Main Market.

In accordance with the SC Guidelines, the shareholders of KOL and their direct and indirect shareholders (up to the ultimate individual shareholder(s)) have also undertaken not to sell, transfer or assign their entire shareholdings in KOL (one of our Promoters) for a period of six (6) months from the date of our admission to the Main Market.

In accordance with the SC Guidelines, the shareholders of AJNA and their direct and indirect shareholders (up to the ultimate individual shareholder(s)) have also undertaken not to sell, transfer or assign their entire shareholdings in AJNA (one of our Promoters) for a period of six (6) months from the date of our admission to the Main Market.

Details of those subject to moratorium mentioned above are as follows:

<b>Affected party</b>	<b>No. of shares*</b>	<b>Percentage shareholdings</b>
		<b>(%)</b>
<b>Moratorium on disposal of Shares</b>		
KOL	94,500,000	35.00
AJNA	3,800,000	1.41
Goh Siang	7,005,586	2.59
Goh Leng Kian	10,805,590	4.00
Goh Yen Yen	7,555,543	2.80
Goh Yin	7,555,547	2.80
Lam Jiuan Jiuan	5,655,543	2.09
Goh Miah Kiat	7,555,585	2.80
Lam Yiu Pang Albert	19,055,543	7.06
Goh Ai Noi	7,455,543	2.76
<b>Total</b>	<b>170,944,480</b>	<b>63.31</b>

Note:

\* Assuming full subscription of the Issue Shares made available to them as eligible Directors and employees of 100,000 Shares each (as disclosed in Section 4.3.2(ii) of this Prospectus). Our eligible Directors and employees have the right to not subscribe or not fully subscribe the Shares allocated to them. The amount of Shares under moratorium shall be reduced accordingly.

**Moratorium on disposal of KOL shares**

Lam Jiuan Jiuan	7*	100.00
<b>Total</b>	<b>7</b>	<b>100.00</b>

Note:

\* Lam Jiuan Jiuan is holding one (1) share on trust for each of Goh Siang, Goh Leng Kian, Goh Yen Yen, Goh Yin, Goh Miah Kiat and Goh Ai Noi, and one (1) share for herself.



**10. APPROVALS AND CONDITIONS (Cont'd)**

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**Moratorium on disposal of AJNA shares**

Lam Jiuan Jiu	500	50.00
Lam Yiu Pang Albert	500	50.00
<b>Total</b>	<b>1,000</b>	<b>100.00</b>

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## 11. CONFLICT OF INTERESTS AND RELATED PARTY TRANSACTIONS

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### 11.1 Related party transactions

"Related party transactions" are defined in the Listing Requirements as transactions entered into by a listed issuer or its subsidiaries that involve the interest, direct or indirect, of a related party. A "related party" means a director, major shareholder or person connected with such director or major shareholder.

"Director" shall have the meaning given in Section 4 of the Act and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a director of the listed issuer or any other company which is its subsidiary or holding company or a chief executive officer of the listed issuer, its subsidiary or holding company.

"Major shareholder" means a person who has an interest or interests in one or more voting shares in a corporation and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is:

- (a) equal to or more than 10% of the aggregate of the nominal amounts of all the voting shares in the company; or
- (b) equal to or more than 5% of the aggregate of the nominal amounts of all the voting shares in the company where such person is the largest shareholder of the company.

Certain transactions, despite falling within the definition of a related party transaction above, are not normally regarded as related party transactions. These are detailed in paragraph 10.08(11) of the Listing Requirements.

The Directors of our Company are of the opinion that all business transactions between our Group and the Directors and substantial shareholders of our Company and/or persons connected to them are on arm's length basis and on terms not more favourable to the related parties than those generally available to the third parties. The Audit Committee will supervise the terms of related party transactions and the Directors of our Company will report related party transactions, if any, annually in our Company's annual report.

Save as disclosed below and in Section 9.2.4 of this Prospectus, our Directors and substantial shareholders have no direct and indirect interests in:

- (i) other businesses and corporations carrying on a similar trade as our Group; and
- (ii) other businesses and corporations which are the customers or suppliers of our Group.

## 11. CONFLICT OF INTERESTS AND RELATED PARTY TRANSACTIONS (Cont'd)

## 11.1.1 Related party transactions

Save as disclosed below, we have not entered into and are not involved in any on-going or proposed related party transactions which are non-recurrent in nature for the past four (4) FYE 2010 to FYE 2013 and up to the LPD:

Name of Company	Related Parties	Nature of relationship	Nature of transaction*	FYE 2010 (RM '000)	FYE 2011 (RM '000)	FYE 2012 (RM '000)	FYE 2013 (RM '000)	As at the LPD (RM '000)
ITL	Innolates Limited	Lam Jiu Juan and Lam Yiu Pang Albert are both directors and shareholders of Innolates Limited.	Purchase of equipment and machinery by ITL from related party	1,161	-	-	-	-
		Goh Siang, Goh Leng Kian, Goh Yen Yen, Goh Yin, Goh Miah Kiat and Goh Ai Noi are shareholders of Innolates Limited.						
		Lam Jiu Juan, Goh Siang, Goh Leng Kian and Goh Yen Yen are both our Promoters and Directors.						
		Goh Yin and Goh Miah Kiat are both our Promoters and key management.						
		Lam Yiu Pang Albert and Goh Ai Noi are our Promoters.						
KISB	Innolates Limited	Lam Jiu Juan and Lam Yiu Pang Albert are both directors and shareholders of Innolates Limited.	Sale of equipment and machinery by KISB to related party	483	-	-	-	-
		Goh Siang, Goh Leng Kian, Goh Yen Yen, Goh Yin, Goh Miah Kiat and Goh Ai Noi are shareholders of Innolates Limited.						

## 11. CONFLICT OF INTERESTS AND RELATED PARTY TRANSACTIONS (Cont'd)

Name of Company	Related Parties	Nature of relationship	Nature of transaction*	FYE 2010 (RM '000)	FYE 2011 (RM '000)	FYE 2012 (RM '000)	FYE 2013 (RM '000)	As at the LPD (RM '000)
		Lam Jiuuan, Goh Siang, Goh Leng Kian and Goh Yen Yen are both our Promoters and Directors.						
		Goh Yin and Goh Miah Kiat are both our Promoters and key management.						
		Lam Yiu Pang Albert and Goh Ai Noi are our Promoters.						
ITL	Omni Star Co Ltd	Goh Siang is a shareholder of Omni Star Co Ltd.	Purchase of Pre-vulcanised latex by ITL from related party	-	-	24	-	-
		Goh Siang is both our Promoter and Senior Executive Director.						
KISB	Goh Yen Yen and Goh Yin	Goh Yen Yen is our Promoter and Director.	Sales of residential property – double storey house by KISB to related parties	-	-	300	-	-
		Goh Yin is our Promoter and key management.						
KISB	Goh Siang	Goh Siang is our Promoter and Senior Executive Director.	Sales of residential property – double storey house by KISB to related party	-	-	300	-	-

**11. CONFLICT OF INTERESTS AND RELATED PARTY TRANSACTIONS (Cont'd)**

Name of Company	Related Parties	Nature of relationship	Nature of transaction*	FYE 2010 (RM '000)	FYE 2011 (RM '000)	FYE 2012 (RM '000)	FYE 2013 (RM '000)	As at the LPD (RM '000)
KISB	Goh Leng Kian and Boong Siew Choon	Goh Leng Kian is our Promoter and Director. Boong Siew Choon is the spouse of Goh Leng Kian.	Sales of residential property – double storey house by KISB to related parties	-	-	200	-	-
		Boong Siew Choon is the key management of KISB.						

**11.1.2 Recurrent related party transactions**

Save as disclosed below, we have not entered into and are not involved in any on-going or proposed related party transactions which are recurrent in nature for the past four (4) FYE 2010 to FYE 2013 and FYE 2014:

Name of Company	Related Parties	Nature of relationship	Nature of transaction*	FYE 2010 (RM '000)	FYE 2011 (RM '000)	FYE 2012 (RM '000)	FYE 2013 (RM '000)	(Proposed) FYE 2014 (RM '000)
KISB	Cl <sup>(7)</sup>	Lam Jiu Juan and Pang Albert are both partners in Cl.	Sales of condos by KISB to related party	24	11	31	18	50
		Lam Jiu Juan is our Promoter and Director.						
		Lam Yiu Pang Albert is our Promoter.						

## 11. CONFLICT OF INTERESTS AND RELATED PARTY TRANSACTIONS (Cont'd)

Name of Company	Related Parties	Nature of relationship	Nature of transaction*	FYE 2010 (RM '000)	FYE 2011 (RM '000)	FYE 2012 (RM '000)	FYE 2013 (RM '000)	(Proposed) FYE 2014 (RM '000)
ISB	CI <sup>(1)</sup>	Lam Jiu Juan and Lam Yiu Pang Albert are both partners in CI.	Sales of condoms by ISB to related party	120	219	219	171	250
		Lam Jiu Juan is our Promoter and Director.						
		Lam Yiu Pang Albert is our Promoter.						
UTSB	CIL <sup>(1)</sup>	Lam Jiu Juan and Lam Yiu Pang Albert are both directors and shareholders of CIL.	Sales of catheters by UTSB to related party	1,245	1,857	1,953	3,248	3,000
		Goh Siang, Goh Leng Kian, Goh Yen Yen, Goh Yin, Goh Miah Kiat and Goh Ai Noi are shareholders of CIL.						
		Lam Jiu Juan, Goh Siang, Goh Leng Kian and Goh Yen Yen are both our Promoters and Directors.						
		Goh Yin and Goh Miah Kiat are both our Promoters and key management.						
		Lam Yiu Pang Albert and Goh Ai Noi are our Promoters.						

Note:

(1) Both CI and CIL are resellers of our products and the transactions are conducted at arm's length. In that respect, they are not in conflict of interest with our business

## **11. CONFLICT OF INTERESTS AND RELATED PARTY TRANSACTIONS (Cont'd)**

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### **11.2 Monitoring and oversight of conflict of interests and related party transactions**

Our Audit Committee will review any related party transactions and conflict of interests that may arise within our Group. Our Audit Committee will periodically review the procedures set by our Company to monitor related party transactions to ensure that these transactions are carried out on normal commercial terms not more favourable to the related party than those generally available to the third parties dealing at arm's length and are not detrimental of our Company's minority shareholders. All reviews of our Audit Committee will be reported to our Board for its further action.

We will, after our Listing, procure a mandate from our shareholders, if necessary, for all our recurrent related party transactions of revenue or trading in nature or those necessary for our day-to-day operations. Further, the interested persons shall abstain from voting on the resolution(s) pertaining to the respective transactions. Furthermore, we will make disclosures in our annual report of the aggregate value of the recurrent related party transactions entered into by us conducted based on the nature of transactions made, names of the related parties involved and their relationship with our Group during the financial year and in the annual reports for the subsequent financial years.

### **11.3 Outstanding loans made to or for the benefit of related parties**

There are no outstanding loans (including guarantees of any kind) granted by us, or any of our shareholders or Subsidiaries to or for the benefit of related parties during the past four (4) FYE 2010 to FYE 2013, immediately preceding the date of this Prospectus.

### **11.4 Interests in similar business**

As at the LPD, save as disclosed in Sections 9.2.4, 11.1.1 and 11.1.2 of this Prospectus, none of our Directors or substantial shareholders have any interest, whether direct or indirect, in any business or corporation which are:

- (i) carrying on a similar trade as our Group; and
- (ii) customers of and/or suppliers of our Group.

Our Board is of the opinion that there is no existing or potential conflict of interest situation arising from the Directors' and/or substantial shareholders' interests in the businesses and corporations disclosed in Sections 9.2.4, 11.1.1 and 11.1.2 of this Prospectus. Furthermore, our Board confirms that there are no any other business transactions that would give rise to any conflict of interest situation.

### **11.5 Declaration by advisers**

- (i) Save as disclosed below, RHB Investment Bank confirms, it is not aware of any circumstances that exist or are likely to give rise to a possible conflict of interest situation in its capacity as the Principal Adviser, Underwriter and Joint Placement Agent for our Listing.

RHB Investment Bank is the Principal Adviser to Karex for our Listing. However, RHB Investment Bank's role as the Principal Adviser for the implementation of our Listing involves the preparation of all submissions on behalf of Karex to the regulatory authorities, where required, and the Prospectus in relation to our Listing. In view of the above, RHB Investment Bank is not aware of any circumstances that exist or are likely to give rise to a possible conflict of interest situation in relation to its capacity as the Principal Adviser to Karex in relation to our Listing.

**11. CONFLICT OF INTERESTS AND RELATED PARTY TRANSACTIONS (Cont'd)**

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RHB Investment Bank and/or its related companies (“**RHB Banking Group**”) form a diversified financial group and may extend credit facilities or engage in private banking, commercial banking and investment banking transaction including, inter-alia brokerage, securities trading, asset and funds management and credit transaction service businesses in its ordinary course of business with Karex and its persons acting in concert. Furthermore, any member of the RHB Banking Group may at any time offer or provide its services to or engage in any transactions (on its own account or otherwise) with Karex and/or its affiliates, hold long or short positions, and may trade any otherwise effect transactions for its own account or the account of its other customers in debt or equity securities or senior loans of Karex and/or affiliates. This is the result of the businesses of the RHB Banking Group generally acting independently of each other which may generate situations where parts of the RHB Banking Group and/or its customers now have in the future, may have interest or take actions that may conflict with the interest of Karex.

As at 30 June 2013, RHB Bank Berhad (a company related to RHB Investment Bank) has, in the ordinary course of their banking business, granted credit facilities to Karex. RHB Bank Berhad extended term loan facilities to our Group, of which RHB Bank Berhad’s portion amounted to RM23.0 million. The outstanding borrowings owing by our Group as at 30 June 2013 stood at RM10.1 million. The said borrowings were utilised to, among others, partially finance the purchase of our new land in Pontian where our new plant will be located, the purchase of machineries to enhance our manufacturing facility as well as our Group’s working capital requirements.

RHB Investment Bank as part of the RHB Banking Group confirms that there is no conflict of interest in its capacities as the Principal Adviser, Underwriter and Joint Placement Agent in relation to our Listing as:

- (i) the credit facilities granted to our Group are not material compared to RHB Bank Berhad’s total loan, advances and financing of RM92.4 billion as at 30 June 2013;
- (ii) the total outstanding amounts owed by our Group are not material when compared to RHB Banking Group’s audited consolidated net assets of RM15.1 billion as at 31 December 2012; and
- (iii) the team(s) in charge of our Listing in RHB Banking Group is independent from the team handling the credit facilities.

Therefore, RHB Investment Bank is of the view that there is no conflict of interest in its capacity as the Principal Adviser for the implementation of our Listing. Furthermore, the extension of credit facilities arose in the ordinary course of business of the RHB Banking Group’s extensive participation in the Malaysian banking industry.

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## 11. CONFLICT OF INTERESTS AND RELATED PARTY TRANSACTIONS (Cont'd)

- (ii) Save as disclosed below, ZJ Advisory confirms, it is not aware of any circumstances that exist or are likely to give rise to a possible conflict of interest situation in its capacity as the Financial Adviser to Karex Group for our Listing.

Shaari bin Haron, a shareholder of our Company (holding approximately 6.81 million Shares, representing an equity interest of approximately 3.0% in our Company upon completion of the Acquisitions), is also a director and shareholder of ZJ Advisory. However, Shaari bin Haron is not part of due diligence working group in relation to our Listing ("DDWG") and has no direct control over the decisions made by the DDWG. Potential conflicts of interest arising from Shaari bin Haron's influence in ZJ Advisory (if any) is mitigated by the appointment of the various advisers (i.e. Solicitors, Reporting Accountants, Independent Market Researcher and Principal Adviser) who advise and perform their duties in respect of our Listing independently. The DDWG has been set up so that there is adequate supervision and management of the due diligence process.

- (iii) CIMB Investment Bank Berhad, its subsidiaries and associated companies, as well as its holding company CIMB Group Holdings Berhad and the subsidiaries and associated companies of its holding company (the "CIMB Group") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and funds management and credit transaction service businesses. The CIMB Group has engaged and may in the future, engage in transactions with and perform services for our Company and/or our affiliates, in addition to the role set out in this Prospectus. In addition, in the ordinary course of business, any member of the CIMB Group may at any time offer or provide its services to or engage in any transactions (on its own account or otherwise) with our Company and/or our affiliates and/or any other entity or person, hold long or short positions in securities issued by our Company and/or our affiliates, make investment recommendations and/or publish or express independent research views on such securities, and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities or senior loans of our Company and/or our affiliates. This is a result of the businesses of the CIMB Group generally acting independently of each other, and accordingly there may be situations where parts of the CIMB Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interests of our Company.

CIMB confirms that as at the LPD, it is not aware of any circumstances that would give rise to a conflict of interest situation in its capacity as the Joint Placement Agent for our Listing.

- (iv) Messrs. KPMG confirms that there is no conflict of interest in its role as the Auditors and Reporting Accountants for our Listing.
- (v) Messrs. Intadit C.P.A. Office Company Limited confirms that there is no conflict of interest in its role as the Auditors of ITL for our Listing.
- (vi) Messrs. Jeff Leong, Poon & Wong confirms that there is no conflict of interest faced by it in its role as the Solicitor for our Listing (as to Malaysian law).
- (vii) Messrs. Siam City Law Offices Limited confirms that there is no conflict of interest faced by it in its role as the Solicitor for our Listing (as to Thailand law).
- (viii) Infobusiness confirms that there is no conflict of interest in its role as the Independent Market Researcher for our Listing.

## 12. OTHER INFORMATION

### 12.1 Material equipment

The details of material equipment owned by our Group are as follows:

Equipment and machinery	No. of units	Functions	Installed capacity* (million pieces per annum)	NBV as at 30 June 2013 (RM million)
Condoms dipping machines	32	31 operating condoms dipping machines for manufacturing and the remaining one (1) is used for R&D purposes	2,990	14.42
Manual ET machines	112	Manual machines use for testing of pinhole(s) on condoms	2,516	2.87
Automated ET machines	6	Automated machines use for testing of pinhole(s) on condoms	505	4.02
Foil sealing machines	129	Foil sealing for condoms	3,850	4.53
<b>Total</b>	<b>279</b>			<b>25.84</b>

Note:

\* Approximate amount.

### 12.2 Regulatory and environmental issues

Our Group is required to comply with the following regulatory and environmental quality regulations (as disclosed in Section 1.2 of the IMR Executive Summary):

- (i) FDA 510(k) pre-market clearance in the US;
- (ii) CE marking in the European Union;
- (iii) State Food and Drug Administration of China;
- (iv) Thai FDA;
- (v) Medical Device Act 2012 in Malaysia;
- (vi) Environmental Quality (Clean Air) Regulations 1978;
- (vii) Environmental Quality (Industrial Effluent) Regulations 2009; and
- (viii) Environmental Quality (Scheduled Wastes) Regulations 2005.

We confirm that there are no environmental proceedings or investigations to which it is or might become a party to, and confirm that all relevant land rules and building regulations, other material regulatory requirements and environmental issues which may have materially affect our Group's operations and/or utilisation of assets have been complied with as at the LPD.

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## 12. OTHER INFORMATION (Cont'd)

### 12.3 Material plans to construct, expand or improve facilities

As at the LPD, we have immediate plans to construct, expand or improve on existing facilities in Malaysia and Thailand. The plans are summarised in the following table:

Companies within our Group	Approximate built-up area (sq. ft.)	Location of facilities	Nature of plan	Estimated expense amount	Method of financing	Estimated start and completion period	Manufacturing capacity post completion
<b>MALAYSIA</b>							
KISB	781,335	Lot 2767, Mukim Rimba Terjun Daerah Pontian Johor	Construction of new manufacturing facility with the installation of 20 condoms dipping lines, 100 ET machines and 80 foiling machines	RM70,000,000, whereby RM2,100,000 have already been paid and funded via internally generated funds	The construction will be funded via bank borrowings, internally generated funds and IPO proceeds	The construction is expected to start in the first (1 <sup>st</sup> ) quarter of 2014 and expected to be completed by the first (1 <sup>st</sup> ) quarter of 2015. The installation of dipping lines, 50 ET and 40 foiling machines is expected to be commissioned by 2015 and the remaining ET and foiling machines is expected to be installed by the first (1 <sup>st</sup> ) quarter of 2016.	KISB's condom manufacturing capacity will increase to approximately four (4) billion pieces
ISB	43,560	PT 591, Mukim dan Daerah Klang Selangor	Expansion of manufacturing facility via the acquisition of new factory with the installation of five (5) condoms dipping lines, 10 ET machines and 10 foiling machines	RM12,650,000, whereby RM8,000,000 have already been paid and funded via internally generated funds	The remaining expenses will be funded via internally generated funds and IPO proceeds	The expansion commenced in June 2012 and the installation of dipping lines, ET and foiling machines is expected to be completed by the end of 2013.	ISB's condom manufacturing capacity will increase to approximately 800 million pieces

12. OTHER INFORMATION (Cont'd)

Companies within our Group	Approximate built-up area (sq. ft.)	Location of facilities	Nature of plan	Estimated expense amount	Method of financing	Estimated start and completion period	Manufacturing capacity post completion
THAILAND							
ITL	68,900	Land Slot No.: E1-6, Export Processing Zone Southern Industrial Estate Village 4 Tumbol Chalung Amphur Hat Yai Songkhla	Expansion of manufacturing facility via the installation of five (5) condoms dipping lines, 25 ET machines and 20 foiling machines	RM13,000,000, whereby RM3,200,000 have already been paid via internally generated funds and bank borrowings	The expansion will be funded via IPO proceeds, internally generated funds and bank borrowings	The expansion commenced in the third (3 <sup>rd</sup> ) quarter of 2012 and is expected to be completed by the end of 2013 with the installation of additional five (5) condoms dipping lines, 25 ET machines and 20 foiling machines.	ITL's condom manufacturing capacity will increase to approximately 1.2 billion pieces from 0.7 billion pieces in FYE 2013

For further details on our expansion plans, please refer to Section 7.21 of this Prospectus.

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## 13. FINANCIAL INFORMATION

### 13.1 Report on the compilation of proforma consolidated financial information



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#### **The Board of Directors**

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

25 September 2013

Dear Sirs

#### **KAREX BERHAD (“Karex” or the “Company”)**

#### **Report on the Compilation of Proforma Consolidated Financial Information Included in a Prospectus for the listing of and quotation for the entire issued and paid-up share capital of the Company on the Main Market of Bursa Securities**

We have completed our assurance engagement to report on the compilation of proforma consolidated financial information of Karex and its subsidiaries (“Karex Group”) by the Board of Directors of the Company, which we have stamped for the purpose of identification. The proforma consolidated financial information consists of the proforma consolidated statements of profit and loss and other comprehensive income for the 4 years ended 30 June 2010, 2011, 2012 and 2013, proforma consolidated statements of financial position as at 30 June 2013, and the proforma consolidated cash flow statement for the year ended 30 June 2013 and related notes as set out in the Prospectus issued by the Company. The applicable criteria on the basis of which the Board of Directors of the Company has compiled the proforma consolidated financial information are specified in the Prospectus Guidelines issued by Securities Commission Malaysia (“Prospectus Guidelines”) and described in Notes 1.2, 1.3, 2.2 and 3.2 series to the proforma consolidated financial information.

The proforma consolidated financial information has been compiled by the Board of Directors of the Company to illustrate the impact of the events or transactions as set out in Notes 1.2, 2.2 and 3.2 series to the proforma consolidated financial information on Karex Group’s financial position as at 30 June 2013, cash flows for the year ended 30 June 2013 and the Karex Group’s financial performance for the years ended 30 June 2010, 2011, 2012 and 2013 respectively as if the events or transactions had taken place at 30 June 2013 and assuming Karex Group has been in existence throughout the years. As part of this process, information about the Karex Group’s financial position, financial performance and cash flows has been extracted by Board of Directors of the Company from the respective financial statements of Karex Group for the years/period ended 31 December 2009, 30 June 2010, 2011, 2012 and 2013, on which audit reports have been published.

#### **Board of Directors’ responsibility for the Proforma Consolidated Financial Information**

The Board of Directors of the Company is responsible for compiling the proforma consolidated financial information based on the basis as set out in Notes 1.2, 1.3, 2.2 and 3.2 series to the proforma consolidated financial information as required by the Prospectus Guidelines.

**13. FINANCIAL INFORMATION (Cont'd)****KAREX BERHAD**

*Report on the Compilation of Proforma Consolidated Financial Information Included in a Prospectus for the listing of and quotation for the entire issued and paid-up share capital of the Company on the Main Market of Bursa Securities  
25 September 2013*

**Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion as required by the Prospectus Guidelines, about whether the proforma consolidated financial information has been compiled, in all material respects, by the Board of Directors of the Company on the basis as set out in Notes 1.2, 1.3, 2.2 and 3.2 series to the proforma consolidated financial information and whether the basis is consistent with the accounting policies of Karex Group.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Proforma Consolidated Financial Information Included in a Prospectus, issued by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors of the Company has compiled, in all material respects, the proforma consolidated financial information on the basis set out in Notes 1.2, 1.3, 2.2 and 3.2 series to the proforma consolidated financial information and that such basis is consistent with the accounting policies of Karex Group.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions made by us or another firm of Chartered Accountants on any historical financial information used in compiling the proforma consolidated financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the proforma consolidated financial information.

The purpose of proforma consolidated financial information included in a prospectus is solely to illustrate the impact of any significant events or transactions on unadjusted financial information of Karex Group as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions, when they occur, would have been as presented.

A reasonable assurance engagement to report on whether the proforma consolidated financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the proforma consolidated financial information provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- a) The related proforma adjustments give appropriate effect to those criteria; and
- b) The proforma consolidated financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of Karex Group, the event or transaction in respect of which the proforma consolidated financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the proforma consolidated financial information.

### 13. FINANCIAL INFORMATION (Cont'd)



**KAREX BERHAD**  
*Report on the Compilation of Proforma Consolidated Financial Information Included in a Prospectus for the listing of and quotation for the entire issued and paid-up share capital of the Company on the Main Market of Bursa Securities*  
25 September 2013

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

#### **Opinion**

In our opinion,

- the proforma consolidated financial information has been properly compiled, in all material respects, on the basis as set out in Notes 1.2, 1.3, 2.2 and 3.2 series to the proforma consolidated financial information using the financial statements prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standard;
- such basis is consistent with both the format of the financial statements and the accounting policies of Karex Group as disclosed in Note 1.4; and
- each material adjustment made to the information used in the preparation of the proforma consolidated financial information is appropriate for the purpose of preparing the proforma consolidated financial information.

#### **Other Matters**

The proforma consolidated financial information has been prepared for inclusion in the prospectus in connection with the listing of the shares of the Company on the Main Market of Bursa Securities and should not be relied upon for any other purposes.

Yours faithfully

**KPMG**  
Firm Number: AF 0758  
Chartered Accountants

**Tan Teck Eng**  
Approval Number: 2986/05/14(J)  
Chartered Accountant

**13. FINANCIAL INFORMATION (Cont'd)**

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**Karex Berhad ("Karex" or "the Company")  
and its subsidiaries ("Karex Group")**

**Proforma Consolidated Financial Information**

**1. Proforma group, listing scheme and basis of preparation and significant accounting policies**

**1.1 Proforma Group**

1.1.1 The proforma consolidated financial information of Karex Berhad ("Karex" or "the Company") and its subsidiaries ("Karex Group"), are prepared for illustrative purpose only. The relevant financial years of Karex Group for this report cover the financial years ended ("FYE") 30 June 2010, 30 June 2011, 30 June 2012 and 30 June 2013.

1.1.2 The proforma consolidated financial information of Karex Group has been prepared on the assumption that the Group had been in existence throughout the FYE 30 June 2010, 30 June 2011, 30 June 2012 and 30 June 2013 ("Relevant Financial Years"). The proforma consolidated financial information comprises the following:-

Note 2 - Proforma consolidated statements of profit or loss and other comprehensive income for the Relevant Financial Years.

Note 3 - Proforma consolidated statements of financial position as at 30 June 2013.

Note 4 - Proforma consolidated statement of cash flows for the FYE 30 June 2013.

**1.2 Listing Scheme**

In conjunction with, and as an integral part of the listing and quotation for the entire issued and paid-up share capital of Karex on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), Karex undertook the following exercises.



**13. FINANCIAL INFORMATION (Cont'd)****1. Proforma group, listing scheme and basis of preparation and significant accounting policies (Cont'd)****1.2.1 Acquisition of Subsidiaries**

Prior to the acquisitions, the equity shares in KISB, HMSB, ISB, 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, ITL and through KISB, the remaining 40% in UTSB not already held by KISB, from the shareholders. The acquisitions were satisfied by the issuance of Karex shares 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)(3)</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 at RM1.00 each

(2) Denotes par value at THB 100 each

(3) Including 1 share each nominated to be held by KISB and ISB in order to comply with the requirement under Thai Law that a private company must be held by a minimum of three (3) shareholders. Upon completion of the acquisition, ITL is directly and indirectly owned by Karex.

**1.2.2 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 for sale by the existing shareholders "Offer shares"). 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:

**1.2.2.1 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.

**1.2.2.2 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

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### 13. FINANCIAL INFORMATION (Cont'd)

#### 1. Proforma group, listing scheme and basis of preparation and significant accounting policies (Cont'd)

##### 1.2.2.2 Retail Offering (Cont'd)

- (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.

##### 1.2.3 Utilisation

Utilisation of gross proceeds from the sale of the Issue Shares will be utilised as follows:

	RM'000
Capital expenditure	41,750
Working capital	13,675
Repayment of bank borrowings	10,000
Estimated listing expenses	5,500
Research and development	4,000
	<u>74,925</u>

#### 1.3 Basis of preparation

The proforma consolidated financial information have been prepared using the bases and accounting principles consistent with those adopted in the latest audited financial statements and after giving effect to the proforma adjustments which are considered as appropriate.

The proforma consolidated financial information have been prepared for illustrative purposes only and because of its nature, may not give a true picture of the actual financial results, financial position and cash flows of Karex Group.

##### 1.3.1 Statement of compliance

The financial statements of the Group 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:

***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)*

**13. FINANCIAL INFORMATION (Cont'd)****1. Proforma group, listing scheme and basis of preparation and significant accounting policies (Cont'd)****1.3 Basis of preparation (Cont'd)****1.3.1 Statement of compliance (Cont'd)*****MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013 (Cont'd)***

- 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*

***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 plan 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.

**1.3.2 Basis of measurement**

The financial statements have been prepared on the historical cost basis, except as disclosed in Note 1.4.

**1.3.3 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.

**1.3.4 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.

**13. FINANCIAL INFORMATION (Cont'd)****1. Proforma group, listing scheme and basis of preparation and significant accounting policies (Cont'd)****1.4 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.

**1.4.1 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.

**(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.

**13. FINANCIAL INFORMATION (Cont'd)****1. Proforma group, listing scheme and basis of preparation and significant accounting policies (Cont'd)****1.4.1 Basis of consolidation (Cont'd)****(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.

**1.4.2 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.

**(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.

### 13. FINANCIAL INFORMATION (Cont'd)

#### 1. Proforma group, listing scheme and basis of preparation and significant accounting policies (Cont'd)

##### 1.4.2 Foreign currency (Cont'd)

###### (ii) Operations denominated in functional currencies other than Ringgit Malaysia (Cont'd)

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.

##### 1.4.3 Financial instruments

###### (i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statements of financial position when, and only when, the Group 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.

###### (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.

**13. FINANCIAL INFORMATION (Cont'd)****1. Proforma group, listing scheme and basis of preparation and significant accounting policies (Cont'd)****1.4.3 Financial instruments (Cont'd)****(ii) Financial instrument categories and subsequent measurement (Cont'd)*****Financial assets (Cont'd)*****(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 Note 1.4.10(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

**(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.

**13. FINANCIAL INFORMATION (Cont'd)****1. Proforma group, listing scheme and basis of preparation and significant accounting policies (Cont'd)****1.4.3 Financial instruments (Cont'd)****(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.

**1.4.4 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 property, 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.



**13. FINANCIAL INFORMATION (Cont'd)****1. Proforma group, listing scheme and basis of preparation and significant accounting policies (Cont'd)****1.4.4 Property, plant and equipment (Cont'd)****(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.

The estimated useful lives for the current and comparative period 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.

**1.4.5 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.

**13. FINANCIAL INFORMATION (Cont'd)****1. Proforma group, listing scheme and basis of preparation and significant accounting policies (Cont'd)****1.4.5 Leased assets (Cont'd)****(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 statements 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.

**1.4.6 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 Note 1.4.4(iii).

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.

**13. FINANCIAL INFORMATION (Cont'd)****1. Proforma group, listing scheme and basis of preparation and significant accounting policies (Cont'd)****1.4.7 Intangible assets****Research and development**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

**1.4.8 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.

**1.4.9 Cash and cash equivalents**

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

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

All financial assets (except for investments 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 equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

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.

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**13. FINANCIAL INFORMATION (Cont'd)****1. Proforma group, listing scheme and basis of preparation and significant accounting policies (Cont'd)****1.4.10 Impairment (Cont'd)****(i) Financial assets (Cont'd)**

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale 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 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.

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 reserved. 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.

### 13. FINANCIAL INFORMATION (Cont'd)

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#### 1. Proforma group, listing scheme and basis of preparation and significant accounting policies (Cont'd)

##### 1.4.11 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.

##### 1.4.12 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 recognized 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.

**13. FINANCIAL INFORMATION (Cont'd)**

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**1. Proforma group, listing scheme and basis of preparation and significant accounting policies (Cont'd)****1.4.13 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.

**1.4.14 Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are 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.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements 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.

**13. FINANCIAL INFORMATION (Cont'd)****2. Proforma consolidated statements of profit or loss and other comprehensive income**

2.1 The proforma consolidated statements of profit or loss and other comprehensive income for the past four (4) financial years ended 30 June 2010, 30 June 2011, 30 June 2012 and 30 June 2013 which have been prepared for illustrative purposes to show the results of Karex Group, are based on accounting policies adopted by the Group as disclosed in Note 1.4 and are prepared on the assumption that the current structure of the Group existed throughout the financial years under review.

	Compiled historical financial results* 2010 RM'000	Proforma Financial years ended 30 June		
		2011 RM'000	2012 RM'000	2013 RM'000
Revenue	157,444	181,753	188,751	231,389
Cost of goods sold	(117,315)	(156,869)	(155,886)	(171,472)
Gross profit	40,129	24,884	32,865	59,917
Other income	1,382	1,672	3,105	1,988
Distribution expenses	(7,683)	(7,083)	(9,307)	(9,698)
Administrative expenses	(7,888)	(8,680)	(9,207)	(10,068)
Other expenses	(5,168)	(1,204)	(424)	(3,645)
Result from operating activities	20,772	9,589	17,032	38,494
Finance costs	(1,118)	(1,990)	(2,646)	(2,500)
Interest income	38	104	144	150
Net finance costs	(1,080)	(1,886)	(2,502)	(2,350)
Profit before tax	19,692	7,703	14,530	36,144
Tax expense	(3,163)	(715)	(2,514)	(7,116)
Profit for the year	16,529	6,988	12,016	29,028
Other comprehensive income, net of tax	16,529	6,988	12,016	29,028
Foreign currency translation differences	1	(101)	76	275
Total comprehensive income for the year	16,530	6,887	12,092	29,303
EBITDA	26,222	15,168	22,475	44,381
Depreciation	(5,450)	(5,579)	(5,443)	(5,887)
Interest income	38	104	144	150
Finance costs	(1,118)	(1,990)	(2,646)	(2,500)
Profit before taxation	19,692	7,703	14,530	36,144
No. of Shares**	270,000	270,000	270,000	270,000
Basic/ Diluted EPS (RM/share) ***	0.06	0.03	0.04	0.11
GP margin (%)	25.5	13.7	17.4	25.9
PBT margin (%)	12.5	4.2	7.7	15.6
PAT margin (%)	10.5	3.8	6.4	12.5

\* Due to non-coterminous year end of certain companies as explained in Note 2.2(ii)(a), the financial results of these companies were compiled on a prorated basis from the audited financial statements for the financial year/ period ended 31 December 2009 and 30 June 2010.

\*\* Number of Shares after Acquisitions and IPO

\*\*\* The basis / diluted EPS is computed based on the consolidated PAT divided by number of Shares after the IPO

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**13. FINANCIAL INFORMATION (Cont'd)****2. Proforma consolidated statements of profit or loss and other comprehensive income (Cont'd)****2.2 Notes to the summarised proforma consolidated statements of profit or loss and other comprehensive income of Karex Group**

- i) The summarised proforma consolidated statements of profit or loss and other comprehensive income of Karex Group for the financial years ended 30 June 2010, 30 June 2011, 30 June 2012 and 30 June 2013 are prepared for illustrative purposes only and are based on the audited financial statements of the following companies for the respective years mentioned below, after making relevant adjustments deemed necessary under the circumstances as set out in (ii) below:
- (a) KISB for the financial years ended 30 June 2010, 30 June 2011, 30 June 2012 and 30 June 2013;
  - (b) UTSB for the financial years ended 30 June 2010, 30 June 2011, 30 June 2012 and 30 June 2013;
  - (c) HMSB for the six months period ended 30 June 2010 and financial years ended 31 December 2009, 30 June 2011, 30 June 2012 and 30 June 2013;
  - (d) ISB for the six months period ended 30 June 2010 and financial years ended 31 December 2009, 30 June 2011, 30 June 2012 and 30 June 2013; and
  - (e) ITL for the six months period ended 30 June 2010 and financial years ended 31 December 2009, 30 June 2011, 30 June 2012 and 30 June 2013.
- ii) The relevant adjustments deemed necessary under the circumstances are set out below:
- (a) Non-coterminous year end  
Adjustments have been made to the statements of comprehensive income of HMSB, ISB and ITL on a prorated basis as the financial year end for these companies are not coterminous with the Karex Group in the financial years ended 31 December 2009;
  - (b) Elimination of intercompany transactions  
Adjustments have been made to eliminate intercompany transactions in all period/years under review. Such transactions include and not limited to the followings:
    - (i) Sales of goods charged by intercompany for the six months period ended 30 June 2010 and financial years ended 31 December 2009, 30 June 2011, 30 June 2012 and 30 June 2013;
    - (ii) Rental of factory charged by KISB to UTSB and ISB, for the six months period ended 30 June 2010 and financial years ended 31 December 2009, 30 June 2011, 30 June 2012 and 30 June 2013;
    - (iii) Management fees charged by KISB to UTSB for the financial years ended 30 June 2010, 30 June 2011, 30 June 2012 and 30 June 2013; and
    - (iv) Intercompany sales of fixed assets from KISB to ISB and ITL for the six months period ended 30 June 2010 and financial years ended 31 December 2009, 30 June 2011, 30 June 2012 and 30 June 2013.



**13. FINANCIAL INFORMATION (Cont'd)****2. Proforma consolidated statements of profit and loss and other comprehensive income (Cont'd)**

2.2.1 The adjustments as stated in Note 2.2 (ii) above have been reflected in the respective financial years on the proforma Karex Group as follows:

Proforma adjustments

	Note	30.06.10 RM'000	30.06.11 RM'000	30.06.12 RM'000	30.06.13 RM'000
Revenue		215,693 *	224,901	229,439	284,808
- Adjustments for non-coterminous year end	2.2(ii)(a)	(26,889)	--	--	--
- Adjustments for eliminations of intercompany transactions	2.2(ii)(b)	<u>(31,360)</u>	<u>(43,148)</u>	<u>(40,688)</u>	<u>(53,419)</u>
		<u>157,444</u>	<u>181,753</u>	<u>188,751</u>	<u>231,389</u>
Profit before depreciation and interest		28,881 *	15,182	22,849	44,580
- Adjustments for non-coterminous year end	2.2(ii)(a)	(2,537)	--	--	--
- Adjustments for eliminations of intercompany transactions	2.2(ii)(b)	<u>(122)</u>	<u>(14)</u>	<u>(374)</u>	<u>(199)</u>
		<u>26,222</u>	<u>15,168</u>	<u>22,475</u>	<u>44,381</u>
Profit for the year		18,454 *	7,002	12,390	29,227
- Adjustments for non-coterminous year end	2.2(ii)(a)	(1,803)	--	--	--
- Adjustments for eliminations of intercompany transactions	2.2(ii)(b)	<u>(122)</u>	<u>(14)</u>	<u>(374)</u>	<u>(199)</u>
		<u>16,529</u>	<u>6,988</u>	<u>12,016</u>	<u>29,028</u>

\* Consist of 18 months figures from 1 January 2009 till 30 June 2010 in respect of HMSB, ISB and ITL.

**13. FINANCIAL INFORMATION (Cont'd)****3. Proforma consolidated statements of financial position**

3.1 The proforma consolidated statements of financial position of Karex Group as set out below are prepared solely for illustrative purposes only to show the effects of the implementation of the listing scheme referred to in Note 1.2 had these transactions been effected on 30 June 2013.

	Company	Proforma I	Proforma II
	Audited as at 30.06.13 RM'000	After Acquisitions RM'000	After IPO and utilisation of proceeds RM'000
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	--	73,230	116,980
Investment properties	--	2,797	2,797
Intangible asset	--	--	2,000
Deferred tax assets	--	701	701
	--	76,728	122,478
<b>CURRENT ASSETS</b>			
Inventories	--	47,221	47,221
Trade and other receivables	945	57,924	57,924
Tax recoverable	--	216	216
Cash and cash equivalents	-- <sup>(1)</sup>	41,317	55,624
	945	146,678	160,985
<b>TOTAL ASSETS</b>	945	223,406	283,463
<b>EQUITY AND LIABILITIES</b>			
Share capital	-- <sup>(1)</sup>	57,375	67,500
Share premium	--	--	60,900
Reserves	(632)	51,022	50,054
<b>TOTAL EQUITY</b>	(632)	108,397	178,454
<b>NON CURRENT LIABILITIES</b>			
Loans and borrowings	--	10,965	10,965
Deferred tax liabilities	--	5,034	5,034
	--	15,999	15,999
<b>CURRENT LIABILITIES</b>			
Loans and borrowings	--	39,897	29,897
Trade and other payable	1,577	56,907	56,907
Provision for taxation	--	2,206	2,206
	1,577	99,010	89,010
<b>TOTAL LIABILITIES</b>	1,577	115,009	105,009
<b>TOTAL EQUITY AND LIABILITIES</b>	945	223,406	283,463
No. of ordinary shares in issue ('000)	-- <sup>(2)</sup>	229,500	270,000
Net (Liabilities("NL")/ Assets ("NA")) (RM'000)	(632)	108,397	178,454
Net tangible (liabilities ("NTL")/ Asset ("NTA")) (RM'000)	(632)	108,397	176,454
(NL)/NA per share (RM)	(79,000) <sup>(2)</sup>	0.47	0.66
(NTL)/NTA per share (RM)	(79,000) <sup>(2)</sup>	0.47	0.65

(1) Denotes RM2.00

(2) Denotes/ Based on 8 ordinary shares of RM0.25 each

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**13. FINANCIAL INFORMATION (Cont'd)****3. Proforma consolidated statements of financial position (Cont'd)**

3.2 The proforma consolidated statements of financial position together with the notes thereon have been prepared based on accounting principles and bases consistent with those adopted by Karex Group for the financial year ended 30 June 2013 as disclosed in Note 1.4, and are presented in a form suitable for inclusion in the Prospectus.

3.2.1 The proforma consolidated statements of financial positions of Karex Group have been prepared for illustrative purpose only assuming Karex Group had been in existence on that date based on the individual audited financial statements of Karex Group as at 30 June 2013. They are prepared using the merger method.

Intercompany balances have been eliminated in arriving at proforma consolidated statements of financial positions.

3.2.2 The following transactions are assumed to have been effected as at 30 June 2013:

**(I) Proforma I**

Proforma I incorporates the following:

i) Acquisitions as set out in Note 1.2.1 of this report

The Acquisitions are accounted for using the merger method.

**(II) Proforma II**

Proforma II incorporates IPO and Listing as set out in Note 1.2.2 of this report and the following:

i) Estimated listing expenses of RM5,500,000 will be allocated to both the new shares and existing shares on a rational and consistent basis and set off against share premium account and charged out to the statement of comprehensive income respectively as follow:

<b>Description</b>	<b>RM'000</b>
Statement of comprehensive income	1,600
Share premium	3,900
Total	<u>5,500</u>

**13. FINANCIAL INFORMATION (Cont'd)****3. Proforma consolidated statements of financial position (Cont'd)**

3.2.3 The movements of the issued and paid-up share capital, the share premium account and the reserves of Karex Group after taking into account the transactions mentioned in Note 3.2.2 above are as follows:

	Number of ordinary shares '000	Per value RM	Share capital RM'000	Share premium RM'000	Accumulated losses RM'000	Merger reserve RM'000	Total equity RM'000
As at 30 June 2013	-- <sup>(1)</sup>	0.25	-- <sup>(2)</sup>	--	(632)	--	(632)
Proforma I							
- Acquisitions	229,500	0.25	57,375	--	--	51,654	109,029
After Proforma I	229,500	0.25	57,375	--	(632)	51,654	108,397
Proforma II							
- IPO	40,500	0.25	10,125	64,800	--	--	74,925
- Estimated share issue expenses	--	--	--	(3,900)	(968)	--	(4,868)
After Proforma II	270,000	0.25	67,500	60,900	(1,600)	51,654	178,454

(1) Denotes 8 ordinary shares of RM0.25 each

(2) Denotes RM2.00

3.2.4 The movements in cash and cash equivalents of Karex Group after taking into account the transactions mentioned in Note 3.2.2 above are as follows:-

	RM'000
Balance as at 30 June 2013	-- <sup>(1)</sup>
Proforma I	
- Acquisition	41,317
After Proforma I	41,317
Proforma II	
- IPO	74,925
- Capital expenditure	(41,750)
- Research and development	(4,000)
- Repayment of bank borrowings	(10,000)
Listing expenses	
- Estimated	(5,500)
- Paid and expensed	632
	(4,868)
After Proforma II	55,624

(1) Denotes RM2.00

**13. FINANCIAL INFORMATION (Cont'd)****4. Proforma consolidated statement of cash flows**

- 4.1 The proforma consolidated statement of cash flows of Karex Group for the financial year ended 30 June 2013, which has been prepared for illustrative purpose only assuming that the current structure of the Group existed throughout the financial year under review.

	<b>30 June 2013 RM'000</b>
<b>Cash flow from operating activities</b>	
Profit before tax	36,144
Adjustments for:	
Depreciation	5,887
Interest expense	2,500
Gain on disposal of property, plant and equipment	(312)
Interest income	(150)
Unrealised gain on foreign exchange	(1,398)
Fair value loss on derivative instruments	957
<b>Operating profit before changes in working capital</b>	<b>43,628</b>
Changes in inventories	(1,599)
Changes in trade and other receivables	5,173
Changes in trade and other payables	(4,140)
<b>Cash generated from operations</b>	<b>43,062</b>
Tax paid	(2,865)
<b>Net cash from operating activities</b>	<b>40,197</b>
<b>Cash flow from investing activities</b>	
Proceeds from disposal of property, plant and equipment	690
Interest received	150
Acquisition of property, plant and equipment	(17,623)
<b>Net cash used in investing activities</b>	<b>(16,783)</b>
<b>Net Cash flow used in financing activities</b>	
Interest paid	(2,886)
Net proceeds from bankers' acceptance	8,059
Net proceeds from packing credit	4,403
Drawdown of term loan	6,788
Repayment of term loan	(1,795)
Repayment of finance lease liabilities	(733)
Fixed deposits pledged to licensed banks	(1,391)
Amount due to Directors	(402)
Amount due to shareholders	(1,230)
<b>Net cash from financing activities</b>	<b>10,813</b>
<b>Net increase in cash and cash equivalents</b>	<b>34,227</b>
<b>Exchange differences on translation of the financial statement of foreign subsidiaries</b>	<b>3</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>(899)</b>
<b>Cash and cash equivalents at end of year</b>	<b>33,331</b>

**13. FINANCIAL INFORMATION (Cont'd)****4. Proforma consolidated statement of cash flows (Cont'd)****Notes to the statement of cash flows****(i) Cash and cash equivalents**

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

	<b>30 June 2013 RM'000</b>
Cash and cash equivalents	41,317
Less: Fixed deposits pledged with licensed banks	(7,533)
Bank overdrafts	(453)
	<u>33,331</u>

**5. Exchange rates**

The proforma consolidated financial information of the Group was translated to RM, being the presentation currency at the exchange rate of THB 100: RM 10.20 as at 30 June 2013.

The average exchange rates used in the translation of each unit of foreign currency to RM are as follows:

<u>Financial period/years ended</u>	<u>Exchange Rate</u>
31 December 2009	THB 100 : RM10.19
30 June 2010	THB 100 : RM10.14
30 June 2011	THB 100 : RM9.96
30 June 2012	THB 100 : RM9.90
30 June 2013	THB 100 : RM10.16

### 13. FINANCIAL INFORMATION (*Cont'd*)

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#### 13.2 Management's discussion and analysis of financial conditions and results of operations

Investors should read the following discussion and analysis of our financial conditions and results of operations in conjunction with the compiled/ proforma financial information and the related notes thereon for the FYE 2010, FYE 2011, FYE 2012 and FYE 2013 as set out in Section 13.1 of this Prospectus.

This discussion and analysis contains data derived from our audited financial statements as well as forward-looking statements that involve risks and uncertainties. The results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 5 of this Prospectus.

##### **Overview of operations**

We are an investment holding company. The core operation of our Group is carried out through our subsidiaries, KISB, HMSB, ISB, and ITL, which are principally involved in the manufacturing of condoms, probe covers and lubricating jelly. In addition, through UTSB, we specialise in the manufacturing of catheters. Please refer to Section 6 of this Prospectus for details of our Group.

Our products are principally sold in the commercial, tender and OBM markets.

The commercial market is where we manufacture condoms for brand owners. This includes customers such as Ansell Limited (*Lifestyle brand*), Reckitt Benckiser PLC (*Durex brand*), Line One Laboratories Inc (*Trustex brand*) and Global Protection Corp. (*One brand*).

The tender market is where we tender to institutional buyers to manufacture condoms for them. Institutional buyers consist of NGOs and government agencies such as UNFPA, USAID, PSI and MSI and may also include international purchasing agents such as JSI and Crown Agents.

Lastly, we also manufacture condoms under our own brands, namely Carex and INNO. These condoms are distributed in countries such as UAE, South Africa, India, Nigeria and Bangladesh.

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**13. FINANCIAL INFORMATION****13.2.1 Revenue**

Overall, our revenue increased throughout the financial years under review. The key factor affecting our Group's revenue growth is our ability to retain existing customers and gain new customers. Currently, our Group has sold our products to more than 110 countries worldwide. Another important factor is the introduction of new innovative products to the market such as super thin condoms, multi-coloured condoms, round condom foils and blister packed condoms. These innovative condoms enable us to expand into different segments of the condom industry and target different groups of consumers. Our Group has been resilient to economic recessions as evidenced by our increasing revenue for the financial years under review post the global financial turmoil in 2009.

Our revenue is largely influenced by condom sales which accounts for around 90% of our total revenue. The table below shows our revenue for the financial years under review.

	FYE 2010	FYE 2011	FYE 2012	FYE 2013
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue	157,444	181,753	188,751	231,389
	Change from FYE 2010 to FYE 2011	Change from FYE 2011 to FYE 2012	Change from FYE 2012 to FYE 2013	
	(%)	(%)	(%)	
Revenue	15.4	3.9	22.6	



## 13. FINANCIAL INFORMATION (Cont'd)

## (i) Revenue by products

The table below sets forth the breakdown of our revenue by products for the financial years under review:

	FYE 2010		FYE 2011		FYE 2012		FYE 2013	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Condoms	144,014	91.5	167,104	91.9	171,159	90.7	208,170	90.0
Catheters	8,097	5.1	8,267	4.6	10,067	5.3	11,927	5.1
Probe covers and lubricating jelly	5,333	3.4	6,382	3.5	7,525	4.0	11,292	4.9
<b>Total</b>	<b>157,444</b>	<b>100.0</b>	<b>181,753</b>	<b>100.0</b>	<b>188,751</b>	<b>100.0</b>	<b>231,389</b>	<b>100.0</b>
	<b>Change from FYE 2010 to FYE 2011</b>		<b>Change from FYE 2011 to FYE 2012</b>		<b>Change from FYE 2012 to FYE 2013</b>			
	(%)		(%)		(%)			
Condoms	16.0		2.4		21.6			
Catheters	2.1		21.8		18.5			
Probe covers and lubricating jelly	19.7		17.9		50.1			
<b>Total</b>	<b>15.4</b>		<b>3.9</b>		<b>22.6</b>			

**13. FINANCIAL INFORMATION (Cont'd)**

The revenue generated from our business is primarily dependent on sale of the following products:

**(a) Condoms**

A condom is a barrier type contraceptive device most commonly used during sexual intercourse to reduce the possibility of pregnancy and spreading of sexually transmitted diseases and HIV. The condom is our core product, contributing approximately 90% of our total revenue for each of the financial years under review. Our condom revenue has been on an upward trend, mainly due to the increase in orders from a few of our key clients in Asia and Europe as well as our continuous efforts in marketing our condoms such as attending global trade fairs and exhibitions. Our commercial market segment has contributed significantly to our condom revenue growth for the financial years under review.

For the FYE 2013 compared to the previous financial year, condom revenue increased by RM37.0 million (↑21.6%). The increase in revenue was contributed mainly by the increase in revenue from our commercial market segment of RM30.4 million and an increase of RM4.9 million from our tender market segment which consisted mainly of a shipment to Africa.

For the FYE 2012 compared to the previous financial year, condom revenue increased by RM4.1 million (↑2.4%) mainly due to the increase in revenue from our commercial market segment of RM10.5 million which was offset by the decrease in revenue from our tender market segment of RM5.8 million as there was a reduction of orders placed by JSI /USAID and Crown Agents.

For the FYE 2011 compared to the previous financial year, condom revenue increased by RM23.1 million (↑16.0%) with an increase in revenue from our commercial market segment by RM24.5 million which was offset by the decrease in revenue from our tender market segment of RM3.9 million due to a reduction of orders placed by Crown Agents. Our increase in installed capacity of approximately 400 million pieces in the FYE 2011 allowed us to manufacture more condoms to meet the market demand and, thus, generate more revenue.

Please refer to Section 7.6 of this Prospectus for more details on our manufacturing capacity and utilisation rate and Section 7.11 for revenue from our major customers.

## 13. FINANCIAL INFORMATION (Cont'd)

**(b) Catheters**

A catheter is a flexible tube medical device commonly made from silicone rubber or natural rubber that is inserted into the bladder for irrigation. Catheters contributed approximately 5% of our total revenue for each of the financial years under review. Strong demand contributed to catheter revenue:

- (i) increase of RM1.9 million (↑18.5%) for the FYE 2013 compared to the previous financial year;
- (ii) increase of RM1.8 million (↑21.8%) for the FYE 2012 compared to the previous financial year; and
- (iii) increase of RM0.2 million (↑2.1%) for the FYE 2011 compared to the previous financial year.

**(c) Probe covers and lubricating jelly**

Ultrasonic probe covers are hygienic protection for patient during ultrasonic examinations. It is made of high quality natural rubber. Our probe covers are specially designed for maximum flexibility and safety during ultrasound intra-cavity examinations.

Lubricating jelly is a complementary product to our condom manufacturing business. Lubricating jelly is used during sexual intercourse to reduce friction. Our lubricant jelly is formulated based on quality ingredients and meet high manufacturing standards to provide a long lasting and silky smooth lubrication for consumers.

The revenue contribution of both probe covers and lubricating jelly have gradually increased from 3.4% for the FYE 2010 to 4.9% for the FYE 2013. Strong demand contributed to probe cover and lubricating jelly revenue:

- (i) increase of RM3.8 million (↑50.1%) for the FYE 2013 compared to the previous financial year;
- (ii) increase of RM1.1 million (↑17.9%) for the FYE 2012 compared to the previous financial year; and
- (iii) increase of RM1.0 million (↑19.7%) for the FYE 2011 compared to the previous financial year.

The revenue contribution of each product is fairly consistent throughout the financial years under review with condom as the main contributor. The approximately 90% revenue contribution from condoms denotes our commitment and focus on our core product. Condoms today have evolved from being a pure protection device to a lifestyle and pleasure product. We believe that with our continuous R&D as well as innovative designs and manufacture of new types of condoms and/or packaging, the sale of condoms will remain the main revenue generator for our Group. Nonetheless, we acknowledge the demand for other products that form an integral part of our product offering and will continue to support their revenue growth.

The revenue of catheters and probe covers and lubricating jelly increased gradually throughout the financial years under review due to stronger demand. However, as sale of our catheters and probe covers and lubricating jelly account for 10.0% or less of our total revenue, the impact to our Group is less significant compared to the sale of our condoms.

## 13. FINANCIAL INFORMATION (Cont'd)

## (ii) Revenue by companies

The table below sets forth the breakdown of our revenue by companies for the financial years under review:

	FYE 2010		FYE 2011		FYE 2012		FYE 2013	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
KISB	119,439	75.9	137,973	75.9	130,399	69.1	143,187	61.9
ISB	32,309	20.5	34,040	18.7	44,306	23.5	61,100	26.4
UTSB	8,097	5.1	8,267	4.6	10,067	5.3	11,927	5.1
ITL	26,528	16.9	40,912	22.5	42,143	22.3	64,607	27.9
HMSB	2,431	1.5	3,709	2.0	2,524	1.3	3,987	1.7
Less: Inter-company transactions	(31,360)	(19.9)	(43,148)	(23.7)	(40,688)	(21.5)	(53,419)	(23.0)
<b>Total</b>	<b>157,444</b>	<b>100.0</b>	<b>181,753</b>	<b>100.0</b>	<b>188,751</b>	<b>100.0</b>	<b>231,389</b>	<b>100.0</b>
	<b>Change from FYE 2010 to FYE 2011</b>	<b>(%)</b>	<b>Change from FYE 2011 to FYE 2012</b>	<b>(%)</b>	<b>Change from FYE 2012 to FYE 2013</b>	<b>(%)</b>		
KISB		15.5		(5.5)		9.8		
ISB		5.4		30.2		37.9		
UTSB		2.1		21.8		18.5		
ITL		54.2		3.0		53.3		
HMSB		52.6		(31.9)		58.0		
Less: Inter-company transactions		37.6		(5.7)		31.3		
<b>Total</b>		<b>15.4</b>		<b>3.9</b>		<b>22.6</b>		

## 13. FINANCIAL INFORMATION (Cont'd)

## (a) KISB

KISB produces condoms, probe covers and lubricating jelly. It is the main revenue driver of our Group, which contributed 61.9% to 75.9% of our revenue for the financial years under review. KISB possesses the bulk of our manufacturing facilities.

For the FYE 2013 compared to the previous financial year, KISB's revenue increased by RM12.8 million (↑9.8%) mainly due to an increase in revenue from our commercial market segment of RM11.0 million.

For the FYE 2012 compared to the previous financial year, KISB's revenue decreased by RM7.6 million (↓5.5%) mainly due to a decrease in revenue from our tender market segment of RM18.1 million which was offset by an increase in revenue from our commercial market segment of RM10.0 million.

For the FYE 2011 compared to the previous financial year, KISB's revenue increased by RM18.5 million (↑15.5%) mainly due to the increase in revenue from our commercial market segment of RM18.9 million offset by an decrease in revenue from our tender market segment of RM0.8 million.

## (b) ISB

ISB produces condoms and contributed 18.7% to 26.4% of our revenue for the financial years under review.

For the FYE 2013 compared to the previous financial year, ISB's revenue increased by RM16.8 million (↑37.9%) mainly due to an increase in revenue from our commercial market segment of RM18.2 million offset by a decrease in revenue from our tender market segment of RM1.6 million.

For the FYE 2012 compared to the previous financial year, ISB's revenue increased by RM10.3 million (↑30.2%) mainly due to the increase in revenue from our commercial market segment of RM8.3 million.

For the FYE 2011 compared to the previous financial year, ISB's revenue increased by RM1.7 million (↑5.4%) mainly due to an increase in revenue from our commercial market segment of RM2.5 million offset by a decrease in revenue from our tender market segment of RM0.8 million.

## (c) UTSB

UTSB is our sole manufacturer of catheters. Its revenue is contributed solely by the sale of our catheters. UTSB contributed approximately 5% of our total revenue for the financial years under review. Strong demand for our catheters contributed to UTSB's revenue:

- (i) increase of RM1.9 million (↑18.5%) for the FYE 2013 compared to the previous financial year;

**13. FINANCIAL INFORMATION (Cont'd)**

- (ii) increase of RM1.8 million (↑21.8%) for the FYE 2012 compared to the previous financial year; and
- (iii) increase of RM0.2 million (↑2.1%) for the FYE 2011 compared to the previous financial year.

**(d) ITL**

ITL produces condoms and it contributed 16.9% to 27.9% of our revenue for the financial years under review.

For the FYE 2013 compared to the previous financial year, ITL's revenue increased by RM22.5 million (↑53.3%). The increase in revenue was mainly due to increase in revenue from our commercial and tender market of RM11.1 million and RM11.4 million respectively.

For the FYE 2012 compared to the previous financial year, ITL's revenue increased by RM1.2 million (↑3.0%) mainly due to a higher revenue generated from our commercial market segment of RM1.0 million.

For the FYE 2011 compared to the previous financial year, ITL's revenue increased by RM14.4 million (↑54.2%) mainly due to ITL's increase in manufacturing capacity of 121 million pieces in the FYE 2011 which allowed ITL to manufacture more condoms to meet the strong demand for our condoms.

Please refer to Section 7.6 of this Prospectus for more details on our manufacturing capacity and utilisation rate.

**(e) HMSB**

HMSB produces customised condoms for our customers in the commercial market segment. HMSB contributed 2.0% or less of our total revenue for the financial years under review. Demand for the customised condoms contributed to HMSB's revenue:

- (i) increase of RM1.5 million (↑58.0%) , for the FYE 2013 compared to the previous financial year;
- (ii) decrease of RM1.2 million (↓31.9%) for the FYE 2012 compared to the previous financial year; and
- (iii) increase of RM1.3 million (↑52.6%) for the FYE 2011 compared to the previous financial year.

**(f) Inter-company Transactions**

The inter-company transactions mainly consist of sale of condoms between KISB, ISB, ITL, and HMSB. Inter-company transactions are necessary to allow our Subsidiaries with capacity to serve the demand of others in our Group. Our inter-company transactions:

- (i) increased by RM12.7 million (↑31.3%) for the FYE 2013 compared to the previous financial year;
- (ii) decreased by RM2.5 million (↓5.7%) for the FYE 2012 compared to the previous financial year; and
- (iii) increased by RM11.8 million (↑37.6%) for the FYE 2011 compared to the previous financial year.

## 13. FINANCIAL INFORMATION (Cont'd)

## (iii) Revenue by geographical destination

The table below sets forth the breakdown of our revenue by geographical destination markets of our export for the financial years under review:

	FYE 2010		FYE 2011		FYE 2012		FYE 2013	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Asia <sup>(1)</sup>	67,040	42.6	88,500	48.7	55,019	29.1	85,177	36.8
Africa	55,958	35.5	48,705	26.8	62,410	33.1	71,234	30.8
America	17,079	10.9	24,475	13.5	41,920	22.2	42,210	18.2
Europe	17,367	11.0	20,073	11.0	29,402	15.6	32,768	14.2
<b>Total</b>	<b>157,444</b>	<b>100.0</b>	<b>181,753</b>	<b>100.0</b>	<b>188,751</b>	<b>100.0</b>	<b>231,389</b>	<b>100.0</b>
	<b>Change from FYE 2010 to FYE 2011</b>	<b>(%)</b>	<b>Change from FYE 2011 to FYE 2012</b>	<b>(%)</b>	<b>Change from FYE 2012 to FYE 2013</b>	<b>(%)</b>		
Asia <sup>(1)</sup>		32.0		(37.8)		54.8		
Africa		(13.0)		28.1		14.1		
America		43.3		71.3		0.7		
Europe		15.6		46.5		11.5		
<b>Total</b>		<b>15.4</b>		<b>3.9</b>		<b>22.6</b>		

Note:

(1) Includes Malaysia

**13. FINANCIAL INFORMATION (Cont'd)**

Exports to Africa and Asia consistently contributed more than 60% of our revenue throughout the financial years under review. This is closely correlated to the population of both Africa and Asia geographical markets. Other factors that may affect the revenue breakdown by geographical markets include large orders placed by institutional buyers to be delivered to certain countries. Revenue breakdown by geographical markets for the FYE 2012 and FYE 2013 remained consistent. For the FYE 2013, there was an increase in the percentage contribution from Asia mainly due to large orders amounting to RM14.9 million received from our key clients from China and India. For FYE 2011, there was an increase in the percentage contribution from Asia mainly due to a large order received of RM13.4 million to be delivered to Vietnam and Myanmar which did not recur in FYE 2012.

On the other hand, America and Europe are mature markets and exhibit an increasing trend as our export to these markets are predominantly for the commercial market segment. For more discussion on our principal markets, please refer to Section 7.9 of the Prospectus.

**13.2.2 Cost of goods sold**

The breakdown of our cost of goods sold is as follows:

	FYE 2010		FYE 2011		FYE 2012		FYE 2013	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Direct material cost	80,174	68.3	111,183	70.9	111,450	71.5	114,224	66.6
Direct labour cost	19,599	16.7	23,610	15.1	22,226	14.3	30,665	17.9
Utilities	6,142	5.3	8,032	5.1	8,337	5.3	11,399	6.6
Depreciation	4,833	4.1	5,058	3.2	4,942	3.2	5,267	3.1
Others	6,567	5.6	8,986	5.7	8,931	5.7	9,917	5.8
<b>Total</b>	<b>117,315</b>	<b>100.0</b>	<b>156,869</b>	<b>100.0</b>	<b>155,886</b>	<b>100.0</b>	<b>171,472</b>	<b>100.0</b>



## 13. FINANCIAL INFORMATION (Cont'd)

	Change from FYE 2010 to FYE 2011	Change from FYE 2011 to FYE 2012	Change from FYE 2012 to FYE 2013
	(%)	(%)	(%)
Direct material cost	38.7	0.2	2.5
Direct labour cost	20.5	(5.9)	38.0
Utilities	30.8	3.8	36.7
Depreciation	4.7	(2.3)	6.6
Others	36.8	(0.6)	11.0
<b>Total</b>	<b>33.7</b>	<b>(0.6)</b>	<b>10.0</b>

For the FYE 2013 compared to the previous financial year, our cost of goods sold increased by RM15.6 million (↑10.0%) primarily due to the expenses required to manufacture the increased volume of condoms and other products to meet market demand in the FYE 2013. However, the increase in expenses was offset by lower latex concentrate price in the FYE 2013 where the average latex concentrate price decreased from 760 sen/kg in the FYE 2012 to 592 sen/kg in the FYE 2013.

For the FYE 2012 compared to the previous financial year, our cost of goods sold decreased by RM1.0 million (↓0.6%) mainly due to a decrease in direct labour cost of RM1.4 million offset by an increase in direct material cost of RM0.3 million and utilities of RM0.3 million.

For the FYE 2011 compared to the previous financial year, our cost of goods sold increased by RM39.6 million (↑33.7%) mainly due to expenses incurred to manufacture the increased volume of condoms and other products to meet market demand in the FYE 2011.

**13. FINANCIAL INFORMATION (Cont'd)****(i) Direct material cost**

Our direct material cost consist mainly the cost of raw material for the manufacturing of our products. The majority of our raw material costs are made up of Pre-vulcanised latex, foil, packaging materials such as inner box, outer box, leaflets and silicone oil.

Pre-vulcanised latex (also known as compounded latex) is produced from latex concentrate which is, in turn, an internationally traded commodity. For your reference, the average latex concentrate prices for the financial years under review are shown below:

	FYE 2010	FYE 2011	FYE 2012	FYE 2013
Average latex concentrate price (sen/kg)	598	884	760	592

(Source: Infobusiness Research)

For the FYE 2013 compared to the previous financial year, our direct material cost increased by RM2.8 million (↑2.5%). This is mainly due to the higher volume of condoms manufactured to meet market demand which was offset by the decrease in average latex concentrate price from 760 sen/kg in the FYE 2012 to 592 sen/kg in the FYE 2013.

For the FYE 2012 compared to the previous financial year, our direct material cost increased marginally by RM0.3 million (↑0.2%) mainly due to usage of carried forward inventory from FYE 2011 which was offset by the reduction in average latex concentrate price from 884 sen/kg in the FYE 2011 to 760 sen/kg in the FYE 2012.

For the FYE 2011 compared to the previous financial year, our direct material cost increased by RM31.0 million (↑38.7%) mainly due to the increase in average latex concentrate price from 598 sen/kg in the FYE 2010 to 884 sen/kg in the FYE 2011 as well as due to the higher volume of condoms manufactured to meet market demand.

For more details on the fluctuation of latex concentrate price, please refer to Section 5.1(i) of this Prospectus.

**(ii) Direct labour cost**

Our direct labour cost consists of labour for the manufacture of our products.

For the FYE 2013 compared to the previous financial year, our direct labour cost increased by RM8.4 million (↑38.0%) mainly due to the employment of an additional 158 manufacturing workers to manufacture the volume of condoms to meet market demand.

**13. FINANCIAL INFORMATION (Cont'd)**

For the FYE 2012 compared to the previous financial year, our direct labour cost decreased by RM1.4 million (↓5.9%) as a result of our efforts to reduce our dependency on manual labour with the addition of six (6) automated ET machines to our manufacturing process. Further, our direct labour cost decreased due to a decline in the number of workers available from September 2011 to April 2012, the duration of the 6P programme (process of legalising illegal foreign workers).

For the FYE 2011 compared to the previous financial year, our direct labour cost increased by RM4.0 million (↑20.5%) mainly due to higher expenses incurred for the employment of a higher number of outsourced workers to manufacture the volume of condoms to meet market demand in the FYE 2011.

**(iii)****Utilities**

Our utilities consist of the costs of electricity and water required to run our manufacturing process. Water and electricity are not only required during the manufacturing process, but also during maintenance or change of formers for the cleaning, tooling, calibration and testing of our machines.

For the FYE 2013 compared to the previous financial year, our utilities increased by RM3.0 million (↑36.7%) mainly due to the higher volume of condoms manufactured to meet market demand.

For the FYE 2012 compared to the previous financial year, our utilities increased marginally by RM0.3 million (↑3.8%). Notwithstanding the decrease in manufactured condoms by 450.8 million pieces in the FYE 2012, our utilities expenses increased marginally compared to the previous financial year mainly to support two (2) additional condom dipping lines installed as well as more frequent changing of formers as a result of the unusual sequence of orders received in the FYE 2012.

For the FYE 2011 compared to the previous financial year, our utilities increase by RM1.9 million (↑30.8%) mainly to support two (2) additional condom dipping lines installed and higher volume of condoms manufactured to meet market demand.

**(iv)****Depreciation**

Depreciation under cost of goods sales is the allocated cost of our tangible assets used for manufacturing such as our dipping lines, ET machines and foiling machines. Depreciation of said tangible assets:

- (i) increased by RM0.3 million (↑6.6%) for the FYE 2013 compared to the previous financial year;
- (ii) decreased by RM0.1 million (↓2.3%) for the FYE 2012 compared to the previous financial year; and
- (iii) increased by RM0.2 million (↑4.7%) for the FYE 2011 compared to the previous financial year.

The allocated cost for depreciation is dependent on the value of our tangible assets and our depreciation policy as stated in subsection 6(d)(iii) of Section 14.

## 13. FINANCIAL INFORMATION (Cont'd)

## (v) Others

Costs included as 'others' are, amongst others, levy, workers welfare and upkeep of factory.

For the FYE 2013 compared to the previous financial year, 'others' increased by RM1.0 million (↑11.0%) mainly due to the increase in levy and workers welfare for the additional 158 manufacturing workers employed as well as up keep of factory for the higher volume of condoms manufactured to meet market demand in the FYE 2013.

For the FYE 2012 compared to the previous financial year, our 'others' decreased marginally by RM0.1 million (↓0.6%).

For the FYE 2011 compared to the previous financial year, 'others' increased by RM2.4 million (↑36.8%) mainly due to additional expenses required to upkeep our factory with our increase in manufacturing capacity of 426.2 million condoms and higher volume of condoms manufactured to meet market demand.

The table below sets forth the breakdown of our cost of goods sold by products for the financial years under review:

	FYE 2010		FYE 2011		FYE 2012		FYE 2013	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Condoms	108,010	92.1	145,623	92.8	142,324	91.3	156,021	91.0
Catheters	6,133	5.2	6,857	4.4	7,797	5.0	9,086	5.3
Probe covers and lubricating jelly	3,172	2.7	4,389	2.8	5,765	3.7	6,365	3.7
<b>Total</b>	<b>117,315</b>	<b>100.0</b>	<b>156,869</b>	<b>100.0</b>	<b>155,886</b>	<b>100.0</b>	<b>171,472</b>	<b>100.0</b>
	<b>Change from FYE 2010 to FYE 2011</b>		<b>Change from FYE 2011 to FYE 2012</b>		<b>Change from FYE 2012 to FYE 2013</b>			
	(%)	(%)	(%)	(%)	(%)	(%)		
Condoms	34.8		(2.3)		9.6			
Catheters	11.8		13.7		16.5			
Probe covers and lubricating jelly	38.4		31.4		10.4			
<b>Total</b>	<b>33.7</b>		<b>(0.6)</b>		<b>10.0</b>			

### 13. FINANCIAL INFORMATION (Cont'd)

The proportion of the cost of goods sold for each product segment corresponds to the proportion of the revenue contribution of each product segment in each financial year.

#### 13.2.3 Gross profit and gross profit margin

Our gross profit is the difference between our revenue and the cost of goods sold while our gross profit margin is the ratio of our gross profits to our revenue.

Our gross profit and gross profit margin during the financial years under review have mainly been affected by fluctuations in latex concentrate price, foreign exchange rates and the selling prices of our products. Higher latex concentrate price increase our cost of goods sold while strengthening of the USD against the RM and increase in selling price of our products increase our revenue. Higher revenue and/or lower cost of goods sold improve our gross profit and gross profit margin while lower revenue and/or higher cost of goods sold reduce our gross profit and gross profit margin.

Please refer to Sections 5.1(i) and 13.2.2(i) of this Prospectus for more details on the fluctuation of latex concentrate price. Effects of the factors discussed are detailed in the sections below.

Internally, in addition to managing our manufacturing costs (such as direct material cost, direct labour cost, utilities, etc.), we endeavour to develop better purchasing, manufacturing planning and more efficient manufacturing processes by continuous R&D to improve our gross profit and gross profit margin.

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## 13. FINANCIAL INFORMATION (Cont'd)

The table below sets forth the breakdown of our gross profit and gross profit margin by products for the financial years under review:

	FYE 2010		FYE 2011		FYE 2012		FYE 2013	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
<b><u>Gross profit</u></b>								
Condoms	36,004	89.7	21,481	86.3	28,835	87.7	52,149	87.0
Catheters	1,964	4.9	1,410	5.7	2,270	6.9	2,841	4.8
Probe covers and lubricating jelly	2,161	5.4	1,993	8.0	1,760	5.4	4,927	8.2
<b>Total</b>	<b>40,129</b>	<b>100.0</b>	<b>24,884</b>	<b>100.0</b>	<b>32,865</b>	<b>100.0</b>	<b>59,917</b>	<b>100.0</b>
	<b>Change from FYE 2010 to FYE 2011</b>		<b>Change from FYE 2011 to FYE 2012</b>		<b>Change from FYE 2012 to FYE 2013</b>			
		(%)		(%)		(%)		
<b><u>Gross profit</u></b>								
Condoms		(40.3)		34.2		80.9		
Catheters		(28.2)		61.0		25.2		
Probe covers and lubricating jelly		(7.8)		(11.7)		179.9		
<b>Total</b>		<b>(38.0)</b>		<b>32.1</b>		<b>82.3</b>		

## 13. FINANCIAL INFORMATION (Cont'd)

	FYE 2010	FYE 2011	FYE 2012	FYE 2013
	(%)	(%)	(%)	(%)
<u>Gross profit margin</u>				
Condoms	25.0	12.9	16.8	25.1
Catheters	24.3	17.1	22.5	23.8
Probe covers and lubricating jelly	40.5	31.2	23.4	43.6
<b>Overall Group gross profit margin</b>	<b>25.5</b>	<b>13.7</b>	<b>17.4</b>	<b>25.9</b>

	Change from FYE 2010 to FYE 2011	Change from FYE 2011 to FYE 2012	Change from FYE 2012 to FYE 2013
	(percentage points)	(percentage points)	(percentage points)
<u>Gross profit margin</u>			
Condoms	(12.1)	3.9	8.3
Catheters	(7.2)	5.4	1.3
Probe covers and lubricating jelly	(9.3)	(7.8)	20.2
<b>Overall Group gross profit margin</b>	<b>(11.8)</b>	<b>3.7</b>	<b>8.5</b>

## 13. FINANCIAL INFORMATION (Cont'd)

(i) **Condoms**

Besides raw material costs and foreign exchange rates, the gross profit margin of condom in the financial years under review was affected by the product mix as well as orders placed by different customers in different market segments for that particular financial year. Our condoms sold to the commercial market segment yield a higher average gross profit margin compared to the tender market due to the inclusion of additional features such as exotic flavours, colours and packaging.

For the FYE 2013 compared to the previous financial year, our gross profit margin for condoms increased by 8.3 percentage points mainly due to a decrease in latex concentrate price and higher sales to the commercial market segment (revenue from our commercial market segment increased by RM30.4 million (↑32.3%).

For the FYE 2012 compared to the previous financial year, our gross profit margin for condoms increased by 3.9 percentage points mainly due to the decrease in latex concentrate price and higher sales to the commercial market segment (revenue from our commercial market segment increased by RM10.5 million (↑12.6%).

For the FYE 2011 compared to the previous financial year, our gross profit margin for condoms decreased by 12.1 percentage points mainly due to the increase in latex concentrate price and strengthening of RM against USD where the RM to USD exchange rate decreased from RM3.21 per USD to RM3.01 per USD (source: *Bank Negara Malaysia*), representing a change of 6.2%.

(ii) **Catheters**

The gross profit margin of catheters remains consistent in the financial years under review except for a decrease in the FYE 2011 mainly due to the fluctuations in raw material prices in the particular financial year.

(iii) **Probe covers and lubricating jelly**

The gross profit margin for this category fluctuates in relation to the contribution of probe covers and lubricating jelly as both products have different gross profit margins. Generally, lubricating jelly contributes a higher gross profit margin compared to probe covers. The typical gross profit margin for our lubricating jelly is approximately 50%. Similar to our condoms, the gross profit margin of our probe covers is affected by the fluctuation in latex concentrate price.



## 13. FINANCIAL INFORMATION (Cont'd)

The gross profit margin of our probe covers and lubricating jelly is set out below:

	FYE 2010	FYE 2011	FYE 2012	FYE 2013
	(%)	(%)	(%)	(%)
Probe covers	27.1	17.9	18.5	26.9
Lubricating jelly	53.9	48.2	27.4	49.5
	<b>Change from FYE 2010 to FYE 2011</b>	<b>Change from FYE 2011 to FYE 2012</b>	<b>Change from FYE 2012 to FYE 2013</b>	
	(percentage points)	(percentage points)	(percentage points)	
Probe covers	(9.2)	0.6	8.4	
Lubricating jelly	(5.7)	(20.8)	22.1	

For the FYE 2013 compared to the previous financial year, the combined gross profit margin increased by 20.2 percentage points mainly due to a higher proportion of lubricating jelly sales. Lubricating jelly contributed 74.0% of probe cover and lubricating jelly sales in the FYE 2013, up from 55.0% in the previous financial year.

For the FYE 2012 compared to the previous financial year, the combined gross profit margin decreased by 7.8 percentage points mainly due to the competitive pricing of our lubricating jelly which saw a reduction in the gross profit margin of our lubricating jelly of 20.8 percentage points to gain more market share. Lubricating jelly contributed 55.0% of probe cover and lubricating jelly sales for the FYE 2012, up from 44.0% in the previous financial year.

For the FYE 2011 compared to the previous financial year, the combined gross profit margin decreased by 9.3 percentage points mainly due to the higher proportion of probe covers sold. Probe covers contributed 56.0% of probe cover and lubricating jelly sales, up from 50.0% in the previous financial year.

**(iv) Overall Group**

Our overall gross profit margin is largely represented by and is consistent with condom's gross profit margin as condoms form the majority of our gross profits.

### 13. FINANCIAL INFORMATION (Cont'd)

#### 13.2.4 Other operating income

Our other operating income consists primarily of gain on disposal of property, plant and equipment and realised/unrealised foreign exchange gains. Foreign exchange gain arises due to the export driven business of our Group. Our realised foreign exchange gains are mainly derived from the strengthening of the USD at the point of conversion to RM or THB during the financial year under review while our unrealised foreign exchange gains are mainly due to strengthening of our USD at the end of the financial year under review.

Our other operating income is shown below:

	FYE 2010	FYE 2011	FYE 2012	FYE 2013
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Other operating income	1,382	1,672	3,105	1,988
	Change from FYE 2010 to FYE 2011	Change from FYE 2011 to FYE 2012	Change from FYE 2012 to FYE 2013	
	(%)	(%)	(%)	
Other operating income	21.0	85.7	(36.0)	

In the FYE 2013, our other operating income amounted to RM2.0 million. Our other operating income comprise mainly of unrealised foreign exchange gain of RM1.4 million. The main contributors to the unrealised foreign exchange gain are KISB (RM0.4 million), ISB (RM0.6 million) and ITL (RM0.3 million).

In the FYE 2012, our other operating income amounted to RM3.1 million, mainly due to unrealised foreign exchange gain of RM1.8 million and realised foreign exchange gain of RM1.1 million. The main contributors to the unrealised foreign exchange gain are KISB (RM1.1 million) and ISB (RM0.7 million). The main contributors to the realised foreign exchange gain are KISB (RM0.6 million) and ISB (RM0.4 million).

In the FYE 2011, our other operating income amounted to RM1.7 million which consist mainly of realised foreign exchange gain of RM1.2 million. The main contributor to the realised foreign exchange gain is ITL (RM1.1 million).

In the FYE 2010, our other operating income amounted to RM1.4 million, mainly due to unrealised foreign exchange gain of RM0.8 million. The main contributor to the realised foreign gain is ITL (RM0.8 million).

**13. FINANCIAL INFORMATION (Cont'd)****13.2.5 Operating expenses**

Our operating expenses are the expenses that we incur to perform our normal business operations. Our operating expenses comprise distribution expenses, administrative expenses and other expenses.

The table below sets forth the breakdown of our operating expenses for the financial years under review:

	FYE 2010		FYE 2011		FYE 2012		FYE 2013	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Distribution expenses	7,683	37.0	7,083	41.7	9,307	49.2	9,698	41.4
Administrative expenses	7,888	38.0	8,680	51.2	9,207	48.6	10,068	43.0
Other expenses	5,168	25.0	1,204	7.1	424	2.2	3,645	15.6
<b>Total</b>	<b>20,739</b>	<b>100.0</b>	<b>16,967</b>	<b>100.0</b>	<b>18,938</b>	<b>100.0</b>	<b>23,411</b>	<b>100.0</b>
	<b>Change from FYE 2010 to FYE 2011</b>		<b>Change from FYE 2011 to FYE 2012</b>		<b>Change from FYE 2012 to FYE 2013</b>			
	(%)	(%)	(%)	(%)	(%)	(%)		
Distribution expenses	(7.8)		31.4		4.2			
Administrative expenses	10.0		6.1		9.4			
Other expenses	(76.7)		(64.8)		759.7			
<b>Total</b>	<b>(18.2)</b>		<b>11.6</b>		<b>23.6</b>			
<b>(i) Distribution expenses</b>								

Our distribution expenses comprise primarily costs relating to freight and handling.

For the FYE 2013 compared to the previous financial year, our distribution expenses increased by RM0.4 million (↑4.2%) to support the increase in sales in the FYE 2013.

### 13. FINANCIAL INFORMATION (Cont'd)

For the FYE 2012 compared to the previous financial year, our distribution expenses increased by RM2.2 million (↑31.4%), primarily attributable to increase in handling cost incurred for sale of condoms for certain customers under the tender market segment. For these particular orders, the said customers require the goods to be delivered to multiple destinations resulting in the increase in handling cost. The total handling cost was RM2.6 million in the FYE 2012 compared to RM1.1 million in the FYE 2011.

For the FYE 2011 compared to the previous financial year, our distribution expenses decreased by RM0.6 million (↓7.8%) which consists mainly of the decrease in handling cost of RM0.5 million in the FYE 2011 due to decrease in orders which require goods to be delivered to remote destinations.

#### (ii) Administrative expenses

Our administrative expenses consist of salary of our support staff (including management), professional fees (for tax agents, auditors, lawyers, etc.), depreciation of building, rent and lease of land and building, insurance expenses, travelling expenses and promotion expenses, etc.

For the FYE 2013 compared to the previous financial year, our administrative expenses increased by RM0.9 million (↑9.4%), mainly due to the part payment of our Listing expenses amounting to RM0.6 million.

For the FYE 2012 compared to the previous financial year, our administrative expenses increased by RM0.5 million (↑6.1%). This increase is due to the professional fees amounting to RM0.1 million incurred in relation to new financing facilities (multi trade line to finance our working capital) obtained by ISB and a general increase in other expenses.

For the FYE 2011 compared to the previous financial year, our administrative expenses increased by RM0.8 million (↑10.0). This increase is due to several professional fees amounting to RM0.5 million incurred in relation to new financing facilities (multi trade line to finance our working capital) obtained by KISB in the FYE 2011.

#### (iii) Other expenses

Our other expenses comprise expenses related to foreign exchange loss, fair value loss on forward exchange contracts, allowance for doubtful debts and impairment loss on trade receivables.

In the FYE 2013, our other expenses amounted to RM3.6 million, consisting mainly of realised foreign exchange losses of RM1.5 million (in USD) and fair value loss on forward exchange contracts held by KISB of RM0.8 million and by ISB of RM0.1 million. The realised foreign exchange loss is due to strengthening of the RM during the financial year while the fair value loss on forward exchange contract was due to strengthening of the USD at the end of the financial year. The main contributors to the realised foreign exchange loss are KISB (RM1.0 million) and ISB (RM0.5 million).

### 13. FINANCIAL INFORMATION (Cont'd)

In the FYE 2012, our other expenses amounted to RM0.4 million, consisting mainly of an impairment loss on trade receivables of RM0.3 million in KISB.

In the FYE 2011, our other expenses amounted to RM1.2 million, mainly due to a realised foreign exchange loss of RM0.8 million due to strengthening of the RM during the financial year. The main contributors to the realised foreign exchange loss are KISB (RM0.4 million), UTSB (RM0.1 million) and ISB (RM0.3 million).

In the FYE 2010, our other expenses amounted to RM5.2 million, mainly due to a realised foreign exchange loss of RM2.8 million (in USD) and an unrealised foreign exchange loss of RM2.2 million (in USD). The higher loss compared to the other financial years under review was due to a sharp decrease in the value of the USD in the FYE 2010. The main contributors to the unrealised foreign exchange loss are KISB (RM2.0 million) and ISB (RM0.2 million). The main contributors to the realised foreign exchange loss are KISB (RM2.4 million), UTSB (RM0.2 million) and ISB (RM0.3 million).

Going forward, our Group will enter into foreign exchange forward contracts to hedge a majority of our net exposure. Please refer to Section 5.1(ii) of this Prospectus for our efforts to mitigate foreign currency risk.

#### 13.2.6 Interest income

Our interest income consists of interest income in respect of our cash and cash equivalents deposited with banks and other financial institutions. The table below shows our interest income for the financial years under review:

	FYE 2010	FYE 2011	FYE 2012	FYE 2013
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Interest income	38	104	144	150
	Change from FYE 2010 to FYE 2011	Change from FYE 2011 to FYE 2012	Change from FYE 2012 to FYE 2013	
	(%)	(%)	(%)	
Interest income	173.7	38.5	4.2	

The increases in interest income over the financial years under review were due to increase in the amount of our cash and cash equivalents deposited with licensed banks and/or increase in deposit interest rates accorded by said licensed banks.

### 13. FINANCIAL INFORMATION (Cont'd)

#### 13.2.7 Finance costs

Our finance costs comprise mainly interest charges for bank borrowings which consist of term loans, hire purchase payables, trade facilities and bank overdrafts utilised by our Group. The table below shows our finance costs for the financial years under review:

	FYE 2010	FYE 2011	FYE 2012	FYE 2013
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Finance costs	1,118	1,990	2,646	2,500
	<b>Change from FYE 2010 to FYE 2011</b>	<b>Change from FYE 2011 to FYE 2012</b>	<b>Change from FYE 2012 to FYE 2013</b>	
	(%)	(%)	(%)	
Finance costs	78.0	33.0	(5.5)	

For the FYE 2013 compared to the previous financial year, our finance costs decreased by RM0.1 million (↓5.5%), mainly due to a lower average interest rate of approximately 2 percentage points in the FYE 2013.

For the FYE 2012 compared to the previous financial year, our finance costs increased by RM0.6 million (↑33.0%) due to the increase in interest expenses in relation to the higher utilisation of trade facilities including the new multi trade line obtained by ISB in the FYE 2012.

For the FYE 2011 compared to the previous financial year, our finance costs increased by RM0.9 million (↑78.0%) due to an increase in interest expenses in relation to the higher utilisation of trade facilities including the new multi trade line obtained by KISB in the FYE 2011.

## 13. FINANCIAL INFORMATION (Cont'd)

## 13.2.8 PBT and PBT margin

The table below shows our PBT for the financial years under review:

	FYE 2010	FYE 2011	FYE 2012	FYE 2013
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
PBT	19,692	7,703	14,530	36,144
	Change from FYE 2010 to FYE 2011	Change from FYE 2011 to FYE 2012	Change from FYE 2012 to FYE 2013	
	(%)	(%)	(%)	
PBT	(60.9)	88.6	148.8	
	FYE 2010	FYE 2011	FYE 2012	FYE 2013
	(%)	(%)	(%)	(%)
<u>PBT margin</u>	12.5	4.2	7.7	15.6
	Change from FYE 2010 to FYE 2011	Change from FYE 2011 to FYE 2012	Change from FYE 2012 to FYE 2013	
	(percentage points)	(percentage points)	(percentage points)	
<u>PBT margin</u>	(8.3)	3.5	7.9	

For the FYE 2013 compared to the previous financial year, our PBT increased by RM21.6 million (†148.8%) while our PBT margin increased by 7.9 percentage points. This increase was mainly due to the decrease in average latex concentrate price and higher sales to the commercial market segment as detailed in Section 13.2.3, offset by the increase in operating expenses of RM4.5 million.

### 13. FINANCIAL INFORMATION (Cont'd)

For the FYE 2012 compared to the previous financial year, our PBT increased by RM6.8 million (↑88.6%) while our PBT margin increased by 3.5 percentage points. This increase is in line with our improved gross profits resulting from the decrease in average latex concentrate prices and higher sales to the commercial market segment as detailed in Section 13.2.3 and due to the increase in foreign exchange gain of RM1.4 million but offset by higher operating expenses, specifically, the increase in distribution expenses of RM2.2 million.

For the FYE 2011 compared to the previous financial year, our PBT decreased by RM12.0 million (↓60.9%) while our PBT margin decreased by 8.3 percentage points. This decrease is in line with our lower gross profits achieved, contributed by the increase in average latex concentrate prices as detailed in Section 13.2.3, offset by a decrease in foreign exchange losses (under other operating expenses) of RM4.2 million.

#### 13.2.9 Income tax expense

Our income tax expenses comprise the year's provision for taxation, under or overprovision of taxation in previous years and deferred taxation. The statutory tax rate applicable to our Group was 25% for the financial years under review. The table below shows our income tax expense and our effective tax rates for the financial years under review:

	FYE 2010	FYE 2011	FYE 2012	FYE 2013
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Income tax expense	3,163	715	2,514	7,116
	Change from FYE 2010 to FYE 2011	Change from FYE 2011 to FYE 2012	Change from FYE 2012 to FYE 2013	
	(%)	(%)	(%)	
Income tax expense	(77.4)	251.6	183.1	



## 13. FINANCIAL INFORMATION (Cont'd)

	FYE 2010	FYE 2011	FYE 2012	FYE 2013
	(%)	(%)	(%)	(%)
<b><u>Tax rates</u></b>				
Malaysian statutory tax rate	25	25	25	25
Effective tax rate	16	9	17	20
	<b>Change from FYE 2010 to FYE 2011</b>	<b>Change from FYE 2011 to FYE 2012</b>	<b>Change from FYE 2012 to FYE 2013</b>	
	(percentage points)	(percentage points)	(percentage points)	
<b><u>Tax rates</u></b>				
Malaysian statutory tax rate	-	-	-	-
Effective tax rate	(7)	8	3	

Our effective tax rate, being tax expenses as a percentage of our PBT, ranges from approximately 9% to 20% which is lower than the statutory tax rate of 25% for the financial years under review. Our Group enjoys a reinvestment allowance ("RA") tax incentive under the Schedule 7A of the Income Tax Act 1967 where a qualifying capital expenditure was incurred via the purchase of plant and machinery by KISB in the FYE 2011 and FYE 2012.

The RA is equivalent to 60% of the amount of capital expenditure incurred in relation to the qualifying project. This allowed us to deduct the RA from 70% of our statutory business income and any unutilised amount can be applied to reduce our future tax expenses. Hence, our Group is able to enjoy a lower effective tax rate as opposed to the prevailing statutory tax rate.

In addition, we were granted a tax incentive by the Board of Investment of Thailand which allows us to enjoy 13 years of tax incentives for condoms manufactured by ITL's current manufacturing facilities (100% tax exemption for the first eight (8) years since their operation (i.e. from 2006 to 2013) and 50% tax exemption for the subsequent five (5) years (i.e. from 2014 to 2018)). In addition, a similar tax incentive will be granted for the condoms to be produced by ITL's new manufacturing facilities (expected to be completed by the end of 2013) for the same duration (13 years from completion).

All our Malaysian operating companies are considered small enterprises under the Income Tax Act 1967 where the chargeable income of the first RM500,000 of each company is subject to a corporate tax rate of 20% and the balance chargeable income is subject to the statutory tax rate.

**13. FINANCIAL INFORMATION (Cont'd)**

For the FYE 2013 compared to the previous financial year, our income tax increased by RM4.6 million (↑183.1%) due to the higher PBT recorded in the FYE 2013 and higher effective tax rate. The effective tax rate is higher compared to the previous financial years due to a lower utilisation of RA during the FYE 2013.

For the FYE 2012 compared to the previous financial year, our income tax expense increased by RM1.8 million (↑251.6%) due to higher PBT recorded in the FYE 2012 as well as a higher effective tax rate. The effective tax rate in the FYE 2011 is lower due to the purchase of six (6) automated ET machines amounting to approximately RM5 million, allowing KISB to utilise the corresponding RA in the same year.

For the FYE 2011 compared to the previous financial year, our income tax expense decreased by RM2.5 million (↑77.4%) due to lower PBT recorded in the FYE 2011 as well as a lower effective tax rate in the FYE 2011. The lower effective tax rate in the FYE 2011 is due to the utilisation of RA by KISB as stated above.

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## 13. FINANCIAL INFORMATION (Cont'd)

## 13.2.10 PAT

The table below shows our PAT for the financial years under review:

	FYE 2010	FYE 2011	FYE 2012	FYE 2013
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
PAT	16,529	6,988	12,016	29,028
	Change from FYE 2010 to FYE 2011	Change from FYE 2011 to FYE 2012	Change from FYE 2012 to FYE 2013	
	(%)	(%)	(%)	
PAT	(57.7)	72.0	141.6	
	FYE 2010	FYE 2011	FYE 2012	FYE 2013
	(%)	(%)	(%)	(%)
PAT margin	10.5	3.8	6.4	12.5
	Change from FYE 2010 to FYE 2011	Change from FYE 2011 to FYE 2012	Change from FYE 2012 to FYE 2013	
	(percentage points)	(percentage points)	(percentage points)	
PAT margin	(6.7)	2.6	6.1	

The increase/ decrease in our PAT and PAT margin is a direct result of the increase/decrease in our PBT after accounting for our income tax expense for the financial years under review. Our PAT and PAT margin:

- (i) increased by RM17.0 million (↑141.6%) and 6.1 percentage points respectively for the FYE 2013 compared to the previous financial year;
- (ii) increased by RM5.0 million (↑72.0%) and 2.6 percentage points respectively for the FYE 2012 compared to the previous financial year; and
- (iii) decreased by RM9.5 million (↓57.7%) and 6.7 percentage points respectively for the FYE 2011 compared to the previous financial year.

### 13. FINANCIAL INFORMATION (Cont'd)

#### 13.2.11 Liquidity and capital resources

##### (i) Working capital

Our business has been financed via a combination of internal and external sources of funds. The internal sources of funds comprise our shareholders' equity and cash generated from our operations. The external sources of funds comprise mainly credit terms granted by our suppliers as well as borrowings from financial institutions. Cash generated from operations is mainly from collections from customers.

Our principal utilisations of funds have been for working capital, capital expenditure as well as payment of operating and administrative expenses, and bank borrowings. As at 30 June 2013, we have cash and cash equivalents of RM41.3 million and bank borrowings of RM50.9 million. The total trade lines and loan facilities available to our Group as at 30 June 2013 amounted to RM83.1 million. The above cash and cash equivalents and bank borrowings balances do not include the expected proceeds to be received from the sale of Issue Shares. Our net current asset as at 30 June 2013 is approximately RM47.7 million.

Our Directors are of the opinion that, based on our past financial performance and future prospects, after taking into consideration the cash and cash equivalents, the expected funds to be generated from operating activities, the amounts available under our existing banking facilities and the proceeds to be raised from the sale of Issue Shares, we will have adequate working capital to meet our present and foreseeable requirements for a period of 12 months from the date of this Prospectus.

##### (ii) Cash flow

The summary of our cash flow based on the proforma consolidated cash flow statement (as set out in Section 13.1 of this Prospectus) is as follows:

	<u>FYE 2013</u>
	<u>(RM'000)</u>
<b>Net cash from operating activities</b>	40,197
<b>Net cash used in investing activities</b>	(16,783)
<b>Net cash from financing activities</b>	10,813
<b>Net increase in cash and cash equivalents</b>	34,227
<b>Effects of exchange rate changes</b>	3
<b>Cash and cash equivalents at 1 July 2012</b>	(899)
<b>Cash and cash equivalents at 30 June 2013*</b>	<b>33,331</b>

Note:

\* Components of cash and cash equivalents as at 30 June 2013:

	<u>FYE 2013</u>
	<u>(RM'000)</u>
Cash and cash equivalents	41,317
Less: Fixed deposit pledged with a licensed bank	(7,533)
Bank overdrafts	(453)
	<u>33,331</u>

**13. FINANCIAL INFORMATION (Cont'd)**

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**Net cash flow generated from operating activities**

In the FYE 2013, our Group generated positive net cash of approximately RM40.2 million from operating activities, consisting primarily of amount received in respect of our sale of condoms, catheters, probe cover and lubricating jelly as well as adjustments for non cash items relating to depreciation, gain on disposal of property, plant and equipment, and unrealised foreign exchange loss.

In addition, changes in working capital decreased by RM0.6 million due to the increase in inventories and a decrease in trade payables offset by a decrease in trade receivables.

**Net cash flow used in investing activities**

In the FYE 2013, the net cash used in investing activities amounted to RM16.8 million. RM17.6 million was utilised for the purchase of equipment. The outflow above was off-set by an inflow of RM0.8 million from disposal of property, plant and equipment and interest received in the year.

**Net cash flow from financing activities**

Net cash received from financing activities in the FYE 2013 amounted to RM10.8 million. Cash outflow consists of RM2.9 million for payment of interest, RM1.8 million for repayment of term loan, RM1.4 million for deposit pledged for financing facilities and RM1.6 million for amount due to our Directors and shareholders. In this financial year, our Group drew down borrowings of RM19.3 million to support our additional working capital and capital expenditure needs.

**(iii) Restrictions on the ability of our Subsidiaries to transfer funds**

We require the consents from some of our Subsidiaries' bankers for declaration/payment of dividends from our Subsidiaries. Save as disclosed above and in Section 5.3 (v), our Group confirms there are no legal, financial, or economic restriction on the ability of our Subsidiaries to transfer funds to our Company in the form of cash dividends, loans or advances.

In the event our Subsidiaries are not able to transfer funds to our Company or if our Company is restricted from declaring/paying dividends, we may not be able to distribute dividends to our shareholders. If our Subsidiaries are not able to transfer funds to our Company and the funds are required to meet our Group's working capital requirements or if the funds are required for our Group's capital expenditure, our growth and expansion may be restricted.

## 13. FINANCIAL INFORMATION (Cont'd)

## (iv) Borrowings

As at 30 June 2013, our Group's total outstanding bank borrowings is approximately RM50.9 million, all of which are interest-bearing and denominated in RM and THB. The details of the borrowings are set out below:

<u>Outstanding bank borrowings</u>	<u>As at 30 June 2013</u>
	(RM'000)
<b>Long term borrowings (interest-bearing):</b>	
- Term loan and hire purchase payable	10,965
<b>Short term borrowings (interest-bearing):</b>	
- Bank overdraft	453
- Term loan and hire purchase payable	3,521
- Bankers' acceptance	35,923
Total borrowings	50,862
Gearing ratio (times) <sup>(1)</sup>	0.47
Gearing ratio after our IPO <sup>(2)</sup>	0.23

## Notes:

- (1) Computed based on total interest-bearing borrowings of RM50.9 million over our total shareholders' funds attributable to our Group as at 30 June 2013 of RM108.4 million.
- (2) Computed based on total interest-bearing borrowings of RM40.9 million (after RM10.0 million repayment using proceeds from the sale of our Issue Shares) over our total shareholders' funds attributable to our Group as at 30 June 2013 of RM178.5 million upon completion of our IPO.

As at 30 June 2013, our Group's short term borrowings consist of bank overdraft, term loans, hire purchase payables, and bankers' acceptance while our Group's long term borrowings are term loans and hire purchase payables. The effective interest rates of our borrowings are as follows:

	<u>FYE 2013</u>
<b>Fixed rate borrowings</b>	
Hire purchase	1.98% - 7.03%
Bankers' acceptance	2.05% - 6.25%
<b>Floating rate borrowings</b>	
Bank overdrafts	7.25% - 7.38%
Term loans	5.69%-7.85%

There was no default on payments or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in respect of any borrowings throughout the FYE 2010 to the FYE 2013.

**13. FINANCIAL INFORMATION (Cont'd)**

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As at the LPD, our total outstanding bank borrowings is approximately RM45.0 million. As at the LPD, our Group is not in breach of any terms and conditions or covenants associated with the credit arrangement or bank loan which can materially affect our financial position and results or business operations, or the investments by holders of securities in us.

Currently, our Group does not have any interest rate hedging policy or any foreign borrowings. We will monitor the interest rate movement and will take the necessary steps to minimise interest rate risk. We will endeavour to manage our interest rate risk by maintaining a mix of fixed and floating rate borrowings where necessary. However, no assurance can be given that any future significant movement in interest rate will not have a material adverse impact on our business, operating results and financial position.

**(v) Treasury policies and objectives**

Our Group has been funding our operations through our internal source of funds including cash generated from our operations and external source of funds. Our external sources of funds consist of credit terms granted by our suppliers and borrowings from financial institutions. Our funding policy is to obtain the most suitable type of financing and favourable cost of funding whereas our treasury policy is to maintain sufficient working capital to finance our operations, coupled with adequate credit facilities to meet estimated commitments arising from operational expenditure and financial liabilities.

The normal credit terms granted to our Group by our suppliers ranges from 90 to 120 days due to the good relationship which we have established with our suppliers. Our borrowings from financial institutions consist of short term and long term credit facilities. Our short term borrowings are mainly hire purchase payables, bankers' acceptance, and bank overdraft, which are mainly used for trade financing and working capital. The interest rates for these short term borrowings are based on the market rates prevailing at the dates of the respective transactions.

Our long term borrowings are mainly term loans and hire purchase to finance our capital expenditure such as the acquisition of property, plant and machinery. The interest rates for these long term borrowings are usually prevailing base lending rate plus a margin agreed upon by our bankers when the respective term loans were granted.

Our Group endeavours to manage and review our debt portfolio, taking into account the investment holding period and nature of our assets and will ensure prompt repayments of interest and principal.

**13. FINANCIAL INFORMATION (Cont'd)****(vi) Financial instruments for hedging purposes**

The functional and reporting currency of our Group is in RM.

In the FYE 2013, 91.2% of our total revenue was denominated in foreign currencies. These currencies include USD, GBP, Euro and SGD.

Over the financial years under review, our exposure to foreign currencies is as follows:

	Revenue	
	Amount	Proportion of Group revenue
	(RM '000)	(%)
FYE 2010	142,633	90.6
FYE 2011	167,938	92.4
FYE 2012	173,611	92.0
FYE 2013	210,999	91.2

To mitigate foreign currency risk, we maintain accounts in USD, GBP and Euro for business transacted in foreign currencies. These foreign currency accounts are later used to make payments in the respective foreign currencies incurred in our business, thus forming a natural hedge to minimise our foreign currency exchange risk exposure. Furthermore, we enter into foreign exchange forward contracts in relation to USD and GBP for hedging purposes. In addition, we constantly monitor our foreign currency exchange risk exposure and will hedge our foreign currency exchange risk exposure as and when we consider necessary.

For the financial years under review, our Group had entered into various foreign exchange forward contracts with banking institutions to sell foreign currencies at agreed prices for fixed periods of time. Our foreign exchange contracts forward were mainly converting sales receipts denominated in foreign currency to RM.

**(vii) Capital expenditures**

For the financial years under review, our capital expenditures were mainly acquisition of property, plant and machinery which is in line with our efforts to expand our business operations and capacity expansion. Save as disclosed in Sections 4.9, 6.5 and 12.3 of this Prospectus, we do not have any material plan on capital expenditure as at the LPD.



**13. FINANCIAL INFORMATION (Cont'd)****(viii) Material capital commitments**

As at the LPD, save as disclosed in the table below, there are no material capital commitments incurred or known to be incurred by our Group that has not been provided for, which upon becoming enforceable, may have a material impact on our financial results/position.

<b>Material capital commitments</b>	<b>RM' 000</b>
-------------------------------------	----------------

**Approved and contracted for:**

Purchase of machinery and equipment	1,920
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The majority of our capital commitments as at the LPD were related to capital expenditures with respect to investments in machinery and equipment to cater for future expansion. We expect to meet our capital commitments through our cash and cash equivalents on hand, cash generated from future operations and financing activities.

**(ix) Contingent liabilities**

As at the LPD, there are no contingent liabilities, which in the opinion of our Board, will or may substantially affect our financial results or position upon becoming enforceable.

**(x) Material litigation, claims or arbitration**

As at the LPD, there are no material litigations, claims or arbitration which, upon becoming enforceable, may have a material adverse effect on our results of operations or financial condition of our Group.

**(xi) Key financial ratios**

The key financial ratios of our Group for the financial years under review are as follows:

	<u>FYE 2010</u>	<u>FYE 2011</u>	<u>FYE 2012</u>	<u>FYE 2013</u>
Trade receivables turnover days <sup>(1)</sup>	85	72	112	78
Trade payables turnover days <sup>(2)</sup>	81	76	78	65
Inventory turnover days <sup>(3)</sup>	110	115	107	101
Current ratio (times) <sup>(4)</sup>	1.13	1.16	1.28	1.48

*Notes:*

(1) Trade receivables as at the date of financial position over revenue for the financial year multiplied by days within the financial year.

(2) Trade payables as at the date of financial position over cost of goods sold for the financial year multiplied by days within the financial year.

(3) Inventory as at the date of financial position over cost of goods sold for the financial year multiplied by days within the financial year.

(4) Current assets over current liabilities as at the date of financial position.

## 13. FINANCIAL INFORMATION (Cont'd)

**Trade receivables turnover**

Credit period granted to our customers are assessed and approved on a case-to-case basis but generally ranges from 90 to 120.

Our trade receivables turnover periods for the financial years under review are below 120 days. Our trade receivables turnover as at FYE 2013 was 78 days as our revenue improved in tandem with the increase in sales of condoms. The increase of trade receivables turnover days in FYE 2012 compared to FYE 2011 is due to our large order sales from commercial, tender and OBM markets amounting to RM5.8 million, RM8.5 million and RM1.2 million, respectively near the end of FYE 2012.

The ageing analysis of our Group's trade receivables as at 30 June 2013 are as follows:

	<u>&lt;30 days</u>	<u>30 to 60 days</u>	<u>60 to 90 days</u>	<u>90 to 120 days</u>	<u>&gt; 120 days</u>	<u>Total</u>
Trade receivables (RM'000)	13,683	10,978	8,047	4,918	12,021	49,647
% of total trade receivables	27.6	22.1	16.2	9.9	24.2	100.0
% collected as at the LPD	58.1	66.1	69.8	39.5	49.1	57.8

65.9% of our trade receivables balance is within the credit period of 90 days as at 30 June 2013.

As at the LPD, we have collected 39.5% of our trade receivables in the '90 to 120 days' segment and 49.1% in the 'above 120 days' segment. The outstanding receivables were mainly from customers who have been granted extensions of credit period. Outstanding debts amounting to RM2.8 million (representing 56.1%) in the '90 to 120 days' segment and RM2.8 million (representing 22.9%) in the 'above 120 days' segment have been arranged for transmission to our Group within 30 days from the LPD. Notwithstanding the above, our Board confirms that the remaining sum in the '90 to 120 days' segment and 'above 120 days' segment can be collected based on our long standing and good relationship with our customers.

**Trade payables turnover**

The normal payment credit period granted by our suppliers ranges from 90 to 120 days. Our Group believes that the timely settlement of our trade payables will benefit our Group for more favourable pricings from our suppliers. The timely settlement also enhances our good relationship with these suppliers.

Generally, over the past three financial years under review our payables turnover period is within the specified credit period. Our payables turnover period is within the credit period granted by our suppliers.

### 13. FINANCIAL INFORMATION (Cont'd)

The ageing analysis of our trade payables as at 30 June 2013 are as follows:

	<u>&lt;30 days</u>	<u>30 to 60 days</u>	<u>60 to 90 days</u>	<u>90 to 120 days</u>	<u>&gt; 120 days</u>	<u>Total</u>
Trade payables (RM'000)	13,887	9,190	4,274	977	2,168	30,496
% of total trade payables	45.6	30.1	14.0	3.2	7.1	100.0
% settled as at the LPD	80.9	97.6	93.5	90.4	90.7	88.7

From the table above, 92.9% of our trade payables balance is within the credit period granted by our suppliers as at 30 June 2013.

#### Inventory turnover

Our inventory consist of finished goods, raw materials, work-in-progress and consumable goods. Our inventory management system does not include a standard inventory re-order level. Our raw materials are replenished based on forthcoming or forecasted sales orders provided by our customers (ranging from three (3) to six (6) months) as well as the raw material prices. We maintain a sustainable level of raw materials to support our manufacturing operations, to reduce lead time for manufacturing and prevent shortages of raw materials. The amount of work-in-progress and finished goods is mainly affected by the timing of the shipment to our customers. This includes the time required for our customers to complete their product testing prior to accepting the shipment delivery which usually takes up to approximately three (3) to four (4) weeks.

Our Group's inventory levels for the FYEs 2010 to 2013 are as follows:

	<u>As at 30 June 2010</u>	<u>As at 30 June 2011</u>	<u>As at 30 June 2012</u>	<u>As at 30 June 2013</u>
Inventory (RM'000)	35,211	49,395	45,622	47,221
Inventory turnover days (days)	110	115	107	101

Our inventory turnover days for the FYEs 2010 to 2012 are in the range of 107 to 115 days and reduced to 101 days in the FYE 2013.

Our inventory turnover days was higher in the FYE 2011 compared to the FYE 2010 because of higher inventory level due to the increase in latex concentrate price (June 2011 average: 923.07 sen/kg compared to June 2010 average: 709.77 sen/kg) and the additional inventory stocked to cater for the additional condom dipping lines.

### 13. FINANCIAL INFORMATION (Cont'd)

Inventory turnover days reduced slightly to 107 days in the FYE 2012 because of lower latex concentrate price (June 2012 average: 664 sen/kg compared to June 2011 average: 923 sen/kg) offset by stock up of other materials and finished goods pending delivery.

Our inventory turnover days for the FYE 2013 reduced to 101 days as our total cost of goods sold increased in tandem with the increase in sales of condoms.

#### Current ratio

	As at 30 June 2010	As at 30 June 2011	As at 30 June 2012	As at 30 June 2013
<b>Current assets (RM'000)</b>	84,891	99,761	117,457	146,678
<b>Current liabilities (RM'000)</b>	75,172	86,196	91,569	99,010
<b>Current ratio (times)</b>	1.13	1.16	1.28	1.48

Our current ratio has been increasing over the financial years under review and fall within the range of 1.13 to 1.48.

Our current ratio for the FYE 2011 was marginally higher than the FYE 2010 due to an increase in our inventory, offset by an increase in trade payables, both attributable to the increase in latex concentrate price.

Our current ratio increased for the FYE 2012 compared to the FYE 2011 due to higher receivables of RM12.0 million contributed by large order sales near the end of the FYE 2012.

Our current ratio increased in the FYE 2013 compared to the FYE 2012 due to an increase in cash and cash equivalents of RM32.8 million from our earnings and loans and borrowings.

#### 13.2.12 Trend analysis

The following discussion regarding industry trends includes forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those projected in these forward-looking statements.

As at the LPD, due to the fact that our products are for general applications that are not tied to any seasonality factors, our operations have not been and are not expected to be affected by any of the following:

- (i) Known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations other than those discussed in this section and in Sections 5, 7 of this Prospectus and the IMR Executive Summary (Section 8 of this Prospectus), especially fluctuations in the latex concentrate pricing discussed in Sections 5.1(i), 7.12, 13.2.2(i) of this Prospectus and Section 1.6.2 of the IMR Executive Summary;

### 13. FINANCIAL INFORMATION (Cont'd)

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- (ii) Material commitment for capital expenditure save as follows:
- manufacturing equipment in the Malaysian and Thai manufacturing facilities to increase our production capacity; and
  - further expansions to our manufacturing facilities in Klang and Hat Yai.

Further details of our material commitments are disclosed in Sections 4.9, 6.5, 12.3 and 13.2.11(viii) of this Prospectus;

- (iii) Unusual, infrequent events or transactions or any significant economic changes that have affected the financial performance, position and operations of our Group save as follows:
- the minimum wage policy introduced by the Malaysian government; and
  - shortage of foreign labours due to the implementation of the 6P programme;

For further details, please refer to Sections 5.1(v) and 7.6 of this Prospectus;

- (iv) Known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources and which are reasonably likely to make our historical financial statements not indicative of the future financial performance and position, other than those discussed in this section and in Section 13.2.11 of this Prospectus.

Information on our business and prospects, sales and costs is set out in Sections 7, 13.2.1 and 13.2.2 of this Prospectus respectively. Discussion on the overview of the condom industry, its prospects and outlook are further elaborated in Section 8 of this Prospectus.

Given the favourable outlook of the condom industry as set out in Section 8 of this Prospectus, our future plans, competitive strengths and advantages as set out in Section 7.18 of this Prospectus, our Board is optimistic about the future prospects of our Group.

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### 13. FINANCIAL INFORMATION (Cont'd)

#### 13.3 Capitalisation and indebtedness

The following information should be read in conjunction with the Report on the compilation of proforma consolidated financial information and the Accountants' Report set out in Sections 13.1 and 14 of this Prospectus respectively.

The following table shows our cash and bank balances, capitalisation and indebtedness:

- (I) based on our proforma financial position as at 30 June 2013; and
- (II) as adjusted for the expected proceeds arising from the sale of the Issue Shares.

	(I)	(II)
	As at 30 June 2013	After IPO
	(RM' 000)	(RM' 000)
<b>Indebtedness</b>		
<b>Current</b>		
Bank overdraft	453	453
Term loans and hire purchase payable	3,521	3,521
Bankers' acceptance	35,923	25,923
<b>Non-current</b>		
Term loans and hire purchase payable	10,965	10,965
Total indebtedness	50,862	40,862
Shareholders' equity	108,397	178,454
<b>Total capitalisation and indebtedness</b>	<b>159,259</b>	<b>219,316</b>
<b>Gearing</b>	<b>0.47</b>	<b>0.23</b>

#### 13.4 Order book

In general, we do not commit to long-term orders with our customers. It is a common practice in the condom industry to commence production from confirmed purchase order. As such, our "order book" is based on purchase orders of approximately 45 to 90 days. Accordingly, our "order book" of 45 to 90 days may not be indicative of our revenue for any succeeding period.

Notwithstanding the above, the absence of long-term contracts does not hamper our revenue growth as evidenced by our strong sales track record. As at the LPD, 60% of our top ten (10) customers have established strong relationship with us for more than six (6) years. Our long-term customer relationship is a testament of customers' loyalty that provides a basis for our business stability and sustainability.

Based on the results of our last four (4) financial years, we achieved a CAGR of 13.7% in our revenue.

## **13. FINANCIAL INFORMATION (Cont'd)**

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### **13.5 Impact of inflation**

We do not believe that inflation has a material impact on our financial performance for the financial years under review. Although we believe that we will be able to pass on any future increase in manufacturing cost to our customers, we cannot assure you that any future increase in inflation rates will not have an impact on our business and financial performance.

### **13.6 Government/ economic/ fiscal/ monetary policies**

Risks relating to government, economic, fiscal or monetary policies, which may materially affect our operations, are set out in Section 5 of this Prospectus. Save for the risks disclosed in Section 5 of this Prospectus, there are no government, economic, fiscal or monetary policies or factors that have had a material impact on our profitability and financial position.

### **13.7 Breach of terms and conditions / covenants associated with credit arrangement / bank loan**

Our Directors confirm that as at the LPD, our Group is not in breach of any terms and conditions or covenants associated with credit arrangement or bank loan, which can materially affect our financial results or business operations, or the investments by holders of securities in our Group.

### **13.8 Dividend policy**

It is our Board's policy to recommend dividends to allow our shareholders to participate in the profits of our Group. However, our ability to declare dividends or make other distributions to our shareholders in the future years is subject to various factors such as having profits and excess funds, which are not required to be retained to fund our business.

Our Board will consider the following factors that they currently intend to apply when recommending dividends for approval by our shareholders or when declaring any interim dividends:

- (i) the level of cash and level of indebtedness;
- (ii) required and expected interest expense, cash flow, our profits and return on equity and retained earnings;
- (iii) our expected results of operations and future level of operations;
- (iv) our projected levels of capital expenditure and other investment plans; and
- (v) written consent from certain financial institutions to declare dividends (as disclosed in Section 13.2.11(iii) of this Prospectus).

The payment and amount of any dividends or distributions to our shareholders will be at the discretion of our Board and will depend on factors stated above. There can be no assurance as to whether the dividend distribution will occur as intended, the amount of dividend payment or timing of such payment.

## 14. ACCOUNTANT'S REPORT

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**KPMG (Firm No. AF 0758)**  
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80000 Johor Bahru, Malaysia

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The Board of Directors  
Karex Berhad  
10th Floor, Menara Hap Seng  
No. 1 & 3, Jalan P. Ramlee  
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



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



Karex Berhad  
Accountants' Report  
25 September 2013

## 2 General information (Cont'd)

### 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

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

*Karex Berhad  
Accountants' Report  
25 September 2013*

**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.

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



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## 2 General information (Cont'd)

## 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

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



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## 2 General information (Cont'd)

## 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

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



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## 2 General information (Cont'd)

## 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

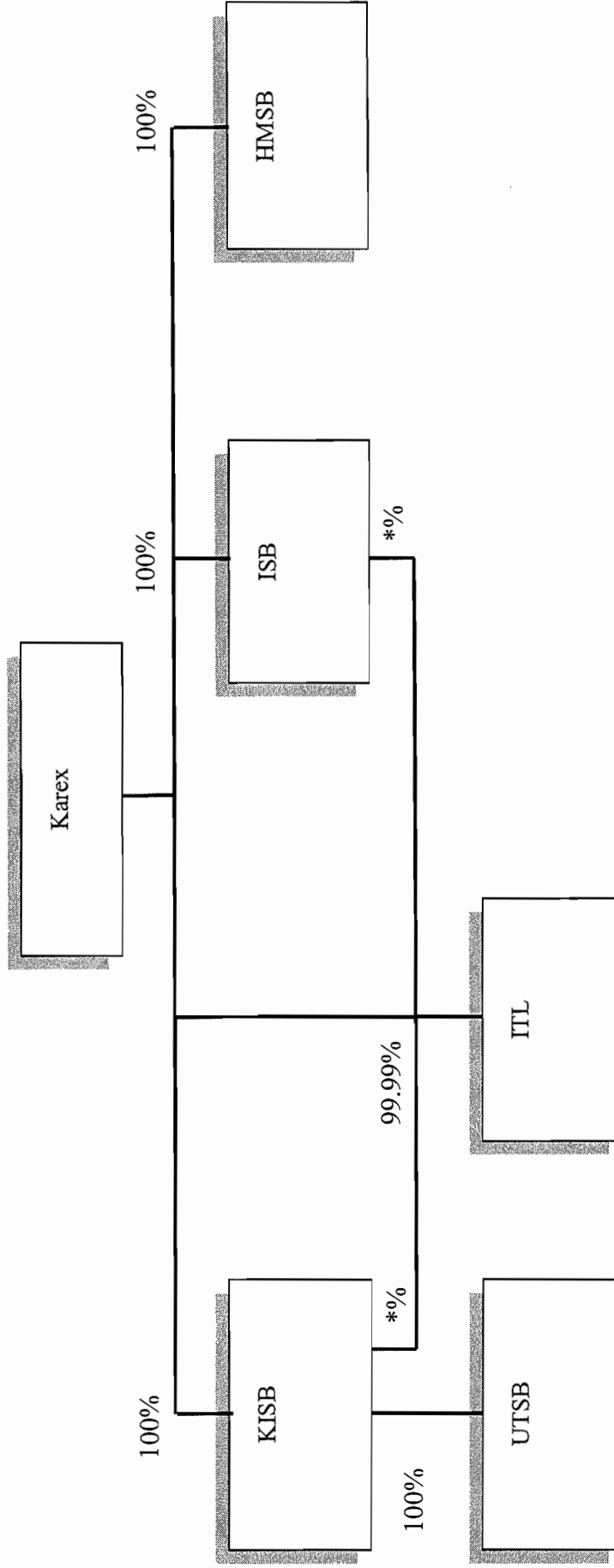
\* Partly paid at THB 25.00 each via capitalisation from amount owing to shareholder as at 30 June 2013.

14. ACCOUNTANT'S REPORT (Cont'd)



3 Group structure

The Karex Group structure after the acquisitions is as follows:



Note:

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

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

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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.

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



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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*



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



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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.

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



Karex Berhad  
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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.

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



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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.

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



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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.

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



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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.

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

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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)**

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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)



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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)



Karex Berhad  
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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)



Karex Berhad  
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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.

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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.

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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

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



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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	--	--
	45	47	40	15

## 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)
	<u>(162)</u>	<u>73</u>	<u>16</u>

## 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.



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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 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 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.



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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 RM'000	Gross/Net 2012 RM'000	2013 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 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>				
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>		
	2011 RM'000	2012 RM'000	2013 RM'000
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

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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

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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



## 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

## 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.

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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

## 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)

## 7.5.5.8 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>

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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>

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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>

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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.



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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>

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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>

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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.

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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.

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## 7 Audited Financial Statements (Cont'd)

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## 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.

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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.



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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

## 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)



Karex Berhad  
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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)



Karex Berhad  
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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)



Karex Berhad  
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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)



Karex Berhad  
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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)



Karex Berhad  
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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.

## 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)

## 7.6.5.15.4 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.

	<b>Profit or loss</b>	
	<b>100 bp increase RM'000</b>	<b>100 bp decrease RM'000</b>
<b>2013</b>		
Floating rate instruments	<u>(28)</u>	<u>28</u>
<b>2012</b>		
Floating rate instruments	<u>(3)</u>	<u>3</u>
<b>2011</b>		
Floating rate instruments	<u>(3)</u>	<u>3</u>

## 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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## 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*  
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**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, followed by a horizontal line.

**KPMG**  
Firm Number: AF 0758  
Chartered Accountants

A handwritten signature in black ink, appearing to be 'Tan Teck Eng' in a stylized cursive script.

**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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## **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.

KPMG, a partnership established under Malaysian law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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  
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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.

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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)

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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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### 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

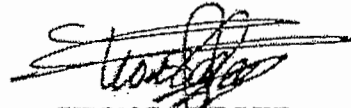
In our opinion, the financial statements have been properly drawn up in accordance with the Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of June 30, 2010 and of its financial performance and cash 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)

5



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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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## 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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## 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

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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 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  
  
Tel: +60 7 2225988  
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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

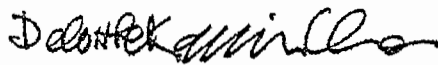
DELOITTE KASSIMCHAN

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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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 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)**  
Chartered Accountants  
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65, Jalan Trus  
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## **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)**  
Chartered Accountants  
Level 14, Menara Ansar  
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80000 Johor Bahru, Malaysia

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## **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)

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公  
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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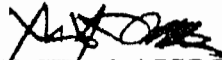
500319 M


**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  
Susur 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

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## 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)**

5



**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 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

5

## 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 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

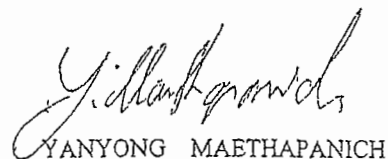
REPORT OF CERTIFIED PUBLIC ACCOUNTANT

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

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โทรสาร / Fax. 0-74352466 intadit@hotmail.com

REPORT OF CERTIFIED PUBLIC ACCOUNTANT

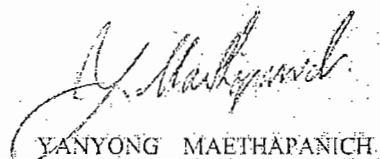
To The Shareholders of  
**INNOLATEX (THAILAND) LIMITED**

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

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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**

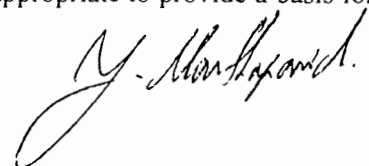
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards for Non-publicly Accountable Entities, and for such internal control as management determines is necessary to enable the preparation of financial statements 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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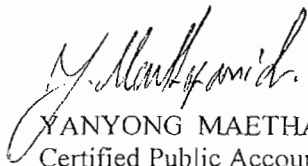
*INTADIT*

*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)****Article Provision***Power to cancel shares*

- (2) (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
- (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

*Power to sub-divide shares*

- (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.

**48 Power to reduce capital**

- (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.

**49 Modification of class rights**

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.

**50 Ranking of new shares**

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 *pari passu* 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)**

<u>Name</u>	<u>Address and telephone number</u>	<u>Broker code</u>
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 attached	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	District 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 condoms 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: KDNCY37848	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
<b>(c) HMSB</b>					
	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	(iii) Ribbed male natural rubber latex condom with silicone lubricant	15 June 2001	Not applicable
	ISO 13485:2003 Certificate	SGS United Kingdom Ltd Systems & Services Certification	(iv) Ultra Thick Male latex condom with silicone lubricant	9 November 2001	Not applicable
	Directive 93/42/EEC Certificate	SGS United Kingdom Ltd Systems & Services Certification	(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
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 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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Tel: +66 (0) 2 6766667-8  
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Email: patcharin@siamcitylaw.com

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:



**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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- (a) remittance of funds by juristic person to invest in business abroad, including branches in abroad by establishing or participating as joint investment which holds shares or has ownership in business at least 10 per cent, where the percentage of shareholding shall be counted per one person; and remittance of funds to invest in or lend to affiliated business abroad, in the same affiliate of the applicant without limit.
- (b) remittance of funds by juristic person to lend to business entity abroad other than (a) in an aggregate amount not exceeding USD 50 million or equivalent at market value, per year;
- (c) remittance of funds by individual person to invest in business abroad by establishing or participating as joint investment which holds shares or has ownership in business at least 10 per cent, where the percentage of shareholding shall be counted per one person; or to lend to the said business which the applicant has established or has joint investment, or to invest or lend to affiliated business of the said established or joint investment business without limit.

If a person wishes to purchase or exchange foreign currency not in accordance with the above conditions, the authorized juristic person must refer the matter to the Competent Officer for consideration and approval where the authorized juristic person shall request for relevant evidence and documents from such person, pursuant to Clause 18 of the same notification.

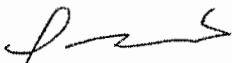
**(ii) Revenue Code**

With respect to payment of dividend, withholding tax is required to be deducted from the payments of dividends made to non-residents not carrying on business in Thailand at the rate of 10 % according to Section 40 (4) (b) and Section 70 and Section 76 Ter of the Revenue Code.

**(iii) Investment Promotion Act**

Dividends paid by BOI promoted companies out of tax exempt profits are not subject to withholding tax if paid out during the tax holiday period according to Section 34 of the Investment Promotion Act B.E. 2520.

Best regards,



Patcharin Chatvachirakul