THIS ABRIDGED PROSPECTUS ("AP") IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY. If you have sold or transferred all your shares in Inix Technologies Holdings Berhad ("**Inix**" or the "**Company**"), you should immediately hand this AP together with the Notice of Provisional Allotment ("**NPA**") and Rights Subscription Form ("**RSF**") (collectively referred to as "**Documents**") to the purchaser or transferee or agent/broker through whom you have effected the sale or transfer for onward transmission to the purchaser or transferee. You should address all enquiries concerning the Rights Issue of Shares with Warrants (as defined herein) to our share registrar, Bina Management (M) Sdn Bhd ("**Share Registrar**") at Lot 10, The Highway Centre, Jalan 51/205, 46050 Petaling Jaya, Selangor Darul Ehsan.

The Documents are only despatched to our shareholders ("**Entitled Shareholders**") whose names appear in our Record of Depositors as at 5.00 p.m. on 26 October 2015 ("**Entitlement Date**") at their registered addresses in Malaysia. The Documents are not intended to be (and will not be) issued, circulated or distributed in any countries or jurisdictions other than Malaysia. No action has been or will be taken to ensure that the Rights Issue of Shares with Warrants or the Documents comply with the laws of any countries or jurisdictions other than the laws of Malaysia. The Documents do not constitute an offer, solicitation or invitation to subscribe for the Rights Issue of Shares with Warrants in any jurisdiction other than Malaysia or to any person to whom it may be unlawful to make such an offer, solicitation or invitation. It shall be the sole responsibility of the Entitled Shareholders and/or their renouncees (if applicable) who are residents in countries or jurisdictions other than Malaysia to consult their legal and/or other professional adviser as to whether their acceptance or renunciation (as the case may be) of his/her entitlement to the Rights Issue of Shares with Warrants would result in the contravention of any laws of such countries or jurisdictions. Such Entitled Shareholders and/or their renouncees (if applicable) should note the additional terms and restrictions as set out in Section 3 of this AP. Neither our Company nor TA Securities Holdings Berhad ("**TA Securities**") shall accept any responsibility or liability whatsoever to any party in the event that any acceptance or sale/renunciation made by the Entitled Shareholders, and/or their renouncees (if applicable) is or shall become illegal, unenforceable, voidable or void in any countries or jurisdictions in which the Entitled Shareholder and/or his renouncee (if applicable) is a resident.

A copy of this AP has been registered with the Securities Commission Malaysia ("**SC**"). The registration of this AP should not be taken to indicate that the SC recommends the Rights Issue of Shares with Warrants or assumes responsibility for the correctness or any statement made or opinion or report expressed in this AP. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of this AP, together with the NPA and RSF, has also been lodged with the Registrar of Companies who takes no responsibility for the contents of these documents.

Our shareholders have approved the Rights Issue of Shares with Warrants at the Extraordinary General Meeting held on 21 August 2015. Bursa Malaysia Securities Berhad ("**Bursa Securities**") had vide its letter dated 8 July 2015 approved the admission of Warrants to the Official List of Bursa Securities and the listing of and quotation for the Rights Shares (as defined herein), Warrants (as defined herein) and the new Inix Shares (as defined herein) to be issued upon the exercise of the Warrants on the ACE Market of Bursa Securities. However, this is not an indication that Bursa Securities recommends the Rights Issue of Shares with Warrants. The admission of the Warrants to the Official List, listing of and quotation for the Rights Shares, Warrants and new Inix Shares to be issued upon exercise of the Warrants on the ACE Market of Bursa Securities are in no way reflective of the merits of the Rights Issue of Shares with Warrants. Neither Bursa Securities nor the SC takes any responsibility for the correctness of any statement made or opinions expressed in the Documents. The listing of and quotation for the Rights Shares and Warrants will commence after, amongst others, receipt of confirmation from Bursa Depository that all the Central Depository System accounts of the Entitled Shareholders and/or their renouncees (if applicable) have been duly credited and notices of allotment have been despatched to the Entitled Shareholders and/or their renouncees (if applicable).

Our Board of Directors ("**Board**") have seen and approved all the documentation relating to this Rights Issue of Shares with Warrants. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries, and 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 these documents false or misleading.

TA Securities, being the Adviser for the Rights Issue of Shares with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning the Rights Issue of Shares with Warrants.

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, PLEASE REFER TO "RISK FACTORS" AS SET OUT IN SECTION 7 HEREIN.

INIX TECHNOLOGIES HOLDINGS BERHAD
(Company No. 665797-D)
(Incorporated in Malaysia under the Companies Act, 1965)

RENOUNCEABLE RIGHTS ISSUE OF UP TO 278,179,000 NEW ORDINARY SHARES OF RM0.10 EACH IN INIX TECHNOLOGIES HOLDINGS BERHAD ("INIX SHARES") ("RIGHTS SHARES") ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING INIX SHARE HELD AS AT 5.00 P.M. ON 26 OCTOBER 2015 AT AN ISSUE PRICE OF RM0.10 PER RIGHTS SHARE, TOGETHER WITH UP TO 208,634,250 FREE DETACHABLE WARRANTS ("WARRANTS") ON THE BASIS OF THREE (3) WARRANTS FOR EVERY FOUR (4) RIGHTS SHARES SUBSCRIBED FOR

Adviser

TA SECURITIES
A MEMBER OF THE TA GROUP

TA SECURITIES HOLDINGS BERHAD (14948-M)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

IMPORTANT RELEVANT DATES AND TIME

Entitlement date	:	Monday, 26 October 2015 at 5.00 p.m.
Last date and time for:		
Sale of provisional allotment of rights	:	Monday, 2 November 2015 at 5.00 p.m.
Transfer of provisional allotment of rights	:	Thursday, 5 November 2015 at 4.00 p.m.
Acceptance and payment	:	Wednesday, 11 November 2015 at 5.00 p.m.*
Excess application and payment	:	Wednesday, 11 November 2015 at 5.00 p.m.*

* or such later date and time as our Board may decide in their absolute discretion and announce not less than two (2) market days before the stipulated date and time

This Abridged Prospectus is dated 26 October 2015

All terms and abbreviations used herein shall have the same meanings as those defined in the "Definitions" section of this Abridged Prospectus unless stated otherwise.

BURSA SECURITIES HAS APPROVED THE ADMISSION OF THE WARRANTS ON THE OFFICIAL LIST OF THE ACE MARKET BURSA SECURITIES AND LISTING OF AND QUOTATION FOR THE RIGHTS SHARES, WARRANTS AND THE NEW SHARES TO BE ISSUED PURSUANT TO THE EXERCISE OF THE WARRANTS ON THE ACE MARKET OF BURSA SECURITIES AND THE APPROVAL SHALL NOT BE TAKEN TO INDICATE THAT BURSA SECURITIES RECOMMENDS THE RIGHTS ISSUE OF SHARES WITH WARRANTS.

THE SC AND BURSA SECURITIES ARE NOT LIABLE FOR ANY NON-DISCLOSURE ON OUR PART AND TAKE NO RESPONSIBILITY FOR THE CONTENTS OF THIS AP, MAKE NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIM ANY LIABILITY WHATSOEVER FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS AP.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE AND MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS AP ARE 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 THE ISSUE FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

WE AND OUR ADVISER HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THIS AP.

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DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this AP and the accompanying appendices:

"5D-VWAP"	:	Five (5)-day volume weighted average market price
"ABH"	:	Dr. Azman bin Hussin, Chief Executive Officer / Executive Director of our Company
"Acquisition"	:	Acquisition of 30% equity interest in Galactic comprising 4,050,000 Galactic Shares for a purchase consideration of RM7,200,000 to be satisfied in cash
"Act"	:	Companies Act, 1965 as amended, modified, or re-enacted from time to time
"Additional Undertakings"	:	Additional irrevocable undertakings from EDS and MVL that EDS will subscribe for 10,000,000 excess Rights Shares with 7,500,000 Warrants which are not subscribed by the other shareholders of Inix and MVL will subscribe for 17,450,378 excess Rights Shares with 13,087,783 Warrants which are not subscribed by the other shareholders of Inix
"Amendments"	:	Amendments to the Memorandum of Association of our Company to facilitate the Increase in Authorised Share Capital
"Announcement"	:	The announcement of the Corporate Exercises dated 16 March 2015
"Announcement LPD"	:	11 March 2015, being the latest practicable date of the Announcement
"App(s)"	:	Computer programs that are designed to perform coordinated functions, tasks or activities
"AP"	:	This Abridged Prospectus issued by our Company dated 26 October 2015
"BNM"	:	Bank Negara Malaysia
"Board" or "Directors"	:	Our Board of Directors
"Bursa Depository"	:	Bursa Malaysia Depository Sdn Bhd
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"BVI"	:	British Virgin Islands
"CAGR"	:	Compounded annual growth rate
"CDS"	:	Central Depository System
"CMSA"	:	Capital Markets and Services Act 2007
"Code"	:	Malaysian Code on Take-Overs and Mergers 2010, as amended, modified or re-enacted from time to time
"Conditions Precedent"	:	Conditions precedent pursuant to the SSA
"Corporate Exercises"	:	Rights Issue of Shares with Warrants, Acquisition, Diversification, SIS, Increase in Authorised Share Capital and Amendments, collectively
"Deed Poll"	:	The document constituting the Warrants dated 9 October 2015
"Director"	:	A natural person who holds a directorship in our Company, whether in an executive or non-executive capacity, and shall have the meaning given in Section 4 of the Act and Section 2(1) of the CMSA
"Diversification"	:	Diversification of the business of Inix to include the provision of dredging and land reclamation services which was approved by our shareholders at the EGM
"E&E"	:	Electrical and electronic
"EBITDA"	:	Earnings before interest, taxation, depreciation and amortisation

DEFINITIONS *(cont'd)*

"EDS"	:	eNCoral Digital Solutions Sdn Bhd, a major shareholder of our Company
"EGM"	:	Extraordinary general meeting of our Company held on 21 August 2015
"Entitled Shareholders"	:	Our shareholders whose names appear in our Company's Record of Depositors on the Entitlement Date
"Entitlement Date"	:	26 October 2015 at 5.00 p.m. being the date and time on which our shareholders must be registered on the Record of Depositors in order to be entitled to the Rights Issue of Shares with Warrants
"EPS"	:	Earnings per Share
"First Audited Period"	:	Galactic's financial period commencing on 1 April 2014 and ended on 31 July 2015
"First Guaranteed Amount"	:	Audited PAT of Galactic of at least RM4,000,000
"FYE"	:	Financial year ended/ ending, as the case may be
"Galactic Share(s)"	:	Ordinary share(s) of RM1.00 each in Galactic
"Galactic"	:	Galactic Maritime (M) Sdn Bhd
"GBS"	:	Goh Boon Soo @ Goh Yang Eng, a shareholder of our Company
"GDP"	:	Gross domestic product
"Government"	:	Government of Malaysia
"GP"	:	Gross profit
"GST"	:	Goods and services tax
"GYEL" or "Vendor"	:	Galactic Yield Enterprises Ltd
"ICT"	:	Information and communications technology
"IMR"	:	Independent market research report on the dredging and land reclamation services industry in Malaysia and global games industry dated September 2015 prepared by Smith Zander
"Increase in Authorised Share Capital"	:	Increase in the authorised share capital of our Company from RM25,000,000 comprising 250,000,000 Inix Shares to RM100,000,000 comprising 1,000,000,000 Inix Shares
"Inix Group" or "Group"	:	Inix and our subsidiaries
"Inix Share(s)" or "Share(s)"	:	Ordinary share(s) of RM0.10 each in our Company
"Inix" or "Company" or "Purchaser"	:	Inix Technologies Holdings Berhad
"Issue Price"	:	The issue price pursuant to the Rights Issue of Shares with Warrants of RM0.10 per Rights Share
"IT"	:	Information technology
"LAT"	:	Loss after taxation
"LBITDA"	:	Losses before interest, taxation, depreciation and amortisation
"LBT"	:	Loss before taxation
"Listing Requirements"	:	ACE Market Listing Requirements of Bursa Securities, including any amendments, modifications and additions thereto
"LPD"	:	30 September 2015, being the latest practicable date prior to the registration of this AP
"LPS"	:	Loss per Share

DEFINITIONS *(cont'd)*

"Management"	:	The management team of our Group
"Market Day"	:	Any day from Mondays to Fridays (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for the trading of securities
"Maximum Scenario"	:	Assuming all Entitled Shareholders fully subscribe for their respective entitlements pursuant to the Rights Issue of Shares with Warrants
"Minimum Scenario"	:	Assuming only the Undertaking Shareholders fully subscribe for the Rights Issue of Shares with Warrants in accordance with their Undertakings and Additional Undertakings
"Minimum Subscription Level"	:	A minimum subscription level of 88,800,000 Rights Shares together with 66,600,000 Warrants pursuant to the Undertakings and Additional Undertakings
"Mobile Apps"	:	Apps that are designed specifically for use on small, mobile and wireless computing devices such as feature phones, smartphones and tablets
"Mobile Games"	:	Video games that are played on small, mobile and wireless computing devices such as feature phones, smartphones and tablets
"Mobile Gaming"	:	The act of playing video games on small, mobile and wireless computing devices such as feature phones, smartphones and tablets
"Mobile IT"	:	Mobile IT (mobile information technology) covers a wide spectrum of information technology services in relation to mobile devices (i.e., small, mobile and wireless computing devices such as feature phones, smartphones and tablets). Mobile IT pertains to the delivery of information technology services to users using mobile devices. The types of information technology services include, but are not limited to, mobile apps that allow users to disseminate and process information using mobile devices, provide internet connectivity as well as integrate mobile games
"MVL"	:	Megaworld Ventures Limited, a shareholder of our Company
"NA"	:	Net assets attributable to ordinary equity holders
"NPA"	:	Notice of Provisional Allotment in relation to the Rights Issue of Shares with Warrants
"NTA"	:	Net tangible assets attributable to ordinary equity holders
"O&G"	:	Oil and gas
"Official List"	:	A list specifying all securities which have been admitted for listing on Bursa Securities and not removed
"PAT"	:	Profit after taxation
"PBR"	:	Price-to-book ratio
"PBT"	:	Profit before taxation
"PER"	:	Price-to-earnings ratio
"PRC"	:	People's Republic of China
"Price Fixing Date"	:	9 October 2015, being the date on which the Issue Price of the Rights Shares were determined and announced
"Profit Guarantee"	:	First Guaranteed Amount and Second Guaranteed Amount, collectively
"Profit Guarantee Period"	:	First Audited Period and Second Audited Period, collectively
"Purchase Consideration"	:	Purchase consideration of RM7,200,000 pursuant to the Acquisition
"R&D"	:	Research and development

"Record of Depositors"	:	A record of securities holders established by Bursa Depository under the Rules of Bursa Depository
"Rights Issue of Shares with Warrants"	:	Renounceable rights issue of up to 278,179,000 new Inix Shares on the basis of two (2) Rights Share for every one (1) existing Inix Share held, together with up to 208,634,250 Warrants on the basis of three (3) Warrants for every four (4) Rights Shares subscribed at the Entitlement Date
"Rights Shares"	:	Up to 278,179,000 new Inix Shares to be issued pursuant to the Rights Issue of Shares with Warrants
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"RSF"	:	Rights Subscription Form in relation to the Rights Issue of Shares with Warrants
"Rules of Bursa Depository"	:	Rules of Bursa Depository including the rules in relation to a central depository as described in Section 2 of the SICDA
"Sale Shares"	:	4,050,000 Galactic Shares, representing 30% equity interest in Galactic
"SC"	:	Securities Commission Malaysia
"Second Audited Period"	:	Galactic's financial period commencing on 1 August 2015 and ending 31 July 2016
"Second Guaranteed Amount"	:	Audited PAT of Galactic of at least RM3,000,000
"Share Registrar"	:	Bina Management (M) Sdn Bhd
"SICDA"	:	Securities Industry (Central Depositories) Act, 1991 as amended, modified, or re-enacted from time to time
"SIS"	:	Share issuance scheme of up to thirty percent (30%) of our Company's total issued and paid-up share capital (excluding treasury shares, if any) at any one time during the duration of the scheme for the eligible persons, which was approved by our shareholders at the EGM
"Smith Zander"	:	Smith Zander International Sdn Bhd, the Independent Market Researcher
"SSA"	:	Conditional share sale agreement dated 16 March 2015 and letter of extension of conditional period dated 11 September 2015 entered into by the Vendor and our Company in relation to the Acquisition
"TA Securities"	:	TA Securities Holdings Berhad
"TEAP"	:	Theoretical ex-all price
"TERP"	:	Theoretical ex-rights price
"Undertaking Shareholders"	:	EDS, GBS and MVL, collectively
"Undertakings"	:	Written unconditional and irrevocable undertakings from the Undertaking Shareholders that they will not dispose any of their existing Inix Shares following the Announcement and up to the completion of the Rights Issue of Shares with Warrants and will subscribe in full of their respective entitlements as per the Announcement LPD
"USD"	:	United States Dollar
"Warrants"	:	Up to 208,634,250 free detachable warrants to be issued pursuant to the Rights Issue of Shares with Warrants
"YX"	:	Yang Xiaowen

DEFINITIONS *(cont'd)*

All references to "**our Company**" and/or "**Inix**" in this AP are to Inix Technologies Holdings Berhad. References to "**our Group**" and/or "**Inix Group**" are to Inix and our subsidiaries and references to "**we**", "**us**" "**our**" and "**ourselves**" are to Inix and where the context does require, shall include our subsidiaries.

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this AP to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of a day in this AP shall be reference to Malaysian time, unless otherwise specified.

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APPENDICES

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Company No. 665797-D

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name	Address	Age	Nationality	Profession
Dato' Megat Fairouz Junaidi Bin Megat Junid *(Independent Non-Executive Chairman)*	No. 2, SS7/3, Kelana Jaya 47300 Petaling Jaya Selangor Darul Ehsan	50	Malaysian	Company Director
Dr. Azman Bin Hussin *(Chief Executive Officer / Executive Director)*	No. 2, Jalan Bidara 4/7 40000 Shah Alam Selangor Darul Ehsan	56	Malaysian	Company Director
Chow Hung Keey *(Executive Director)*	53, Jalan Puteri 8/8 Bandar Puteri Puchong 47100 Selangor Darul Ehsan	27	Malaysian	Company Director
Mohd Anuar Bin Mohd Hanadzlah *(Executive Director)*	10 Jalan Tampoi Sungai Rokam 31350 Ipoh Perak Darul Ridzuan	57	Malaysian	Company Director
Dr Folk Jee Yoong *(Executive Director)*	No. 4, Lorong 14/37E 46100 Petaling Jaya Selangor Darul Ehsan	54	Malaysian	Company Director
Dato' Zaidi Bin Mat Isa @ Hashim *(Independent Non-Executive Director)*	4A-6-3 Merioin Mont Kiara 19 Jalan Duta Kiara Mont Kiara 60490 Kuala Lumpur	46	Malaysian	Company Director
Yeo Wee Kiat *(Independent Non-Executive Director)*	A 901 Kyoto Garden Bukit Antarabangsa 68000 Ampang Kuala Lumpur	69	Malaysian	Company Director

AUDIT COMMITTEE

Name	Designation	Directorship
Dato' Megat Fairouz Junaidi Bin Megat Junid	Chairman	Independent Non-Executive Director
Yeo Wee Kiat	Member	Independent Non-Executive Director
Dato' Zaidi Bin Mat Isa @ Hashim	Member	Independent Non-Executive Director

COMPANY SECRETARY : Wong Youn Kim (MAICSA 7018778)
Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel. no. : 03-2241 5800
Fax. no. : 03-2282 5022

CORPORATE DIRECTORY *(cont'd)*

REGISTERED OFFICE	:	Level 2, Tower 1, Avenue 5 Bangsar South City 59200 Kuala Lumpur Tel. no. : 03-2241 5800 Fax. no. : 03-2282 5022
HEAD/MANAGEMENT OFFICE/ PRINCIPAL PLACE OF BUSINESS	:	No. 38, Jalan Dagang SB 4/2 Taman Sungai Besi Indah 43300 Seri Kembangan Selangor Darul Ehsan Tel. no. : 03 -9059 3800 Fax. no. : 03 -9059 3900 Website : www.inix.com.my / www.ansi.com.my E-mail address : info@inix.com.my
SHARE REGISTRAR	:	Bina Management (M) Sdn Bhd Lot 10, The Highway Centre Jalan 51/205 46050 Petaling Jaya Selangor Darul Ehsan Tel. no. : 03-7784 3922 Fax. no. : 03-7784 1988
AUDITORS AND REPORTING ACCOUNTANTS	:	Messrs UHY (AF: 1411) Chartered Accountants 11.05 Level 11 The Gardens South Tower Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Tel. no. : 03-2279 3088 Fax. no. : 03-2279 3099
SOLICITORS FOR THE RIGHTS ISSUE OF SHARES WITH WARRANTS	:	Cheang&Ariff Advocate & Solicitor 39 Court & Loke Mansion 273A Jalan Medan Tuanku 50300 Kuala Lumpur Tel. no. : 03-2691 0803 Fax. no. : 03-2692 8533
INDEPENDENT MARKET RESEARCHER	:	Smith Zander International Sdn Bhd Suite 23-3, Level 23, Office Suite Menara 1MK 1, Jalan Kiara Mont Kiara 50480 Kuala Lumpur Tel. no. : 03-6211 2121
PRINCIPAL BANKER	:	CIMB Islamic Bank Berhad 17th Floor, Menara CIMB Jalan Stesen Sentral 2 Kuala Lumpur Sentral 50470 Kuala Lumpur Tel. no. : 03-2261 8888 Fax. no. : 03-2261 8899

CORPORATE DIRECTORY *(cont'd)*

ADVISER FOR THE RIGHTS ISSUE OF SHARES WITH WARRANTS	:	TA Securities Holdings Berhad 32nd Floor, Menara TA One 22, Jalan P. Ramlee 50250 Kuala Lumpur Tel. no. : 03-2072 1277 Fax. no. : 03-2026 0127
STOCK EXCHANGE LISTING	:	ACE Market of Bursa Securities

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INIX TECHNOLOGIES HOLDINGS BERHAD
(Company No. 665797-D)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur

26 October 2015

Our Board of Directors:

Dato' Megat Fairouz Junaidi Bin Megat Junid *(Independent Non-Executive Chairman)*
Dr. Azman Bin Hussin *(Chief Executive Officer / Executive Director)*
Chow Hung Keey *(Executive Director)*
Mohd Anuar Bin Mohd Hanadzlah *(Executive Director)*
Dr Folk Jee Yoong *(Executive Director)*
Dato' Zaidi Bin Mat Isa @ Hashim *(Independent Non-Executive Director)*
Yeo Wee Kiat *(Independent Non-Executive Director)*

To: The Entitled Shareholders

Dear Sir/Madam,

RIGHTS ISSUE OF SHARES WITH WARRANTS

---

1. INTRODUCTION

On 16 March 2015, TA Securities announced on behalf of our Board, amongst others, that we proposed to undertake the Rights Issue of Shares with Warrants.

Subsequently, Bursa Securities has vide its letter dated 8 July 2015 approved, amongst others, the following:

(i) admission to the Official List of the ACE Market of Bursa Securities and the listing of and quotation for the Warrants to be issued pursuant to the Rights Issue of Shares with Warrants;

(ii) listing of and quotation for the Rights Shares to be issued pursuant to the Rights Issue of Shares with Warrants; and

(iii) listing of and quotation for the new Inix Shares to be issued pursuant to the exercise of the Warrants,

on the ACE Market of Bursa Securities.

The approval of Bursa Securities for the Rights Issue of Shares with Warrants is subject to the following conditions:

	Conditions imposed	Status of compliance
(a)	Our Company and TA Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Rights Issue of Shares with Warrants;	To be complied
(b)	Our Company and TA Securities to inform Bursa Securities upon the completion of the Rights Issue of Shares with Warrants;	To be complied
(c)	Our Company to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue of Shares with Warrants is completed; and	To be complied
(d)	Our Company is required to furnish Bursa Securities on a quarterly basis a summary of the total number of Shares listed pursuant to the exercise of the Warrants as at the end of each quarter together with a detailed computation of listing fees payable	To be complied

Our shareholders had at our EGM held on 21 August 2015 approved, amongst others, the Rights Issue of Shares with Warrants. A certified true extract of the resolution in relation to the Rights Issue of Shares with Warrants passed at the EGM is set out in Appendix I of this AP.

On 11 September 2015, TA Securities had on our behalf announced that our Company and the Vendor have mutually agreed to extend the conditional period for a further six (6) months up to 15 March 2016 for the fulfilment of conditions precedent of the SSA.

On 9 October 2015, TA Securities had on our behalf announced that our Board has fixed the issue price of the Rights Shares at RM0.10 per Rights Share and the exercise price of the Warrants of RM0.10 per Warrant.

On 9 October 2015, TA Securities had on our behalf announced that the Entitlement Date has been fixed on 26 October 2015 at 5.00 p.m. and the other relevant dates pertaining to the Rights Issue of Shares with Warrants.

No person is authorised to give any information or to make any representation not contained in this AP in connection with the Rights Issue of Shares with Warrants and if given or made, such information or representation must not be relied upon as having been authorised by us or by TA Securities in connection with the Rights Issue of Shares with Warrants.

If you are in any doubt as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

2. DETAILS OF THE RIGHTS ISSUE OF SHARES WITH WARRANTS

2.1 Details of the Rights Issue of Shares with Warrants

The Rights Issue of Shares with Warrants entails the issuance of the Rights Shares on the basis of two (2) Rights Shares for every one (1) existing Inix Share held, together with three (3) Warrants for every four (4) Rights Shares subscribed by the Entitled Shareholders at the Issue Price.

The Rights Shares with Warrants which are not taken up or validly taken up shall be made available for excess applications by the Entitled Shareholders and/or their renouncee(s) (if applicable). It is the intention of our Board to allocate the excess Rights Shares in a fair and equitable manner on a basis specified under Section 3.8 herein. The entitlements for the Rights Shares with Warrants are renounceable in full or in part. The Warrants will be immediately detached from the Rights Shares upon issuance and separately traded on the ACE Market of Bursa Securities. The renunciation of Rights Shares by the Entitled Shareholders will accordingly entail the renunciation of the Warrants to be issued together with the Rights Shares pursuant to the Rights Issue of Shares with Warrants. However, if the Entitled Shareholders decide to accept only part of their Rights Shares entitlements under the Rights Issue of Shares with Warrants, they shall be entitled to the Warrants in proportion of their acceptances of the Rights Shares entitlements. Any unsubscribed Rights Shares with the attached Warrants shall be offered to other Entitled Shareholders and/or their renouncees (if applicable) under the Excess Rights Shares with Warrants application.

In determining the shareholders' entitlements to the Rights Shares with Warrants under the Rights Issue of Shares with Warrants, fractional entitlements, if any, shall be disregarded and dealt with by our Board in such manner at its absolute discretion as it may deem fit or expedient and in the best interest of our Company.

As you are an Entitled Shareholder, your CDS Account will be duly credited with the number of provisional allotted Rights Shares with Warrants, which you are entitled to subscribe for in full or in part under the terms of the Rights Issue of Shares with Warrants. You will find enclosed with this AP, the NPA notifying you of the crediting of such provisional Rights Shares with Warrants into your CDS Account and the RSF to enable you to subscribe for the provisional Rights Shares with Warrants, as well as to apply for the excess Rights Shares with Warrants if you choose to.

Any dealing in our securities will be subject to the SICDA and the Rules of Bursa Depository. Accordingly, the Rights Shares with Warrants and new Shares to be issued arising from the exercise of the Warrants will be credited directly to the respective CDS Accounts of the successful applicants and exercising Warrant holders (as the case may be). No physical share certificates and warrant certificates will be issued to the Entitled Shareholders and/or their renouncee, if applicable. A notice of allotment will be despatched to the successful applicants within eight (8) Market Days from the last date of acceptance and payment for the Rights Issue of Shares with Warrants and a notice of allotment will be despatched to the exercising Warrant holders within eight (8) Market Days after the date of receipt of the subscription form together with the requisite payment (for exercise of Warrants) from the date of exercise of the Warrants.

2.2 Basis of determining the Issue Price for the Rights Shares and the exercise price for the Warrants

(i) Rights Shares

Our Board had on 9 October 2015 fixed the issue price for the Rights Shares at RM0.10 per Rights Share after taking into consideration the following:

(a) the TEAP of Inix Shares of RM0.1120, based on the 5D-VWAP of Inix Shares up to and including 8 October 2015 (being the last trading date immediately preceding the Price Fixing Date) of RM0.1540;

(b) a discount to the TEAP (based on the 5D-VWAP of Inix Shares immediately preceding the Price Fixing Date) of between 10% and 40%;

(c) prevailing market prices of Inix Shares at the point of price fixing;

(d) the par value of Inix Shares of RM0.10 each; and

(e) the funding requirements of our Group, details of which are set out in Section 4 of this AP.

The issue price of RM0.10 per Rights Share represents a discount of approximately RM0.0120 or 10.71% to the TEAP of Inix Shares of RM0.1120, based on the 5D-VWAP of Inix Shares up to and inclusive of 8 October 2015 (being the last trading date immediately preceding the Price Fixing Date) of RM0.1540.

(ii) Warrants

The Warrants will be issued at no cost to the Entitled Shareholders who successfully subscribed for the Rights Shares, and are exercisable into new Inix Shares. Each Warrant will entitle its holder to subscribe for one (1) Inix Share at the exercise price of RM0.10 per Warrant.

The exercise price of the Warrants is determined and fixed by our Board on 9 October 2015 after taking into consideration the following:

(a) the TERP of Inix Shares based on the 5D-VWAP of Inix Shares up to and inclusive of 8 October 2015 of RM0.1180;

(b) a discount to the TERP (based on the 5D-VWAP of Inix Shares immediately preceding the Price Fixing Date) of between 10% and 40%;

(c) the prevailing market prices of Inix Shares; and

(d) the par value of Inix Shares of RM0.10.

The exercise price of the Warrants at RM0.10 each represents the par value of Inix Shares and a discount of RM0.0180 or 15.25% to the TERP of Inix Shares of RM0.1180, based on the 5D-VWAP per Inix Share up to and including 8 October 2015 of RM0.1540.

2.3 Ranking of the Rights Shares and new Inix Shares arising from the exercise of the Warrants

The Rights Shares and the new Inix Shares to be issued arising from the exercise of the Warrants shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing Inix Shares, save and except that the Rights Shares and the new Inix Shares shall not be entitled to any dividends, rights, allotments and/or other forms of distribution, the entitlement date of which is prior to the date of issuance and allotment of the Rights Shares and the new Inix Shares to be issued arising from the exercise of the Warrants.

2.4 Salient terms of the Warrants

The salient terms of the Warrants are set out below:

Terms		**Details**
Issue size	:	Up to 208,634,250 Warrants.
Form and denomination	:	The Warrants which are free will be issued in registered form and will be constituted by the Deed Poll.
Exercise period	:	The Warrants may be exercised at any time commencing on and including the date of first issuance of the Warrants until 5.00 p.m. on the expiry date. Warrants which have not been exercised during the exercise period will thereafter lapse and cease to be valid for any purpose.

Terms		Details
Exercise price	:	The exercise price of the Warrants has been fixed by our Board at RM0.10 each, subject to adjustments in accordance with the provisions of the Deed Poll.
Expiry date	:	The day immediately preceding the fifth (5th) anniversary date of issuance of the Warrants, provided that if such day falls on a day which is not a market day, then on the preceding market day.
Exercise rights	:	Each Warrant entitles the registered holder to subscribe for one (1) new Inix Share at any time during the exercise period at the exercise price (subject to the adjustments in accordance with the provisions of the Deed Poll).
Mode of exercise	:	The registered holder of the Warrants is required to lodge an exercise form, as set out in the Deed Poll, with our Company's registrar, duly completed, signed and duly stamped in accordance with any law for the time being in force relating to stamp duty together with payment of the exercise price for the new Inix Shares subscribed for by banker's draft or cashier's order or money order or postal order in Ringgit Malaysia drawn on a bank or post office operating in Malaysia.
Board lot	:	For the purpose of trading on Bursa Securities, one (1) board lot of Warrant shall comprise one hundred (100) Warrants carrying the right to subscribe for one hundred (100) new Inix Shares at any time during the exercise period, or such other denomination as determined by Bursa Securities from time to time.
Adjustments in the exercise price and/or number of the Warrants		Subject to the provisions in the Deed Poll, the exercise price and the number of Warrants held by each Warrant holder shall be adjusted by our Board in consultation with the approved adviser and certification of the external auditors, in the event of alteration to the share capital of our Company.
Rights of the Warrants holders	:	The Warrant holders are not entitled to any voting rights or participation in any form of distribution and/or offer of securities in our Company until and unless such Warrant holders exercise their Warrants into new Inix Shares.
Modification of rights of the Warrants holders	:	Our Company may, from time to time, without the consent or sanction of the Warrant holders but subject to the prior approval of Bursa Securities and other relevant authorities and in accordance with the Deed Poll, modify the Deed Poll, if such modification made does not materially prejudice the interests of the Warrant holders or is made to correct a manifest error or to comply with prevailing laws or regulations of Malaysia. Subject to the approval of any relevant authority, any modification, alteration or abrogation of the covenants or provisions contained in the Deed Poll proposed or agreed to by our Company must be sanctioned by special resolution of the holders of the Warrants, effected by the Deed Poll, executed by our Company and expressed to be supplemental and comply with the requirements of the Deed Poll.

Terms		Details
Rights in the event of winding-up, liquidation, compromise and/or arrangement	:	If a resolution is passed for a members' voluntary winding up of our Company or there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of our Company or the amalgamation of our Company with one or more companies, then:
	:	(i) for the purposes of such winding-up, compromise or scheme of arrangement (other than a consolidation, amalgamation or merger in which our Company is the continuing corporation) to which the Warrant holder (or some person designated by them for such purpose by special resolution) will be a party, the terms of such winding up, compromise or scheme of arrangement shall be binding on all the Warrant holders; and (ii) in any other case, every Warrant holder shall be entitled upon and subject to the conditions at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding-up of our Company or within six (6) weeks after the granting of the court order approving the compromise or arrangement (as the case may be), to exercise their Warrants by submitting the exercise form duly completed together with payment of the relevant exercise price to elect to be treated as if he had immediately prior to the commencement of such winding-up exercised the exercise rights to the extent specified in the exercise form(s) and had on such date been the holder of the new Shares to which he would have become entitled pursuant to such exercise and the liquidator of our Company shall give effect to such election accordingly.
Transferability	:	The Warrants shall be transferable in accordance with the SICDA and the Rules of Bursa Depository. Subject to the provisions of the SICDA and the Rules of Bursa Depository, no person shall be recognised by our Company as having any entitlement to confer on the Warrant holder the right to subscribe for a fractional part of a new Inix Share, otherwise than as the sole holder of the entirety of such new Inix Share. Each Warrant holder shall be deemed to remain the registered holder of the Warrants registered in his name until the name of the transferee is entered into the Record of Warrants and Record of Depositors in the manner provided under the SICDA and the Rules of Bursa Depository.
Listing status	:	The Warrants will be listed and traded on the ACE Market of Bursa Securities. Approval has been obtained from Bursa Securities for the admission of Warrants to the Official List of the ACE Market of Bursa Securities and the listing of and quotation for the Warrants and the new Inix Shares to be issued pursuant to the exercise of the Warrants on the ACE Market of Bursa Securities.
Governing law	:	The laws of Malaysia.

2.5 Minimum Subscription Level, Undertakings and Additional Undertakings

The Rights Issue of Shares with Warrants will be implemented on a minimum level of subscription of 88,800,000 Rights Shares together with 66,600,000 Warrants.

The Minimum Subscription Level was determined based on, among others, the level of funds needed by our Group after taking into consideration the funding requirements as set out in Section 4 of this AP.

To meet the Minimum Subscription Level, our Company has obtained written unconditional and irrevocable undertakings from the Undertaking Shareholders that they will not dispose any of their existing Inix Shares following the Announcement and up to the completion of the Rights Issue of Shares with Warrants and they will subscribe in full pursuant to their Undertakings. Further, our Company had procured additional irrevocable undertakings from EDS and MVL to make excess applications and subscribe for additional Rights Shares which are not subscribed by the other Entitled Shareholders of our Company (i.e., the Additional Undertakings). The Undertakings and Additional Undertakings will enable our Company to meet the intended Minimum Subscription Level. Based on the Issue Price of RM0.10, the total gross proceeds to be raised based on the Minimum Subscription Level is RM8,880,000.

Details of the Undertakings and Additional Undertakings by the Undertaking Shareholders as at the Announcement LPD are set out below:

	Shareholdings as at the Announcement LPD		**No. of Inix Shares**		**Total of Inix Shares entitled/undertaken**	
Names	**No. of Inix Shares**	**%**	**Entitled(1)**	**Via excess application**	**No. of Inix Shares**	**%(2)**
EDS	21,249,311	15.28	42,498,622	10,000,000	52,498,622	59.12
GBS	5,600,000	4.03	11,200,000	-	11,200,000	12.61
MVL	3,825,500	2.75	7,651,000	17,450,378	25,101,378	28.27
Total	**30,674,811**	**22.06**	**61,349,622**	**27,450,378**	**88,800,000**	**100.00**

Notes:

(1) Entitlement based on the respective shareholdings as at the Announcement LPD.

(2) Based on the 88,800,000 Rights Shares to be issued under the Minimum Scenario and based on the Minimum Subscription Level.

Details of the Undertakings and Additional Undertakings by the Undertaking Shareholders as at the LPD are set out below:

	Shareholdings as at the LPD		**No. of Inix Shares**			**Total of Inix Shares undertaken**	
Names	**No. of Inix Shares**	**%**	**Entitled(1)**	**Undertakings for the subscription of the Rights Shares(2)**	**Via excess application**	**No. of Inix Shares**	**%(3)**
EDS	21,249,311	15.28	42,498,622	42,498,622	10,000,000	52,498,622	59.12
GBS	5,845,900	4.20	11,691,800	11,200,000	-	11,200,000	12.61
MVL	3,825,500	2.75	7,651,000	7,651,000	17,450,378	25,101,378	28.27
Total	**30,920,711**	**22.23**	**61,841,422**	**61,349,622**	**27,450,378**	**88,800,000**	**100.00**

Notes:

(1) Entitlement based on the respective shareholdings as at the LPD.

(2) Subscription of the Rights Shares based pursuant to the respective Undertaking.

(3) Based on the 88,800,000 Rights Shares to be issued under the Minimum Scenario and based on the Minimum Subscription Level.

Upon the completion of the Rights Issue of Shares with Warrants, the equity interests of the Undertaking Shareholders in our Company will be as follows:

	Minimum Scenario(1)	Maximum Scenario(2)
EDS	32.36%	15.28%
GBS	7.48%	4.03%
MVL	12.69%	2.75%

Notes:

(1) Assuming that only the Undertaking Shareholders subscribe pursuant to their Undertakings and Additional Undertakings based on the Minimum Subscription Level and no other Entitled Shareholders and/or renounces subscribe for their entitlements for the Rights Shares pursuant to the Rights Issue of Shares with Warrants.

(2) Assuming that all Entitled Shareholders and/or renouncees subscribe for their entitlements for the Rights Shares pursuant to the Rights Issue of Shares with Warrants.

The Undertaking Shareholders have confirmed that they have sufficient financial resources to fully subscribe for the Rights Shares with Warrants in accordance to their Undertakings and Additional Undertakings. As the Adviser for the Rights Issue of Shares with Warrants, TA Securities has verified the confirmations made by the Undertaking Shareholders.

In view that the Minimum Subscription Level can be achieved via the Undertakings and Additional Undertakings, no underwriting arrangement will be made for the balance of the Rights Shares with Warrants for which no irrevocable undertaking to subscribe has been obtained.

2.6 Take-over implications

After taking into consideration of the Undertakings and Additional Undertakings, the subscriptions of the Rights Shares with Warrants by the Undertaking Shareholders will not give rise to any consequences of mandatory general offer obligation pursuant to the Code immediately after the Rights Issue of Shares with Warrants.

However, like any other Entitled Shareholders, should EDS exercise its Warrants, resulting in its shareholdings in our Company increasing to above thirty-three percent (33.00%), EDS and the person acting in concert with it, namely ABH ("**PAC**") will be obliged under Part III of the Code to undertake a mandatory general offer for all the remaining Inix Shares and convertible securities, not already held by them after the exercise of the Warrants.

EDS and PAC do not intend to undertake a mandatory general offer to acquire all the remaining Inix Shares and convertible securities not already held by EDS after the exercise of the Warrants and have given confirmations to observe and comply at all times with the provisions of the Code.

2.7 Details of other corporate exercises

Save for the Rights Issue of Shares with Warrants and the Acquisition as well as the SIS (which would only be implemented after the completion of the Rights Issue of Shares with Warrants and the Acquisition), there is no other outstanding corporate exercise which has been announced but pending completion as at the LPD.

3. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE/TRANSFER AND EXCESS APPLICATION FOR THE RIGHTS ISSUE OF SHARES WITH WARRANTS

3.1 General

As you are an Entitled Shareholder, your CDS Account will be duly credited with the number of provisional Rights Shares with Warrants which you are entitled to subscribe for in full or in part, under the terms of the Rights Issue of Shares with Warrants. You will find enclosed with this AP, the NPA notifying you of the crediting of such provisional Rights Shares with Warrants into your CDS Account and the RSF to enable you to subscribe for the provisional Rights Shares with Warrants, as well as to apply for excess Rights Shares with Warrants if you choose to do so.

3.2 NPA

The provisional allotted Rights Shares with Warrants are prescribed securities pursuant to Section 14(5) of the SICDA and therefore, all dealings in the provisional Rights Shares with Warrants will be by book entries through the CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository. You and/or your renouncees (if applicable) are required to have valid and subsisting CDS Accounts when making your applications.

3.3 Last date and time for acceptance and payment

The last date and time for acceptance and payment for the provisional Rights Shares with Warrants is at **5.00 p.m. on 11 November 2015**, or such extended date and time as our Board may decide at its absolute discretion. Where the closing date of the acceptance is extended from the original closing date, the announcement of such extension will be made not less than two (2) Market Days before the original closing date. Proof of time of postage shall not constitute proof of time of receipt by our Share Registrar.

3.4 Procedure for full acceptance and payment by Entitled Shareholders

If you wish to accept your entitlement to the provisional Rights Shares with Warrants, the acceptance of and payment for the provisional Rights Shares with Warrants must be made on the respective RSF enclosed with this AP and must be completed in accordance with the notes and instructions contained in the RSF. Acceptances which do not conform to the terms of this AP, the NPA or the RSF or the notes and instructions contained in these documents or which are illegible may not be accepted at the absolute discretion of our Board.

As an Entitled Shareholder of our Company, your CDS Account will be duly credited with the number of provisional Rights Shares with Warrants which you are entitled to subscribe for, in full or in part, under the terms and conditions of the Rights Issues of Shares with Warrants. You will find enclosed with this AP, the NPA notifying you of the crediting of such number of provisional Rights Shares with Warrants into your CDS Account, and the RSF to enable you to subscribe for such Rights Shares with Warrants that you have been provisionally allotted, as well as apply for the Excess Rights Shares with Warrants if you choose to.

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL RIGHTS SHARES WITH WARRANTS, EXCESS APPLICATION FOR THE RIGHTS SHARES WITH WARRANTS AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU OR YOUR RENOUNCEES WISH TO SELL/TRANSFER ALL OR ANY PART OF YOUR/THEIR ENTITLEMENT ARE SET OUT IN THIS AP AND THE ACCOMPANYING RSF.

YOU AND/OR YOUR RENOUNCEES (IF APPLICABLE) ARE ADVISED TO READ THIS AP, THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY.

If you wish to accept your entitlement, please complete Parts I(A) and II of the RSF in accordance with the notes and instructions provided in the RSF. Thereafter, please send each completed and signed RSF together with the relevant payment by using the envelope provided (at your own risk) to our Share Registrar by **ORDINARY POST, COURIER** or **DELIVERED BY HAND** at the following address:

Bina Management (M) Sdn Bhd
Lot 10, The Highway Centre
Jalan 51/205
46050 Petaling Jaya
Selangor Darul Ehsan
Tel. no.: 03-7784 3922
Fax no.: 03-7784 1988

so as to arrive **not later than 5.00 p.m. on 11 November 2015**, being the last time and date for acceptance of and payment, or such extended time and date as may be determined and announced by our Board.

One (1) RSF can only be used for acceptance of provisional Rights Shares with Warrants standing to the credit of one (1) CDS Account. Separate RSF(s) must be used for separate CDS Account(s). If successful, the Rights Shares with Warrants subscribed for will be credited into your CDS Account(s) as stated in the completed RSF(s).

A reply envelope is enclosed in this AP. In order to facilitate the processing of the RSF by our Share Registrar for the Rights Shares with Warrants, you are advised to use one (1) reply envelope for each completed RSF.

You and/or your renouncee (if applicable) should take note that a trading board lot for the Rights Shares and Warrants comprises one hundred (100) Rights Shares and one hundred (100) Warrants, respectively. Successful applicants of the Rights Shares will be given the free attached Warrants on the basis of three (3) Warrants for every four (4) Rights Shares successfully subscribed for. The minimum number of security that can be subscribed for or accepted is two (2) Rights Shares for every one (1) existing Inix Share held.

Fractions of a Rights Share and Warrant arising from the Rights Issue of Shares with Warrants will be disregarded and shall be dealt with by our Board as it may deem fit, expedient and in the best interest of our Company.

If acceptance of and payment for the provisional Rights Shares with Warrants is not received by our Share Registrar by **5.00 p.m. on 11 November 2015**, being the last time and date for acceptance of and payment for the provisional Rights Shares with Warrants, or any other extended date and time as may be determined and announced by our Board, you will be deemed to have declined the provisional entitlement made to you and it will be cancelled.

If you lose, misplace or for any other reasons require another copy of the RSF, you may obtain additional copies from your stockbrokers, Bursa Securities' website at http://www.bursamalaysia.com, our Share Registrar at the address stated above or our Registered Office.

EACH COMPLETED RSF MUST BE ACCOMPANIED BY APPROPRIATE REMITTANCE IN RM FOR THE FULL AMOUNT PAYABLE FOR THE RIGHTS SHARES WITH WARRANTS ACCEPTED IN THE FORM OF BANKER'S DRAFT(S)/ CASHIER'S ORDER(S)/ MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "ACCOUNT PAYEE ONLY" AND MADE PAYABLE TO "INIX RIGHTS SHARES ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME, CONTACT NUMBER AND CDS ACCOUNT NUMBER IN BLOCK LETTERS SO AS TO BE RECEIVED BY OUR SHARE REGISTRAR.

APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE ISSUED BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE RIGHTS ISSUE OF SHARES WITH WARRANTS. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS SHARES WITH WARRANTS, AND NOTICES OF ALLOTMENT WILL BE ISSUED AND DESPATCHED BY ORDINARY POST TO THEM OR THEIR RENOUNCEES (IF APPLICABLE) AT THEIR OWN RISK TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE AND TIME FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS ISSUE OF SHARES WITH WARRANTS.

APPLICANTS SHOULD NOTE THAT THE RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

WHERE AN APPLICATION IS NOT ACCEPTED OR IS ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO THE APPLICANT WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS ISSUE OF SHARES WITH WARRANTS BY ORDINARY POST TO THE ADDRESS SHOWN ON BURSA DEPOSITORY'S RECORD OF DEPOSITORS AT THE APPLICANTS' OWN RISK.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.

3.5 Procedure for part acceptance by Entitled Shareholders

You are entitled to accept part of your provisional Rights Shares with Warrants. Successful applicants of the Rights Shares will be given the free attached Warrants on the basis of three (3) Warrants for every four (4) Rights Shares successfully subscribed for. The minimum number of security that can be subscribed for or accepted is two (2) Rights Shares for every one (1) existing Inix Share held.

Fractions of a Rights Share and Warrant arising from the Rights Issue of Shares with Warrants will be disregarded and shall be dealt with by our Board as it may deem fit, expedient and in the best interest of our Company.

You must complete both Part I(A) of the RSF by specifying the number of the Rights Shares with Warrants which you are accepting and Part II of the RSF and deliver the completed and signed RSF together with the relevant payment to our Share Registrar in the manner set out in Section 3.4 of this AP.

YOU ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENTS OF THIS AP AND ADHERE TO THE NOTES AND INSTRUCTIONS CONTAINED IN THIS AP AND THE RSF.

The portion of the provisional Rights Shares with Warrants that have not been accepted shall be allotted to any other persons allowed under the law, regulations or rules to accept the transfer of the provisional Rights Shares with Warrants.

3.6 Procedure for sale/transfer of provisional Rights Shares with Warrants

As the provisional Rights Shares with Warrants are prescribed securities, you may dispose of or transfer all or part of your entitlement to the Rights Shares with Warrants to one (1) or more person(s) through your stockbrokers without first having to request for a split of the provisional Rights Shares with Warrants standing to the credit of your CDS Accounts. To dispose or transfer all or part of your entitlement to the provisional Rights Shares with Warrants, you may sell such entitlement in the open market or transfer such entitlement to such persons as may be allowed pursuant to the Rules of Bursa Depository. If you have sold or transferred only part of the provisional Rights Shares with Warrants, you may still accept the balance of the provisional Rights Shares with Warrants by completing Parts I(A) and II of the RSF. Please refer to Section 3.4 of this AP for the procedure for acceptance and payment.

In disposing/transferring all or part of your provisionally Rights Shares with Warrants, you need not deliver any document including the RSF, to any stockbroker. However, you must ensure that there is sufficient provisional Rights Shares with Warrants standing to the credit of your CDS Accounts that are available for settlement of the sale or transfer.

Purchaser(s) or transferee(s) of the provisional Rights Shares with Warrants may obtain a copy of this AP and the RSF from their stockbrokers or from our Share Registrar or at our Registered Office. This AP and the RSF are also available on Bursa Securities' website at http://www.bursamalaysia.com.

3.7 Procedure for acceptance by renouncees

Renouncees who wish to accept the provisional Rights Shares with Warrants must obtain a copy of the RSF from their stockbrokers or our Share Registrar or at our Registered Office or from the Bursa Securities' website at http://www.bursamalaysia.com and complete the RSF and submit the same together with the remittance to our Share Registrar in accordance with the notes and instructions printed therein.

The procedure for acceptance and payment applicable to the Entitled Shareholders as set out in Section 3.4 of this AP also applies to renouncees who wish to accept the provisional Rights Shares with Warrants.

RENOUNCEES ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENTS OF THIS AP AND ADHERE TO THE NOTES AND INSTRUCTIONS CONTAINED IN THIS AP AND THE RSF.

3.8 Procedure for application of excess Rights Shares with Warrants

You and/or your renouncees (if applicable) who accepted the provisional Rights Shares with Warrants may apply for excess Rights Shares with Warrants by completing Part I(B) of the RSF (in addition to Parts I(A) and II) and forward it (together with a **separate remittance** for the full amount payable in respect of the excess Rights Shares with Warrants applied for) to our Share Registrar **not later than 5.00 p.m. on 11 November 2015**, being the last time and date for acceptance and payment, or such extended time and date as may be determined and announced by our Board.

PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS APPLIED FOR SHOULD BE MADE IN THE SAME MANNER AS DESCRIBED IN SECTION 3.4 OF THIS AP, WHERE THE BANKER'S DRAFT(S)/CASHIER'S ORDER(S)/MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "ACCOUNT PAYEE ONLY" AND MADE PAYABLE TO "INIX EXCESS RIGHTS SHARES ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME, CONTACT NUMBER AND CDS ACCOUNT NUMBER IN BLOCK LETTERS SO AS TO BE RECEIVED BY OUR SHARE REGISTRAR.

It is the intention of our Board to allot the excess Rights Shares with Warrants, if any, on a fair and equitable basis and in the following priority:

(i) firstly, to minimise the incidence of odd lots;

(ii) secondly, on the pro-rata basis and in board lot to our Entitled Shareholders who have applied for the excess Rights Shares with Warrants, taking into consideration their respective shareholdings in our Company as at the Entitlement Date;

(iii) thirdly, on a pro-rata basis and in board lot to our Entitled Shareholders who have applied for excess Rights Shares with Warrants, taking into consideration the quantum of their respective excess application; and

(iv) lastly, on a pro-rata basis and in board lot to our transferees and/or renouncees who have applied for excess Rights Shares with Warrants, taking into consideration the quantum of their respective excess application.

Nevertheless, our Board reserves the right to allot any excess Rights Shares with Warrants applied for under Part I(B) of the RSF in such manner as it deems fit and expedient and in the best interest of our Company subject always to such allocation being made on a fair and equitable basis and that the intention of our Board as set out in Section 3.8 (i) to (iv) above are achieved. Our Board also reserves the right to accept any excess Rights Shares with Warrants application, in full or in part, without assigning any reason.

APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE ISSUED BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE EXCESS RIGHTS SHARES WITH WARRANTS. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS SHARES WITH WARRANTS, AND A NOTICE OF ALLOTMENT WILL BE ISSUED AND DESPATCHED BY ORDINARY POST TO THE APPLICANTS AT THEIR OWN RISK TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCCESSFUL EXCESS RIGHTS SHARES WITH WARRANTS APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, WILL BE REFUNDED WITHOUT INTEREST WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE OF AND PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT THE APPLICANTS' OWN RISK.

3.9 Notice of allotment

Upon allotment of the Rights Shares with Warrants in respect of your acceptance and/or your renouncee's acceptance (if applicable) and excess Rights Shares with Warrants application (if any), the Rights Shares with Warrants shall be credited directly into the respective CDS Account. No physical share certificates and warrant certificates will be issued in respect of the Rights Shares with Warrants. However, a notice of allotment will be despatched to you and/or your renouncees (if applicable), by ordinary post within eight (8) Market Days from the last date of acceptance and payment for the Rights Shares with Warrants and excess Rights Shares with Warrants application, or such other period as may be prescribed or allowed by Bursa Securities, at the address shown on the Record of Depositors at your own risk.

Where any application for the Rights Shares with Warrants is not accepted due to non-compliance with the terms of the Rights Issue of Shares with Warrants or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded without interest to you within fifteen (15) Market Days from the last date and time for acceptance and payment of the Rights Shares with Warrants by ordinary post to the address shown on the Record of Depositors at your own risk.

Please note that a completed RSF and the payment thereof once lodged with our Share Registrar for the Rights Issue of Shares with Warrants cannot be withdrawn subsequently.

3.10 Form of issuance

Bursa Securities has prescribed that our Shares listed on the ACE Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights Shares with Warrants and the new Shares to be issued arising from the exercise of Warrants are prescribed securities and as such the SICDA and the Rules of Bursa Depository shall apply in respect of the dealings in the Rights Shares with Warrants.

Failure to comply with the specific instructions for applications or inaccuracy in the CDS Account number may result in the application being rejected. Your subscription for the Rights Shares with Warrants shall mean your consent to receiving such Rights Shares with Warrants as deposited securities which will be credited directly into your CDS Account. No physical share certificate or warrant certificate will be issued to you under the Rights Issue of Shares with Warrants. Instead, the Rights Shares with Warrants will be credited directly into your CDS Accounts, and notices of allotment will be sent to you in the manner as stated in Section 3.9.

Any person who has purchased the provisional Rights Shares with Warrants or to whom provisional Rights Shares with Warrants has been transferred and intends to subscribe for the Rights Shares with Warrants must state his/her CDS Account number in the space provided in the RSF. The Rights Shares with Warrants will be credited directly as prescribed or deposited securities into his/her CDS Account upon allotment and issue.

The excess Rights Shares with Warrants, if allotted to the successful applicant who applies for excess Rights Shares with Warrants, will be credited directly as prescribed securities into the CDS Account of the successful applicant. The allocation of the excess Rights Shares with Warrants will be made on a fair and equitable basis as disclosed in Section 3.8 of this AP.

3.11 Laws of foreign jurisdictions

This AP and the accompanying NPA and RSF have not been (and will not be) made to comply with the laws of any foreign jurisdiction and have not been (and will not be) lodged, registered or approved pursuant to or under any legislation (or with or by any regulatory authorities or other relevant bodies) of any foreign jurisdiction. The Rights Issue of Shares with Warrants will not be made or offered for subscription in any foreign jurisdiction.

Accordingly, this AP together with the accompanying documents will not be sent to the foreign Entitled Shareholders and/or their renouncees (if applicable) who do not have a registered address in Malaysia. However, such foreign Entitled Shareholders and/or their renouncees (if applicable) may collect this AP including the accompanying documents from our Share Registrar, in which event our Share Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the documents relating to the Rights Issue of Shares with Warrants.

Foreign Entitled Shareholders and/or their renouncees (if applicable) may only accept or renounce (as the case may be) all or any part of their entitlements and exercise any other rights in respect of the Rights Issue of Shares with Warrants only to the extent that it would be lawful to do so.

TA Securities, our Company and our Board and officers would not, in connection with the Rights Issue of Shares with Warrants, be in breach of, responsible or liable under the laws of any jurisdiction to which that foreign Entitled Shareholders and/or their renouncees (if applicable) are or may be subject to. He shall solely be responsible to seek advice as to the laws of the jurisdictions to which they are or may be subject to. TA Securities, our Company and our Board and officers and other professional advisers shall not accept any responsibility or liability in the event that any acceptance or renunciation made by any foreign Entitled Shareholders and/or their renouncees (if applicable), is or shall become unlawful, unenforceable, voidable or void in any such jurisdiction.

The foreign Entitled Shareholders and/or their renouncees (if applicable) will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such jurisdiction and our Company shall be entitled to be fully indemnified and held harmless by such foreign Entitled Shareholders and/or their renouncees (if applicable) for any issue, transfer or other taxes or duties as such person may be required to pay. They will have no claims whatsoever against our Company and/or TA Securities in respect of their rights and entitlements under the Rights Issue of Shares with Warrants. Such foreign Entitled Shareholders and/or their renouncees (if applicable) should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to accept the Rights Issue of Shares with Warrants.

By signing any of the forms accompanying this AP, the NPA and the RSF, the foreign Entitled Shareholders and/or their renouncees (if applicable) are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) TA Securities, our Company and our Board and officers that:

(i) our Company would not, by acting on the acceptance or renunciation in connection with the Rights Issue of Shares with Warrants, be in breach of the laws of any jurisdiction to which that foreign Entitled Shareholders or renouncees (if applicable) is or may be subject to;

(ii) the foreign Entitled Shareholders and/or their renouncees (if applicable) have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation of the provisional Rights Shares with Warrants;

(iii) the foreign Entitled Shareholders and/or their renouncees (if applicable) are not a nominee or agent of a person in respect of whom we would, by acting on the acceptance or renunciation of the provisional Rights Shares with Warrants, be in breach of the laws of any jurisdiction to which that person is or may be subject to;

(iv) the foreign Entitled Shareholders and/or their renouncees (if applicable) are aware that the Rights Shares with Warrants can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;

(v) the foreign Entitled Shareholders and/or their renouncees (if applicable) have received a copy of this AP and have been provided the opportunity to pose such questions to the representatives and receive answers thereto as the foreign Entitled Shareholders and/or their renouncees (if applicable) deem necessary in connection with the foreign Entitled Shareholders and/or their renouncees (if applicable) decision to subscribe for or purchase the Rights Shares with Warrants. However, any information relevant to an investment shall be contained in this AP; and

(vi) the foreign Entitled Shareholders and/or their renouncees (if applicable) have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Shares with Warrants, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights Shares with Warrants.

Persons receiving this AP, the NPA and the RSF (including without limitation custodians, nominees and trustees) must not, in connection with the offer, distribute or send it into any jurisdiction where to do so would or might contravene local securities, exchange control or relevant laws or regulations. If this AP, the NPA and the RSF are received by any persons in such jurisdiction, or by the agent or nominee of such a person, he must not seek to accept the offer unless he has complied with and observed the laws of the relevant jurisdiction in connection herewith.

Any person who does forward this AP, the NPA and the RSF to any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section and we reserve the right to reject a purported acceptance of the Rights Shares with Warrants from any such application by foreign Entitled Shareholders and/or their renouncees (if applicable) in any jurisdiction other than Malaysia.

Our Company reserves the right, in our absolute discretion, to treat any acceptance of the Rights Shares with Warrants as invalid if it believes that such acceptance may violate any applicable legal or regulatory requirements in Malaysia.

4. UTILISATION OF PROCEEDS

The gross proceeds to be raised from the Rights Issue of Shares with Warrants will be utilised in the following manner based on the scenarios as illustrated below:

The Rights Issue of Shares with Warrants is expected to raise gross proceeds of up to approximately RM27.82 million based on the Issue Price of RM0.10 per Rights Share and is expected to be utilised as follows:

Description		Minimum Scenario RM'000	Maximum Scenario RM'000	Expected time frame for utilisation of proceeds (from the date of listing of the Rights Shares)
Acquisition of 30% equity interest in Galactic	(1)	7,200	7,200	As set out in Section 5.1 of this AP
Purchase of a new vessel	(2)	-	5,500	Within 36 months
Expansion of our Group's existing IT businesses	(3)	-	8,000	Within 36 months
Working capital for our Group	(4)	880	6,318	Within 18 months
Estimated expenses in relation to the Corporate Exercises	(5)	800	800	Within 1 month
Total estimated proceeds		**8,880**	**27,818**	

Notes:

(1) Our Company had on 16 March 2015 entered into the SSA with the Vendor for the acquisition of 30% equity interest in Galactic comprising 4,050,000 Galactic Shares for a purchase consideration of RM7,200,000 to be satisfied in cash. The Acquisition is in line with our Group's plan to reduce our Group's dependency on the existing IT business and represents an opportunity for our Group to diversify into the dredging and land reclamation services business and to have an alternative source of income (via the share of profits from Galactic).

Our Company had on 30 March 2015 paid a deposit of RM720,000 for the Acquisition via an advance from ABH. The advance is unsecured, interest free and has no fixed terms of repayment. The advance is to be repaid to ABH from the proceeds of the Rights Issue of Shares with Warrants.

Our Company will settle the remaining of the Purchase Consideration of RM6,480,000 after the completion of the Rights Issue of Shares with Warrants in accordance to the SSA. The salient terms and conditions of the SSA are set out in Section 5.1 of this AP.

(2) Our Company intends to utilise up to RM5.5 million (based on the Maximum Scenario) to acquire a vessel to generate alternative sources of income for our business expansion in the dredging and land reclamation services industry. In this regard, our Company may consider, among others, leasing/renting the vessel to Galactic and/or other parties who are involved in the industry. As our Company has no prior experience in this industry, our Company intends to leverage on the expertise and/or networks of Galactic by approaching Galactic's customers, project owners and/or other sub-contractors. This would enable our Group to earn lease/rental income and gain further insights into the dredging and land reclamation services business thus paving the way for us to tender for projects in the future.

At this juncture, our management intends to acquire one (1) unit of conveyor sand pump vessel. As at the LPD, our Group is still at the preliminary stage of identifying and evaluating several such opportunities thus the details have not been finalised. Once the details have been finalised, our Company will make the appropriate announcement(s) in due course pursuant to the Listing Requirements, if required.

The intended capital expenditure is based on our management's estimation and thus any surplus or shortfall of the proceeds allocated for the said capital expenditure will be adjusted accordingly from or to the funds allocated for the working capital of our Group.

(3) Our Company intends to utilise up to RM8.0 million (based on the Maximum Scenario) to expand our Group's existing IT business.

Our Company is taking measures to expand its existing IT businesses in a bid to improve our financial performance and financial position. Our Group's expansion in the IT business may be carried out in either one (1) or a combination of the following ways:

(a) acquisition of / investing in companies that are involved in software development for mobile devices;

(b) acquisition of / investing in companies that are involved in Mobile Gaming Apps; and/or

(c) setting up of our own division and recruit talent that specialises in Mobile Gaming, Mobile IT or Mobile Apps development.

In this regard, the proceeds of up to RM8.0 million will be utilised for, amongst others, purchase of software, hardware and testing equipment, recruit talent that specialises in Mobile Gaming, Mobile IT or Mobile Apps development and marketing expenses.

Our Company had on 28 March 2012 launched our Group's sale of e-books segment which provided us with an avenue to expand into mobile related software applications. Each e-book is marketed and will be sold in the Apple i-Tunes AppStore as a stand-alone software application (App). As at the LPD, our Group has launched and sold four (4) e-book Apps.

By leveraging on our Group's experience and expertise in the development of Apps specifically for use on small, wireless computing devices, such as smartphones and tablets (Mobile Apps) as well as research and development efforts in system integrated solution with Mobile Apps, our Group intends to expand our Group's range of Apps to include Mobile Gaming. The said business expansion into development and commercialisation of the Mobile Gaming Apps will enable our Group to widen our revenue stream from our existing IT business to improve our financial position.

As at the LPD, our Company is in the midst of identifying potential acquisition and/or investee companies and talents with the relevant IT background in Mobile Games and related Mobile Apps development for us to tap into their expertise for the development of our Mobile Games. As such, our Company is still at the preliminary stage of evaluating the expansion plans and strategies to expand into the Mobile Gaming Apps and the details have not been finalised at this juncture. The manner / way(s) in which business expansion in IT would be carried out is dependent on the level of proceeds to be raised (based on the Maximum Scenario). Furthermore, the business expansion into Mobile Gaming is an extension of our Group's existing IT business.

(4) Our Group intends to utilise up to RM6.32 million of the proceeds for its working capital (for our Group's existing IT business activities and as working capital to be incurred by our Group in the next eighteen (18) months) as follows:

Working capital	**Minimum Scenario RM'000**	**Maximum Scenario RM'000**
(a) Wages and staff benefits	300	1,818
(b) Sales and marketing expenses	380	2,000
(c) Other administration and operating expenses	200	2,500
Total	**880**	**6,318**

Notes:

(a) Comprise payment of wages, Employees' Provident Fund and Social Security Organization contribution to our Group's staff.

(b) Comprise payment for advertising and promotional activities such as marketing materials, organizing roadshows, organising talks, hiring ambassadors, creating advertising and promotion programmes to be undertaken by our Group to create brand awareness for its Apps (both existing Apps and Mobile Gaming Apps to be developed by our Company) and to increase download traffic for the said Apps. Our Company's existing range of Apps consist of the four (4) e-book Apps (as mentioned in Note (3) above) and online radio Apps.

(c) Comprise payment for server location, hosting fees, rental, audit fees, secretarial fees, electricity, telephone and internet fee, travelling, training fees and other sundry expenses.

(5) The estimated expenses in relation to the Corporate Exercises consist of professional fees, fees payable to the relevant authorities, expenses to convene the EGM, printing, advertising and other ancillary expenses. Any surplus or shortfall for the estimated expenses in relation to the Corporate Exercises will be adjusted accordingly to/from the working capital of our Group.

The actual proceeds to be raised from the Rights Issue of Shares with Warrants is dependent on the subscription level of the Rights Issue of Shares with Warrants. Any variation in the actual proceeds raised will be adjusted to/from the working capital of our Group.

Pending utilisation of the proceeds from the Rights Issue of Shares with Warrants for the abovementioned purposes, the proceeds will be placed in deposits with financial institutions or invested in short-term money market instruments as our Board may deem fit. The interest derived from the deposits with the financial institutions or any gain arising from the short-term money market instruments will be used as additional working capital of our Group.

The exact quantum of proceeds that may be raised by our Company pursuant to the exercise of the Warrants will depend upon the actual number of Warrants exercised during the tenure of the Warrants. The proceeds to be raised from the exercise of the Warrants shall be utilised for the working capital and/or capital expenditure for both the IT business segment and the provision of dredging and land reclamation services business segments (e.g., IT hardware, maintenance and upgrades, purchase of new software, mobile devices and/or maintenance and upgrading of the vessel(s)). The exact timeframe and the breakdown for such utilisation cannot be determined at this juncture.

5. DETAILS OF THE ACQUISITION AND DIVERSIFICATION

On 16 March 2015, our Company entered into the SSA with the Vendor for the Acquisition.

Pursuant to the terms of the SSA, our Company shall acquire 4,050,000 Galactic Shares from the Vendor, free from all charges, liens, pledges, trust and other encumbrances and with all rights, benefits and entitlements accruing or attaching thereto.

The purchase consideration of RM7,200,000 shall be satisfied entirely in cash. The details of the Vendor's shareholding in Galactic as well as the payment of the Purchase Consideration by our Company are as follows:

Vendor	**No. of Galactic Shares to be acquired**	**% equity interest in Galactic to be acquired**	**Cash consideration for the Acquisition (RM)**	**30% of the audited NA of Galactic as at 31 March 2014 (RM)**
GYEL	4,050,000	30.00%	7,200,000*	5,500,132^

Notes:

* *Comprising the deposit of RM720,000 and the remaining Purchase Consideration of RM6,480,000 which will be paid after the completion of the Rights Issue of Shares with Warrants in accordance to the SSA.*

^ *Audited NA of Galactic as at 31 March 2014 of RM18,333,774 X 30% equity interest in Galactic.*

The remaining 70% equity interest in Galactic will continue to be held by the Vendor (21%) and other existing shareholders of Galactic (49%) as set out below:

Shareholders and directors of Galactic	**Nationality**	**No. of Galactic Shares held as at the LPD**	**%**
YX	PRC	5,265,000	39.00
Dou Jun	PRC	1,350,000	10.00
Total		**6,615,000**	**49.00**

Upon completion of the Acquisition, Galactic will become a 30%-owned associate company of our Company.

In consideration of our Company agreeing to purchase the 4,050,000 Galactic Shares from the Vendor, the Vendor covenants and agrees to warrant our Company the Profit Guarantee (as set out in Section 5.1 of this AP).

5.1 Salient terms of the SSA

The salient terms and conditions of the SSA include, inter-alia, the following:

Purchase Consideration and Profit Guarantee

The Purchase Consideration totalling RM7,200,000 for the Sale Shares shall be paid in the following manner:

(i) the deposit of RM720,000 shall be paid within fourteen (14) days from 16 March 2015. The deposit was paid on 30 March 2015;

(ii) the retained (i.e., remaining) purchase consideration of RM2,100,000, being 30% of the total Profit Guarantee of RM7,000,000 ("**Retained Purchase Consideration**"), shall be paid to the escrow agent on the completion date; and

(iii) the completion purchase consideration of RM4,380,000 shall be paid to the Vendor on the completion date.

The Vendor agrees and undertakes to the Purchaser that Galactic shall achieve the following audited PAT:

(i) First Guaranteed Amount for the First Audited Period; and

(ii) Second Guaranteed Amount for the Second Audited Period.

The audited PAT of Galactic shall be based on the audited accounts of Galactic as may be verified and approved by the reporting accountants.

Note:

* *Galactic has changed its current financial year end of 31 March to 31 July commencing from the current financial period ended 31 July 2015.*

The Retained Purchase Consideration shall be retained by the escrow agent and be dealt with in the following manner:

(i) in the event Galactic is able to achieve an audited PAT of at least RM4,000,000 for the First Audited Period, the escrow agent shall be duly authorised to release an amount which is equivalent to RM1,200,000 to the Vendor upon receipt of a written confirmation from the reporting accountants confirming that the First Guaranteed Amount has been achieved based on the audited accounts of Galactic for the First Audited Period;

For illustration purpose, in the event Galactic achieves an audited PAT of RM4,000,000 for the First Audited Period, the Vendor will be paid RM1,200,000.

(ii) in the event Galactic is able to achieve an audited PAT of at least RM3,000,000 for the Second Audited Period, the escrow agent shall be duly authorised to release an amount which is equivalent to RM900,000 to the Vendor upon receipt of a written confirmation from the reporting accountants confirming that the Second Guaranteed Amount has been achieved based on the audited accounts of Galactic for the Second Audited Period;

For illustration purpose, in the event Galactic achieves an audited PAT of RM3,000,000 for the Second Audited Period, the Vendor will be paid RM900,000.

(iii) in the event Galactic is unable to achieve the profit guarantee of RM4,000,000 for the First Audited Period, the Vendor shall not be paid any part of the Retained Purchase Consideration for the corresponding period and any amount of the audited PAT for the First Audited Period will be carried forward to the Second Audited Period;

<u>For illustration purpose</u>, in the event Galactic achieves an audited LAT of RM1,000,000 for the First Audited Period, the Vendor will not be paid any part of the Retained Purchase Consideration for the First Audited Period. Nevertheless, the audited LAT of RM1,000,000 for the First Audited Period will be carried forward to the Second Audited Period.

(iv) in the event Galactic is unable to achieve an audited PAT of RM4,000,000 for the First Audited Period but is able to achieve a cumulative audited PAT of RM7,000,000 for the Profit Guarantee Period, the escrow agent shall be duly authorised to release the full Retained Purchase Consideration to the Vendor upon receipt of a written confirmation from the reporting accountants confirming that the accumulative audited PAT of RM7,000,000 has been achieved based on the audited accounts of Galactic for the Profit Guarantee Period;

<u>For illustration purpose</u>, in the event Galactic achieves an audited LAT of RM1,000,000 for the First Audited Period and an audited PAT of RM8,000,000 for the Second Audited Period, Galactic would have achieved its cumulative audited PAT of RM7,000,000 for the Profit Guarantee Period. As such, the Vendor will be paid RM2,100,000 being the full Retained Purchase Consideration.

(v) in the event Galactic is able to achieve an audited PAT of RM4,000,000 for the First Audited Period but is unable to achieve a cumulative audited PAT of RM7,000,000 for the Profit Guarantee Period, the Vendor shall be entitled to receive such amount of Retained Purchase Consideration in proportion to the cumulative audited PAT achieved and the escrow agent shall be duly authorised to pay the amount which is in proportion to the amount of the cumulative audited PAT achieved to the Vendor upon receipt of a written confirmation from the reporting accountants confirming the amount of cumulative audited PAT achieved based on the audited accounts of Galactic for the Profit Guarantee Period and the proportion of the Retained Purchase Consideration to be paid to the Vendor and the amount of the Retained Purchase Consideration to be returned to the Purchaser.

For the avoidance of doubt, in the event the amount which the cumulative audited PAT achieved for the Profit Guarantee Period is less than the Profit Guarantee, the Vendor shall cause the proportion of sum, which is equivalent to the differential sum of the cumulative audited PAT and the Profit Guarantee for the Profit Guarantee Period in proportion, to be paid to the escrow agent within seven (7) days from the date of receipt of the notice from the Purchaser and/or the escrow agent on the shortfall, failing which the Purchaser shall have the right to seek legal recourse against the Vendor for the recovery of the excess amount as may be paid to the Vendor.

<u>For illustration purpose</u>, in the event Galactic achieves an audited PAT of RM4,000,000 for the First Audited Period, the Vendor will be paid RM1,200,000.

However, if Galactic achieves an audited LAT of RM3,000,000 for the Second Audited Period, Galactic would have achieved a cumulative audited PAT of RM1,000,000 for the Profit Guarantee Period. As such, the Vendor will only be paid RM300,000. The computation is as follows:

$$\frac{RM1{,}000{,}000}{RM7{,}000{,}000} \quad X \quad RM2{,}100{,}000 \quad = \quad RM300{,}000$$

In such event, Vendor would need to return the excess amount paid of RM900,000. The computation is as follows:

RM1,200,000 - RM300,000 = RM900,000

(vi) For the avoidance of doubt, the entitlement of the Vendor to the Retained Purchase Consideration shall be in proportion to the audited PAT achieved by Galactic for the Profit Guarantee Period.

For illustration purpose, in the event Galactic achieves an audited PAT of RM3,000,000 for the First Audited Period and an audited PAT of RM2,000,000 for the Second Audited Period, Galactic would have achieved a cumulative audited PAT of RM5,000,000 for the Profit Guarantee Period. As such, the Vendor will only be paid RM1,500,000. The computation is as follows:

$$\frac{RM5,000,000}{RM7,000,000} \times RM2,100,000 = RM1,500,000$$

However, there is no additional sum to be paid to the Vendor in the event the cumulative audited PAT as may be achieved by Galactic for the Profit Guarantee Period is more than the aggregate amount of RM7,000,000.

For illustration purpose, in the event Galactic achieves an cumulative audited PAT of RM10,000,000 for the Profit Guarantee Period, the Vendor will be paid RM2,100,000 being the full Retained Purchase Consideration.

Conditions Precedent

(i) The completion of the SSA is subject to the fulfillment of the following Conditions Precedent:

(a) There are no material adverse findings on Galactic based on the results of the financial and/or legal due diligence inquiry to be conducted on Galactic by the representatives of the Purchaser;

(b) The approval of the Directors and shareholders of the Purchaser for the Purchaser to carry out the Acquisition;

(c) The approval of the directors and shareholders of the Vendor for the Vendor to carry out the Acquisition;

(d) The execution of a shareholders agreement between the Vendor, the Purchaser and Galactic to govern the relationship of the parties as shareholders of Galactic upon completion of the Acquisition;

(e) The execution of an escrow agreement between the Purchaser, the Vendor and the escrow agent;

(f) Such other consents or approvals as may be necessary from any governmental or regulatory body or competent authority, or third party having jurisdiction over the sale of the Sale Shares which are mutually agreed on by the parties, having been granted, waived or obtained; and

(g) The completion of the Rights Issue of Shares with Warrants.

(ii) Subject to the terms as set out in the SSA, unless specifically waived by the Purchaser at its absolute discretion, if any of the Conditions Precedent are not fulfilled within a period of six (6) months from the date of the SSA or such time as the parties agree in writing, the SSA shall cease and determine and the Vendor shall return the deposit free of interest to the Purchaser. Thereafter, neither party shall have any claims against the other for costs, damages, compensations or otherwise, save for any antecedent breach of any representation, undertaking and any of the terms of the SSA.

(iii) The SSA shall become unconditional upon the fulfilment or waiver of all the Conditions Precedent.

The Conditions Precedent have yet to be fulfilled as at the LPD. Nevertheless, our Company and the Vendor have on 11 September 2015 mutually agreed to extend the conditional period for a further six (6) months up to 15 March 2016 for the fulfilment of Conditions Precedent of the SSA.

Termination

(i) The SSA will be terminated if the following occurs:

(a) If a party ("**Defaulting Party**"):

i. fails to proceed to the completion of the sale and purchase of the Sale Shares on the terms and conditions of the SSA despite the fulfilment of all the Conditions Precedent;

ii. fails to carry out any obligation on its part under the SSA required for the completion of the sale and purchase of the Sale Shares on the terms and conditions of the SSA;

iii. is in breach of any term of the SSA;

iv. in the case of the Vendor, any of the warranties contained in the SSA are false, incorrect or incomplete such as to render the warranties misleading;

and the Defaulting Party fails to remedy such breach within thirty (30) days after the other party ("**Non-Defaulting Party**") has given that Defaulting Party written notice of such breach, the Non-Defaulting Party may give written notice to the Defaulting Party:

i. terminating the SSA and claiming damages;

ii. enforcing specific performance of the SSA against the Defaulting Party;

iii. defer the completion of the sale and purchase of the Sale Shares on the terms and conditions of the SSA to a date not more than thirty (30) days after completion date or such other date as may be agreed by the parties in writing; or

iv. proceed to the completion of the sale and purchase of the Sale Shares on the terms and conditions of the SSA so far as practical (without prejudice to their rights under the SSA).

(ii) In the event that the completion does not take place due to any failure to satisfy any or all the Conditions Precedent or the occurrence of any event which is beyond the control of the parties, each party must return all documents, if any, delivered to it by the other party or on behalf of the other party, to the other party and the Vendor shall return the deposit free of interest to the Purchaser. Thereafter, the SSA shall cease and terminate and no party shall have any claims against the other save for antecedent breach of any representations, undertakings, and/or as provided for in the SSA.

5.2 Background information on Galactic

Galactic was incorporated in Malaysia on 22 March 2010 under the Act as a private limited company under the name Landmark Vintage Sdn Bhd. Galactic changed its name to Xinjunye Shipping (Malaysia) Sdn Bhd on 9 April 2010 and adopted its current name since 27 March 2013. Galactic is principally involved in the provision of land reclamation, reclamation dredging and environmental protection dredging services.

As at the LPD, the authorised share capital of Galactic is RM25,000,000.00 comprising 25,000,000 Galactic Shares, of which RM13,500,000 comprising 13,500,000 Galactic Shares have been issued and fully paid-up.

The directors of Galactic are YX, Dou Jun, Tengku Shamsulbhari B. Tengku Azman Shah and Abd Jalil Bin Bohari.

Please refer to Appendix II(B) of this AP for further information on Galactic.

5.3 Basis of determining and justification for the Purchase Consideration

The Purchase Consideration for the Acquisition was arrived at on a "willing-buyer willing-seller" basis after taking into account the following:

(i) the Profit Guarantee;

(ii) the NA of Galactic; and

(iii) the earnings potential and prospects of Galactic (as set out in Section 8.5 of this AP).

The Purchase Consideration represents a PER of 8.0 times (based on the average Profit Guarantee per annum for the Profit Guarantee Period ("**Average Profit Guarantee**")) and a PBR of approximately 1.31 times (based on the audited NA of Galactic as at 31 March 2014), as illustrated below:

	Based on 30% equity interest in Galactic RM
Purchase Consideration for 30% equity interest	7,200,000
Profit Guarantee (i.e., RM7,000,000 X 30% equity interest)	2,100,000
Average Profit Guarantee (i.e., RM7,000,000 / Profit Guarantee Period of 28 months x 12 months)	900,000
Audited NA of Galactic as at 31 March 2014 (i.e., RM18,333,774 X 30% equity interest)	5,500,132
PER (times) (i.e., RM7,200,000 / RM900,000)	8.0
PBR (times) (i.e., RM7,200,000 / RM5,500,132)	1.31

Upon completion of the Acquisition, Galactic will be a 30%-owned associate company of our Company and our Company will be entitled to a 30% share in the future profits in Galactic.

5.4 Rationale for the Acquisition

Presently, our Group is principally involved in software development, system integration, IT management consultancy and other related professional services as well as the selling of e-books in Apple i-Tunes AppStore. The Acquisition is in line with our Group's plan to diversify into the dredging and land reclamation services business and to reduce our Group's dependency on its existing IT business. In this regard, the Acquisition represents an opportunity for our Group to venture into the dredging and land reclamation services business and hence provide alternative sources of income (as mentioned in Section 5.5 of this AP).

As disclosed in Section 7 of Appendix II(A) of this AP, our Group derived most of our revenue from software development and system integration and our Group reported only minimal profits for the FYE 31 July 2012 and FYE 31 July 2013 (i.e., PAT of RM116,000 for the FYE 31 July 2012 and PAT of RM124,000 for the FYE 31 July 2013) and was loss making for the FYE 31 July 2014 and FYE 31 July 2015 (i.e., LAT of RM1.39 million for the FYE 31 July 2014 and LAT of RM44,000 for the FYE 31 July 2015). With the completion of the Rights Issue of Shares with Warrants, our Group will have the necessary funds to finance the Acquisition. This would enable our Group to have an alternative source of income (via the share of profits from Galactic) which is expected to contribute positively to our Group's future earnings and result in a diversification of its operations. Nevertheless, our Board seeks to minimize our Company's investment risk in Galactic by procuring the Profit Guarantee from the Vendor for the Profit Guarantee Period. This gave our Board the assurance that the Vendor is confident that Galactic's business will continue to be profitable.

Considering the above and the expected positive impact which is supported by the encouraging outlook of the construction industry (as set out in Section 8.3 of this AP) and the dredging and land reclamation services industry (as set out in Section 8.4 of this AP) as well as the favourable future prospects of Galactic (as set out in Section 8.5 of this AP), our Board is of the view that the Acquisition represents an opportunity for our Group to diversify into an already profitable business and reduce our dependence on our existing IT business.

As our Group has no prior experience in the dredging and land reclamation services business, our Board is of the view that our Company's participation in the equity interest of Galactic (via the Acquisition) provides the opportunity for our Company to learn from Galactic such as to gain knowledge in the operations, business processes as well as market insight of the dredging and land reclamation services industry.

Taking into consideration the relevant industry overview and prospects (as set out in Sections 8.1, 8.3 to 8.5 of this AP) and our Company's plan to expand its venture into the said business, our Company also intends to acquire a vessel under the Maximum Scenario (as set out in Note (2) of Section 4 of this AP). This would enable our Group to earn lease/rental income from among others, leasing/renting the vessel to Galactic and/or other parties who are involved in the industry.

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Our Company would also be recruiting personnel with the relevant experience to manage the dredging and land reclamation services business for the following positions:

Positions		Number of positions	Job responsibilities
Manager	:	1	Oversee the planning and execution of dredging and land reclamation operations (including the leasing of the vessel) and monitoring all aspects of project execution.
Supervisor/ Engineer	:	2	Oversee civil and coastal engineering tasks including project management, design, development of dredging and land reclamation plans and specifications, data processing, report writing, material and cost estimating as well as dredging and land reclamation oversight.
Administrative staff	:	2	Handling of daily reporting.

However, as the dredging and land reclamation services division would be a new business for our Company, the timing of recruitment for the above-mentioned positions would be dependent on the scale and involvement of our Company in the said operations.

Our Board has also considered other factors that included, among others, the historical track record of Galactic (as set out in Appendix II(B) of this AP) and the experience and capabilities of Galactic's key management personnel and/or shareholders of Galactic as set out below:

(i) YX

YX, aged 40, a PRC national, is the founder and a Director of Galactic. He graduated from Beijing Normal University with a Marketing and Management Decision profession diploma in 1997.

He began his career as a Marketing Manager with Xiamen Road and Petroleum Limited in 1997, where his duties involved the marketing and sales of petroleum products. In 2003, he joined Xiamen Ocean Shipping Limited as a General Manager and was responsible for leading operational teams in executing reclamation projects in the PRC. While attached to this company, YX undertook reclamation works in the province of Fuzhou from 2005 to 2006 for the Fujian Fuqing Jiangyin Pier land reclamation project where he was responsible for leading a crew of 50 people and six (6) vessels to undertake dredging and reclamation works. Subsequently, he was involved in the development of Xiamen Gaoqi International Airport project between 2006 and 2007 where he was responsible for leading a crew of 30 people and four (4) vessels to undertake dredging and reclamation works. He was also involved in reclamation works for the Shenzhen Bao'an International Airport from 2007 to 2008 where he led a crew of 50 people and six (6) vessels to undertake dredging and reclamation works. He left Xiamen Ocean Shipping Limited and founded Galactic in March 2010. As a Director of Galactic, he is responsible for overseeing the daily operations and business planning strategies, as well as leading project teams on dredging activities.

He has approximately ten (10) years of experience in the dredging industry in the PRC and Malaysia. As set out above, he has been engaged in large-scale dredging projects since 2003.

(ii) Dou Jun

Dou Jun, aged 41, a PRC national, is a Director of Galactic. She graduated with a Bachelor of Accounting from Beijing Technology and Business University in 1994 and a Degree in Business Administration from Wuhan Business University in 2004.

Dou Jun began her career as a Sales Manager with Lam Soon Hong Kong Group in 1994, where her role involved the sales and marketing of consumer products. In 1996, she joined Wuhan Qian Jin CPA as a Project Manager, where she managed a team delivering accounting services to customers. She subsequently joined the Wuhan branch of Zhejiang Infrastructure Company as a Marketing Manager, responsible for promoting the company's construction services business. In 2002, she joined Shenzhen Marine Environmental Monitoring Station as a Finance Manager, in charge of finance and accounting matters. Subsequently, in 2007, she joined the Shenzhen branch of Xiamen Ocean Shipping Limited, a company which also carried out marine construction, land reclamation and ship maintenance as a General Manager of the said branch. While attached to this company, Dou Jun gained experience in the dredging and reclamation industry as she played a key role in supporting the dredging and reclamation project for Shenzhen Bao'an International Airport between 2007 and 2008 through her role in project planning, project accounting and finance, deployment of manpower resources for dredging and reclamation works as well as manpower performance management. She joined Galactic as a Director in 2010 and is responsible for all accounting and financial management as well as office administration matters.

(iii) Zhang Chang Yu

Zhang Chang Yu, aged 44, a PRC National, is the Operation Manager of Galactic. He graduated with an Advanced Diploma in Marine Engineering from Jimei University, Fujian, China in 2003.

Zhang Chang Yu began his career as a Dredging Supervisor with Xiamen Ocean Shipping Limited in 2004, where he was responsible for managing and operating dredgers. Due to his exposure to various types of vessels and dredgers ranging from cutter suction dredgers, mechanical dredgers, and conveyor sand pumps, he was promoted to Senior Dredge Supervisor in 2007. As a Senior Dredge Supervisor, his duties involved the allocation of dredgers for ongoing and incoming projects, ensuring all registrations of the vessels were up-to-date, as well as ensuring repairs and maintenance were carried out on schedule and in a timely manner. While attached to this company, Zhang Chang Yu undertook reclamation works in the province of Fuzhou from 2005 to 2006 for the Fujian Fuqing Jiangyin Pier land reclamation project where he was responsible for leading a crew of 22 people and three (3) vessels to undertake dredging and reclamation works. Subsequently, he was involved in the development of Xiamen Gaoqi International Airport project between 2006 and 2007 where he was responsible for leading a crew of 15 people and two (2) vessels to undertake dredging and reclamation works. He was also involved in reclamation works for the Shenzhen Bao'an International Airport from 2007 to 2008 where he led a crew of 25 people and three (3) vessels to undertake dredging and reclamation works.

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Zhang Chang Yu joined Galactic as Dredge Master in 2010. As Dredge Master, he is responsible for overseeing daily dredging activities, and also managing Galactic's vessels that include among others, the allocation of dredgers for ongoing and incoming projects, ensuring all registrations of the vessels were up-to-date, as well as ensuring repairs and maintenance were carried out on schedule and in a timely manner. He was subsequently promoted to Operation Manager in 2013 and undertook responsibilities pertaining to project planning, scheduling, budgeting and providing the technical support required to ensure the timely and quality completion of dredging and reclamation projects. Based on his past on-site management experience in dredging and reclamation, ship handling, repair and maintenance, Zhang Chang Yu is responsible for overseeing project planning, implementation, monitoring and management of on-site activities and vessel activities, as well as all operational matters of Galactic.

Premised on the above, our Board believes that the Acquisition is expected to contribute positively to the future earnings of our Group and improve its financial position. The growth prospects of our Group's venture into the dredging and land reclamation services business is also expected to be favourable.

Our Board has taken cognizance of the risk factors inherent to the Acquisition as disclosed in Section 7.2 of this AP and believes it has taken and/or would be able to take (where applicable) the necessary steps to mitigate such risks.

5.5 Details of and rationale for the Diversification

As set out in Section 5.4 of this AP, our Group's core business presently is mainly in the IT industry and our Group is principally involved in software development, system integration, IT management consultancy and other related professional services as well as the selling of e-books in Apple i-Tunes AppStore.

Taking into consideration the overview and outlook of the construction industry and the dredging and land reclamation services industry (as set out in Sections 8.3 and 8.4, respectively of this AP) as well as the prospects for Galactic (as set out in Section 8.5 of this AP), our Board has identified the Acquisition as a new business opportunity for our Group. The venture into the dredging and land reclamation services business (via the Acquisition) would provide alternative sources of income to our Company (i.e., potential dividends to be declared by Galactic) and Group (i.e., share of profits from Galactic) while reducing our Group's dependence on the IT business. Our Board expects that, barring any unforeseen circumstances, our Group's venture into the dredging and land reclamation services business via the Acquisition may in the future contribute 25% or more of the NA and/or net profits of our Group thus resulting in a diversification of its operations.

The approval of our Company's shareholders for the Diversification pursuant to the Rule 10.13(1) of the Listing Requirements was obtained on 21 August 2015. In addition and based on the Maximum Scenario as disclosed in Note (2) of Section 4 of this AP, our Company is at the preliminary stages of identifying and evaluating the intended purchase of a vessel which is in line with our Group's plan to venture and expand into the dredging and land reclamation services business. This would enable our Company and Group to earn lease/rental income and gain insights into the said business via the Acquisition thus paving the way for us to tender for projects in the future.

As such, our Board is of the view that the Diversification would provide our Group with another avenue to generate profits and in turn cater for the expansion and growth of our Group in the future.

Nevertheless, as our Group has no prior experience in the said business, our Board intends to undertake the following measures to safeguard the interests of our Group:

(a) our Group would negotiate for a representative to be appointed to the board of directors of Galactic in order for our Group to have a better understanding and for the monitoring of Galactic's business;

(b) Our Group would recruit personnel with the relevant experience (as set out in Section 5.4 of this AP) to handle matters involving the said business in the near future; and

(c) In the event our Group acquires a vessel (as per under the Maximum Scenario), our Group will enter into a lease/rental arrangement with the leasee (i.e., Galactic and/or other parties) to govern the relationship between our Group and the leasee (i.e., outlining the terms for the lease, maintenance and operations of the vessel).

However, notwithstanding the Diversification, our Board intends to continue with our Group's existing IT business. As mentioned in the Chairman's Statement to the shareholders of our Company in its Annual Report 2014, *"The Inix Group continued to invest in R&D activities. This is to ensure that our Company remains in the forefront of technological advancement for sustained success in the industry. Development efforts mainly focused on the e-commerce portal, new software integrated solution with Mobile Apps function and also enhancing some software developed while implementing customer specific projects into a product for a higher resale value of opportunities"*. As disclosed in Note (3) of Section 4 of this AP, our Group is in the midst of identifying and evaluating business expansion opportunities in Mobile Apps and Mobile Gaming to enhance our IT business.

Premised on the above and upon completion of the Diversification, our Group intends to continue with our existing IT business whilst the dredging and land reclamation business is envisioned to be a major contributor to our Group's future earnings (via the share of profits from Galactic). In addition, our Company expects to earn dividend income from the potential dividends to be declared by Galactic to its shareholders.

6. RATIONALE FOR THE RIGHTS ISSUE OF SHARES WITH WARRANTS

Taking cognisance of the current financial position of our Group, the details of which set out in Section 7 of Appendix II(A) of this AP, as well as after due consideration of the various methods of fund raising available for the purposes as stated in Section 4 of this AP, our Board is of the opinion that the Rights Issue of Shares with Warrants is currently an appropriate avenue to raise funds after taking into consideration the following:

(i) it allows our Company to raise capital without incurring interest costs as compared to other means of financing, such as bank borrowings or the issuance of debt instruments;

(ii) it enhances the cash flow of our Group and enables our Group to fund the purposes set out in Section 4 of this AP which is expected to contribute positively to the future earnings of our Group and improve its financial performance and financial position;

(iii) it involves the issuance of new Inix Shares without diluting the existing shareholders' equity interest, assuming all Entitled Shareholders fully subscribe for their respective entitlement and exercise their Warrants subsequently;

(iv) it provides an opportunity for the existing shareholders to increase their equity participation in our Company from the subscription of the Rights Shares with Warrants. The Undertakings and Additional Undertakings allow the Undertaking Shareholders to extend their support for the Rights Issue of Shares with Warrants to facilitate our Group to raise the necessary funds without incurring additional cost in the form of underwriting commission; and

(v) the Warrants to be issued pursuant to the Rights Issue of Shares with Warrants will provide the shareholders with an attractive option to increase their equity participation in our Company at a predetermined price during the tenure of the Warrants. In addition, proceeds from the exercise of the Warrants in the future will provide an additional source of funds to be used by our Group.

7. RISK FACTORS

You and/or your renouncees (if applicable) should consider carefully the following risk factors (which may not be exhaustive) which may have an impact on the future performance of our Group, in addition to other information contained elsewhere in this AP, before subscribing for or investing in the Rights Issue of Shares with Warrants.

7.1 Risks relating our existing IT business and industry

(i) Risks relating to our financial position

Pursuant to Rule 8.04(2) of the Listing Requirements, where a listed corporation triggers any of the prescribed criteria ("**Prescribed Criteria**") stated in Guidance Note 3 of the Listing Requirements ("**GN3**"), the listed corporation will be required to submit a regularisation plan to Bursa Securities and obtain Bursa Securities' approval to implement the plan within twelve (12) months from the date the listed corporation announces that it is a GN3 company. Failure to comply with this obligation may result in the suspension of the trading of listed securities of such listed corporation or de-listing of the listed corporation or both.

The Prescribed Criteria include, amongst others, *"the auditors have expressed an emphasis of matter on the listed corporation's ability to continue as a going concern in the listed corporation's latest audited financial statements and the shareholders' equity of the listed corporation is 50% or less of the issued and paid-up capital of the listed corporation ("**2.1(g) of GN3**")"*.

As set out in Section 7 of Appendix II(A) of this AP, the shareholders' equity position of our Group stood at RM7.72 million and RM7.67 million representing 55.47% and 55.14% of our Company's issued and paid-up share capital of RM13.91 million as at 31 July 2014 (audited) and 31 July 2015 (unaudited), respectively. Our auditors, UHY have in the independent auditors' report for the FYE 31 July 2014 set out the following emphasis of matter:

"Without qualifying our opinion, we draw attention to Note 2(a) to the financial statements which disclose the premise upon which the Group and the Company have prepared their financial statements by applying the going concern assumption, notwithstanding that the Group and the Company recorded accumulated losses of RM15,105,111 and RM19,630,057 respectively. These conditions, along with the matters as set out in Note 2(a), indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as going concerns."

Premised on the above, should the financial performance and position of our Group deteriorate further, we may risk triggering any of the Prescribed Criteria, including the 2.1(g) of GN3.

In the event our Company triggers any of the Prescribed Criteria and therefore being classified as a GN3 company prior to the implementation of the Rights Issue of Shares with Warrants, our Company is required to submit a regularisation plan to Bursa Securities. As such, the Rights Issue of Shares with Warrants will not be continued. Nonetheless, no assurance can be given by our Group that it will be profitable prior to the completion of the Rights Issue of Shares with Warrants and thereby, reduce the accumulated losses in the near future.

(ii) Business risk and operation risks

Our Group is principally involved in software development, Apps development, system integration, IT management consultancy and other related professional services as well as the selling of e-books on Apple i-Tunes AppStore. Hence, we are subject to certain risks inherent to the IT industry which we operate in. These risks include, *inter-alia*, constraints in the supply of skilled and knowledge personnel, changes in economic and business conditions, changes in demand for and market acceptance of our products and services, ability to introduce and successfully market new products (such as new Apps and Mobile Gaming Apps) and services as well as enhancements in a timely manner, changes in consumers' taste and rapid technological changes.

Although our Group seeks to limit these risks through, inter-alia, practising prudent management policies, continuous review of our operations, constantly keeping abreast with the latest developments in the IT industry and increasing the efficiency of our operations (by creating effective business processes that meet the requirements of our business partners, outsourcing and/or diversifying the pool of technology partners and IT equipment and hardware suppliers, improve employee retention and, develop a long-term technology plan) as well as improving our technological competence in R&D and advanced technologies (by sending our IT staffs to seminars and forums to keep updated with the relevant knowledge, skills and development in their respective field in order for them to be proficient in performing their respective job responsibilities.), expanding the business through increasing our range of products and services (such as expanding our Apps to include Mobile Gaming Apps), no assurance can be given that any changes to these factors will not have a material adverse effect on our Group's business.

(iii) Dependency on key personnel

Our Group's believes that the sustainability of our IT business will depend substantially upon the abilities and continued efforts of our existing Directors and senior management. The loss of key personnel may adversely affect our Group's performance.

Our Group's future successes will also depend upon its ability to attract and retain a sufficient number of highly skilled employees.

Our Group mitigates these risks by continuing to hire personnel as and when necessary to accommodate any increase in the size and expansion of our Group's operations. As set out in Note (4) of Section 4 of this AP, our Group noted that it would require talent that specialises in Mobile Gaming, Mobile IT or Mobile Apps development. Our Board believes that by offering a competitive salary package, SIS, training and a conducive working environment, these should mitigate such risks further. In recognising the importance of our human resource, efforts have also been made to groom younger members of our Group to ensure smooth transition in our management team.

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(iv) Reliance on third party proprietary technology (i.e., closed source) and open standard technology in our product/ Apps development

Open standard technology allows the end users and other developers to view and customise/modify the source code of software. This provides the platform upon which anyone with the knowledge of source codes with the ability to add on to the development and production of software. On the contrary, third party proprietary technology (i.e., closed source) such as Apple's proprietary AppStore apps, will provide the standard and requirements of the software and therefore restrict the end users and other developers from having the flexibility to modify the source code of the software. We utilise both third party proprietary technology (i.e., closed source) and open standard technology to develop our Apps, depending on our target audience and profile.

There can be no assurance that there would be a continuous supply of open standard technology or there would be significant changes/ advancements in third party proprietary technology (i.e., closed source) that would have a negative impact wherein our software development capabilities are constrained or limited thus adversely affecting our profitability. However, our Board is of the opinion that there would not be significant changes/ advancements in third party proprietary technology (i.e., closed source) and/or a shortage in the supply of open standard technology in the foreseeable future as there are strong supporters of these technologies due to their popularity and wide acceptance by the market.

(v) Technology obsolescence

Our Group operates in a market where the products and services are prone to evolving industry standards and frequent new product introductions and enhancements. Our Group's future growth and success would depend on our ability to develop new products (such as new Apps and Mobile Gaming Apps) and services to meet the needs of our customers.

The development of new or enhanced products and services is complex. Furthermore, we may also experience design, marketing and other difficulties that could delay the development process as well as the introduction or marketing of new or enhanced products and services. Our business, operating results and financial conditions could be adversely affected if the competitors are able to develop new or enhanced products and services, in a timely manner and cost-effective basis that meet or best suit our customers' needs.

Our Group seeks to limit these risks by actively engaging in R&D activities that focuses on developing new products and services as well as enhances our proprietary solutions. However, there can be no assurance that we would be able to develop new products and services on a timely manner and cost-effective basis. Such circumstances may in turn adversely affect our business operations and financial performance.

The risk is further mitigated as prior to the commencement of any projects, extensive and in-depth technological requirements, market research and discussions would be held with our customers. These discussions would consider any foreseeable potential changes in the technology employed and to adjust the project scope accordingly.

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(vi) Delays in R&D

Our Group is involved in a rapidly evolving industry and our success lies within our speed and ability to change and develop up-to-date solutions and services to remain competitive. Our Group has our own in-house R&D team to conduct research in order to improvise and develop our solutions and services. Our R&D team is able to assist and support in providing services to meet demands of our customers. Our Group also intends to expand our range of Apps to include Mobile Gaming Apps in the manner set out in Note (3) of Section 4 of the AP. However, completion and successful implementation of R&D requires a substantial amount of lead-time. Even though our Group seeks to mitigate this risk by effectively allocating our resources, there can be no assurance that there will not be any delays in completion of our R&D efforts which will cause material adverse effect on our business and financial performance.

(vii) Competition risks

Our Group may face competition from existing competitors and new entrants into the market in the future which offer similar products and services.

In view of this, our Group has embarked on sharpening our competitive edge by continually developing new measures to counter competition which will include, amongst others, product differentiation, innovation in products and services as well as business expansion opportunities in Mobile Apps and Mobile Gaming. We will continue to focus on providing proven technology and also investments in products innovation to ensure our competitiveness. In addition, our management intends to utilise part of the proceeds to be raised from the Maximum Scenario for its business expansion in Mobile Apps and Mobile Gaming. However, there can be no assurance that we would be able to sustain our competitiveness against current and future competitors.

(viii) Political, economic, regulatory and social conditions

Development in political, economic and regulatory conditions in Malaysia where our Group is currently operating or where our Group may undertake projects or market our products in the future could materially affect the business, operations and financial prospects of our Group. Political, economic and regulatory uncertainties include but are not limited to the risks of war, riots, expropriation, nationalisation, renegotiations or nullification of existing contracts, inflation, changes in interest rates and methods of taxation.

Whilst our Group strives to continue to take effective measures such as prudent financial management and efficient operating procedures, the abovementioned risks are, to an extent, beyond our control. Hence, there is no assurance that adverse political, economic, monetary and regulatory factors will not materially affect our Group's businesses and financial performance.

7.2 Risks relating to diversification of our principal activities to include the provision of dredging and land reclamation services and the Acquisition

(i) Risk relation to exposure to new business venture (i.e., dredging and land reclamation services business)

The Acquisition and Diversification are expected to contribute positively to our Group.

However there is no assurance that the anticipated benefits of the Acquisition and Diversification will be realised or that our Group will be able to generate sufficient profits arising from the Acquisition to offset the associated acquisition costs incurred. There is also no assurance that the expected financial performance of Galactic could be achieved post completion of the Acquisition.

In addition, our Group has no prior experience in the provision of dredging and land reclamation services. Thus, in mitigating this risk our Board decided to acquire a 30% equity interest in Galactic to enable our Company to learn from Galactic. Our Board also seeks to minimize this risk by procuring the Profit Guarantee from the Vendor for the Profit Guarantee Period. This gave our Board the assurance that the Vendor is confident that Galactic's business will continue to be profitable.

Further to the above, our Company also intends to mitigate such risk by adopting prudent investment strategies and conducting assessments and reviews including due diligence reviews on Galactic, prior to making its investment decision and completing the Acquisition. Notwithstanding the above, our Board believes that directors of Galactic (namely YX and Dou Jun) whom will remain as directors and shareholders of Galactic will continue to drive Galactic's growth.

(ii) Risks relating to the business, operations and industry in which Galactic operates

Galactic is exposed to the risks in relation to the dredging and land reclamation services business which includes, among others, the risks set out sub sections (a) to (i) below.

Notwithstanding the above, our Group seeks to mitigate these risks by monitoring its investment in Galactic and to advise the directors and/or management of Galactic to adopt and implement various prudent business strategies including effective risk management practices. Our Group will continuously review Galactic's operations and keep abreast with the latest developments in the dredging and land reclamation services industry to mitigate such risks. In addition, our Group intends to implement the following measures to safeguard the interests of our Group:

- Our Company would negotiate for a representative to be appointed to the board of directors of Galactic;
- Our Group would recruit personnel with the relevant experience to handle matters involving the dredging and land reclamation services business in the near future; and
- In the event our Company acquires a vessel (as per under the Maximum Scenario), our Company will enter into a lease/rental arrangement with the leasee (i.e., Galactic and/or other parties).

  The lease/rental arrangement will outline the responsibilities of the leasee and leasor thus the interests of both parties would be protected. Our Company also intends to include, amongst others, the maintenance obligations on lease in the lease/rental arrangement and periodical inspection by our Company to ensure that the leased vessel continue to be in good condition at all times prior to the expiry of the lease/rental agreement.

Further details on the above-mentioned measures are set out in Section 5.5 of this AP. However, no assurance can be given that any change in the above factors that are beyond our Company's control, will not have any material and adverse impact to the business of our Group.

As set out in Section 5.4, our Group also seeks to mitigate these risks by procuring the Profit Guarantee for the Profit Guaranteed Period from the Vendor as an added assurance to our Group that Galactic would continue to be profitable in the near future. These risks are further mitigated taking into consideration Galactic's established track record which is supported by its list of completed projects and on-going projects (as set out in Appendix II(B) of this AP).

Nevertheless, upon completion of the Acquisition and the Diversification, our Group will be exposed to the inherent risks of the dredging and land reclamation services industry in which Galactic operates its business. The details of such risks, which are not exhaustive, are as set out below:

(a) Dependency on customers

Galactic derives a significant portion of its revenues from a small number of customers and most of its contracts are subcontracts with its customers. The loss of one or more of these customers would negatively impact Galactic's business, operating results and financial condition. Galactic's dependency is due to the limited number of ships that it owns. As such, Galactic generally is only able to enter into a few contracts a year and therefore resulting in its business having a significant portion of revenue from a few customers.

In addition, Galactic's major customers are also Galactic's competitors and most of Galactic's contracts were subcontracted from its major customers since the inception of its business. The customers outsource their dredging works to subcontractors such as Galactic partly due to their capacity constraints and to complement their dredging services.

Nevertheless, Galactic believes it has developed close relationships with its customers whereby its customers cannot easily replace Galactic with other subcontractors. However, there is no assurance that its customers will continue to have capacity constraints and continue to engage subcontractors, or that they will not replace Galactic with other subcontractors. The occurrence of any of the foregoing could materially and adversely affect the business prospects, financial condition and operating results of Galactic.

(b) Dependency on operating permits and certificates

Galactic is required to maintain operating permits and certificates, such as working permits for crew members and certificates for vessels, thus Galactic must comply with the restrictions and conditions imposed by the various Government and/or regulatory agencies to conduct its business. In the event Galactic fails to comply with these regulations, Galactic's operating permits and certificates could be temporarily suspended or even revoked, or the renewal of its operating permits and certificates upon expiry may be delayed or refused, which would directly impact Galactic's capability to undertake relevant work thus reducing its revenue and profits.

Notwithstanding the above, Galactic will continue to ensure that it is in compliance with the restrictions and conditions imposed by various Government and/or regulatory agencies at all times. Galactic is confident to obtain on-going renewals, as there have been no instances of failure to obtain the renewals in the past.

(c) Risk relating to the fluctuations in the prices of fuel and other petroleum-based products

Galactic uses fuel (i.e., diesel) and other petroleum-based products to operate dredgers and other equipment. Any decrease in the supply of those products, increase in demand for fuel and other petroleum-based products or other related factors could cause an increase in prices. Any future substantial and/or unexpected increases in the prices of fuel and other petroleum-based products used in Galactic's business, particularly if a bid has been submitted for a contract or a contract has been signed which provides for a fixed price of such products and the costs of such products have been estimated at amounts less than the actual costs thereof, could result in lower profits, or loss of contracts.

Galactic seeks to limit such risk by taking into consideration, amongst others, the trend of the fluctuations in the prices of fuel and other petroleum-based products when submitting for a bid for a contract. Upon commencement of the secured projects, Galactic will monitor closely the fluctuations in the prices of fuel and other petroleum-based products. As and when Galactic experiences a substantial and/or unexpected increase in the prices of fuel and other petroleum-based products, Galactic would make the necessary arrangements with the project owner and/or main contractor to re-negotiate the pre-agreed contract value in order for Galactic to maintain an acceptable level of profitability or reduce losses.

However, there can be no assurance that any shortages of fuel and other petroleum-based products across the board or increase in the prices of such products in the global markets will not have any adverse impact on Galactic's financial performance.

(d) Risk relating to late completion or project defects

In the event Galactic fails to complete a project as scheduled without a justifiable reason or fails to meet its customers' requirements, Galactic may be held responsible for the additional costs resulting from the delay and that would generally be in the form of contractually agreed-upon damages and/or additional required work. Moreover, in the case of defective work for which Galactic is at fault, customers may, subject to the terms of the contracts, be entitled to terminate the contract, withhold payment or claim damages against Galactic. Thus, the total costs of a particular project could exceed the original estimates and Galactic could experience reduced profits or, in some cases, an operating loss for that project.

Galactic strives to complete its projects within the stipulated timeframe and in accordance with its customers' requirements. The directors of Galactic will monitor closely and assess periodically the progress of its on-going projects in order to address operational issues that may arise (i.e., interruptions to operations due to adverse weather conditions, mechanical failures as well as unforeseen shortages of labour, material, equipment and machinery) and potentially may delay the project completion time. Galactic also emphasises preventive maintenance (as set out in Section 8.5(iv) to minimize operational downtime and extend its vessels' life.

(e) Risk relating to the environmental regulations

Galactic's operations and facilities are subject to various environmental laws and regulations relating to, among other things, dredging operations, the disposal of dredged materials, storm water and waste water discharges, transportation and disposal of waste created in dredging and other hazardous substances and materials, gas emissions, and noise pollution.

Compliance with such laws and regulations can delay the performance of particular projects and increase related project costs. These delays and increased costs could have a material adverse effect on Galactic's financial results and operations.

Notwithstanding the above, as at the LPD, Galactic is in compliance and will continue to ensure it compliance with the applicable laws and regulations in connection with environmental protection.

(f) Operational, health and safety risks

The dredging and land reclamation services business is generally subject to a number of risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected geological formations, cave-ins below water levels, collisions with fixed objects, pirate attacks and the opposition to projects by community or special interest groups. These risks could result in damage to, or destruction of, dredgers, transportation vessels, and other maritime structures and buildings, and could also result in personal injury, environmental damage, performance delays, monetary losses or legal liability.

Galactic's safety record is an important consideration for its customers in maintaining business relationships. If serious accidents or fatalities were to occur on any of Galactic's projects or Galactic's safety record were to deteriorate, Galactic could be held liable for damages arising therefrom or in connection therewith and Galactic could become ineligible to bid on certain work. In addition, any such accidents or fatalities could have a negative effect on Galactic's reputation and prospects for securing future work.

Galactic seeks to mitigate these risks through the use of reliable equipment, operated by skilled and competent crew members and workmen, as well as through compliance with Galactic's operational procedures for project preparation, execution and follow-up. Galactic also undertakes periodic audits of the health and safety procedures and practices, drills, continuous health and safety meetings, reviews, and training measures. Additionally, Galactic ensures that an adequate level of insurance coverage against such risks is maintained.

(g) Risk relating to the adverse weather conditions in locations of Galactic's operations

Galactic's services are substantially performed on or under water, causing its business, operating results and financial condition to be subject to seasonal variations due to weather conditions. Repercussions of severe weather conditions may include evacuation of personnel and curtailment of services, injuries to personnel, and damage to equipment, facilities and project work sites, resulting in suspension of operations, loss of productivity, and delay in performing or completing projects thus resulting in decreased revenue and/or increased costs.

As at the LPD, Galactic's on-going projects are located along the Straits of Melaka where the likelihood of adverse weather conditions causing Galactic to halt its operations for long periods of time is minimal. Nevertheless, Galactic will halt its operations in the event of adverse weather conditions to ensure the safety of its employees and to minimise any damage to its dredgers and/or equipments. Thus, any extended and unforeseen weather conditions may cause a delay to the projects. In such circumstances, Galactic would seek an extension of time with the project owners and/or main contractors to mitigate the impact of adverse weather conditions as they beyond the control of Galactic.

(h) Competition risk

Galactic's dredging and land reclamation services business may face competition from existing competitors and/or new entrants operating in the same business. The competitiveness of Galactic is dependent on the ability of the management in negotiating for new contracts as well as competitive pricing for its services and to ensure that quality is maintained and there is timely delivery of its projects.

In view of the risk posed by the existing competitors and/or new entrants to the market, the management of our Company will monitor our investment in Galactic and advise the management of Galactic to sharpen its competitive edge by continually accessing Galactic's performance and efficiency in carrying out its operations. It is our Company's intention for Galactic to retain its existing employees to continue with Galactic's on-going projects to ensure sustainability of Galactic's existing operations after the Acquisition. Nevertheless, Galactic will continue to take proactive measures to remain competitive in the dredging and land reclamation services industry by providing quality services and competitive pricing and cautiously seeking new opportunities in the dredging and land reclamation services industry.

(i) Dependency on key personnel

The continued growth and success of Galactic depends on, to a certain extent, the abilities and continued efforts of its board of directors, senior management as well as skilled personnel.

Presently, Galactic is led by YX, the founder and a Director of Galactic, with extensive knowledge and experience in developing business strategies, managing business operations, developing sales and marketing strategies and strengthening relationships with key customers and Government and/or regulatory agencies and assisted by the senior project managers and engineers of Galactic whom have an average of approximately ten (10) years of working experience in the dredging industry.

The sudden departure or loss of any key personnel and the inability to replace them in a timely manner, may result in Galactic incurring additional expenses to recruit, train and retain the personnel. In such cases, Galactic's business could be disrupted and its financial condition and results of operations could be materially and adversely affected. Therefore, every effort is made by Galactic to attract and retain employees by providing incentives and competitive remunerations to them, and thus help to ensure the continued performance and success of Galactic in the future.

However, it is expected that there would not be any disruptions in the business operations of Galactic upon completion of the Acquisition, as our Company intends to procure the directors of Galactic to retain the key personnel of Galactic.

Notwithstanding the above, YX being the founder, a Director and the largest shareholder of Galactic, it would be in his interest to ensure the continuity in operations and profitability of Galactic. This serves to ensure the continuity of management and to minimise disruptions in the business operations of Galactic.

(iii) Non-completion of the SSA

In the event any of the Conditions Precedent is not fulfilled or waived (as the case may be), the Acquisition may be delayed or terminated, and the potential benefits arising therefrom may not materialise. In this respect, our Board seeks to limit such risk and will take all reasonable steps to comply with the relevant Conditions Precedent so as to be able to complete the Acquisition.

(iv) Non-fulfilment of obligation under the Profit Guarantee

Pursuant to the terms of the SSA, the Vendor irrevocably and unconditionally guarantees that Galactic shall achieve the Profit Guarantee for the Profit Guarantee Period. This risk is mitigated whereby in the event there is a shortfall, the Vendor will only be entitled to receive such amount of Retained Purchase Consideration in proportion to the Profit Guarantee achieved. Please refer to Section 5.1 of this AP for further details on the salient terms of the SSA.

(v) Political, regulatory and economic risk

The dredging and land reclamation services industry can be characterised as cyclical in nature and is somewhat correlated to the general economic conditions of Malaysia. Adverse developments in political, regulatory and economic conditions in Malaysia could materially affect the dredging and land reclamation services industry in the country. Political, regulatory and economic uncertainties include changes in labour laws, interest rates, fiscal and monetary policies and methods of taxation.

In mitigating such risk, our Company will continue to monitor its investments in Galactic and to advise the directors and/or management of Galactic to adopt effective measures such as prudent management and efficient operating procedures to mitigate these factors when required. Our Group will also continuously monitor the changing environment so as to respond and adapt to any change in political, economic and regulatory conditions accordingly, as and when they arise in the future.

Nonetheless, no assurance can be given that any change to these factors would not have any material adverse impact on the financial performance of our Group and Galactic in the future.

7.3 Risks relating to the Rights Issue of Shares with Warrants

(i) Investment risk

The market price of the Rights Shares is influenced by, amongst others, the prevailing market sentiments, the volatility of equity markets, the liquidity of Inix Shares, the outlook for the IT industry and dredging and land reclamation services industry, changes in regulatory requirements or market conditions, the financial performance and fluctuations in our Group's operating results. In view of this, there can be no assurance that the Rights Shares will trade above the Issue Price for the Rights Shares or TEAP upon or subsequent to the listing of and quotation for the Rights Shares on the ACE Market of Bursa Securities.

The market price of the Warrants may be influenced by, amongst others, the market price of Inix Shares, and the remaining exercise period of the Warrants and the volatility of Inix Shares. There can be no assurance that the Warrants will be "in-the-money" during their exercise period. In the event the Warrants are not exercised during the exercise period, the unexercised Warrants will lapse and cease thereafter to be valid for any purpose.

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(ii) Delay in or abortion of the Rights Issue of Shares with Warrants

The Rights Issue of Shares with Warrants is exposed to the risk that it may be aborted or delayed on the occurrence of any one or more of the following events:

(a) Force majeure events or circumstances which are beyond the control of our Company arising prior to the implementation of the Rights Issue of Shares with Warrants. Such events or circumstances include inter-alia, natural disasters, adverse developments in political, economic and government policies in Malaysia, including changes in inflation and interest rates, global economic downturn, acts of war, acts of terrorism, riots, expropriations and changes in political leadership; or

(b) The Undertaking Shareholders as set out in Section 2.5 of this AP who have provided the Undertakings and Additional Undertakings are not able to fulfill their obligation for whatsoever reason, despite TA Securities has verified, to the extent possible, that the Undertaking Shareholders have sufficient financial resources pursuant to their Undertakings and Additional Undertakings.

In this respect, all proceeds arising from the Rights Issue of Shares with Warrants will be refunded without interest to the Entitled Shareholders and/or their renouncees (if applicable) in the event the Rights Issue of Shares with Warrants is aborted and if such monies are not repaid within fourteen (14) days after it becomes liable, we will repay such monies with interest at the rate of ten percent (10%) per annum or such other rate as may be prescribed by the SC in accordance with Section 243(2) of the CMSA. Notwithstanding the above, our Company will exercise its best endeavor to ensure the successful implementation of the Rights Issue of Shares with Warrants. However, there can be no assurance that the abovementioned factors/events will not cause a delay in or abortion of the Rights Issue of Shares with Warrants.

(iii) Capital market risks

The performance of the local stock market is dependent on the economic and political condition in Malaysia as well as external factors such as, amongst others, the performance of the world bourses, flows of foreign funds and prices of commodities. These factors invariably contribute to the volatility and the liquidity of Bursa Securities, thus adding risk to the market price of the Rights Shares and Warrants.

(iv) Forward-looking statements

Certain statements in this AP are based on historical information, which may not be reflective of the future results, and others are forward-looking in nature, which are subject to uncertainties and contingencies.

All forward-looking statements contained in this AP are based on forecasts and assumptions made by our Company, unless stated otherwise. Although our Board believes that these forward-looking statements are reasonable, the statements are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include, among others, the risk factors as set out in this section. In view of the above, the inclusion of any forward-looking statements in this AP should not be regarded as a representation or warranty by our Company that the plans and objectives of our Group will be achieved.

8. INDUSTRY OUTLOOK AND PROSPECTS OF OUR GROUP

8.1 Prospects and outlook of the Malaysian economy

The Malaysian economy registered a growth of 4.9% in the second quarter of 2015 (1Q 2015: 5.6%). Private sector expenditure remained the key driver of growth (5.7%; 1Q 2015: 9.6%), and contributed towards a continued expansion in domestic demand. This helped to offset the negative contribution from net exports during the quarter. On a quarter-on-quarter seasonally-adjusted basis, the economy recorded a growth of 1.1% (1Q 2015: 1.2%).

Domestic demand expanded by 4.6% in the second quarter of 2015 (1Q 2015: 7.9%). This was driven mainly by private sector activity, which grew by 5.7% (1Q 2015: 9.6%) following continued growth in consumption and investment activities. Private consumption growth moderated to 6.4% (1Q 2015: 8.8%), as households adjust to the implementation of GST. However, continued wage growth and stable labour market conditions remained supportive of overall consumer spending. Private investment registered a growth of 3.9% (1Q 2015: 11.7%), supported by continued capital expenditure in the manufacturing sector, particularly in the export oriented industries.

Public sector expenditure expanded by 0.9% in the second quarter (1Q 2015: 2.5%). Public consumption recorded a higher growth of 6.8% (1Q 2015: 4.1%), reflecting a stronger expansion in supplies and services, and sustained growth in emoluments. However, public investment registered a negative growth of 8.0% (1Q 2015: +0.5%) due to the decline in investments by the public enterprises following the near completion of a few large projects. The Federal Government spending on fixed assets remained positive during the quarter.

In terms of total investment, gross fixed capital formation moderated to 0.5% during the quarter (1Q 2015: 7.9%), supported mainly by the private sector capital expenditure. By type of assets, investment was mainly supported by growth in investment on structures (5.9%; 1Q 2015: 9.9%), which cushioned the decline in investment in machinery and equipment (-7.5%; 1Q 2015: 5.8%).

On the supply side, the major economic sectors registered more moderate growth during the quarter. The lower growth in the services sector was to the outcome of a slower expansion in most sub-sectors while the moderation in manufacturing sector was due to the more modest performance in export-oriented industries. Growth in the mining sector was affected mainly by the lower production of natural gas. The construction sector also recorded lower growth, due to a moderation in real activity in the residential, non-residential and civil engineering sub-sectors. The agriculture sector turned around to record positive growth amid higher production of palm oil.

(Source: Economic and Financial Developments in the Malaysian economy in the Second Quarter of 2015, BNM)

The Malaysian economy recorded a stronger growth of 6.0% in 2014 (2013: 4.7%), driven primarily by the continued strength of domestic demand and supported by an improvement in external trade performance. Net exports turned around to contribute positively to growth after seven years of negative contribution, as Malaysia benefitted from the recovery in the advanced economies and the sustained demand from the regional economies. While the growth in private domestic demand remained strong, public sector expenditure registered slower growth, consistent with the Government's fiscal consolidation efforts.

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Despite a challenging external environment, the Malaysian economy is expected to register steady growth of 4.5% - 5.5% in 2015, supported mainly by sustained expansion in domestic demand amid strong domestic fundamentals and a resilient export sector. Domestic demand will continue to anchor growth in 2015, driven by private sector spending. After registering five consecutive years of above-average growth rates, private consumption is expected to grow by 6.0% in 2015. While the implementation of the Goods and Services Tax (GST) in April and lower earnings in the commodity-related sectors are expected to affect spending, this will, however, be partially offset by higher household disposable incomes from lower fuel prices, the favourable labour market conditions and the Government measures to assist low- and middle-income households.

(Source: BNM Annual Report 2014, BNM)

The economic growth momentum in 2014 is expected to continue in 2015 driven by improving external demand and resilient domestic economic activity. Growth will be private-led in line with the Government's efforts to strengthen the private sector's role in the economy. On the supply side, all economic sectors are expected to record positive growth in 2015, with the services and manufacturing sectors remaining the major contributors to growth. Sustained growth in domestic demand, albeit at a moderate pace, is expected to contribute to the expansion in domestic-related activities. Meanwhile, the export-oriented industries, particularly the E&E subsector will benefit from the improvement in external conditions in line with improving global growth. The agriculture sector is expected to expand on account of higher output of palm oil while the construction sector is expected to record higher growth driven by robust activity in the civil engineering and residential subsectors.

In 2015, inflation is expected to increase 4% – 5%, largely due to the implementation of GST and spillover effect of fuel subsidy reduction in October 2014. Given the subdued external cost pressure, domestic cost remains the major factor that drives inflation in 2015. The implementation of the GST will have a transitory impact on the cost of goods and services. However, the strong capacity expansion over the past years will help to mitigate the cost pressures, while a more cautious stance of consumers would also contribute to moderating demand and hence prevent inflation from becoming more entrenched.

On the supply side, all sectors of the economy are expected to remain strong. The services sector will spearhead growth, with all subsectors recording expansion. Growth will be driven by production-related activities such as wholesale trade, transport and storage and reinforced by an improving external sector. The construction sector is expected to register solid growth, with increased activity in the construction of civil engineering projects in the O&G sector and residential and non-residential buildings.

(Source: Economic Report 2014/2015, Ministry of Finance Malaysia)

8.2 Overview and outlook of the ICT industry and the prospects of our Group's IT business

In the information and communication sub-sector, growth (9.3%; 1Q 2015: 9.6%) was driven by strong demand for data communication services amid attractive packages from telecommunications companies.

(Source: Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2015, BNM)

The communication sub-sector will continue to register robust growth, driven by strong demand for data services amidst higher usage of mobile devices, particularly smartphones.

(Source: BNM Annual Report 2014, Outlook and policy in 2015, BNM)

The past year has seen Malaysia continue to push the availability of broadband access to the rakyat, with household penetration now at 67.3 per cent. This is now relatively better than most Association of South East Asian Nations (ASEAN) countries. Beyond broadband, Long-Term Evolution ("**LTE**") penetration is now at an encouraging 25 per cent, and is expected to reach 50 per cent by 2017.

With the convergence of communications and content, Communication Content and Infrastructure ("**CCI**") is a new growth area for the nation. The past year has seen the Film in Malaysia Incentive ("**FIMI**") attracting 11 productions with an increase in estimated qualified Malaysian production expenditure (QMPE) from RM149 million in 2013 to RM335 million in 2014. As at end of 2014, the revenue of creative content exports amounted to RM609 million, a significant increase since the beginning of the Economic Transformation Programme.

The convergence of creative content and communications providers is a clear trend today, with leading communications players around the world such as Verizon and ComCast working to provide not only fast connection speeds, but also content via Internet Protocol television (IPTV).

The upcoming year sees a tremendous potential for growth in the creative content industry, especially with FIMI continuing its role to increase the momentum of the Government's effort to improve the development of agencies. Demand for the consumption of creative content is also expected to increase with better connectivity (High-Speed Broadband2, Suburban Broadband (SUBB), LTE, Sistem Kabel Rakyat 1Malaysia (SKR1M)), as well as the encouragement to move towards digital terrestrial television broadcasting. Year 2015 will also see the MyCC4dWorld undertaking efforts to sell its content, turning the site into a new avenue of sale both to local and international markets. It is important, however, to focus efforts in creative content to explore markets beyond Malaysia, as growth may be limited if producers are creating content solely for the local market.

The Government will also embark on improving the creative industry's development agencies with the introduction of a centralised organisation. This includes a centralised agency to manage pitching for Government funds. An encouraging year for the increasing rollout in applications among Government health facilities is expected with the recent budget approvals, with 200 health facilities with e-health applications targeted to be implemented.

Another initiative to expand the regional network was the Sistem Kabel Rakyat 1Malaysia (SKR1M), which aims to improve national broadband connectivity within Peninsular Malaysia and Sabah and Sarawak at affordable rates.

(Source: Economic Transformation Programme Annual Report 2014, Jabatan Perdana Menteri)

During the first half of 2014, the communication subsector grew 10% (January – June 2013: 9.4%) with the continued increase in the number of cellular phone subscribers as well as higher use of data services. Cellular phone subscriptions grew 2.8% to 43.8 million to reach a penetration rate of 145.5% as at end-June 2014 (end-June 2013: 9.1%; 42.6 million; 143.4%) with the prepaid segment dominating 82% of total subscriptions. Growth was spurred by increased take-up of affordable smartphones and attractive packages offered by service providers. In addition, higher use of data services was supported by increased third-generation (3G) subscriptions which recorded 18 million in 2013 (2012: 14.5 million).

The broadband segment grew 3.1% to 6.4 million subscriptions with a household penetration rate of 67.2% as at end-June 2014 (end-June 2013: 6.9%; 6.2 million; 66.8%). Growth was largely driven by promotional activities and awareness programmes as well as improved network coverage. The National Broadband Initiative (NBI) was introduced in March 2010 to increase household broadband penetration. The NBI addresses the provision of infrastructure and facilities through the implementation of High-Speed Broadband ("**HSBB**") and Broadband to General Population ("**BBGP**"). Through public-private partnership (PPP), the Government has implemented the HSBB project in areas covering inner Klang Valley, Iskandar Malaysia and selected industrial areas. At the same time, under the BBGP initiative, broadband projects will be implemented across the country through various technologies such as Asymmetric Digital Subscriber Line (ADSL), Hybrid Fibre Coax (HFC), High-Speed Downlink Packet Access (HSDPA) and Worldwide Interoperability for Microwave Access (WiMAX). In addition, as at end-June 2014, the HSBB recorded a total of 747,000 subscriptions covering 626,000 homes and 121,000 businesses (end-June 2013: 607,000; 512,000; 95,000).

Meanwhile, to enable rural communities to enjoy the benefits of ICT, the Universal Services Provision (USP) fund continues to finance projects such as Kampung Tanpa Wayar 1Malaysia ("**KTW1M**") and Pusat Internet 1Malaysia ("**PI1M**"). As at end-June 2014, 4,737 KTW1M and 431 PI1M (end-June 2013: 4,210; 339) were established nationwide. Growth of the subsector is projected to sustain at 10% in 2014 (2013: 10%) supported by higher usage of cellular and broadband services.

(Source: Economic Report 2014/2015, Ministry of Finance Malaysia)

The emergence of the internet and smartphones have led to the popularity of online games, which are games played over the internet including personal computers, consoles and wireless games. This can range from single-user games to extensions of standalone games where small groups of consumers can play together, to massively multiplayer online role playing games ("**MMORPG**") that can have more than 10,000 gamers playing simultaneously.

The games industry has experienced significant changes since the 1990s as a result of technology and player accessibility driving its convergence. Video games can now be played via multiple platforms ranging from arcade machines to cable television, dedicated consoles, handheld devices and smartphones, and accessed through social networking sites, game developer websites, online via game consoles and personal computers.

Consumers today enjoy having a world of interactive entertainment available at their fingertips. Gamers now spend more time playing games than streaming movies or television shows to their computers, phones and game consoles. Consumers also show a keen interest to access games libraries, in seeing nostalgic games like classic arcade games, reconfigured to work on new platforms. With so many devices to choose from, gamers seek consistency as they move across platforms with the ability to access and save games and game progress across multiple devices.

Computer and video games are a dynamic and rapidly growing segment of the entertainment industry defined by competition and global scope. Video games are an additional platform for content distribution by the entertainment industry and complement music, films, television and books. The global games market, as measured by global gaming expenditure, is projected to grow from an estimated USD75.5 billion in 2013 to USD102.9 billion in 2017 at a CAGR of 8.0%.

Growth in the global games market will be strongly driven by the demand for games from consumers in the regions of Asia, Eastern European Union, Latin America and Middle East and Africa, where greater proliferation of the internet and smartphones as well as increasing disposable income is anticipated to positively impact the demand for the games. The demand for games from consumers in the regions of Asia, Eastern European Union, Latin America and Middle East and Africa is projected to comprise 57.0% of the global games market in 2017, a distinct increase from the 49.0% in 2013. Between 2013 and 2017, the demand for games in the economic growth regions of Asia, Eastern European Union, Latin America and Middle East and Africa is projected to grow from USD37.0 billion to USD59.0 billion at a CAGR of 12.4%. In 2017, North America, Western Europe and Oceania is projected to collectively comprise the remaining 43.0% of global gaming spend, compared to 51.0% in 2013. Demand for games in these mature regions is also projected to witness growth, albeit a slower pace, from USD38.5 billion in 2013 to USD43.8 billion in 2017 at a CAGR of 3.3%.

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The main mediums for games globally are computer screens and entertainment screens. Consumers primarily use computer screens for MMORPG, computer games and webgames, and this medium comprised an estimated 40.0% of all generated game revenues in 2013. Entertainment screens comprising consoles and television constituted an estimated 31.0% of globally generated game revenues. Smartphones or personal screens, as well as tablets and handhelds or floating screens, formed the remaining 17.0% and 12.0% respectively of generated game revenues globally. By 2017, it is projected that computer screens will continue to remain as a dominant medium for games as MMORPG become more popular. The share of games revenues generated from personal screens and floating screens are projected to increase to 22.0% and 14.0% respectively in 2017. However, games revenues generated from entertainment screens are projected to witness a decline to 24.0% in 2017.

The emergence of smartphones and tablets as gaming devices have made it easier for gamers to spend more time playing games. The dominance of the free-to-play business model on all screens except the entertainment screen medium further boosts accessibility to games. The growth of gaming on smartphones and tablets continues to exceed all expectations. Spending on mobile games is estimated to increase from USD17.0 billion in 2013 (or 23.0% of global games market in 2013) to USD35.0 billion in 2017 (or 34.0% of global games market in 2017).

Mobile devices, which are unlike consoles but similar to personal computers, are widely used on a global scale and viewed as a necessity by an increasing share of the global population. The availability of mobile games on Google Play and iOS appstores for Android and iPhone mobile devices demonstrate the global reach of mobile gaming. The population of mobile gamers is projected to increase from 1.3 billion in 2013 to 1.8 billion in 2017 at a CAGR of 8.5%. The population of mobile gamers is projected to grow by 17.9% between 2013 and 2017 in North America, Western European Union and Oceania, and by 42.2% in Latin America, Eastern Europe, Middle East and Africa and Asia Pacific over the same period.

The games market in Southeast Asia is growing at a pace superseding that of other developing economies such as Latin America and Eastern Europe. Growth in the Southeast Asia games market is driven by economic growth prospects, a large and diverse population as well as high internet and mobile connectivity that is expected to lead to strong growth rates in terms of game spending in the short to medium term. It is anticipated that 85.0% of growth in the games industry will be contributed by Asia by 2017.

Consumers in Southeast Asia share similar preferences for social network as consumers in the West. Research indicates that as high as 95.0% of those using mobile social networks or chat applications in Vietnam are actively on Facebook. While Indonesia has the lowest percentage of Facebook users in the region, this percentage is still as high as 78.0% of those using mobile social networks or chat applications. Social media such as Twitter and Instagram are also popular across the Southeast Asia region.

Within Southeast Asia, playing games on multiple screens is most popular in Malaysia, where approximately 26.5% of gamers in the country play across multiple mediums namely computer screens, personal screens, entertainment screens and floating screens. The popularity of gaming across multiple screens in Malaysia exceeds the global average of 23.9%. Nevertheless, computer screens and personal screens are the most popular mediums in Malaysia with 93.2% and 87.4% respectively of the gaming population utilising these mediums. The popularity of mobile games in Malaysia is reflected in consumer spend, where Malaysia is ranked the second highest in Southeast Asia at USD32.61 per spender.

(Source: IMR prepared by Smith Zander)

<u>Prospects of our Group's IT business</u>

As disclosed in Section 5.5 of this AP, notwithstanding the Diversification, our Board intends to continue with our Group's existing IT business via business expansion opportunities in Mobile Apps and Mobile Gaming to enhance our IT business. Our management is of the view that the increasing mobile-cellular subscription, improving ICT infrastructure and higher usage of mobile devices drive the demand for Mobile Apps and Mobile Gaming Apps. Over the past years, telecommunication infrastructures played a key role in shaping personal computing device penetration and internet access. As such, the smartphones and mobile internet are more transformative as the internet is now accessible to low-income users who lack access to well-developed landline network infrastructures.

To enhance our Company's presence in the Mobile App and Mobile Gaming section and as disclosed in Note (3) of Section 4 of this AP, our Group's expansion in the IT business may be carried out in either one (1) or a combination of the following ways:

(a) acquisition of / investing in companies that are involved in software development for mobile devices;

(b) acquisition of / investing in companies that are involved in Mobile Gaming Apps;

(c) setting up of our own division and recruit talent that specialises in Mobile Gaming, Mobile IT or Mobile Apps development.

The above are expected to be implemented within three (3) years following the completion of the Rights Issue of Shares with Warrants. The manner / way(s) in which business expansion in IT would be carried out is dependent on the level of proceeds to be raised (based on the Maximum Scenario). Furthermore, the business expansion into Mobile Gaming is an extension/expansion of our Group's existing IT business.

Premised on the above, our management believes that the positive outlook of Mobile Gaming and improving ICT infrastructures provide opportunities for our Company to tap into the Mobile Gaming sector and therefore is expected to enhance our IT business.

8.3 Overview and outlook of the construction industry in Malaysia

The construction sector is expected to continue to record high growth, albeit at a more moderate pace in 2015. After several years of robust growth, activity in the residential sub-sector is expected to increase at a more moderate pace due to lower housing approvals and property launches. Nonetheless, growth in the non-residential sub-sector is projected to be sustained, amid higher construction activity for industrial and commercial buildings. New and existing multi-year civil engineering projects, particularly in the transport and utility segments, will continue to provide additional support to the sector.

(Source: BNM Annual Report 2014, Outlook and policy in 2015, BNM)

The construction sector registered a higher growth of 11.6% during the year 2014 (2013: 10.9%), owing mainly to stronger growth in both the residential and non-residential sub-sectors. The robust growth in the residential sub-sector was attributed to continued progress in high-end housing projects in Johor, Klang Valley and Penang, while construction activities in the non-residential sub-sector were supported by commercial and industrial projects. The civil engineering sub-sector provided further support to the sector, underpinned by existing and new infrastructure projects.

(Source: BNM Annual Report 2014, BNM)

Growth in the construction sector moderated to 5.6% in the second quarter (1Q 2015: 9.7%) following slower expansion in the residential, non-residential and civil engineering sub-sectors. The moderation in the residential sub-sector was attributable to lower construction activity in residential projects. Growth in the non-residential sub-sector was also slower, but was firm, supported by the construction of commercial, education and healthcare buildings. The civil engineering sub-sector expanded at a slower pace, reflecting the completion and near-completion of large transportation and utility projects. Growth in the special trade sub-sector was slightly stronger, underpinned by activity for earthworks, land clearing and land reclamation works.

(Source: Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2015, BNM

The construction sector is projected to increase 10.7% in 2015 (2014: 12.7%) supported by commencement of some O&G related projects such as Refinery and Petrochemical Integrated Development ("**RAPID**") as well as ongoing transportation-related infrastructure projects.

(Source: Economic Report 2014/2015, Ministry of Finance Malaysia)

8.4 Overview and outlook of the dredging and land reclamation services industry

Dredging is the underwater excavation of soil and rocks to permit the passage of ships and barges, to increase the capacity of water storage reservoirs, to improve waterways and to build and maintain usable shore land. Depending on purpose, dredging is typically categorised as dredging for navigation, dredging for reclamation and dredging for environmental protection.

The types of dredging are set out in the table below:

Category	Purpose	Description
Dredging for navigation	Navigation	Dredging for navigation includes capital dredging and maintenance dredging. Capital dredging refers to dredging works that result in the initial creation or extension of ports, navigation channels, basins, canals, marinas and other facilities. Maintenance dredging refers to the subsequent dredging works that are required to ensure that ports, navigation channels, basins, canals, marinas and other facilities continue to provide adequate dimensions that permit the passage of ships.
Dredging for reclamation	Construction and reclamation	Dredging provides materials such as sand, gravel, shell and clay to build usable shore land, for the construction of commercial, industrial and residential properties, and other urban development purposes.

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Category	Purpose	Description
Dredging for environmental protection	Beach nourishment	Dredging provides fill material for the protection and replenishment of beaches for recreation as well as for the construction of protective dunes.
	Environmental remediation	Dredging for removal or remediation of subaqueous pollutants and improvement water quality. This type of dredging operation is used as a means to clean-up contaminated waterways or subaqueous facilities, such as settlement or sludge ponds, or mine tailing ponds and rehabilitate ‘brownfields’, that is, contaminated industrial areas which can then be redeveloped.
	Flood mitigation and control	Dredging improves or maintains the discharge or flow capabilities of rivers, channels and/or natural waterways by maintaining or increasing the cross-section or by the realignment of watercourses or the construction of control structures such as dams.

The dredging and land reclamation services industry in Malaysia, based on total revenues of identified industry players, ranged between RM2.2 billion and RM2.4 billion over the period of 2009 and 2014. Total industry revenue witnessed a CAGR of 12.1% between 2009 and 2012 where industry revenues increased from RM2.2 billion to RM3.1 billion. Subsequently in 2013, the industry dipped marginally to RM2.6 billion following the completion of several major dredging and land reclamation projects, and a slowdown in dredging and land reclamation activities. In 2014, the industry was valued at an estimated RM2.4 billion. The independent market researcher, Smith Zander, forecasts the dredging and reclamation services industry in Malaysia to reach RM2.8 billion in 2015, registering a CAGR of 3.8% between 2013 and 2015.

Smith Zander anticipates favourable growth for dredging and land reclamation activities in Malaysia as several large development projects have been announced, where these projects are expected to generate demand for dredging and land reclamation services through to 2040. These include dredging for navigation and dredging for reclamation projects which are summarised as follows:

State	Project details	Expected timeline
Penang	Reclamation of Phase 2 of Seri Tanjung Pinang (“**STP2**”) at Tanjung Tokong, Penang. STP2 will be a mixed integrated development comprising two islands of approximately 740 acres in size and is expected to generate RM12.0 billion in gross development value.	2015 - 2017
Melaka	Melaka Gateway development project involving reclamation works to develop two (2) man-made islands that will house an international cruise terminal, marina, theme park, the Malaysia Eye, maritime heritage museum and high-end residential property across 609 acres of land.	2014 – 2025
Johor	Reclamation works for Pengerang Petroleum and Maritime Industrial Park for a total of 1,760 acres. The industrial park will complement Refinery and Petrochemical Integrated Development (RAPID) and oil and gas industries in Iskandar Malaysia.	2015 - 2025

State	Project details	Expected timeline
Johor	Reclamation works for Forest City project involving four (4) man-made islands built in the waters in Tanjung Kupang between south-west Johor and north-west of Singapore. The mixed-development project will include residential and commercial lots with a gross development value of RM450 billion over 30 years.	2014 – 2044
Johor	Reclamation works for the Tanjung Piai Integrated Petroleum and Petrochemical hub and Maritime Industrial Park in the Straits of Johor encompassing 3,485 acres of man-made island, to be implemented in four (4) phases where Phases 1, 2 and 3 comprise 2,000 acres, 1,010 acres and 475 acres respectively. Phase 1 of the project is expected to commence in February 2015 and involves reclamation works for the purpose of constructing and operating a crude oil and petroleum storage facility together with a private jetty.	2015 – 2030

The dredging and land reclamation services industry is important for Malaysia, a country with a long coastline and abundant marine resources. Growth in international trade has led to increased shipping of goods and the use of larger vessels to transport such goods. Larger vessels require deeper and wider waterways, giving rise to the need for more capital and maintenance dredging. The ongoing investment in port construction in Malaysia is expected to generate an increasing demand for capital and maintenance dredging along the coastline. In addition, with the development of industrial areas surrounding the ports and coastal cities, the increasing requirement for water conservancy, flood control and environmental protection, the demand for reclamation dredging and environmental protection dredging is expected to grow as well.

Malaysia's economic growth and regional development is resulting in increased demand for land. Heavy industries, chemical industries and power plants are increasingly erected closer to the coastline due to transport costs, urban planning, availability of water supply and environmental control reasons. All of these factors have made land reclamation a growth driver for dredging and land reclamation activities.

The key demand drivers for dredging and land reclamation services are set out below:

(i) Strong demand for property as a result of economic wealth creates demand for dredging and land reclamation services

Economic growth is a catalyst for development and growth in the property market. Between 2009 and 2013, Malaysia's wealth, as depicted by its real GDP, increased from RM629.9 billion to RM787.6 billion. In 2014, Malaysia's real GDP increased to RM835.0 billion. Total property transaction value increased from RM65.1 billion to RM120.0 billion between 2009 and 2013, with the highest growth rate of 21.4% witnessed in the commercial property segment which expanded from RM16.4 billion to RM35.6 billion. In 2014, total property transactions were registered at RM128.4 billion. The largest contributing property segment was the residential property segment that formed 60.1% of total property transaction value in 2013, followed by commercial property segment (29.6% of total property transaction value in 2013) and industrial property segment (10.3% of total property transaction value in 2013). In 2014, residential property transactions comprised 63.9% of total property transaction value, followed by commercial property transactions (24.8%) and industrial property transactions (11.3%). Over the course of 2009 and 2014, the property market in Malaysia has moved in tandem with economic development.

Overpopulation, congestion and scarcity of land are among the reasons that have motivated outward expansion into the sea. Dredging and land reclamation services have enabled the reclamation of land from the sea for residential, commercial and industrial development.

(ii) Growth in external trade drives dredging for navigation activities

Malaysia's total trade increased from RM987.2 billion in 2009 to RM1.4 trillion in 2013 at a CAGR of 9.1%. Over the same period, exports increased from RM552.5 billion to RM720 billion at a CAGR of 6.8% while imports increased from RM434.7 billion to RM648.7 billion at a CAGR of 10.5%. In 2014, Malaysia's exports further increased to RM766.1 billion while imports further increased to RM683.0 billion.

In addition to the economic growth purely based on the increase in population, Smith Zander anticipates that Malaysia will witness economic growth resulting from further globalisation of markets and the opening of formerly closed markets by new trade agreements. Furthermore, the effects of technological developments such as the Internet will also generate an increasing flow of goods and services.

The importance of waterborne transportation of goods will become more obvious and will make it imperative that ports and harbours are accessible to the shipping industry. Waterborne transport has been proven time and time again to be environmentally preferable to overland transport as well as being economically viable. Dredging must therefore be an integral part of any infrastructure plan to ensure that ports and harbours, as well as residential and recreational areas, can adequately meet these growing demands. Dredging also has a role to play in the construction and maintenance of hinterland connections.

(iii) Government plans, policies and stimulus supporting the dredging and land reclamation services industry

The Comprehensive Development Plan ("**CDP**") (2006 – 2025) was launched for Iskandar Malaysia, encompassing the districts of Johor Bahru, Kulai (formerly known as Kulaijaya), Pontian and Kota Tinggi in the southern region of Peninsular Malaysia. Over the period of 2011 and 2015, Iskandar Malaysia intends to achieve the creation of 55,730 employment opportunities. This target is in line with the commencement of several jet catalyst projects under various flagship development zones. Nine (9) major economic clusters have been identified to spearhead the growth of Iskandar Malaysia and these clusters are electrical and electronics, petrochemicals and oleochemicals, food and agro-processing, logistics and related services, tourism, health services, educational services, financial services and creative industries. The implementation of these economic plans and targeted strategies under the respective plans, including infrastructure and transportation improvement, requires investments in dredging and land reclamation activities in the Iskandar region.

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In the northern region of Peninsular Malaysia, the Penang Transport Master Plan is a RM27 billion project mooted by the State Government of Penang in 2008 to drive the convergence of infrastructure and connectivity via an undersea tunnel, LRT, five (5) new highways as well as a revamped public transportation system. The mandate for the first component, the RM6.3 billion Penang Third Sea Crossing, which was awarded in 2014 involves the construction of three (3) road bypasses and a 6.5 kilometer undersea tunnel that connects the end of Gurney Drive to Bagan Ajam on the mainland. The project is currently undergoing feasibility studies. The rollout of the Penang Transport Master Plan will be made possible via the reclamation of large tracks of land, where reclamation options lie in two (2) areas on the island:

(a) The first option is an area in the southern part of the island involving reclamation of some 2,000 acres of which about 30% or some 600 acres will be carved out for the state for the future expansion of the Penang International Airport and to enlarge the Free Industrial Zone;

(b) The second option is for the reclamation of seagrass land located in between the Penang Bridge and the river mouth of Sungai Pinang, popularly known as the Middle Bank seagrass.

In 2014, Penang Development Corporation ("**PDC**") called for a proposal for a consultancy report on reclamation at Middle Bank and any associated civil and infrastructure works, and linkage to Penang Island and Mainland Butterworth.

In the 10th Malaysia Plan ("**10MP**") (2011 – 2015), the Government announced its intention to formulate a national port policy to outline the objectives, strategic directions and further development of the port sector. The Government further committed to upgrading maritime infrastructure to ensure competitiveness of Malaysian ports, including spending approximately RM1 billion for the capital dredging of port channels to cater for bigger vessels and upgrading works at Westport of Port Klang, Selangor and Port of Tanjung Pelepas, Johor to provide additional capacity for import and export of goods. Key private investments during the 10MP period will include upgrading works of Westport, Port of Tanjung Pelepas and Penang Port, totalling RM6 billion.

In the Eleventh Malaysia Plan ("**11MP**") (2016 – 2020), the Government has listed measures to improve port accessibility and capacity. The accessibility to major ports will be improved to cater for bigger vessels through channel deepening works, and port operators will undertake capacity expansion which includes building additional berths and wharfs. Through this measure in the 11MP, the National Port Policy was announced where plans to expand port capacity, access and operations will be undertaken under the National Port Policy. These improvements are expected to attract more international liners and mega vessels with capacity of 18,000 TEUs to call at these ports. The development of the Perlis Inland Port in Perlis has also been earmarked under the 11MP.

(Source: IMR prepared by Smith Zander, September 2015.)

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8.5 Prospects of the Acquisition

Galactic's future prospects is expected to be favourable taking into consideration Galactic's competitive strengths as set out below:

(i) Ability to capture growth opportunities in the dredging and land reclamation services industry in Malaysia which is characterised by strong demand for property and/or urban development with its track record and experience in the industry

As set out in Section 8.4(i) of this AP, the strong demand for property as a result of economic wealth creates demand for dredging and land reclamation services. The greater demand for commercial and residential property resulting from economic prosperity, especially in regions with high population density and/or scarcity of land in areas where property development is in high demand, provides Galactic with business opportunities and growth prospects. Galactic's track record and experience in completing the dredging and land reclamation projects (as set out in Appendix II(B) of this AP) is expected to position itself favourably to capture attractive opportunities in the dredging and land reclamation services industry in Malaysia.

(ii) Experienced senior management and strong technical team who possess in-depth knowledge of the dredging industry and have extensive project management expertise

The management team of Galactic is headed by founder and Director, YX. YX has approximately ten (10) years of experience in the dredging industry in the PRC and Malaysia. He has been engaged in large-scale dredging projects since 2003, including the Xiamen airport and Shenzhen airport reclamation projects, and Fuzhou port reclamation project. He is supported by other members of the management team (namely Dou Jun and Zhang Chang Yu, as mentioned in Section 5.4 of this AP) who have significant experience in the dredging industry and have expertise in finance and operations, which is critical for Galactic's future success.

Drawing from this extensive industry experience and knowledge, Galactic's execution team evaluates the potential profitability of each project before deciding whether to undertake it, in order to maximise returns. During the execution of dredging projects, Galactic's execution team maximises dredger working efficiency through:

(a) selecting the appropriate dredger and equipment for a particular dredging job based on particular geological formations at the work site;

(b) adjusting dredging speed and depth as well as slurry density and velocity based on a combination of factors; and

(c) paying attention to execution details.

Galactic's project management experience allows Galactic to meet its customers' demands and this leads to high client satisfaction. With its technical and management expertise, Galactic believes that is able to better address its customers' needs and project requirements.

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(iii) Ownership of young and versatile fleet of vessels contribute to higher efficiencies

With an average fleet age of approximately eight (8) years for a total of five (5) vessels, Galactic maintains a young fleet of vessels. As at the LPD, Galactic owned one (1) suction dredger and four (4) conveyor sand pump vessels (further details of the vessels are set out in Appendix II(B) of this AP). Due to technological advancements in dredging technologies, younger dredgers are more cost efficient and have higher working efficiency levels. In addition, younger dredgers generally require less maintenance and repair and have lower levels of downtime, thereby achieving higher dredging working efficiency rates. All of the vessels that are used by Galactic were constructed by leading vessel manufacturers in the PRC and are equipped with advanced technologies. The versatility and technical capabilities of Galactic's fleet of vessels enhance Galactic's competitiveness in the dredging market in Malaysia

(iv) Preventive maintenance practices minimises operational downtime and extends vessel life

Galactic emphasises preventive maintenance in order to minimise downtime, extend vessel life, reduce replacement capital expenditure requirements and maximise the working efficiency rates of its dredgers. Galactic maintains and repairs its dredgers when they are idle due to bad weather conditions, and where there are third-party delays in preparing dredging sites. In addition, Galactic periodically assesses the need to upgrade the vessels that it owns in order to take advantage of improved technology and meet the changing needs of the dredging market.

Notwithstanding the above, Galactic also has the following future plans to further enhance its future financial performance and position:

(i) Expand capacity to capture growth opportunities in Malaysia

Galactic's dredging capacity and expertise have allowed Galactic to execute complex reclamation dredging projects. Galactic plans to further expand its dredging capacity to scale with its project engagements. Galactic is looking to expand its fleet over the next two (2) years and has plans to acquire three (3) to four (4) new vessels, comprising dredgers and conveyor sand pump vessels. The capacity expansion will enable Galactic to capture ongoing opportunities in the dredging and land reclamation industry in Malaysia. Such opportunities include several large development projects as set out in Section 8.4 of this AP.

(ii) Establish operations in other geographical regions in Malaysia

Historically, Galactic has primarily undertaken dredging works along the coastal lines of Selangor and Melaka. Galactic plans to expand its operations to other geographic regions in Malaysia by leveraging on its project experience, customer relationships and growing reputation. Expansion into other regions can diversify Galactic's revenue base in Malaysia, where Galactic may increase its market share and continue to enhance its reputation and attractiveness to potential customers.

Galactic intends to focus on markets that it expects to experience significant economic growth and where State and Federal Governments have initiated or have plans to initiate development on reclaimed land. Galactic is evaluating the growth prospects of dredging and land reclamation services in the states of Johor and Penang for geographical expansion over the next two (2) years, and will seek to participate in tenders that will enhance its profile and profitability.

(iii) Increase and diversify its service offerings beyond dredging services

In the long term, Galactic plans to pursue new growth opportunities by expanding and diversifying its service offerings via entering into different lines of business to diversify Galactic's source of revenue and reduce its exposure to the risk of a market downturn in a given business. Galactic intends to:

(a) seek out capital dredging and maintenance dredging projects in Malaysia;

(b) pursue the ship building, and vessel repair and maintenance business; and

(c) pursue a business model where Galactic receives parcels of reclaimed land as payment for its services, and thereafter engaging in the sale of land and/or venturing into property development via such landbank.

While Galactic is currently focused mainly on its dredging services business which is largely utilising its capacity, going forward Galactic believes that undertaking the abovementioned services can diversify its business and enhance its financial performance. Galactic believes that the ability to deliver these services is attractive to its customers and can enable Galactic to further solidify its market position and realise synergies in its business.

As at the LPD, Galactic is still at the preliminary stage of considering, among others, the feasibility and venture plans in offering different lines of business and has not engaged in any form of discussion with any party. Hence, the timeline and financial resources required to be committed to realise other plans, have not been determined at this juncture.

Premised on the above, our Board expects the Acquisition to contribute positively to our Group via Inix's share of the future profits to be derived by Galactic and the expected continuous growth in the construction as well as the dredging and land reclamation services industries in Malaysia.

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9. EFFECTS OF THE RIGHTS ISSUE OF SHARES WITH WARRANTS

For illustrative purposes, the pro-forma effects of the Rights Issue of Shares with Warrants, based on the Minimum Scenario and the Maximum Scenario, are set out below:

9.1 Issued and paid-up share capital

The Acquisition will not have any effect on the issued and paid-up share capital of our Group.

The pro-forma effects of the Rights Issue of Shares with Warrants on the issued and paid-up share capital of our Group are as follows:

Minimum Scenario

	No. of Inix Shares	RM
Issued and paid-up share capital as at the LPD	139,089,500	13,908,950
To be issued pursuant to the Rights Issue of Shares with Warrants	88,800,000	8,880,000
	227,889,500	22,788,950
To be issued upon full exercise of Warrants	66,600,000	6,660,000
Enlarged issued and paid-up share capital	294,489,500	29,448,950

Maximum Scenario

	No. of Inix Shares	RM
Issued and paid-up share capital as at the LPD	139,089,500	13,908,950
To be issued pursuant to the Rights Issue of Shares with Warrants	278,179,000	27,817,900
	417,268,500	41,726,850
To be issued upon full exercise of the Warrants	208,634,250	20,863,425
Enlarged issued and paid-up share capital	625,902,750	62,590,275

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9.2 NA and gearing

The pro-forma effects of the Rights Issue of Shares with Warrants and Acquisition on the NA and gearing of our Group based on the audited consolidated financial statements of our Company as at 31 July 2014 are as follows:

Minimum Scenario

	(Audited) As at 31 July 2014 (RM)	(I) After Rights Issue of Shares with Warrants (RM)	(II) After (I) and Acquisition (RM)	(III) After (II) and full exercise of the Warrants (RM)
Share capital	13,908,950	22,788,950	22,788,950	29,448,950
Share premium	8,910,750	8,910,750	8,910,750	8,910,750 [(2)]
Other reserves	-	(5,034,960)[(1)]	(5,034,960)[(1)]	-
Warrants reserve	-	5,034,960 [(1)]	5,034,960 [(1)]	-
Accumulated losses	(15,105,111)	(15,905,111)[#]	(15,905,111)	(15,905,111)
Shareholders' funds/NA	7,714,589	15,794,589	15,794,589	22,454,589
No. of Inix Shares in issue	139,089,500	227,889,500	227,889,500	294,489,500
NA per Inix Share (RM)	0.06	0.07	0.07	0.08
NTA per Inix Share (RM)	0.04	0.06	0.06	0.07
Total borrowings	-	-	-	-
Gearing (times)	-	-	-	-

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Maximum Scenario

	(Audited) As at 31 July 2014 (RM)	(I) After Rights Issue of Shares with Warrants (RM)	(II) After (I) and Acquisition (RM)	(III) After (II) and full exercise of the Warrants (RM)
Share capital	13,908,950	41,726,850	41,726,850	62,590,275
Share premium	8,910,750	8,910,750	8,910,750	8,910,750 (2)
Other reserves	-	(15,772,749)(1)	(15,772,749)(1)	-
Warrants reserve	-	15,772,749(1)	15,772,749(1)	-
Accumulated losses	(15,105,111)	(15,905,111)#	(15,905,111)	(15,905,111)
Shareholders' funds/NA	7,714,589	34,732,489	34,732,489	55,595,914
No. of Inix Shares in issue	139,089,500	417,268,500	417,268,500	625,902,750
NA per Inix Share (RM)	0.06	0.08	0.08	0.09
NTA per Inix Share (RM)	0.04	0.08	0.08	0.08
Total borrowings	-	-	-	-
Gearing (times)	-	-	-	-

Notes:

\# *Taking into consideration the estimated expenses of RM800,000 for the Corporate Exercises.*

(1) *Arising from the issuance of the Warrants pursuant to the Rights Issue of Shares with Warrants. For illustration purposes, the Warrants are assumed to have a theoretical fair value of RM0.0756 derived using the Black-Scholes option pricing model.*

(2) *Exercise price of the Warrants is RM0.10 each.*

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9.3 Earnings and EPS

Barring any unforeseen circumstances, the Acquisition is expected to contribute positively to the future earnings of our Group when the benefits of the utilisation of the proceeds and benefits are realised.

Save for the effect of the defrayment costs of the estimated expenses incurred pursuant to the Corporate Exercises, the Rights Issue of Shares with Warrants is not expected to have any material impact on the earnings of our Group for the FYE 31 July 2015 and FYE 31 July 2016 as the proceeds are expected to be utilised within 36 months from the date of listing of the Rights Shares.

However, the Rights Issue of Shares with Warrants will result in a corresponding reduction in the EPS of our Company as a result of the increase in the number of Inix Shares in issue upon the completion of the Rights Issue of Shares with Warrants and as and when the Warrants are exercised for new Inix Shares.

The EPS of our Company shall be correspondingly diluted as a result of the increase in the number of Inix Shares in issue pursuant to the issuance of the Rights Shares and the new Inix Shares arising from the exercise of the Warrants. The effect of any exercise of the Warrants on our Group's consolidated EPS would be dependent on the returns generated by our Group from the utilisation of proceeds arising from the exercise of the Warrants.

The pro-forma effects of the Rights Issue of Shares with Warrants and Acquisition to the earnings and EPS of our Group assuming Rights Issue of Shares with Warrants and Acquisition had been effected as at the beginning of the FYE 31 July 2014 are as follows:

Minimum Scenario

	(Audited) **As at 31 July 2014 (RM'000)**	**(I)** **After Rights Issue of Shares with Warrants (RM'000)**	**(II)** **After (I) and Acquisition (RM'000)**	**(III)** **After (II) and full exercise of the Warrants (RM'000)**
Net loss for the financial year attributable to the owners of Inix	(1,390)	(2,190)#	(2,017)^	(2,017)
Number of Shares ('000)	132,768*	227,890	227,890	294,490
Basic LPS (sen)^	(1.05)*	(0.96)	(0.89)	(0.69)
Diluted LPS (sen)	N/A	(0.74)	(0.69)	N/A

Maximum Scenario

	(Audited) **As at 31 July 2014 (RM'000)**	**(I)** **After Rights Issue of Shares with Warrants (RM'000)**	**(II)** **After (I) and Acquisition (RM'000)**	**(III)** **After (II) and full exercise of the Warrants (RM'000)**
Profit for the financial year attributable to the owners of Inix	(1,390)	(2,190)#	(2,017)^	(2,017)
Number of Shares ('000)	132,768*	417,269	417,269	625,903
Basic LPS (sen)^	(1.05)*	(0.52)	(0.48)	(0.32)
Diluted LPS (sen)	N/A	(0.35)	(0.32)	N/A

Notes:

N/A *Not applicable as there are no dilutive potential ordinary shares.*

* *The basic LPS is as extracted from the audited financial statements of our Company for the FYE 31 July 2014 and computed based on the weighted average number of Shares.*

\# *Taking into consideration the estimated expenses of RM800,000 for the Corporate Exercises.*

^ *Incorporating our Company's 30% share of Galatic's audited PAT for the FYE 31 March 2014 of RM574,766 (i.e., 30% x RM574,766 = RM172,430).*

10. ADDITIONAL INFORMATION

10.1 Steps taken and/or will be taken by our Group to improve our financial position

As disclosed in Section 7 of Appendix II(A) of this AP, our Group's financial results showed improvement in FYE 31 July 2015 compared to its previous financial year mainly due to increased revenue. Our Group has been actively sourcing for new software development and system integration projects and at the same time made efforts to tap into Mobile Apps. As disclosed in Section 7 of Appendix II(A) of this AP, our Group secured a Mobile Apps and system integration consultancy project with a contract value of RM0.66 million. In addition, in line with our Group's efforts to improve and develop our e-books business, our Group has added two (2) new e-book titles in year 2015. Thus, as at the LPD, our Group has launched four (4) e-books. Our Group has also further increased the e-book selling channels from Apple iTunes to include Google Play store and Amazon to market our e-books to a wider audience. Notwithstanding the above, our Group will continue to source for new software developments and system integration projects.

Our Board had considered expanding our system integration services via the acquisition of an existing business with growth potential that would fit into our Group's existing business segment. On 15 May 2014, our Company announced, amongst others, the proposed acquisition of 51,000 ordinary shares of Indonesian Rupiah 10,000 each in PT Daya Putra Sukapura ("**PT Daya**") representing 51% equity interest in PT Daya for a cash consideration of up to RM7,000,000 ("**Proposed Acquisition of PT Daya**"). The Proposed Acquisition of PT Daya was an opportunity for our Group to further tap into the system integration business segment within the telecommunication and ICT industry, albeit in the Republic of Indonesia. We had earlier intended to leverage on the synergistic potential to enable our future earnings to benefit from economies of scale. However, an announcement was made on 22 December 2014 on the termination of the Proposed Acquisition of PT Daya due to regulatory issues encountered in the Republic of Indonesia wherein our Company was made to understand by the authorities that the relevant approvals for the Proposed Acquisition of PT Daya could not be obtained and hence the conditions precedent could not be fulfilled.

As such, taking into consideration the increasingly competitive business environment, our Group has considered other measures to improve our financial performance and position. Such measures include, among others, to expand and/or diversify our range of products and solutions offerings in Mobile Apps and expanding our Group's range of Apps to include Mobile Gaming (as disclosed in Note (3) of Section 4 of this AP) in order to enhance its IT business as well as through the diversification of business to include the provision of dredging and land reclamation services (as disclosed in Section 5.5 of this AP).

However, while our Company intends to proceed with the Acquisition, other plans (as disclosed in Notes (2) and (3) of Section 4 of this AP are dependent on the level of subscription of the Rights Shares and are at the preliminary stages. In this regard, we are still identifying and evaluating such opportunities and the details have not been finalised at this juncture. Once the details of the business expansion have been finalised, our Company will make the appropriate announcement(s) and seek the shareholders' prior approval pursuant to the Listing Requirements (if required).

Nevertheless, as disclosed in Section 5.5 of this AP, the Acquisition will provide an additional income stream to our Group which is part of our Group's plan to reduce our dependency on our Group's existing IT business.

10.2 Impact of the Rights Issue of Shares with Warrants and Acquisition to our Group and value creation to our Group and our shareholders

As disclosed in Section 7 of Appendix II(A) of this AP, our Group derived most of its revenue from software development and system integration and our Group's reported only minimal profits for the FYE 31 July 2012 and FYE 31 July 2013 (i.e., PAT of RM116,000 for the FYE 31 July 2012 and PAT of RM124,000 for the FYE 31 July 2013) and was loss making for the FYE 31 July 2014 and FYE 31 July 2015 (i.e., LAT of RM1.39 million for the FYE 31 July 2014 and LAT of RM44,000 for the FYE 31 July 2015). Our Group foresees that it would be difficult to obtain borrowings at favourable rates to finance the Acquisition. As such, the proceeds to be raised from the Rights Issue of Shares with Warrants will enable our Group to have the necessary funds to finance the Acquisition. This in turn will enable our Group to have an additional income stream which is expected to be a major contributor to our Group's future revenue and earnings thus resulting in the Diversification.

The above expected positive impact and value creation is further supported by the encouraging outlook of the construction industry (as set out in Section 8.3 of this AP) and dredging and land reclamation services industry (as set out in Section 8.4 of this AP) as well as the favourable future prospects of Galactic (as set out in Section 8.5 of this AP). Furthermore, it should be noted that the Rights Issue of Shares with Warrants, Acquisition and Diversification are inter-conditional thus emphasising our Company's commitment to improve our Group's financial performance and position and in turn, enhancing our shareholders' value.

The Rights Issue of Shares is undertaken on a Minimum Subscription Level basis as the funds to be raised based on the Minimum Scenario will mainly be utilised for the Acquisition. In the event the actual level of subscription for the Rights Issue of Shares with Warrants is higher than the Minimum Subscription Level / Minimum Scenario, our Group will have the opportunity to undertake the plans set out in Notes (2) and (3) of Section 4 of this AP more expeditiously thus further widening our sources of potential revenue and earnings.

The increase in the number of Inix Shares arising from the Rights Issue of Shares with Warrants and exercise of the Warrants will have a dilutive impact on the EPS and shareholdings of the existing shareholders of Inix. Despite the said dilutive effect, the Rights Issue of Shares with Warrants is expected to have a positive impact on the earnings of our Group by providing the necessary funding for the purposes as stated in Section 4 of this AP. Under the Maximum Scenario, the Rights Issue of Shares with Warrants will involve the issuance of new Inix Shares without diluting the existing shareholders' equity interest assuming all shareholders fully subscribe for their entitlements and exercise their Warrants subsequently.

Premised on the above and taking into consideration the steps taken and/or to be taken by our Group to improve our financial performance and position as mentioned above and the proposed utilisation of proceeds as set out in Section 4 of this AP, our Board is of the view that the Rights Issue of Shares with Warrants is adequate to address our Group's current financial concerns.

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11. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

11.1 Working capital

Our Board is of the opinion that after taking into consideration the proceeds from the Rights Issue of Shares with Warrants, cash in hand, funds generated from our operation and banking facilities available, our Group will have adequate working capital to meet our current IT business and provision of dredging and land reclamation services business requirements for the next twelve (12) months from the date of this AP.

11.2 Borrowings

As at the LPD, our Group has no borrowings.

11.3 Contingent liabilities

As at the LPD, there are no contingent liabilities incurred or known to be incurred by our Company or our Group, which may have material impact on the financial position of our Group.

11.4 Material commitments

As at the LPD, save of the Purchase Consideration, there is no material commitment incurred or known to be incurred by our Group which, upon becoming enforceable, may have material impact on our Group's financial position.

12. TERMS AND CONDITIONS

The issuance of the Rights Shares and Warrants pursuant to the Rights Issue of Shares with Warrants is governed by the terms and conditions as set out in this AP, the Deed Poll, the NPA and the RSF enclosed herewith.

13. FURTHER INFORMATION

You are requested to refer to the attached appendices for further information.

Yours faithfully
For and behalf of the Board of
INIX TECHNOLOGIES HOLDINGS BERHAD

CHOW HUNG KEEY
Executive Director

CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION IN RELATION TO THE RIGHTS ISSUE OF SHARES WITH WARRANTS PASSED AT OUR EGM

INIX TECHNOLOGIES HOLDINGS BERHAD
(Company No. 665797-D)
(Incorporated in Malaysia)

Certified Extract of the Minutes of the Extraordinary General Meeting of the Company held on 21 August 2015

ORDINARY RESOLUTION 1

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 278,179,000 NEW ORDINARY SHARES OF RM0.10 EACH IN INIX ("INIX SHARES" OR "SHARES") ("RIGHTS SHARES") ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING INIX SHARE HELD, TOGETHER WITH UP TO 208,634,250 FREE DETACHABLE WARRANTS ("WARRANTS") ON THE BASIS OF THREE (3) WARRANTS FOR EVERY FOUR (4) RIGHTS SHARES SUBSCRIBED AT AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED RIGHTS ISSUE OF SHARES WITH WARRANTS")

It is hereby **RESOLVED**:-

"**THAT**, subject to the passing of Ordinary Resolution 2, Ordinary Resolution 3, Ordinary Resolution 12 and Special Resolution 1 and the approvals of all relevant parties and/or authorities being obtained (where required), the Board of Directors of the Company ("**Board**") be and is hereby authorised:

(i) to provisionally allot and issue by way of renounceable rights issue of up to 278,179,000 Rights Shares on the basis of two (2) Rights Shares for every one (1) existing Inix Share held, together with up to 208,634,250 Warrants on the basis of three (3) Warrants for every four (4) Rights Shares subscribed by the shareholders of Inix whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined later by the Board;

(ii) to determine the final issue price of the Rights Shares after taking into consideration the following:

   (a) the theoretical ex-all price ("**TEAP**") of Inix Shares based on the five (5)-day volume weighted average market price ("**5D-VWAP**") of Inix Shares immediate preceding the price fixing date;

   (b) a discount to the TEAP (based on the 5D-VWAP of Inix Shares immediately preceding the price fixing date) of between 10% and 40%;

   (c) the prevailing market sentiments at the point of price fixing; and

   (d) the par value of Inix Shares of RM0.10 each.

(iii) to determine the final exercise price of the Warrants after taking into consideration the following:

   (a) the theoretical ex-rights price ("**TERP**") of Inix Shares based on the 5D-VWAP of Inix Shares up to and inclusive of the price fixing date;

   (b) a discount to the TERP (based on the 5D-VWAP of Inix Shares immediately preceding the price fixing date) of between 10% and 40%;

   (c) the prevailing market prices of Inix Shares; and

INIX TECHNOLOGIES HOLDINGS BERHAD
(Company No. 665797-D)
Extract Minutes of the Extraordinary General Meeting held on 21 August 215 (Cont'd)

(d) the par value of Inix Shares of RM0.10 each.

(iv) to enter into and execute the deed poll in relation to the Proposed Rights Issue of Shares with Warrants ("**Deed Poll**") and to do all acts, deeds and things as they may deem fit or expedient in order to implement, finalise and give full effect to the aforesaid Deed Poll; and

(v) to utilise the proceeds to be derived from the Proposed Rights Issue of Shares with Warrants in the manner as set out in Section 2.1.7 of the circular to shareholders dated 30 July 2015 ("**Circular**") and to vary the manner and/or purpose of utilisation of such proceeds as they may deem fit and in the best interest of the Company.

THAT the Rights Shares with Warrants which are not taken up or validly taken up shall be made available for excess applications by the entitled shareholders and/or their renouncee(s) (if applicable) and such excess Rights Shares with Warrants shall be allocated in a fair and equitable manner on a basis to be determined by the Board and announced later by the Company.

THAT such Warrants are constituted by the terms and conditions of the Deed Poll.

THAT the Company shall allot and issue such appropriate number of new Inix Shares arising from the exercise by the holders of Warrants in accordance with the provisions of the Deed Poll.

THAT the Rights Shares and the new Inix Shares to be issued arising from the exercise of the Warrants shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing Inix Shares, save and except that the Rights Shares and the new Inix Shares shall not be entitled to any dividends, rights, allotments and/or other forms of distributions, the entitlement date of which is prior to the date of issuance and allotment of the Rights Shares and the new Inix Shares arising from the exercise of the Warrants.

AND THAT the Board be and is hereby authorised to take all such necessary steps to give full effect to the Proposed Rights Issue of Shares with Warrants with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities or deemed necessary by the Board, and to take all steps and to do all such acts and matters as they may consider necessary or expedient to implement, finalise and give full effect to the Proposed Rights Issue of Shares with Warrants."

CERTIFIED AS TRUE COPY BY:

....	....
DR. AZMAN BIN HUSSIN	WONG YOUN KIM
Director	(MAICSA 7018778)
	Company Secretary

1. HISTORY OF OUR BUSINESS

Our Company was incorporated in Malaysia as a public limited company under the Act on 13 September 2004.

Our Company was listed on the ACE Market (then known as MESDAQ Market) of Bursa Securities on 1 September 2005.

Our Company is principally involved in investment holding and supply of software development and system integration. Its subsidiaries are involved in software development, system integration, information technology management consultancy and other related professional services as well as selling of e-books

Further details of the principal activities of our subsidiaries are set out in Section 6 of this Appendix.

2. SHARE CAPITAL

Our authorised and issued and paid-up share capitals as at the LPD are as follows:

Type	No. of Shares	Par value RM	Total RM
Authorised share capital	1,000,000,000	0.10	100,000,000
Issued and fully paid-up share capital	139,089,500	0.10	13,908,950

There is no change in our authorised share capital for the past three (3) years up to the LPD.

The changes in our issued and paid-up share capital for the past three (3) years up to the LPD is set out below:

Date of allotment	No. of Shares allotted	Par value RM	Consideration / Type of issue	Cumulative issued and paid-up share capital RM
30 October 2013	12,644,500	0.10	Private placement	13,908,950

As at the LPD, our Company does not have any convertible securities.

3. BOARD OF DIRECTORS

Please refer to Corporate Directory on page 1 of this AP for details of the age, profession, nationality, designation and address of our Board.

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4. DIRECTORS' SHAREHOLDINGS

The Acquisition will not have any effect on the shareholdings of our Board. The pro forma effects of the Rights Issue of Shares with Warrants on the shareholdings of our Board based on their shareholdings in our Company as at the LPD are as follows:

Minimum Scenario

	As at the LPD				(I) After Rights Issue of Shares with Warrants			
	Direct		Indirect		Direct		Indirect	
Name	**No. of Inix Shares**	**%**	**No. of Inix Shares**	**%**	**No. of Inix Shares**	**%**	**No. of Inix Shares**	**%**
ABH	-	-	21,249,311*	15.28	-	-	73,747,933*	32.36
Dato' Megat Fairouz Junaidi Bin Megat Junid	-	-	-	-	-	-	-	-
Chow Hung Keey	-	-	-	-	-	-	-	-
Mohd Anuar Bin Mohd Hanadzlah	500,000	0.36	-	-	500,000	0.22	-	-
Dr Folk Jee Yoong	-	-	-	-	-	-	-	-
Dato' Zaidi Bin Mat Isa @ Hashim	-	-	-	-	-	-	-	-
Yeo Wee Kiat	305,000	0.22	-	-	305,000	0.13	-	-

	(II) After (I) and full exercise of the Warrants			
	Direct		Direct	
Name	**No. of Inix Share**	**%**	**No. of Inix Shares**	**%**
ABH	-	-	113,121,899 *	38.41
Dato' Megat Fairouz Junaidi Bin Megat Junid			-	-
Chow Hung Keey	-	-	-	-
Mohd Anuar Bin Mohd Hanadzlah	500,000	0.17	-	-
Dr Folk Jee Yoong	-	-	-	-
Dato' Zaidi Bin Mat Isa @ Hashim	-	-	-	-
Yeo Wee Kiat	305,000	0.10	-	-

Maximum Scenario

Name	As at the LPD				(I) After Rights Issue of Shares with Warrants			
	Direct		Indirect		Direct		Indirect	
	No. of Inix Shares	%	No. of Inix Shares	%	No. of Inix Shares	%	No. of Inix Shares	%
ABH	-	-	21,249,311*	15.28	-	-	63,747,933*	15.28
Dato' Megat Fairouz Junaidi Bin Megat Junid	-	-	-	-	-	-	-	-
Chow Hung Keey	-	-	-	-	-	-	-	-
Mohd Anuar Bin Mohd Hanadzlah	500,000	0.36	-	-	1,500,000	0.36	-	-
Dr Folk Jee Yoong	-	-	-	-	-	-	-	-
Dato' Zaidi Bin Mat Isa @ Hashim	-	-	-	-	-	-	-	-
Yeo Wee Kiat	305,000	0.22	-	-	915,000	0.22	-	-

Name	(II) After (I) and full exercise of the Warrants			
	Direct		Direct	
	No. of Inix Share	%	No. of Inix Shares	%
ABH	-	-	95,621,899 *	15.28
Dato' Megat Fairouz Junaidi Bin Megat Junid			-	-
Chow Hung Keey	-	-	-	-
Mohd Anuar Bin Mohd Hanadzlah	2,250,000	0.36	-	-
Dr Folk Jee Yoong	-	-	-	-
Dato' Zaidi Bin Mat Isa @ Hashim	-	-	-	-
Yeo Wee Kiat	1,372,500	0.22	-	-

Note:

* *Deem interested by virtue of his interest through EDS pursuant to Section 6A of the Act.*

5. SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

The Acquisition will not have any effect on the shareholdings of our substantial shareholders. The pro forma effects of the Rights Issue of Shares with Warrants on the shareholdings of our substantial shareholders based on their shareholdings as at the LPD are as follows:

Minimum Scenario

	As at the LPD				(I) After Rights Issue of Shares with Warrants			
	Direct		Indirect		Direct		Indirect	
Name	**No. of Inix Shares**	**%**	**No. of Inix Shares**	**%**	**No. of Inix Shares**	**%**	**No. of Inix Shares**	**%**
EDS	21,249,311	15.28	-	-	73,747,933	32.36	-	-
ABH	-	-	21,249,311*	15.28	-	-	73,747,933*	32.36
GBS	5,845,900	4.20	-	-	17,045,900	7.48	-	-
MVL	3,825,500	2.75	-	-	28,926,878	12.69	-	-

	(II) After (I) and assuming full exercise of the Warrants			
	Direct		Indirect	
Name	**No. of Inix Shares**	**%**	**No. of Inix Shares**	**%**
EDS	113,121,899	38.41	-	-
ABH	-	-	113,121,899*	38.41
GBS	25,445,900	8.64	-	-
MVL	47,752,911	16.22	-	-

Maximum Scenario

	Audited as at LPD				(I) After Rights Issue of Shares with Warrants			
	Direct		Indirect		Direct		Indirect	
Name	**No. of Inix Shares**	**%**	**No. of Inix Shares**	**%**	**No. of Inix Shares**	**%**	**No. of Inix Shares**	**%**
EDS	21,249,311	15.28	-	-	63,747,933	15.28	-	-
ABH	-	-	21,249,311*	15.28	-	-	63,747,933 *	15.28

	(II) After (I) and assuming full exercise of the Warrants			
	Direct		Indirect	
Name	**No. of Inix Shares**	**%**	**No. of Inix Shares**	**%**
EDS	95,621,899	15.28	-	-
ABH	-	-	95,621,899 *	15.28

Note:

* *Deem interested by virtue of his interest through EDS pursuant to Section 6A of the Act.*

6. SUBSIDIARIES AND ASSOCIATED COMPANIES

The details of our subsidiaries are as follows:

Company	Date and place of incorporation	Principal activities	Issued and paid-up share capital (RM)	Effective equity interest (%)
Ansi Systems Sdn Bhd (612355-D)	15 April 2003, Malaysia	Software development, system integration and selling of books.	1,667,146	100.0
NCSoft Sdn Bhd (907591-H)	12 July 2010, Malaysia	Software development, system integration, information technology management consultancy and other related professional services.	1,000,000	100.0
Inix Network Sdn Bhd (1031935-A)	17 January 2013, Malaysia	System integration, information technology management consultancy and other related professional services.	2	100.0

We do not have any associated companies as at the LPD.

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7. PROFIT AND DIVIDEND RECORDS

The profit and dividend records based on our Group's audited consolidated financial statements for the past three (3) FYE 31 July 2012 to FYE 31 July 2014, as well as the latest unaudited consolidated financial results for the FYE 31 July 2015 are as follows:

	<----Audited		**---->**	**<-Unaudited->**
	<----FYE 31 July			**---->**
	2012	**2013**	**2014**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue[1]:				
- Software development and system integration				
- Subsidiaries	4,800	4,641	4,935	4,784
- Company [2]	-	11	11	444
- Sale of e-books	7	17	6	2
	4,807	4,669	4,952	5,230
Cost of sales	(254)	(26)	(255)	(60)
GP	4,553	4,643	4,697	5,170
Other income	18	13	19	78
Selling and marketing expenses	(1)	-	-	(6)
Administration expenses[2]	(285)	(837)	(5,516)	(4,150)
R&D expenses[2]	(2,913)	(3,695)	(590)	(325)
Other expenses	(204)	-	-	(809)
PBT/(LBT)	1,168	124	(1,390)	(42)
Taxation	-	-	- *	(2)
Loss from discontinued operations	(1,052)[3]	-	-	-
PAT/(LAT)	116	124	(1,390)	(44)
Profit/ (Loss) attributable to:				
Equity holders of the Company	116	124	(1,390)	(44)
EBITDA / (LBITDA)	126	629	(630)	716

	<----------Audited----------	----FYE 31 July----	---------->	<-Unaudited->
	2012	**2013**	**2014**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Weighted average number of Inix Shares ('000)	126,445	126,445	132,768	139,090
Number of Inix Shares in issue ('000)	126,445	126,445	139,090	139,090
Basic EPS/(LPS) (sen)	0.09	0.10	(1.05)	(0.03)
Diluted EPS (sen)	N/A	N/A	N/A	N/A
NA	7,463	7,587	7,715	7,670
GP margin (%)	94.72	99.44	94.85	98.85
PBT/ (LBT) margin (%)	24.30	2.66	(28.07)	(0.80)
PAT/ (LAT) margin (%)	2.41	2.66	(28.07)	(0.84)
Dividend (Sen)	-	-	-	-

Notes:

(1) *The breakdown of revenue is based on our Group's segment information.*

(2) *In the FYE 31 July 2014, our Group reclassified certain R&D related expenses into administration expenses as the R&D expenses were directly attributable to operating/workforce expenses for the project implementation and development of new software solutions.*

(3) *In the FYE 31 July 2012, our Company disposed of the integrated intelligent wireless security, automation and close-circuit television surveillance systems business to streamline our Group's operation thus relieving our Group from incurring further losses from the said business.*

* *Insignificant*

N/A *Not applicable as there are no dilutive potential ordinary shares.*

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Commentaries:

FYE 31 July 2013 compared to FYE 31 July 2012

Revenue for our Group decreased by approximately RM0.14 million or 2.87% from approximately RM4.81 million for the FYE 31 July 2012 to approximately RM4.67 million for the FYE 31 July 2013 mainly due to the decrease in revenue contribution from software development and system integration. The revenue derived from the software development and system integration was on project basis. As such fluctuations in revenue was a common occurrence. Our Group however tried to minimise such impacts by securing sufficient projects year-on-year. Notwithstanding the decreased revenue, our Group recorded a slight improvement in GP of RM90,000 or 1.98% and an improvement in GP margin from 94.72% for the FYE 31 July 2012 to 99.44% for the FYE 31 July 2013 mainly due lower cost of inventories (comprising mainly hardwares and softwares).

Our Group recorded a lower PBT by approximately RM1.04 million or 89.38% from approximately RM1.17 million for the FYE 31 July 2012 to approximately RM0.12 million for the FYE 31 July 2013 mainly due to higher administration and R&D expenses (in the form of operating/workforce expenses needed to implement projects and develop new solutions) in the FYE 31 July 2013. The development efforts were mainly focussed on the e-book e-commerce portal and software enhancements while integrating and implementing a customer-specific project into a product with resale opportunities.

During the FYE 31 July 2012, our Company commenced its sale of e-books business. The successful launch of the sale of e-books segment on 28 March 2012 by our Company provided our Group with an avenue to further expand into mobile application version.

FYE 31 July 2014 compared to FYE 31 July 2013

Revenue for our Group increased by approximately RM0.28 million or 6.06% from approximately RM4.67 million for the FYE 31 July 2013 to approximately RM4.95 million for the FYE 31 July 2014 mainly due to the increase in revenue contribution from software development and system integration. The increased revenue was due to the new contracts secured by our Group for software development and system integration. In line with the increased revenue, our Group recorded a slight increase in GP of RM54,000 or 1.16% while GP margin decreased from 99.44% for the FYE 31 July 2013 to 94.85% for the FYE 31 July 2014 mainly due higher cost of inventories (comprising mainly hardwares and softwares).

Nevertheless, our Group recorded a LAT of RM1.39 million for the FYE 31 July 2014 compared to a PAT of approximately RM0.12 million for the FYE 31 July 2013. The loss for the FYE 31 July 2014 was mainly due to the increased administration and R&D expenses (in the form of operating/workforce expenses incurred for the project implementation and development of new software solutions). The development efforts were mainly focussed on the e-commerce portal, new software integrated solution with mobile apps function and also enhancing some software developed while integrating and implementing a customer-specific project into a product for higher resale value opportunities.

FYE 31 July 2015 compared to FYE 31 July 2014

Our Group recorded higher revenue by approximately RM0.28 million or 5.61% from approximately RM4.95 million for the FYE 31 July 2014 to approximately RM5.23 million for the FYE 31 July 2015, mainly due to higher revenue contribution from software development and system integration derived by our Company. Our Group secured a Mobile Apps and system integration consultancy project with a contract of RM0.66 million during the FYE 31 July 2015. The portion of the said contract value attributable to our Company (for Mobile Apps) was RM0.44 million while the balance of RM0.22 million was for system integration carried out by our other subsidiaries. In line with the increased revenue, our Group recorded an increase in GP of RM0.47 million or 10.07% and GP margin increased in tandem from 94.85% for the FYE 31 July 2014 to 98.85% for the FYE 31 July 2015.

For the FYE 31 July 2015, our Group recorded a LAT of approximately RM44,000 compared to a LAT of approximately RM1.39 million for the FYE 31 July 2014. The said improvement in the financial results was mainly attributable to the higher revenue as well as lower administration and R&D expenses (i.e., operating/workforce expenses directly attributable for project implementation and development of new software solutions) recorded for the current financial year.

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8. HISTORICAL PRICES OF INIX SHARES

The monthly high and low transacted prices of Inix Shares for the past twelve (12) months from October 2014 to September 2015 are as follows:

	High RM	Low RM
2014		
October	0.175	0.130
November	0.145	0.130
December	0.150	0.085
2015		
January	0.200	0.130
February	0.175	0.150
March	0.190	0.140
April	0.230	0.160
May	0.165	0.140
June	0.145	0.125
July	0.200	0.120
August	0.165	0.125
September	0.170	0.125

Last transacted market price on 13 March 2015 (being the last trading date prior to the Announcement of, amongst others, the Rights Issue of Shares with Warrants) was RM0.165 per Inix Share.

Last transacted market price on 30 September 2015 (being the LPD prior to printing of this AP) was RM0.150 per Inix Share.

Last transacted market price on 21 October 2015 (being the last day on which Inix Shares were traded prior to the ex-date of the Rights Issue of Shares with Warrants) was RM0.180 each.

(Source: Bloomberg Finance L.P.)

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1. History and business of Galactic

Galactic was incorporated in Malaysia on 22 March 2010 under the name Landmark Vintage Sdn Bhd, under the Act as a private limited company and changed its company name to Xinjunye Shipping (Malaysia) Sdn Bhd on 9 April 2010. Galactic adopted its current company name since 27 March 2013.

Galactic commenced its business operations on 6 April 2010 and is principally involved in the provision of reclamation dredging and environmental protection dredging services. Since its inception, Galactic has been primarily engaged to provide dredging services for land reclamation in urban development projects.

Dredging involves preserving or enhancing the navigability of waterways by removing soil, sand or rock or the transfer of marine bottom materials to other locations for environmental purposes or for land creation. Reclamation dredging involves transferring material removed from sea or river-beds to another location in order to raise the surface above the water level and thereby increase land availability or utility. Environmental protection dredging involves the removal of contaminated sediment, pollutants or other material from navigation channels to improve water quality, restore aquatic ecosystems or to promote other similar environmental interests.

The following three (3) processes comprise key activities in dredging operations:

(i) Submarine excavation

Submarine excavation involves the dislodgement and removal of sediment or rock from the bed of a body of water. A dredger can be used to excavate material either hydraulically or mechanically. Hydraulic dredgers include all dredging equipment that make use of centrifugal pumps for moving the dredged materials, either by raising material out of the water or horizontally transporting materials to another site via conveyor belt transport, pipelines or barges. Mechanical dredgers, similar to dry land excavators, excavate and discharge dredged materials into barges which are then transported to a separate site for utilisation or disposal.

Galactic owns and operates one (1) dredger, namely a suction dredger. Suction dredgers are classified as hydraulic dredgers. The suction dredger is a stationary dredger where a suction pipe is vertically pushed into a sand deposit. If needed, water jets are used to bring the sand up. The sand is then loaded onto conveyor sand pump vessels for transportation to the reclamation site.

(ii) Transport of excavated material

Hydraulic dredgers transport dredged material via trucks, barges and conveyor belts to the reclamation site, or through a system of pumps and pipes (a 'pump off system') directly to the site. Mechanical dredgers typically pick up and place the dredged material on a barge which then transports the material to a relocation site by trucks, barges or conveyor belts.

Galactic transports dredged materials from a dredging site to the reclamation site, or stockpile area, via conveyor sand pump vessels. Galactic owns and operates four (4) conveyor sand pump vessels. All the four (4) conveyor sand pump vessels are mechanical sand pumps.

(iii) Utilisation or disposal of dredged material

Galactic typically selects an utilisation or disposal method based on the project purpose, economics and physical properties of the dredged material. In reclamation dredging, new land area is formed from dredged material. For environmental protection dredging, the general objective is typically to remove contaminated sediment, pollutants or other similar material.

Most of Galactic's current dredging services lead to onshore or near-shore disposal of dredged material to create new land area for urban development. Dredge slurries are dried through a process known as dewatering and can be used to create new land.

Galactic uses a dredger and conveyor sand pump vessels to carry out dredging works. The following table sets forth information regarding the vessels owned and operated by Galactic:

Vessel name	Type of vessel	Year built	Acquisition date	Brief description of the vessels
*GM1	Suction dredger (Hydraulic and mechanical)	2003	2011	Design to dredge 1,500 cubic metre per hour and to undertake marine construction services such as land reclamation, dredging and others.
GM2	Conveyor sand pump vessel (Mechanical)	2004	2011	Design with a holding capacity of 1,300 cubic metre and to undertake marine construction services such as land reclamation, dredging and others.
GM3	Conveyor sand pump vessel (Mechanical)	2008	2011	Design with a holding capacity of 1,100 cubic metre and to undertake marine construction services such as land reclamation, dredging and others.
GM5	Conveyor sand pump vessel (Mechanical)	2009	2010	Design with a holding capacity of 1,280 cubic metre and to undertake marine construction services such as land reclamation, dredging and others.
GM6	Conveyor sand pump vessel (Mechanical)	2010	2010	Design with a holding capacity of 1,280 cubic metre and to undertake marine construction services such as land reclamation, dredging and others.

Note:

* *GM1 was converted from a conveyor sand pump vessel into a suction dredger in 2013.*

As at the LPD, for dredging and reclamation works carried out for Listari Marina (MM2H) Sdn Bhd (formerly known as Listari Marine Sdn Bhd), Galactic is currently utilising its conveyor sand pump vessels GM2, GM3, GM5 and GM6. One (1) suction dredger, namely GM1, is currently idle.

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The principal market of Galactic is in Malaysia and all the revenues are currently derived from Malaysia. As at the LPD, Galactic has completed seven (7) projects in Malaysia since the inception of its business and the details of the completed projects are set out as follows:

Commencement month	**Completion month**	**Clients**	**Project value (RM' 000)**	**Project details and work scope**
May 2013	May 2014	Samudera Wibawa Sdn Bhd	4,239	Reclamation works in Melaka.
April 2013	August 2014	Listari Marina (MM2H) Sdn Bhd (formerly known as Listari Marine Sdn Bhd) ("**Listari**")*	8,694	Contract for transport, delivery and discharge of sea sand for 30 acres reclamation project at Klebang, Melaka.
July 2012	August 2012	Ragawang Corporation Sdn Bhd	484	Reclamation works for The Hibiscus project at Pekan Sungai Menyala, Port Dickson, Negeri Sembilan.
June 2012	November 2012	Jun Yan Marine Work (M) Sdn Bhd	528	Reclamation works for The Hibiscus project at Pekan Sungai Menyala, Port Dickson, Negeri Sembilan.
April 2012	June 2012	SJN Teguh Sdn Bhd	278	Reclamation works for The Hibiscus project at Pekan Sungai Menyala, Port Dickson, Negeri Sembilan.
September 2011	December 2012	Benelac Diversity Sdn Bhd (formerly known as Arus Kreatif Sdn Bhd)	5,959	Loading, transporting and unloading of sea sand at designated stockpile area at Lot 146872 (PT74081), Lebuhraya Pulau Indah, Mukim Klang, Daerah Klang, Selangor.
May 2011	March 2013	Benalec Maritime Sdn Bhd	15,850	Reclamation works at Klebang, Melaka, Daerah Melaka Tengah, Melaka.

Note:

* *Tengku Shamsulbhari B. Tengku Azman Shah who is a director of Galactic is also a director and shareholder of Listari.*

As at the LPD, the current contracts in hand of Galactic are as follows:

Date of award	**Commencement month**	**Expected completion month**	**Clients**	**Project value (RM'000)**	**Balance order book as at the LPD (RM' 000)**	**Stage of completion as at the LPD^ %**	**Project details and work scope**
31 October 2014	October 2014	July 2016	Halcon Primo Logistics (M) Sdn Bhd	15,400	9,052	41.22	Sea sand dredging, transportation and discharge of sea sand at appointed concession area and discharging at reclamation site, Melaka, Malaysia.
2 July 2014	April 2015	September 2017	Listari*	16,000	11,000	31.25	Reclamation of 170 acres at Mukim Klebang, Daerah Melaka Tengah, Melaka, Malaysia.

Notes:

^ *The stage of completion as at LPD above is based on the amount billed up to the LPD.*

* *Tengku Shamsulbhari B. Tengku Azman Shah who is a director of Galactic is also a director and shareholder of Listari.*

As at the LPD, Galactic has not submitted any tender for new projects.

Save for Listari, the other project owners listed above are not directors and/or substantial shareholders of Galactic or persons connected with them in respect of the current and/or past projects undertaken / completed by Galactic.

2. Share capital

As at the LPD, the authorised and the issued and paid-up share capital of Galactic are as follows:

	No. of Galactic Shares	Amount (RM)
Galactic		
Authorised	25,000.000	25,000,000
Issued and paid-up	13,500,000	13,500,000

3. Directors and director's shareholdings

The details of the directors and their respective shareholdings in Galactic as at the LPD are as follows:

	Designation	Nationality	Direct No. of Galactic Shares	%	Indirect No of Galactic Shares	%
YX	Director	PRC	5,265,000	39.0	-	-
Dou Jun	Director	PRC	1,350,000	10.0	-	-
Tengku Shamsulbhari B. Tengku Azman Shah	Director	Malaysian	-	-	-	-
Abd Jalil Bin Bohari	Director	Malaysian	-	-	-	-

4. Substantial shareholders' shareholdings

The substantial shareholders of Galactic and their respective shareholdings in Galactic as at the LPD are as follows:

	Nationality/ Country of incorporation	Direct No. of Galactic Shares	%	Indirect No. of Galactic Shares	%
Dou Jun	PRC	1,350,000	10.0	-	-
GYEL	BVI	6,885,000	51.0	-	-
YX	PRC	5,265,000	39.0	-	-

The substantial shareholders of GYEL and their respective shareholdings in GYEL as at the LPD are as follows:

	Nationality	Direct No. of shares	%	Indirect No. of shares	%
Lim Fap Khoon	Malaysian	3,300,000	66.0	-	-
GBS	Malaysian	900,000	18.0	-	-
Huang You Jun	PRC	400,000	8.0	-	-
Wang Hong	PRC	400,000	8.0	-	-

5. Material commitments and contingent liabilities

As at the LPD, there are no material commitments and/or contingent liabilities incurred or known to be incurred by Galactic that will have a material adverse effect on Galactic's financial position.

6. Material contracts

Galactic has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the past two (2) years immediately preceding the date of this AP.

7. Material litigations, claims or arbitration

As at the LPD, Galactic is not engaged in any material litigations, claims or arbitration, either as plaintiff or defendant and the directors of Galactic are not aware of any proceedings pending or threatened against Galactic or any facts likely to give rise to any proceedings, which may materially and/or adversely affect the financial position or business of Galactic.

8. Summary of the historical financial information of Galactic

A summary of the financial information of Galactic for the latest three (3) audited FYE 31 March 2012 to FYE 31 March 2014 are as follows:

	<------------------------Audited-------------------->		
	FYE 31 March 2012	**FYE 31 March 2013**	**FYE 31 March 2014**
	RM '000	**RM '000**	**RM '000**
Revenue	11,086	12,259	9,229
Cost of sales	(5,983)	(6,869)	(2,802)
GP	5,103	5,390	6,427
Other operating income	-	13	14
Administrative expenses	(3,873)	(3,754)	(3,394)
Finance cost	(2)	(4)	(9)
PBT	1,228	1,645	3,038
Tax expense	(204)	145	(2,463)
PAT	1,024	1,790	575
Profit/ (Loss) attributable to:			
Equity holders of the company	1,024	1,790	575
EBITDA	3,200	2,969	4,695
Weighted average number of Galactic Shares ('000)	500	7,374	13,500
Number of Galactic Shares in issue ('000)	500	13,500	13,500
Basic EPS (sen)	204.77	24.28	4.26
Diluted EPS (sen)	N/A	N/A	N/A
GP margin (%)	46.03	43.96	69.64
PBT margin (%)	11.07	13.42	32.91
PAT margin (%)	9.24	14.60	6.23

Notes:

N/A Not applicable as there are no dilutive potential ordinary shares.

Galactic has changed its current financial year end of 31 March to 31 July commencing from the current financial period ended 31 July 2015.

Commentaries:

(a) FYE 31 March 2013 compared to FYE 31 March 2012

Galactic's revenue increased by RM1.17 million or 10.58% from RM11.09 million for the FYE 31 March 2012 to RM12.26 million for the FYE 31 March 2013. The increased revenue was mainly due to Galactic's new reclamations projects that were located in Port Dickson and Pulau Indah, Klang. In line with the increased revenue, Galactic recorded an improvement in GP of RM0.29 million or 5.62% while GP margin decreased from 46.03% for the FYE 31 March 2012 to 43.96% for the FYE 31 March 2013 mainly due to higher operating cost incurred (i.e., higher upkeep costs of ships) due to commencement of the said new projects. The upkeep of ships was for, among others, purchase of tools and engineer spare parts for the repairing of engines, replacement of the conveyor belts, chains as well as maintenance for the pipes for the sand pump.

The increase in PBT of RM0.42 million or 34.0% from RM1.23 million for the FYE 31 March 2012 to RM1.65 million for the FYE 31 March 2013 was also attributable to the increased revenue. Notwithstanding the lower GP margin there was an improvement to the PBT and PAT margins for the FYE 31 March 2013 were attributable to lower depreciation expenses (due to the disposal of a conveyor sand pump vessel) and a write-back of deferred taxation of RM0.21 million against income tax expense in FYE 31 March 2013 (mainly due to the said disposal)**.**

There was no accounting policy adopted that is peculiar to Galactic and no audit qualification in the financial statements for the above financial years under review.

(b) FYE 31 March 2014 compared to FYE 31 March 2013

Galactic's revenue decreased by RM3.03 million or 24.71% from RM12.26 million for the FYE 31 March 2013 to RM9.23 million for the FYE 31 March 2014. The decreased revenue was attributed to the completion of the reclamation projects that were located in Port Dickson and Pulau Indah, Klang in August 2013. Notwithstanding the decrease in revenue, Galactic recorded an improvement in GP of RM1.04 million or 19.25% and GP margin also increased from 43.96% for the FYE 31 March 2013 to 69.64% for the FYE 31 March 2014 mainly due to lower operating costs (i.e., lower petrol and diesel expenses as well as lower upkeep costs of ships). The operating costs were lower as such costs were the balance / tail-end project costs being incurred as the projects approached completion. Furthermore, most of the major repairs of the ships were carried out during the FYE 31 March 2013 and therefore resulted in lower upkeep costs of ships for the FYE 31 March 2014. The lower petrol and diesel expenses were due to lower consumption of petrol and diesel as the projects approached completion as well as lower diesel price during the FYE 31 March 2014 compared to the FYE 31 March 2013. In addition, the conversion of a conveyor sand pump vessel into a suction dredger (vessel GM1) in 2013 resulted in increased productivity as compared with conventional sand pumps as the said suction dredger was able to dredge, hold and transport sand.

In line with the improved GP, Galactic's PBT increased by RM1.39 million or 84.66% from RM1.65 million for the FYE 31 March 2013 to RM3.04 million for the FYE 31 March 2014. The increased PBT and improved PBT margin were also due to lower staff costs.

Galactic's PAT decreased by RM1.22 million or 67.89% from RM1.79 million for the FYE 31 March 2013 to RM0.57 million for the FYE 31 March 2014 due to provision for deferred taxation of RM2.40 million in the FYE 31 March 2014. The said provision of deferred taxation resulted from the purchase of one (1) motor vehicle of RM0.15 million, and ship equipments and improvements made to Galactic's existing vessels amounting to RM2.94 million as well as underprovision of deferred tax in prior year thus giving rise to a deferred tax liability of RM2.40 million in the FYE 31 March 2014.

There was no accounting policy adopted that is peculiar to Galactic and no audit qualification in the financial statements for the above financial years under review.

9. Group structure of Galactic

As at the LPD, Galactic does not have any subsidiary nor associated company.

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UHY

UHY (AF1411)
Chartered Accountants
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Phone +60 3 2279 3088
Fax +60 3 2279 3099
Email uhykl@uhy.com.my
Web www.uhy.com.my

Date: 15 OCT 2015

The Board of Directors
Inix Technologies Holdings Berhad
No. 38, Jalan Dagang SB 4/2
Taman Sungai Besi Indah
43300 Seri Kembangan
Selangor Darul Ehsan

Dear Sirs,

INIX TECHNOLOGIES HOLDINGS BERHAD ("INIX" OR "THE COMPANY") AND ITS SUBSIDIARIES (COLLECTIVELY KNOWN AS "INIX GROUP" OR "THE GROUP") PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2014

We have completed our assurance engagement to report on the compilation of Pro forma Consolidated Statements of Financial Position of the Inix Group as at 31 July 2014, together with the accompanying notes thereto which have been prepared by the Directors of the Company ("Directors").

The Pro forma Consolidated Statements of Financial Position are prepared for illustrative purposes only and for the inclusion in the Abridged Prospectus to the shareholders of Inix in connection with the following proposals:

(i) renounceable rights issue of up to 278,179,000 new ordinary shares of RM0.10 each in Inix ("Inix Shares" or "Shares") ("Rights Shares") on the basis of two (2) Rights Shares for every one (1) existing Inix Share held, together with up to 208,634,250 free detachable warrants ("Warrants") on the basis of three (3) Warrants for every four (4) Rights Shares subscribed for ("Rights Issue of Shares with Warrants"); and

(ii) acquisition of 30% equity interest in Galactic Maritime (Malaysia) Sdn Bhd ("Galactic") comprising 4,050,000 ordinary shares of RM1.00 each in Galactic ("Sale Shares") ("Galactic Shares") for a purchase consideration of RM7,200,000 ("Purchase Consideration") to be satisfied in cash ("Cash Consideration") ("Acquisition").

(Collectively referred to as the "Corporate Exercises")

.../2

The Pro forma Consolidated Statements of Financial Position have been compiled by the Directors to illustrate the impact of the Corporate Exercises on the Consolidated Statements of Financial Position of the Inix Group as at 31 July 2014 had the Corporate Exercises been effected on that date, set out in Appendix A and the notes set out in the accompanying Notes 3 to 9 to the Pro forma Consolidated Statements of Financial Position.

As part of this process, information about the financial position has been extracted by the Directors from the relevant financial statements for the financial year ended 31 July 2014, on which an audit report has been published.

The Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position

The Directors are responsible for compiling the Pro forma Consolidated Statements of Financial Position on the basis set out in the accompanying notes thereto.

Our Responsibilities

Our responsibility is to express an opinion about whether the Pro forma Consolidated Statements of Financial Position have been compiled, in all material respects, by the Directors on the basis set out in the accompanying notes thereto.

We conducted our engagement in accordance with the International Standard on Assurance Engagements, ISAE 3420 *Assurance Engagements to Report on the Compilation of Pro forma Financial Information Included in a Prospectus* issued by the Malaysian Institute of Accountants. This standard requires us to comply with the ethical requirements and plan and perform procedures to obtain reasonable assurance on whether the Directors have compiled, in all material respects, the pro forma financial information on the basis set out in the accompanying notes thereto.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro forma Consolidated Statements of Financial Position.

The purpose of the Pro forma Consolidated Statements of Financial Position included in the Abridged Prospectus in relation to the Corporate Exercises is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction 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 event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro forma Consolidated Statements of Financial Position have 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 Directors in the compilation of Pro forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence on whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the Pro forma Consolidated Statements of Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the Pro forma Consolidated Statements of Financial Position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro forma Consolidated Statements of Financial Position.

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

Opinion

In our opinion:

(i) the Pro forma Consolidated Statements of Financial Position, which have been prepared by the Directors, have been properly prepared on the basis stated in the accompanying notes in Appendix A to the Pro forma Consolidated Statements of Financial Position using financial statements prepared in accordance with Malaysian Financial Reporting Standards and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Company; and

(ii) the adjustments made to the information used in the preparation of the Pro forma Consolidated Statements of Financial Position is appropriate for the purpose of preparing the Pro forma Consolidated Statements of Financial Position.

Other Matters

This letter has been prepared for the purpose of inclusion in the Abridged Prospectus. Our work had been carried out in accordance with International Standards on Assurance Engagements and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions. Therefore, this letter is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the Corporate Exercises described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this letter in connection with any type of transaction, including the sale of securities other than the Corporate Exercises.

Yours faithfully,

UHY
Firm Number: AF 1411
Chartered Accountants

CHAN JEE PENG
Approved Number: 3068/08/16 (J)
Chartered Accountant

Kuala Lumpur, Malaysia

Appendix A

Inix Technologies Holdings Berhad and its subsidiaries ("INIX")
Pro forma Consolidated Balance Sheets as at 31 July 2014

The Pro forma Consolidated Statement of Financial Position as set out below have been prepared for illustrative purposes only to show the effects on the audited Consolidated Statement of Financial Position of the Inix Group as at 31 July 2014 had the Corporate Exercises been effected on that date. The Pro forma should be read in conjunction with the notes accompanying the Pro Forma Statements of Financial Position of the Group.

Minimum Scenario

	Note	Audited Inix Group Level 31.7.2014 RM	Proforma I Rights Issue of Shares with Warrants and utilisation of proceeds RM	Proforma II Acquisition RM	Proforma III Assuming full exercise of the Warrants RM
NON-CURRENT ASSETS					
Property, plant and equipment	3	66,073	66,073	66,073	66,073
Intangible assets		2,487,732	2,487,732	2,487,732	2,487,732
Investment in an associate	4	-	-	7,200,000	7,200,000
		2,553,805	2,553,805	9,753,805	9,753,805
CURRENT ASSETS					
Inventories		22,322	22,322	22,322	22,322
Trade receivables		4,505,125	4,505,125	4,505,125	4,505,125
Other receivables		1,104,639	1,104,639	1,104,639	1,104,639
Cash and bank balances	5	660,855	8,740,855	1,540,855	8,200,855
		6,292,941	14,372,941	7,172,941	13,832,941
Total Assets		8,846,746	16,926,746	16,926,746	23,586,746
EQUITY					
Share capital	6	13,908,950	22,788,950	22,788,950	29,448,950
Share premium		8,910,750	8,910,750	8,910,750	8,910,750
Other Reserve	7	-	(5,034,960)	(5,034,960)	-
Warrant Reserve	8	-	5,034,960	5,034,960	-
Accumulated losses	9	(15,105,111)	(15,905,111) *	(15,905,111)	(15,905,111)
		7,714,589	15,794,589	15,794,589	22,454,589
CURRENT LIABILITIES					
Trade payables		5,475	5,475	5,475	5,475
Other payables		648,053	648,053	648,053	648,053
Amount due to a related party		478,629	478,629	478,629	478,629
		1,132,157	1,132,157	1,132,157	1,132,157
Total Equities and Liabilities		8,846,746	16,926,746	16,926,746	23,586,746
Number of ordinary shares		139,089,500	227,889,500	227,889,500	294,489,500
Par value of ordinary shares		RM0.10	RM0.10	RM0.10	RM0.10
Net assets ("NA")		7,714,589	15,794,589	15,794,589	22,454,589
NA per share (RM)		0.06	0.07	0.07	0.08
Net tangible asset ("NTA") per share (RM)		0.04	0.06	0.06	0.07

* After deducting estimated expenses in relation to the Corporate Exercises of RM800,000.

STAMPED FOR IDENTIFICATION PURPOSES ONLY
UHY CHARTERED ACCOUNTANTS (AF1411)

Appendix A

Inix Technologies Holdings Berhad and its subsidiaries ("INIX")
Pro forma Consolidated Balance Sheets as at 31 July 2014

The Pro forma Consolidated Statement of Financial Position as set out below have been prepared for illustrative purposes only to show the effects on the audited Consolidated Statement of Financial Position of the Inix Group as at 31 July 2014 had the Corporate Exercises been effected on that date. The Pro forma should be read in conjunction with the notes accompanying the Pro Forma Statements of Financial Position of the Group.

Maximum Scenario

	Note	Audited Inix Group Level 31.7.2014 RM	Proforma I Rights Issue of Shares with Warrants and utilisation of proceeds RM	Proforma II Acquisition RM	Proforma III Assuming full exercise of the Warrants RM
NON-CURRENT ASSETS					
Property, plant and equipment	3	66,073	5,566,073	5,566,073	5,566,073
Intangible assets		2,487,732	2,487,732	2,487,732	2,487,732
Investment in an associate	4	-	-	7,200,000	7,200,000
		2,553,805	8,053,805	15,253,805	15,253,805
CURRENT ASSETS					
Inventories		22,322	22,322	22,322	22,322
Trade receivables		4,505,125	4,505,125	4,505,125	4,505,125
Other receivables		1,104,639	1,104,639	1,104,639	1,104,639
Cash and bank balances	5	660,855	22,178,755	14,978,755	35,842,180
		6,292,941	27,810,841	20,610,841	41,474,266
Total Assets		8,846,746	35,864,646	35,864,646	56,728,071
EQUITY					
Share capital	6	13,908,950	41,726,850	41,726,850	62,590,275
Share premium		8,910,750	8,910,750	8,910,750	8,910,750
Other Reserve	7	-	(15,772,749)	(15,772,749)	-
Warrant Reserve	8	-	15,772,749	15,772,749	-
Accumulated losses	9	(15,105,111)	(15,905,111) *	(15,905,111)	(15,905,111)
		7,714,589	34,732,489	34,732,489	55,595,914
CURRENT LIABILITIES					
Trade payables		5,475	5,475	5,475	5,475
Other payables		648,053	648,053	648,053	648,053
Amount due to a related party		478,629	478,629	478,629	478,629
		1,132,157	1,132,157	1,132,157	1,132,157
Total Equities and Liabilities		8,846,746	35,864,646	35,864,646	56,728,071
Number of ordinary shares		139,089,500	417,268,500	417,268,500	625,902,750
Par value of ordinary shares		RM0.10	RM0.10	RM0.10	RM0.10
NA		7,714,589	34,732,489	34,732,489	55,595,914
NA per share (RM)		0.06	0.08	0.08	0.09
NTA per share (RM)		0.04	0.08	0.08	0.08

* After deducting estimated expenses in relation to the Corporate Exercises of RM800,000.

STAMPED FOR IDENTIFICATION PURPOSES ONLY
UHY CHARTERED ACCOUNTANTS (AF1411)

Appendix A

INIX TECHNOLOGIES HOLDINGS BERHAD AND ITS SUBSIDIARIES NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2014

1. Basis of Preparation

The Pro forma Consolidated Statements of Financial Position of Inix Group as at 31 July 2014 of which the Directors of Inix Group are solely responsible, has been prepared for illustration purposes only, to show the effects on the audited Consolidated Statements of Financial Position of Inix Group as at 31 July 2014 had the Corporate Exercises been effected on that date, and should be read in conjunction with the notes accompanying thereto.

The Pro forma Consolidated Statements of Financial Position of Inix Group as at 31 July 2014 has been prepared based on the audited Consolidated Statements of Financial Position of Inix Group as at 31 July 2014.

The Pro forma Consolidated Statements of Financial Position of Inix Group has been prepared in a manner consistent with both the format of the financial statements and the accounting policies of Inix as disclosed in the Inix's audited consolidated financial statements for the financial year ended 31 July 2014, which have been prepared by the Directors in accordance with the Malaysian Financial Reporting Standards in Malaysia.

2. Corporate Exercises

The Pro forma Consolidated Statements of Financial Position of the Group has been prepared assuming the following Corporate Exercises are effected as at 31 July 2014. The Corporate Exercises to be undertaken by Inix Group comprise the followings:-

The Pro forma I incorporates the effect of the Rights Issue of Shares with Warrants and utilisation of proceeds.

The Pro forma consolidated statements of financial position of Inix are presented into two (2) scenarios as follows:-

Minimum Scenario : Rights issue of minimum subscription basis of 88,800,000 Rights Shares on a basis of two (2) Rights Shares for every one (1) existing Inix Share held, together with 66,600,000 Warrants on a basis of three (3) Warrants for every four (4) Rights Shares held at an issue price of RM0.10 per Rights Share; and

Appendix A

INIX TECHNOLOGIES HOLDINGS BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2014 (CONT'D)

2. Corporate Exercises (Cont'd)

Maximum Scenario	:	Rights issue of up to 278,179,000 Rights Shares on a basis of two (2) Rights Shares for every one (1) existing Inix Share held, together with up to 208,634,250 Warrants on a basis of three (3) Warrants for every four (4) Rights Shares held at an issue price of RM0.10 per Rights Share.

2.1 Pro forma I- Rights Issue of Shares with Warrants and utilisation of proceeds

The fair value of each Warrant is assumed to be RM0.0756 under the Minimum Scenario and Maximum Scenario based on the Black-Scholes option pricing model extracted from Bloomberg.

The proceeds arising from the Rights Issue of Shares with Warrants ("Proceeds") amounting to RM8.88 million under the Minimum Scenario and RM27.82 million under the Maximum Scenario are proposed to be utilised as follows:

	Notes	**Minimum Scenario (RM'000)**	**Maximum Scenario (RM'000)**	**Expected time frame for utilisation of proceeds (from the date of listing of the Rights Shares)**
Acquisition of 30% equity interest in Galactic	(1)	7,200	7,200	As set out in Section 5.1 of the AP
Purchase of a new vessel	(2)	-	5,500	Within 36 months
Expansion of the Inix Group's existing information technology ("IT") business	(3)	-	8,000	Within 36 months
Working capital for the Inix Group	(4)	880	6,318	Within 18 months
Estimated expenses in relation to the Corporate Exercises	(5)	800	800	Within 1 month
Total estimated proceeds		8,880	27,818	

Appendix A

INIX TECHNOLOGIES HOLDINGS BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2014 (CONT'D)

2.1 Pro forma I- Rights Issue of Shares with Warrants and utilisation of Proceeds (Cont'd)

Notes:

(1) *Inix had on 16 March 2015 entered into the Share Sale Agreement ("SSA") with the Vendor for the acquisition of 30% equity interest in Galactic comprising 4,050,000 Galactic Shares for a purchase consideration of RM7,200,000 to be satisfied in cash. The Acquisition is in line with Inix Group's plan to reduce Inix Group's dependency on the existing IT business and represents an opportunity for Inix Group to diversify into the dredging and land reclamation services business and to have an alternative source of income (via the share of profits from Galactic).*

Inix had on 30 March 2015 paid a deposit of RM720,000 for the Acquisition via an advance from ABH. The advance is unsecured, interest free and has no fixed terms of repayment. The advance is to be repaid to ABH from the proceeds of the Rights Issue of Shares with Warrants.

Inix will settle the remaining of the Purchase Consideration of RM6,480,000 after the completion of the Rights Issue of Shares with Warrants in accordance to the SSA. This salient terms and conditions of the SSA are set out in Section 5.1 of the AP.

(2) *Inix intends to utilise up to RM5.5 million (based on the Maximum Scenario) to acquire a vessel to generate alternative sources of income for their business expansion in the dredging and land reclamation services industry. In this regard, Inix may consider, among others, leasing/renting the vessel to Galactic and/or other parties who are involved in the industry. As Inix has no prior experience in this industry, Inix intends to leverage on the expertise and/or networks of Galactic by approaching Galactic's customers, project owners and/or other sub-contractors. This would enable the Inix Group to earn lease/rental income and gain further insights into the dredging and land reclamation services business thus paving the way for Inix to tender for projects in the future.*

At this juncture, the management of Inix intends to acquire one (1) unit of conveyor sand pump vessel. As at the LPD, the Inix Group is still at the preliminary stage of identifying and evaluating several such opportunities thus the details have not been finalised. Once the details have been finalised, the Company will make the appropriate announcement(s) in due course pursuant to the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, if required.

The intended capital expenditure is based on the management's estimation and thus any surplus or shortfall of the proceeds allocated for the said capital expenditure will be adjusted accordingly from or to the funds allocated for the working capital of the Group.

(3) *Inix intends to utilise up to RM8.0 million (based on the Maximum Scenario) to expand our Group's existing IT business.*

Inix is taking measures to expand its existing IT businesses in a bid to improve the Inix Group's financial performance and financial position. The Inix Group's expansion in the IT business may be carried out in either one (1) or a combination of the following ways:

(a) *acquisition of / investing in companies that are involved in software development for mobile devices;*

INIX TECHNOLOGIES HOLDINGS BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2014 (CONT'D)

2.1 Pro forma I- Rights Issue of Shares with Warrants and utilisation of Proceeds (Cont'd)

Notes:(Cont'd)

(b) acquisition of / investing in companies that are involved in mobile gaming software applications ("Apps");

(c) setting up of its own division and recruit talent that specialises in mobile gaming, mobile IT or mobile Apps development.

In this regard, the proceeds of up to RM8.0 million will be utilised for, amongst others, purchase of software, hardware and testing equipment, recruit talent that specialises in Mobile Gaming, Mobile IT or Mobile Apps development and marketing expenses.

The Company had on 28 March 2012 launched the Group's e-books segment which provided them with an avenue to expand into mobile related software applications. Each e-book is marketed and will be sold in the Apple i-Tunes AppStore as a stand-alone software application (Apps). As at 30 September 2015 being the latest practicable date ("LPD"), the Inix Group has launched and sold four (4) e-book Apps.

By leveraging on the Inix Group's experience and expertise in the development of Apps specifically for use on small, wireless computing devices, such as smartphones and tablets ("Mobile Apps") as well as research and development efforts in system integrated solution with Mobile Apps, Inix Group intends to expand their range of Apps to include mobile gaming. The said business expansion into development and commercialisation of the mobile gaming Apps will enable the Inix Group to widen their revenue stream from their existing IT business to improve their financial position.

As at the LPD, the Company is in the midst of identifying potential acquisition and/or investee companies and talents with the relevant IT background in mobile games and related Mobile Apps development for them to tap into their expertise for the development of mobile games. As such, Inix is still at the preliminary stage of evaluating the expansion plans and strategies to expand into the mobile gaming Apps and the details have not been finalised at this juncture. The manner / way(s) in which business expansion in IT would be carried out is dependent on the level of proceeds to be raised (based on the Maximum Scenario). Furthermore, the business expansion into mobile gaming is an extension of the Inix Group's existing IT business.

INIX TECHNOLOGIES HOLDINGS BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2014 (CONT'D)

2.1 Pro forma I- Rights Issue of Shares with Warrants and utilisation of Proceeds (Cont'd)

Notes:(Cont'd)

(4) The Inix Group intends to utilise up to RM6.32 million of the proceeds for its working capital (for the Inix Group's existing IT business activities and as working capital to be incurred by the Inix Group in the next eighteen (18) months) as follows:

		Minimum Scenario RM'000	Maximum Scenario RM'000
(a)	*Wages and staff benefit*	*300*	*1,818*
(b)	*Sales and marketing expenses*	*380*	*2,000*
(c)	*Other administration and operating expenses*	*200*	*2,500*
Total	***working capital***	***880***	***6,318***

Notes:

(a) Comprise payment of wages, Employees' Provident Fund and Social Security Organization contribution to the Inix Group's staff.

(b) Comprise payment for advertising and promotional activities such as marketing materials, organizing roadshows, organising talks, hiring ambassadors, creating advertising and promotion programmes to be undertaken by the Inix Group to create brand awareness for its Apps. (both existing Apps and mobile gaming Apps to be developed by Inix) and to increase download traffic for the said Apps. Inix's existing range of Apps consist of four (4) e-book Apps (as mentioned in Note 3 above) and online radio Apps.

(c) Comprise payment for server location, hosting fees, rental, audit fees, secretarial fees, electricity, telephone and internet fee, travelling, training fees and other sundry expenses.

(5) The estimated expenses in relation to the Corporate Exercises consist of professional fees, fees payable to the relevant authorities, expenses to convene the extraordinary general meeting, printing, advertising and other ancillary expenses. Any surplus or shortfall for the estimated expenses in relation to the Corporate Exercises will be adjusted accordingly to/from the working capital of the Inix Group.

INIX TECHNOLOGIES HOLDINGS BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2014 (CONT'D)

2.2 Pro forma II –Acquisition

Pro forma II incorporates the effect of Pro forma I and the Acquisition.

2.3 Pro forma III- Assuming that the Warrants are fully exercised

Pro forma III incorporates the effect of Pro forma II and assumes that 66,600,000 Warrants are fully exercised under the Minimum Scenario and 208,634,250 Warrants are fully exercised under the Maximum Scenario at an exercise price of RM0.10 per Warrant.

The proceeds to be raised from the exercise of the Warrants shall be utilised for the working capital and/or capital expenditure of the Inix Group.

3 Property, plant and equipment

	Minimum Scenario RM	Maximum Scenario RM
As at 31 July 2014	66,073	66,073
Rights Issues of Shares with Warrants and utilisation of Proceeds	-	5,500,000
As per Proforma I, II and III	66,073	5,566,073

4 Investment in an associate

	Minimum Scenario RM	Maximum Scenario RM
As at 31 July 2014	-	-
Rights Issues of Shares with Warrants and utilisation of Proceeds	7,200,000	7,200,000
As per Proforma II and III	7,200,000	7,200,000

INIX TECHNOLOGIES HOLDINGS BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2014 (CONT'D)

5 Cash and bank balances

	Minimum Scenario RM	Maximum Scenario RM
As at 31 July 2014	660,855	660,855
Rights Issues of Shares with Warrants and utilisation of Proceeds	8,080,000 *	21,517,900 #
As per Pro forma I	8,740,855	22,178,755
Acquisition	(7,200,000)	(7,200,000)
As per Pro forma II	1,540,855	14,978,755
Assuming Warrants fully exercised	6,660,000	20,863,425
As per Pro forma III	8,200,855	35,842,180

Notes:-

* *After deducting estimated expenses of RM0.80 million for the Corporate Exercises.*

After deducting estimated expenses of RM0.80 million for the Corporate Exercises and RM5.5 million for the purchase of a new vessel.

For illustration purposes, the proceeds for working capital is included in cash and bank balances when received.

6 Share capital

	Minimum Scenario RM	Maximum Scenario RM
As at 31 July 2014	13,908,950	13,908,950
Rights Issues of Shares with Warrants and utilisation of Proceeds	8,880,000	27,817,900
As per Pro forma I and II	22,788,950	41,726,850
Assuming Warrants fully exercised	6,660,000	20,863,425
As per Pro forma III	29,448,950	62,590,275

STAMPED FOR IDENTIFICATION PURPOSES ONLY
UHY CHARTERED ACCOUNTANTS (AF1411)

Appendix A

**INIX TECHNOLOGIES HOLDINGS BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2014 (CONT'D)**

7 Other reserve

	Minimum Scenario RM	Maximum Scenario RM
As at 31 July 2014	-	-
Rights Issues of Shares with Warrants and utilisation of Proceeds	(5,034,960)	(15,772,749)
As per Pro forma I and II	(5,034,960)	(15,772,749)
Assuming Warrants fully exercised	5,034,960	15,772,749
As per Pro forma III	-	-

8 Warrant reserve

	Minimum Scenario RM	Maximum Scenario RM
As at 31 July 2014	-	-
Rights Issues of Shares with Warrants and utilisation of Proceeds	5,034,960	15,772,749
As per Pro forma I and II	5,034,960	15,772,749
Assuming Warrants fully exercised	(5,034,960)	(15,772,749)
As per Pro forma III	-	-

Appendix A

INIX TECHNOLOGIES HOLDINGS BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2014 (CONT'D)

9 Accumulated losses

	Minimum Scenario RM	Maximum Scenario RM
As at 31 July 2014	(15,105,111)	(15,105,111)
Rights Issues of Shares with Warrants and utilisation of Proceeds	(800,000)	(800,000)
As per Proforma I, II and III	(15,905,111)	(15,905,111)

CERTIFIED TRUE COPY

CHAN JEE PENG
CA(M), ACCA, ACTIM, AIIA,
BSc (Hons) Applied Accounting
Partner

UHY

INIX TECHNOLOGIES HOLDINGS BERHAD

(Company No.: 665797-D)
(Incorporated in Malaysia)

REPORT AND FINANCIAL STATEMENTS

31 JULY 2014

Registered office:
Level 2, Tower 1
Avenue 5, Bangsar South City
59200 Kuala Lumpur

Principal place of business:
No.38, Jalan Dagang SB 4/2
Taman Sungai Besi Indah
43300 Seri Kembangan
Selangor Darul Ehsan

INIX TECHNOLOGIES HOLDINGS BERHAD
(Incorporated in Malaysia)

REPORT AND FINANCIAL STATEMENTS

31 JULY 2014

INDEX
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INIX TECHNOLOGIES HOLDINGS BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 July 2014.

Principal Activities

The principal activities of the Company are investment holding and supply of hardware and software. The principal activities of the subsidiary companies are disclosed in Note 6 to the financial statements.

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

Financial Results

	Group RM	Company RM
Net loss for the financial year		
- Attributable to owners of the parent	1,389,792	516,087

Dividend

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year. The Board of Directors does not recommend any dividend in respect of the financial year.

Reserves and Provisions

There were no material transfers to or from reserves or provisions during the financial year.

Options Granted Over Unissued Shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Issue of Shares and Debentures

During the financial year, the Company increased its issued and paid up share capital from RM12,644,500 to RM13,908,950 by the issuance of 12,644,500 new ordinary shares of RM0.10 each for cash arising from private placement exercise at an issue price of RM0.12 each.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

There were no issues of debentures during the financial year.

Directors

The Directors in office since the date of the last report are as follows:

Dato' Megat Fairouz Junaidi Bin Megat Junid	
Azman Bin Hussin	
Chow Hung Keey	
Mohd Anuar Bin Mohd Hanadzlah	
Yeo Wee Kiat	
Dr. Folk Jee Yoong	(Appointed on 29.11.2013)
Noor Shahwan Saffwan	(Appointed on 29.11.2013)
Wong Hua Choon	(Appointed on 19.06.2014)
Wai Chin Yean	(Resigned on 29.11.2013)

Directors' Interests

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiary companies) of those who were Directors at year end (including their spouses or children) according to the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.10 each			
	At 01.08.2013	Acquired	Disposed	At 31.07.2014
The Company				
Direct interest				
Yeo Wee Kiat	305,000	-	-	305,000
Mohd Anuar Bin Mohd Hanadzlah	-	2,000,000	(1,250,100)	749,900
Indirect interest				
Azman Bin Hussin*	21,249,311	-	-	21,249,311

* - Deemed Interest pursuant to Section 6A of the Companies Act, 1965 via eNCoral Digital Solutions Sdn Bhd.

Directors' Interests (Cont'd)

By virtue of their interest in the shares of the Company, Yeo Wee Kiat and Azman Bin Hussin are also deemed to have interests in the shares of all the subsidiary companies to the extent the Company has an interest.

None of the other Directors in office at the end of the financial year had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 19 to the financial statements.

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

Other Statutory Information

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

  (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no bad debts to be written off and no provision for doubtful debts was required; and

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

Other Statutory Information (Cont'd)

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

(i) which would render it necessary to write off any bad debts or to make any provision for doubtful debts in the financial statements of the Group and of the Company; or

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

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

(iv) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

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

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

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

(d) No contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(e) In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 July 2014 have not been substantially affected by any item, transaction or event of a material and unusual nature, occurred in the interval between the end of the financial year and the date of this report.

Subsequent Event

The subsequent event is disclosed in Note 28 to the financial statements.

Auditors

The Auditors, Messrs UHY, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 28 November 2014.

DATO' MEGAT FAIROUZ JUNAIDI BIN MEGAT JUNID	CHOW HUNG KEEY

KUALA LUMPUR

INIX TECHNOLOGIES HOLDINGS BERHAD
(Incorporated in Malaysia)

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

We, the undersigned, being two of the Directors of the Company do hereby state that, in the opinion of the Directors, the financial statements set out on pages 11 to 65 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 July 2014 and of their financial performance and cash flows for the financial year ended.

The supplementary information set out on page 66 to the financial statements has been compiled in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 28 November 2014.

DATO' MEGAT FAIROUZ JUNAIDI BIN MEGAT JUNID

CHOW HUNG KEEY

KUALA LUMPUR

INIX TECHNOLOGIES HOLDINGS BERHAD

(Incorporated in Malaysia)

STATUTORY DECLARATION

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

I, Chow Hung Keey, being the Director primarily responsible for the financial management of Inix Technologies Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 11 to 65 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed at Kuala Lumpur in the)
Federal Territory on 28 November 2014)

CHOW HUNG KEEY

Before me,

PESURUHJAYA SUMPAH
No. W 521
MOHAN A.S. MANIAM
MALAYSIA

COMMISSIONER FOR OATHS

No. 50, Jalan Hang Lekir
50100 Kuala Lumpur

UHY

UHY (AF1411)
Chartered Accountants
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Phone +60 3 2279 3088
Fax +60 3 2279 3099
Email uhykl@uhy.com.my
Web www.uhy.com.my

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INIX TECHNOLOGIES HOLDINGS BERHAD
(Company No.: 665797-D)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Inix Technologies Holdings Berhad, which comprise the statements of financial position as at 31 July 2014 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of 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 11 to 65.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INIX TECHNOLOGIES HOLDINGS BERHAD (CONT'D)
(Company No.: 665797-D)
(Incorporated in Malaysia)

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 31 July 2014 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 (a) to the financial statements which disclose the premise upon which the Group and the Company have prepared their financial statements by applying the going concern assumption, notwithstanding that the Group and the Company recorded accumulated losses of RM15,105,111 and RM19,630,057 respectively. These conditions, along with the matters as set out in Note 2(a), indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as going concerns.

Report on Other Legal and Regulatory Requirements

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

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

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

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

(d) The audit reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INIX TECHNOLOGIES HOLDINGS BERHAD (CONT'D)
(Company No.: 665797-D)
(Incorporated in Malaysia)

Other Reporting Responsibilities

The supplementary information set out on page 66 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

The financial statements of the Group and of the Company as at 31 July 2013 were audited by another auditor whose report dated 22 November 2013, expressed an unqualified opinion with emphasis of matter paragraph on going concern on those statements.

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.

Uhy

UHY
Firm Number: AF 1411
Chartered Accountants

CHAN JEE PENG
Approved Number: 3068/08/16 (J)
Chartered Accountant

KUALA LUMPUR

28 November 2014

INIX TECHNOLOGIES HOLDINGS BERHAD

(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2014 (CONT'D)

		Group		Company	
		2014	2013	2014	2013
	Note	RM	RM	RM	RM
Non-Current Assets					
Property, plant and equipment	4	66,073	43,072	35,271	35,969
Intangible assets	5	2,487,732	3,234,053	-	-
Investment in subsidiary companies	6	-	-	2	2
		2,553,805	3,277,125	35,273	35,971
Current Assets					
Inventories	7	22,322	424	-	-
Trade receivables	8	4,505,125	4,086,616	-	-
Other receivables	9	1,104,639	1,298,175	30,100	30,100
Amount due from subsidiary companies	10	-	-	4,188,512	3,455,173
Cash and bank balances		660,855	192,262	104,059	25,432
		6,292,941	5,577,477	4,322,671	3,510,705
Total Assets		8,846,746	8,854,602	4,357,944	3,546,676
Equity					
Share capital	11	13,908,950	12,644,500	13,908,950	12,644,500
Share premium	12	8,910,750	8,657,860	8,910,750	8,657,860
Accumulated losses		(15,105,111)	(13,715,319)	(19,630,057)	(19,113,970)
Total Equity		7,714,589	7,587,041	3,189,643	2,188,390
Current Liabilities					
Trade payables	13	5,475	200,000	-	-
Other payables	14	648,053	441,206	280,401	320,386
Amount due to a Director	15	-	150,000	-	150,000
Amount due to a related party	16	478,629	476,355	-	-
Amount due to a subsidiary company	10	-	-	887,900	887,900
Total Liabilities		1,132,157	1,267,561	1,168,301	1,358,286
Total Equity and Liabilities		8,846,746	8,854,602	4,357,944	3,546,676

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

INIX TECHNOLOGIES HOLDINGS BERHAD

(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 JULY 2014

		Group		Company	
		2014	**2013**	**2014**	**2013**
	Note	**RM**	**RM**	**RM**	**RM**
Revenue	17	4,951,951	4,668,712	10,900	11,150
Cost of sales	18	(254,975)	(25,990)	-	(10,822)
Gross profit		4,696,976	4,642,722	10,900	328
Other income		18,959	13,433	2,961	84
Administration expenses		(5,515,705)	(837,669)	(529,948)	(196,898)
Research and development expenses		(590,000)	(3,694,638)	-	-
(Loss)/Profit before taxation	19	(1,389,770)	123,848	(516,087)	(196,486)
Taxation	20	(22)	-	-	-
Net (loss)/profit for the financial year, representing total comprehensive income for the financial year		(1,389,792)	123,848	(516,087)	(196,486)
Net (loss)/profit for the financial year attributable to:					
Owners of the parent		(1,389,792)	123,848		
(Loss)/Earnings Per Share attributable to owners of the perent (sen)	22				
Basic		(1.05)	0.10		
Fully diluted		N/A	N/A		

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

INIX TECHNOLOGIES HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 JULY 2014

		Attributable to Owners of the Parent			
			Non-distributable		
		Share Capital	Share Premium	Accumulated Losses	Total Equity
Group	**Note**	**RM**	**RM**	**RM**	**RM**
At 1 August 2013		12,644,500	8,657,860	(13,715,319)	7,587,041
Net loss for the financial year, representing total comprehensive income for the financial year		-	-	(1,389,792)	(1,389,792)
Issue of ordinary shares	11	1,264,450	252,890	-	1,517,340
At 31 July 2014		13,908,950	8,910,750	(15,105,111)	7,714,589
At 1 August 2012		12,644,500	8,657,860	(13,839,167)	7,463,193
Net profit for the financial year, representing total comprehensive income for the financial year		-	-	123,848	123,848
At 31 July 2013		12,644,500	8,657,860	(13,715,319)	7,587,041

INIX TECHNOLOGIES HOLDINGS BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 JULY 2014 (CONT'D)

Company	Note	Share Capital RM	Share Premium RM	Accumulated Losses RM	Total Equity RM
At 1 August 2013		12,644,500	8,657,860	(19,113,970)	2,188,390
Net loss for the financial year, representing total comprehensive income for the financial year		-	-	(516,087)	(516,087)
Issue of ordinary shares	11	1,264,450	252,890	-	1,517,340
At 31 July 2014		13,908,950	8,910,750	(19,630,057)	3,189,643
At 1 August 2012		12,644,500	8,657,860	(18,917,484)	2,384,876
Net loss for the financial year, representing total comprehensive income for the financial year		-	-	(196,486)	(196,486)
At 31 July 2013		12,644,500	8,657,860	(19,113,970)	2,188,390

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

INIX TECHNOLOGIES HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 JULY 2014

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Cash Flows From Operating Activities				
(Loss)/Profit before taxation	(1,389,770)	123,848	(516,087)	(196,486)
Adjustments for:				
Depreciation of property, plant and equipment	13,982	7,186	4,248	1,180
Amortisation of intangible assets	746,321	497,546	-	-
Gain on disposal of a subsidiary company	-	(2,329)	-	-
Impairment loss on trade receivables	-	10,000	-	-
Interest income	(123)	-	-	-
Operating (loss)/profit before working capital changes	(629,590)	636,251	(511,839)	(195,306)
Changes in working capital:				
Inventories	(21,898)	168	-	-
Trade and other receivables	(224,973)	83,165	-	(30,100)
Amount due from/to subsidiary companies	-	-	(733,339)	97,995
Amount due to a related party	2,274	-	-	-
Amount due to a Director	(150,000)	150,000	(150,000)	150,000
Trade and other payables	12,322	(204,398)	(39,985)	22,480
	(382,275)	28,935	(923,324)	240,375
Cash (used in)/from operations	(1,011,865)	665,186	(1,435,163)	45,069
Interest received	123	-	-	-
Tax paid	(22)	-	-	-
Net cash (used in)/from operating activities	(1,011,764)	665,186	(1,435,163)	45,069

INIX TECHNOLOGIES HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2014 (CONT'D)

		Group		Company	
		2014	2013	2014	2013
	Note	RM	RM	RM	RM
Cash Flows From Investing Activities					
Purchase of property, plant and equipment		(36,983)	(37,149)	(3,550)	(37,149)
Investment in a subsidiary company		-	-	-	(2)
Net cash outflow from disposal of a subsidiary company	6	-	(2)	-	-
Increase in intangible assets		-	(589,797)	-	-
Net cash used in investing activities		(36,983)	(626,948)	(3,550)	(37,151)
Cash Flows From Financing Activities					
Proceeds from issue of shares		1,517,340	-	1,517,340	-
Net cash from investing activities		1,517,340	-	1,517,340	-
Net increase in cash and cash equivalents		468,593	38,238	78,627	7,918
Cash and cash equivalents at beginning of the financial year		192,262	154,024	25,432	17,514
Cash and cash equivalents at end of the financial year		660,855	192,262	104,059	25,432
Cash and cash equivalents at end of the financial year comprises:					
Cash and bank balances		660,855	192,262	104,059	25,432

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

INIX TECHNOLOGIES HOLDINGS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1. **Corporate Information**

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

The principal activities of the Company are investment holding and supply of software development and system integration. The principal activities of the subsidiary companies are disclosed in Note 6. There have been no significant changes in the nature of these activities during the financial year.

The registered office of the Company is located at Level 2, Towel 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur.

The principal place of business of the Company is located at No.38, Jalan Dagang SB 4/2, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan.

2. **Basis of Preparation**

(a) **Statement of compliance**

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

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

As at 31 July 2014, the Group and the Company recorded an accumulated losses of RM15,105,111 and RM19,630,057 (2013: RM13,715,319 and RM19,113,970) respectively. The equity attributable to the shareholders as at 31 July 2014 remained positive at RM7,714,589 and RM3,189,643 (2013: RM7,587,041 and RM2,188,390) for the Group and the Company respectively. The Directors have continued to prepare the financial statements of the Group and of the Company on a going concern basis on the assumption that the Group and the Company will be able to generate sufficient cash flow from their operations to meet their obligations as and when they fall due.

2. **Basis of Preparation (Cont'd)**

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

During the financial year, the Group and the Company have adopted the following new Malaysian Financial Reporting Standards ("MFRSs"), Issues Committee ("IC") Interpretations and amendments to MFRSs and IC Interpretations which are effective and mandatory for current financial year:

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119 (2012)	Employee Benefits
MFRS 127 (2012)	Separate Financial Statements
MFRS 128 (2012)	Investments in Associates and Joint Ventures
MFRS 3	Business Combinations (IFRS 3 issued by IASB in March 2004)
MFRS 127	Consolidated and Separate Financial Statements (IAS 27 revised by IASB in December 2003)
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to MFRS 1	Government Loans
Amendments to MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10, MFRS 11 and MFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Amendments to MFRS 101	Amendments to MFRS 101

Amendments to MFRSs contained in the document entitled "Annual Improvements 2009 – 2012 Cycle"

The effects of the adoption of applicable MFRSs and amendments to MFRSs above are summarised below:

<u>MFRS 10 Consolidated Financial Statements</u>

Under MFRS 10, an investor controls an investee when the investor has:

(i) The power by investor over an investee;
(ii) Exposure, or rights, to variable returns from investor's involvement with the investee; and
(iii) Ability to affect those returns through its power over investee.

This new control model differs from how previously companies were assessed to be a subsidiary company. Under MFRS 127, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

2. **Basis of Preparation (Cont'd)**

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

Upon adoption of the new MFRSs, the Group has reviewed the relationships with its investments in other entities to assess whether the conclusion to consolidate is different under MFRS 10 than under MFRS 127, and noted no material differences were found for any of the investments

MFRS 12 Disclosure of Interests in Other Entities

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

MFRS 127 Separate Financial Statements (as amended in November 2011)

As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiary company, joint ventures and associates in separate financial statements. This standard affects disclosures only and has no impact on the Group's financial position or performance.

MFRS 13 Fair Value Measurements

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS. MFRS 13 defines fair value as an exit price. As a result of the guidance in as an exit price, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. MFRS 13 also requires additional disclosures.

Application of MFRS 13 has not materially impacted the fair value measurement of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income

The amendments to MFRS 101 introduce a grouping of items presented in other comprehensive income. Items that will be reclassified ("recycled") to profit or loss at a future point in time (e.g. net loss or gain on available-for-sale financial assets) have to be presented separately from items that will not be reclassified (e.g. revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's financial position or performance.

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

The Group and the Company have not applied the following new MFRSs and amendments to MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and the Company:

		Effective date for financial periods beginning on or after
Amendments to MFRS 10, MFRS 12 and MFRS 127	Investment Entities	1 January 2014
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21	Levies	1 January 2014
Amendments to MFRS 119	Defined Benefits Plans: Employee Contributions	1 July 2014
Annual Improvements 2010-2012 Cycle		1 July 2014
Annual Improvements 2011-2013 Cycle		1 July 2014
MFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 127	Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Annual Improvements to MFRSs 2012–2014 Cycle		1 January 2016
MFRS 15	Revenue from Contracts with Customers	1 January 2017
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018

2. **Basis of Preparation (Cont'd)**

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

The Group and the Company intends to adopt the above MFRSs when they become effective.

The initial application of the abovementioned MFRSs is not expected to have any significant impacts on the financial statements of the Group and of the Company except as mentioned below:

<u>MFRS 9 Financial Instruments</u>

MFRS 9 (IFRS 9 (2009)) introduced new requirements for the classification and measurement of financial assets. It was subsequent amended by MFRS 9 (IFRS 9 (2010)) to include requirements for the classification and measurement of financial liabilities and for derecognition, and MFRS 9 (IFRS 9 as amended by IASB in November 2013) to include new requirements for general hedge accounting. Another version of MFRS 9 (IFRS 9 issued by IASB in July 2014) was issued to include:

(a) impairment requirements for financial assets; and
(b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' measurement category for certain simple debt instruments.

Key requirements of MFRS 9:

(a) all recognised financial assets that are within the scope of MFRS 139 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value. In addition, under MFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment that is not held for trading in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. **Basis of Preparation (Cont'd)**

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

(b) with regard to the classification and measurement of financial liabilities and derecognition of financial instruments, these requirements have been relocated from MFRS 139, without change, except for financial liabilities that are designated as at fair value through profit or loss. Entities with financial liabilities designated as at fair value through profit or loss recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income, unless it would create or enlarge an accounting mismatch in profit or loss. There is no subsequent recycling of the amounts in other comprehensive income to profit or loss, but accumulated gains or losses may be transferred within equity. Under MFRS 139, the entire amount of the change in fair value of the financial liabilities designated as at fair value through profit or loss was presented in profit or loss.

(c) in relation to impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred loss model under MFRS 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

(d) the new general hedge accounting represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements.

An entity is allowed to change the accounting for financial liabilities that it has elected to measure at fair value, before applying any of the other requirements in MFRS 9.

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

<u>MFRS 15 Revenue from Contracts with Customers</u>

MFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. It supersedes current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and related Interpretations. Its core principle is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services.

2. **Basis of Preparation (Cont'd)**

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

A five-step approach to revenue recognition is required:
(a) Identify the contract(s) with a customer.
(b) Identify the performance obligations in the contract.
(c) Determine the transaction price.
(d) Allocate the transaction price to the performance obligations in the contract.
(e) Recognise revenue when (or as) performance obligations are satisfied.

MFRS 15 also includes requirements for accounting for costs related to a contract with a customer. These are recognised as an asset if certain criteria are met. Furthermore, MFRS 15 also significantly expands the current disclosure requirements about revenue recognition.

An entity may choose to adopt MFRS 15 retrospectively or through a cumulative effect adjustment as of the start of the first period for which it first applies the Standard. The Group is in the process of assessing the impact of this Standard.

Agriculture: Bearer Plants (Amendments to MFRS 116 and MFRS 141) [only disclose this if the entity has oil palms, coconut trees, rubber trees, tea bushes, sugarcane or other trees that bears fruits]

The amendments introduce a new category for biological asset, i.e. the bearer plants. A bearer plant is seen as similar to an item of machinery as it is used in the production and supply of agricultural produce, is expected to bear produce for more than one period, and has remote likelihood of being sold as agricultural produce. Therefore, bearer plants are measured either at cost or revalued amounts, less accumulated depreciation and impairment losses, similar to property, plant and equipment. Agricultural produce growing on bearer plants continue to be measured at fair value less costs to sell under MFRS 141, with fair value changes recognised in profit or loss as the produce grows. The Group is in the process of assessing the impact of the amendments.

The Group is in the process of assessing the impact of the adoption of these Standards, since the effects would only be observable in future financial years.

(b) **Functional and presentation currency**

The financial statements are presented in Ringgit Malaysia ("RM") which is the Group's and the Company's functional currency and all values has been rounded to the nearest thousand except otherwise stated.

2. **Basis of Preparation (Cont'd)**

(c) **Significant accounting estimates and judgements**

The summary of accounting policies as described in Note 3 are essential to understand the Group's and the Company's results of operations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. The Directors exercise their judgement in the process of applying the Group's accounting policies.

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

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

(i) Useful lives of property, plant and equipment

Management estimates the useful lives of the property, plant and equipment to be within 3 to 10 years and reviews the useful lives of depreciable assets at the end of each reporting period. The management assesses that the useful lives represent the expected utilisation of the assets to the Group. Actual results, however, may vary due to change in the business plan and strategies, expected level of usage and technological developments, resulting in the adjustment to the Group's assets. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the carrying amount of property, plant and equipment.

(ii) Useful lives of intangible assets

The directors have assessed the carrying amount of intangible assets for any indication of impairment in accordance with the policy. Significant judgement has been applied in estimating the value-in-use of these assets by reviewing the reasonableness of their current amortisation rate. The directors have considered the contribution of these assets in generating revenue (potential sales in future plans) as well as the technological obsolescence among other relevant factors and do not expect their recoverable amounts to be lower than the carrying values at financial statements date.

2. **Basis of Preparation (Cont'd)**

(c) **Significant accounting estimates and judgements (Cont'd)**

(iii) Impairment of investment in subsidiary companies

The carrying amounts of investment in subsidiary companies and the related goodwill are reviewed for impairment. In the determination of the value in use of the investment, the Company is required to estimate the expected cash flows to be generated by the subsidiary companies and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(iv) Impairment of loans and receivables

The Group assesses at the end of the reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

(v) Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the Group's assets within the next reporting period.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and appropriate adjustment to asset- specific risk factors.

(vi) Contingent liabilities

Recognition and measurement for contingent liabilities is based on management's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and experts, internal and external to the Group, for matters in the ordinary course of business.

2. **Basis of Preparation (Cont'd)**

(c) **Significant accounting estimates and judgements (Cont'd)**

(vii) Income taxes

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

3. **Significant Accounting Policies**

The Group and the Company apply the significant accounting policies set out below, consistently throughout all periods presented in the financial statements unless otherwise stated.

(a) **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies, which have been prepared in accordance with the Group's accounting policies, and are all drawn up to the same reporting period.

(i) **Subsidiary companies**

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's separate financial statements, investment in subsidiary companies is stated at cost less any impairment losses, unless the investment is held for sale or distribution. The cost of investments includes transaction costs.

Upon the disposal of investment in a subsidiary company, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

3. **Significant Accounting Policies (Cont'd)**

(a) **Basis of consolidation (Cont'd)**

(ii) **Consolidation**

The acquisition method of accounting is used to account for business combination. The consideration transferred for acquisition of a subsidiary company is the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange, as well as any contingent consideration given. Acquisition related costs are expensed off in the profit or loss as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition.

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the end of the financial year. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In a business combination achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Changes in the Company owners' ownership interest in a subsidiary company that do not result in a loss of control are accounted for as equity transactions. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid is recognised directly in equity.

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

3. **Significant Accounting Policies (Cont'd)**

(a) **Basis of consolidation (Cont'd)**

(ii) **Consolidation (Cont'd)**

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, the accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

(iii) **Goodwill on consolidation**

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary company acquired (i.e. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(iv) **Non-controlling interests**

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly to a parent. On an acquisition-by-acquisition basis, the Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combinations and its share of changes in the subsidiary company's equity since the date of combination.

All earnings and losses of the subsidiary companies are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated.

3. **Significant Accounting Policies (Cont'd)**

(b) **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(h)(i).

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. 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. All other repair and maintenance costs are recognised in profit or loss as incurred.

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 on the date of 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. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

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.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing part 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 part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

3. **Significant Accounting Policies (Cont'd)**

(b) **Property, plant and equipment (Cont'd)**

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost of each asset to its residual value over its estimated useful life. Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Furniture and fittings	10 years
Renovation	10 years
Motor vehicle	6 - 7 years
Software	3 - 4 years
Computer equipment	6 - 7 years
Office equipment	10 years

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in property, plant and equipment.

(c) **Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting period.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate the carrying value may be impaired either individually or at the cash – generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

Included as intangible assets in the Group's financial statements are intellectual property assets and certification costs.

3. **Significant Accounting Policies (Cont'd)**

(c) **Intangible assets (Cont'd)**

Intellectual property assets represent the power line carrier technology and supporting technologies applied in designing and integrating the security systems and appliance automation systems. Intellectual property assets are amortised over 5 years on a straight line basis.

Certification costs represent costs incurred in meeting regulatory certification requirements for the Company's products in various countries. These include costs to adapt, modify, test and improve the products in compliance with applicable technical standards and specifications. Certification costs are amortised over 5 years on a straight line basis.

Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

(i) It is technically feasible to complete the intangible asset so that it will be available for use or sale;

(ii) Management intends to complete the intangible asset and use or sell it;

(iii) There is an ability to use or sell the intangible assets;

(iv) It can be demonstrated how the intangible asset will generate probable future economic benefits;

(v) Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

(vi) The expenditure attributable to the intangible assets during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are amortised when the asset is ready for use on a straight line basis over its estimated useful lives of 5 years. These costs recognised as intangible asset are subject to review for impairment in accordance with the policy.

3. **Significant Accounting Policies (Cont'd)**

(d) **Financial assets**

Financial assets are recognised on the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The Group and the Company classify their financial assets depending on the purpose for which they were acquired at initial recognition into loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the end of the reporting period which are presented as non-current assets.

After initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Regular way purchase or sale of financial assets

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

Derecognition of financial assets

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in the profit or loss.

3. **Significant Accounting Policies (Cont'd)**

(e) **Financial liabilities**

Financial liabilities are recognised on the statements of financial position when, and only when the Group and the Company become a party to the contractual provisions of the financial instrument.

All financial liabilities are initially recognised at fair value plus transaction cost and subsequently carried at amortised cost using the effective interest method, other than those categorised as fair value through profit or loss. Changes in the carrying value of these liabilities are recognised in the profit or loss.

The Group and the Company classify their financial liabilities at initial recognition, into the following category:

(i) Other liabilities measured at amortised cost

Other financial liabilities are non-derivatives financial liabilities. The Group's and the Company's other financial liabilities comprise trade and other payables and amount due to a related party and subsidiary company. Other financial liabilities are classified as current liabilities; except for maturities more than 12 months after the end of the reporting period, in which case they are classified as non-current liabilities.

Other liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

(ii) Financial guarantee contracts

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

Financial guarantee contracts are recognised initially at fair value and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. Subsequently, the carrying amount is measured at the higher of the best estimate of the obligation under the contract in accordance with MFRS 137 at the end of the reporting period and the initial amount recognised less accumulated amortisation. If the carrying amount of the financial guarantee contract is lower than the obligation, the carrying amount is adjusted to the obligation amount and accounted for as a provision.

3. **Significant Accounting Policies (Cont'd)**

(e) **Financial liabilities (Cont'd)**

(ii) Financial guarantee contracts (Cont'd)

Derecognition of financial liabilities

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.

Offsetting of financial instruments

A financial asset and financial liability are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(f) **Inventories**

Inventories are valued at the lower of costs and net realisable value after making adequate allowance for deteriorated, damaged, obsolete or slow-moving items. Cost includes the actual cost of materials and incidental expenses incurred in bringing the inventories to their present location and condition, as is determined on a "first in, first out" basis.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and applicable variable selling expenses.

(g) **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdraft and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

3. **Significant Accounting Policies (Cont'd)**

(h) **Impairment of assets**

(i) Non-financial assets

The carrying amounts of non-financial 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 with indefinite useful lives, these are tested for impairment annually as at the end of each reporting period, either individually or at the cash-generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in profit or loss. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

The recoverable amount of an asset or cash-generating units 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.

Previously recognised impairment losses are assessed at the end of each reporting period whether there is any indication that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(ii) Financial assets

All financial assets, other than those at fair value through profit or loss, investment in subsidiary companies, are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

3. **Significant Accounting Policies (Cont'd)**

(h) **Impairment of assets (Cont'd)**

(ii) Financial assets (Cont'd)

Financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in the profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(i) **Share capital**

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the nominal value of shares issued. Ordinary shares are classified as equity.

Dividends on ordinary shares are accounted for in equity as appropriation of retained earnings and recognised as a liability in the period in which they are declared.