SMITH ZANDER INTERNATIONAL SDN BHD (1058128-V)
Suite 23-3, Level 23, Office Suite, Menara 1MK,
1 Jalan Kiara, Mont' Kiara,
50480 Kuala Lumpur, Malaysia.
T +603 6211 2121

SMITH ZANDER

5 April 2016

The Board of Directors
SALUTICA BERHAD ***(Formerly known as Blue Ocean Genius Sdn Bhd)***
No. 3, Jalan Zarib 6
Kawasan Perindustrian Zarib
31500 Lahat
Ipoh, Perak
Malaysia

Dear Sirs,

Executive Summary of the Independent Market Research Report on the Global Consumer Electronics Market, Consumer Electronics Industry in Malaysia and Global Automotive Market in relation to the initial public offering ("IPO") of 101,000,000 ordinary shares of RM0.10 each in SALUTICA BERHAD (formerly known as Blue Ocean Genius Sdn Bhd) ("Salutica" or the "Company") ("share(s)") in conjunction with the listing of and quotation for the entire enlarged issued and paid-up ordinary share capital of Salutica on the ACE Market of Bursa Malaysia Securities Berhad comprising:-

a) A public issue of 78,000,000 new shares ("issue share(s)") in the following manner:

i. 19,400,000 issue shares made available for application by the Malaysian public;

ii. 9,700,000 issue shares made available for application by eligible Directors and employees as well as persons who have contributed to the success of Salutica Group;

iii. 10,100,000 issue shares made available for application by way of private placement to institutional and identified investors; and

iv. 38,800,000 issue shares made available for application by way of private placement to identified Bumiputera investors approved by the Ministry of International Trade and Industry

b) An offer for sale of 23,000,000 existing shares ("offer share(s)"), made available for application by way of private placement to institutional and identified investors

at an IPO price of RM0.80 per issue share/offer share, payable in full upon application.

This Executive Summary of the Independent Market Research Report on the Global Consumer Electronics Market, Consumer Electronics Industry in Malaysia and Global Automotive Market is prepared by SMITH ZANDER INTERNATIONAL SDN BHD ("SMITH ZANDER") for inclusion in the Prospectus of SALUTICA BERHAD.

For and on behalf of SMITH ZANDER:

DENNIS TAN
MANAGING PARTNER

1 DEFINITIONS AND SEGMENTATION

Consumer Electronics

The consumer electronics industry is a subset of the electrical and electronics ("E&E") industry and includes electronic devices and peripherals that are intended for everyday use. These equipment are primarily used for communications, entertainment, and productivity. Consumer electronics in the market have evolved over the decades as technological advancements and lower manufacturing costs have allowed the range of such products to expand and rendered some of these products obsolete. Consumer electronics in the market today include mobile phones, personal computers, tablets, cameras, portable music players, and wearable technology such as electronic watches and fitness bands.

The market for the E&E industry can be broadly segmented into two (2) main segments, namely the electronics segment comprising consumer electronics, electronic components and industrial electronics; and the electrical segment consisting of various types of electrical products.

Consumer electronics industry – E&E market segmentation

Segment	Sub-segment	Description
Electronics	Consumer	Audio-visual products, computers and peripherals, mobile telecommunication devices, cameras and electronic game consoles
	Components	Semiconductors, passive components, printed circuit boards ("PCBs"), metal stamped parts and precision plastic parts
	Industrial	Multimedia and information technology ("IT") products such as computers and computer peripherals, telecommunications equipment, office equipment and box built products for industrial applications
Electrical	Electrical	Distribution boards, control panels, switching apparatus, lightings, transformers, cables and wires, primary cells and batteries, solar cells and modules, air conditioners and household appliances

Source: Malaysian Investment Development Authority ("MIDA")

The consumer electronics market is further segmented into five (5) major categories, namely audio-visual products, cameras, computers and accessories, mobile telecommunication devices and electronic game consoles.

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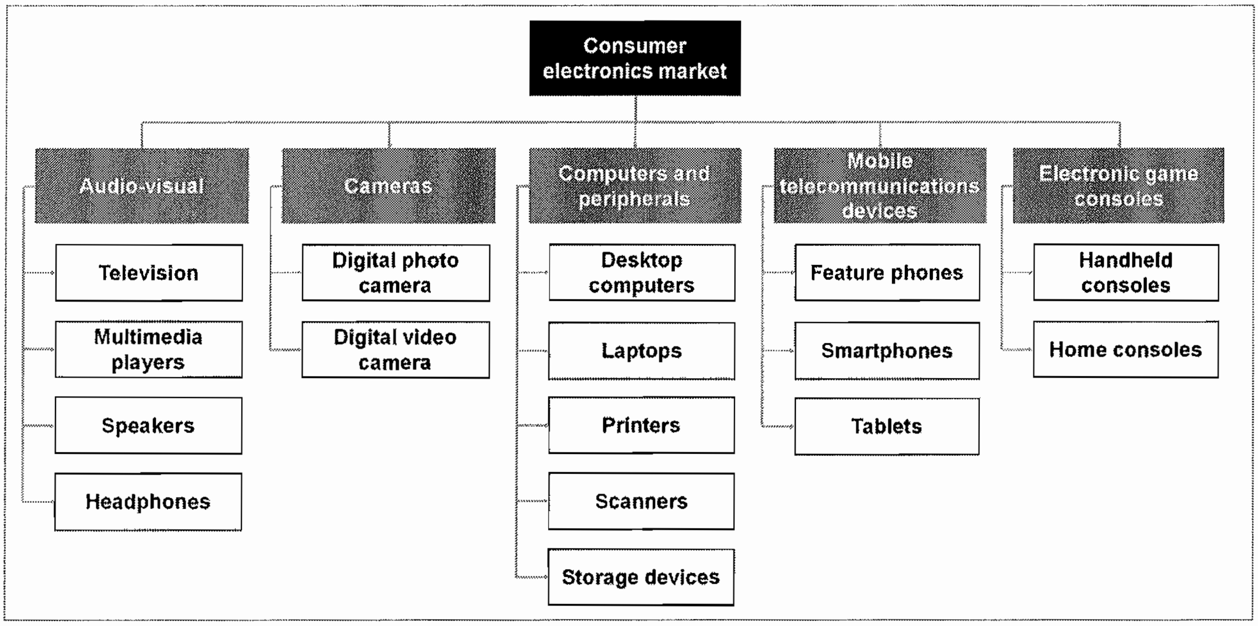
Consumer electronics industry – consumer electronics product segmentation



The consumer electronics value chain experienced change in the early 1980s as brand owners and manufacturers, also known as original equipment manufacturers ("OEMs"), increasingly adopted the services of third party manufacturing firms for contract manufacturing services. These third party manufacturing firms allowed brand owners to meet the high demand for consumer electronics globally. The use of third party logistics services developed in parallel as OEMs began to recognise the cost saving potential of rationalised and outsourced distribution operations comprising transportation and warehouse management. The outsourcing of product distribution allowed fast growing brands to create a presence in key markets with minimal investments in distribution infrastructure.

Outsourcing further allowed brands to compete in dynamic environments, especially in fast moving consumer goods industries where vertical integration alone does not provide sustainable competitive advantage due to rapidly changing markets and shortened product lifecycles. Over the years, fast growing consumer electronics brands have adopted a similar strategy throughout the growth phase, i.e. to outsource operations when high investments in business infrastructure were an undesirable position in dynamic markets. By changing fixed costs to variable costs, OEMs benefited from lower risks associated with capital investments in manufacturing facilities, positive impact on their profitability in the short term and growth through better availability of working capital in the long term. In selected instances, third party manufacturing firms also manage after sales services such as warranty claims on behalf of OEMs.

In the late 1990s, a second wave of outsourcing was observed especially in the laptop industry where third party manufacturing firms evolved into design and manufacturing firms (also known as original design manufacturers, "ODMs") by developing design capabilities. These third party design and manufacturing firms offered their developments to OEMs, thereby allowing OEMs to realise the benefits of extending their product lines without investing in product development, and allowing OEMs to offer products that were missing in their portfolio without incurring long development lead time. Since its inception, the ODM model has been adopted widely in the consumer electronics segment. ODMs may assemble and market products under their own brand name in addition to products assembled and marketed under OEM brands.

The value chain for consumer electronics manufacturing services comprises key activities in the consumer electronics products lifecycle, namely research and development; design; supply chain management; production; and distribution and logistics, before these consumer electronics reach retail consumers and/or end-user industries.

- **Research and development**

  Research and development in consumer electronics manufacturing encompass primary and secondary innovation. Primary innovation refers to new product development while secondary innovation refers to incremental design enhancements on existing products in the market.

- **Design**

  Design is an increasingly important element in the value of consumer electronics as unique designs enhance user recognition and improve the image of products in plastic and metal materials with complex shapes. Designing consumer electronics successfully is challenging. Designers face many specific challenges, including miniaturisation, maintaining functional aesthetics and overall efficiency.

  Design for manufacturability is a key concept in consumer electronics manufacturing where it refers to the general art of designing products in a manner that makes them easy to manufacture. Product prototyping is also key as it establishes the manufacturability of a design and represents a model of a product built to test a concept or process.

- **Supply chain management**

  In the consumer electronics industry, supply chain management focuses on material requirement planning, whereby it comprises material procurement and management. In addition to managing the movement and storage of raw materials, supply chain management also broadly encompasses the movement and storage of work-in-process inventory, and finished goods from point of origin to consumption.

- **Production**

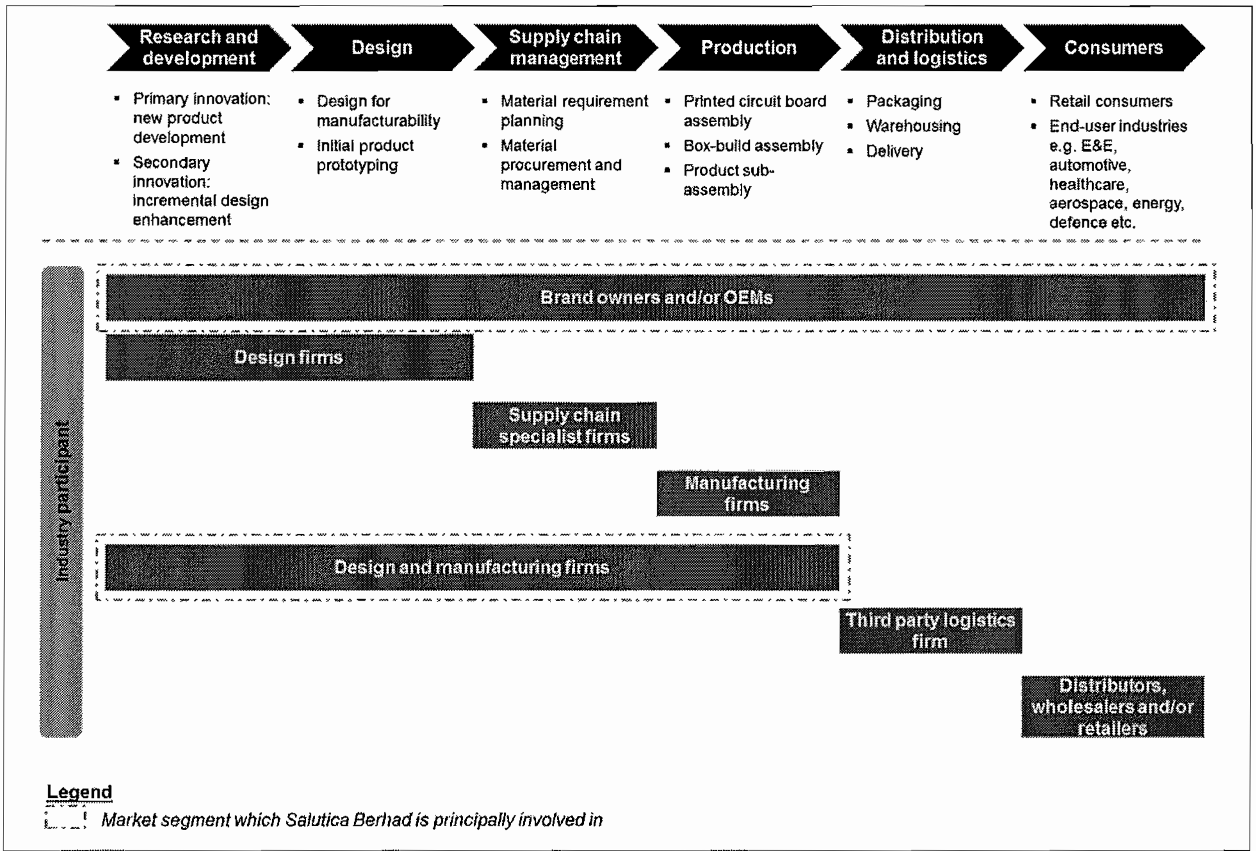
  Production refers to assembly and manufacturing services for consumer electronics. Printed circuit board assembly ("PCBA") involves the placement of components such as integrated circuits and transistors on a PCB using surface mounting technology and/or plated through-hole technology.

  The assembly of consumer electronics include box-build assembly and product sub-assembly. Box-build assembly is the assembly of multiple sections and parts into a complete product. This involves the assembly of completed PCBAs, product sub-assemblies and other parts such as electronic and electrical components, electromechanical and mechanical parts into a final product. The final products are then subject to functional testing before they are packaged for shipment to retail and end-user industry customers. Product sub-assembly is the assembly of section(s) of a complete product.

- **Distribution and logistics**

  The distribution and logistics of final products encompass packaging activities, warehousing and delivery of consumer electronics. Distribution and logistics are typically outsourced to third party logistics firms that have extensive infrastructure to ensure wide reach.

Consumer electronics industry – industry value chain



Salutica Berhad is involved in manufacturing services for the consumer electronics industry. Salutica Berhad is principally involved in the design, development and manufacture of Bluetooth devices for external brands; product conceptualisation, design, development, manufacture, marketing and sales of Bluetooth devices for its in-house brand, FOBO; and manufacture of other electronics and precision parts and components for external brands.

As a vertically integrated manufacturer, Salutica Berhad acts as a design and manufacturing firm for external brand owners, providing design, development and manufacturing services for Bluetooth devices such as Bluetooth audio headsets, Bluetooth smartwatches and Bluetooth car kits primarily for multinational electronic and mobile communication device corporations. Further, Salutica Berhad provides manufacturing services of other electronics and precision parts and components primarily for multinational electronic products, IT products and mobile communication device corporations.

Salutica Berhad is also involved in the product conceptualisation, design, development, manufacture, marketing and sales of Bluetooth-enabled automotive accessories and consumer electronics devices under its in-house brand, FOBO, comprising Bluetooth-enabled tyre pressure monitoring systems ("TPMS") and Bluetooth-enabled electronic sensors, tracking devices and beacon transmitters. Salutica Berhad's portfolio of products include security tags, namely FOBO Tag and FOBO MAX, as well as a broad range of TPMS devices for motorcycles, cars, light trucks and vans.

Bluetooth Technology

Bluetooth is a form of wireless technology that allows for the establishment of a secure connection between compatible devices or peripherals over short distances for the purpose of data exchange. Bluetooth uses short wavelength ultra-high frequency ("UHF") waves that utilise the 2.4 gigaHertz ("GHz") to 2.485 GHz spectrum range that falls under the globally unlicensed industrial, scientific and medical ("ISM") frequency band. These specifications limit Bluetooth capable devices to operate connections with other such devices within theoretical distances of 100 metres depending on the type of radio in use.

The Bluetooth Special Interest Group comprises more than 25,000 companies and organisations across various industries that drive the development and implementation of Bluetooth technology worldwide. The Bluetooth Special Interest Group owns the Bluetooth trademark and oversees development of the Bluetooth standards, publishes technological specifications, administers its qualification program and protects Bluetooth trademarks. In order for a product to be permitted to use Bluetooth technology, the brand owner or reseller of the product must first be a member of the Bluetooth Special Interest Group and the relevant products must comply with standards and requirements determined by the Bluetooth Special Interest Group. Upon meeting these qualification requirements, the various applicable Bluetooth patents are licensed to individual qualifying devices.

Bluetooth technology was first conceived in 1994 by Ericsson, a Swedish telecommunications company, and was conceived as a wireless alternative to traditional wired data cables used to connect devices for the purpose of data transfer and configuration. Intel was involved in further development of the technology together with Ericsson. In 1998, Bluetooth was launched as a wireless device-to-device connection protocol with IBM, Nokia and Toshiba as joint developers and promoters of the technology. The original promoters of Bluetooth technology, namely Ericsson, Intel, IBM, Nokia, and Toshiba, founded the Bluetooth Special Interest Group which was tasked with working together to preserve, educate, and further Bluetooth technology as a means to bring devices into a connected world.

Since then, the adoption of Bluetooth technology worldwide has been rapid and has spanned across various industries and uses. Bluetooth functionality has become a standard feature even among lower-end devices that are more limited in functionality owing to the low cost and high adoption amongst devices and peripherals around the world. Bluetooth technology today is prevalent in devices such as mobile phones, laptops, personal computers, tablets, speakers, headphones and many other supporting electronic peripherals such as keyboards and mice.

Since its inception in 1998, Bluetooth has evolved over the years through technological developments to keep up with the pace of technological development in the E&E industry and the pervasiveness of technology in everyday life.

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Bluetooth technology – evolution of Bluetooth technology

Bluetooth 1.0, 1.1 and 1.2	Bluetooth 2.0 + enhanced data recovery ("EDR"), 2.1 + EDR	Bluetooth 3.0 + high speed	Bluetooth 4.0	Bluetooth 4.1	Bluetooth 4.2
• Ratified as Institute of Electrical and Electronics Engineers ("IEEE") Standard 802.15.1 • Faster connection discovery • Higher transmission speeds	• Introduction of enhanced data rate • Lower power consumption • Improved pairing experience	• Branded high speed as it boosted theoretical data transfer rates to 24 megabits per second (Mbps) • Integration and utilisation of IEEE 802.11 standard within its connection • Power conservation through prioritisation mechanism • Enhanced power control	• Integrates Bluetooth classic, Bluetooth high speed and Bluetooth low energy • Lower power consumption • Improved device discovery • Improved security features	• Software update from Bluetooth 4.0 • Improved audio architecture • Limited discovery time • Long term evolution ("LTE") support	• Hardware update from Bluetooth 4.1 • Security improvements • Introduction of internet protocol (IP) connectivity that would improve interoperability between devices in a smart home environment

In 2011, the Bluetooth Special Interest Group introduced Smart Marks to differentiate devices in Bluetooth 4.0 under three (3) categories, namely Bluetooth, Bluetooth Smart Ready and Bluetooth Smart. Bluetooth refers to devices that are equipped the standard Bluetooth functionality while Bluetooth Smart Ready and Bluetooth Smart are targeted at specific end-user functions.

Bluetooth Smart Ready

Devices that would benefit from Bluetooth Smart Ready functionality would be devices such as mobile phones, tablets, personal computers, television and game consoles, where their dual radio infrastructure would enable these devices to receive data sent by standard Bluetooth and Bluetooth Smart devices, and feed received data into applications that turn data into useful information.

Bluetooth Smart

Bluetooth Smart devices are designed to gather specific information to be sent to Bluetooth Smart Ready devices. Its single radio power efficient infrastructure allows Bluetooth Smart devices to operate battery powered applications such as watches, fitness bands, heart rate monitors and toothbrushes.

Developments in the E&E industry have allowed for an expansion in the range of E&E product offerings across industry and the miniaturisation of existing products as integrated circuits and other related key components become smaller in size, thus allowing for portability and reduced power reliance. These trends have created a drive for a more mobile connected environment that leverages on different wireless technologies to fulfil various functions across multiple devices, known as the internet of things ("IoT").

The IoT refers to a network of devices and sensors that are able to communicate and transfer data between them and other parties in a seamless manner, and is a concept that seeks to leverage on communication technologies to facilitate daily human activity and address urban development challenges. The IoT is a concept of integrated computer-based systems of machine-to-machine communication and ubiquitous sensor networks that has been adopted as a global standards initiative by the International Telecommunication Union, a United Nations specialised agency for information and communication technologies.

With the introduction of the Bluetooth 4.0 ecosystem, the Bluetooth Special Interest Group has strengthened the position of Bluetooth technology in relation to the technological environment today, and has made Bluetooth technology adaptive to the evolving needs of the modern consumer.

A fundamental strength of Bluetooth wireless technology is its ability to simultaneously handle data and voice transmissions, which provides users with a variety of innovative solutions such as wireless printing, audio entertainment and fax capabilities, hands-free headsets for voice calls, and wireless synchronisation for personal computers and mobile phones. Further, the introduction of the Adaptive Frequency Hopping ("AFH") specification in Bluetooth version 1.2 improves resistance to radio frequency interference and this has resulted in connection stability and seamless performance of Bluetooth devices.

The ability of Bluetooth technology to adapt to the evolution of the consumer electronics industry has made it a mainstay in devices across market segments and regions globally. While new technologies have developed new ways of allowing devices that communicate with each other in the spirit of the IoT, Bluetooth has been able to stay relevant and has a track record of adapting to a changing technological landscape.

Automotive

The automotive industry consists of a wide range of industry players involved in the design, development, supply chain, production, distribution, marketing and sales of commercial and passenger vehicles. Passenger vehicles are generally defined as motor vehicles with at least four (4) wheels and a maximum of eight (8) wheels, and are used for the transportation of passengers. Commercial vehicles are motor vehicles that can vary in size and are used for the carriage of goods or fare-paying passengers. Commercial vehicles include light commercial vehicles, heavy trucks, coaches, buses and tractor vehicles designed for towing semi-trailers for the transport of freight. Motor vehicles have become a central part of economic activity since the invention of engines in the 1890s allowed for an alternative to horse drawn carriages.

Manufacturers of automotive and automotive parts, components and equipment service two (2) sections of the automotive industry, namely the OEM market and automotive aftermarket. The OEM market consists of manufacturers who produce and/or process raw materials, components, parts and accessories for automotive that are of the motor vehicle manufacturer's original specifications, by which these vehicles are assembled and sold as new units. The automotive aftermarket consists of components, parts and accessories that are not necessarily those that have been outlined by motor vehicle manufacturers for their models of motor vehicles, but are deemed compatible or acceptable additions to those that are specified as original components, parts and accessories or factory specifications, and/or operate within parameters deemed acceptable within the motor vehicle. Thus, the automotive aftermarket encompasses all components, parts and accessories which include, but are not limited to, the engine block, suspension, tyres and accessories such as navigation, telematics, entertainment systems and TPMS.

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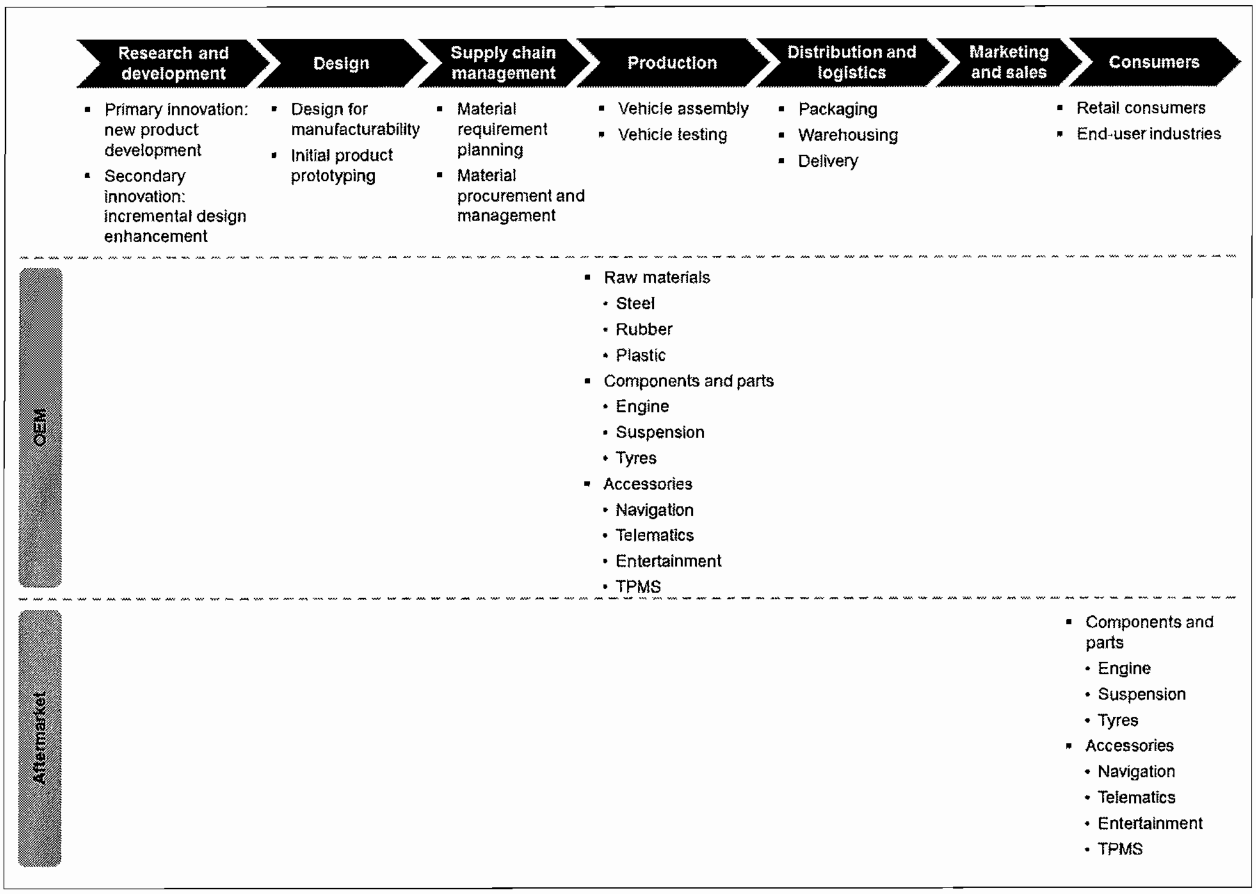
Global automotive market – industry value chain [a]



[a] List of raw materials, components and parts, and accessories are not exhaustive

TPMS are systems that allow the monitoring of tyre pressure on vehicles and reporting of tyre pressure data. Modern TPMS are typically electronic in nature and are designed to measure air pressure inside pneumatic tyres. The TPMS is able to report real time tyre pressure data via a gauge, pictogram display or a low-pressure warning. While there are various TPMS designs that are commercially available in the market, they primarily fall into two (2) categories, namely direct TPMS and indirect TPMS. Direct TPMS employ the use of external or internal pressure sensors that physically measure individual tyre pressures and reports it to a central reporting system that could be on the vehicle instrument cluster or an external device. Indirect TPMS measure air pressure primarily by monitoring individual wheel rotational speeds to ascertain tyre pressure on an individual wheel. These TPMS are available both as factory specified solutions or aftermarket solutions.

Maintaining correct inflation pressure in tyres helps to keep vehicle handling and braking at its best, as well as improves fuel efficiency and tyre life. Additionally, it can prevent events such as tread separations and tyre blowouts which may cause drivers to lose control of their vehicles, thereby leading to accidents.

Tyre pressure is one (1) of the aspects of road safety that has become a focus for authorities in developed countries owing to the correlation between insufficient tyre pressure and road traffic incidents. The United States has legislation in place in the form of the TREAD Act requiring the installation of TPMS on all light vehicles effective 1 September 2007. The European Union regulation ECE-R 64 requires vehicles to be equipped with TPMS as of 1st November 2012 with all newly registered vehicles required to be fully compliant from 1 November 2014. Japan, the Republic of Korea, the People's Republic of China and India are all currently in the process of adopting similar legislation with the Republic of Korea confirming its intention with the passing of TPMS legislation. Japan, the People's Republic of China and India are expected to follow with Japan estimated to enact TPMS regulations in 2017, the People's Republic of China in 2018 and India in 2019.

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2 ANALYSIS OF THE GLOBAL CONSUMER ELECTRONICS MARKET

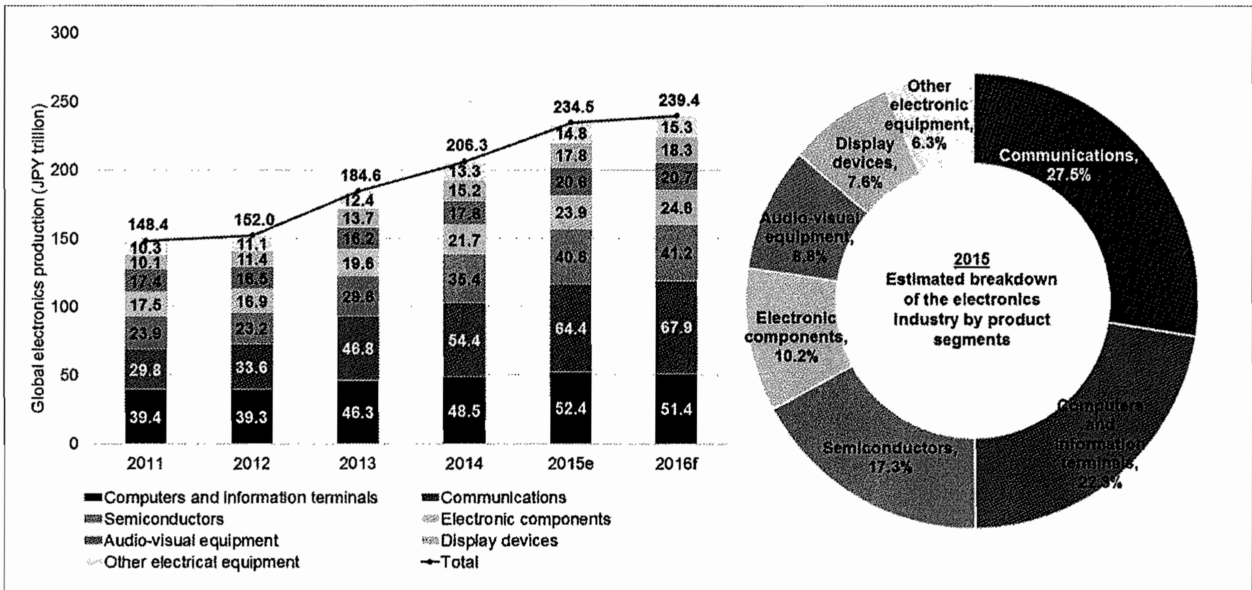
Industry Performance, Outlook and Prospects

Consumer Electronics

The consumer electronics industry is a subset of the E&E industry and includes electronic devices and peripherals that are intended for everyday use. These devices can range from laptops, tablets and mobile phones to wearable technology such as electronic watches and fitness bands. Consumer electronics represents a sizeable portion of global E&E production and sales by value, and hence the global E&E market provides perspective for the global growth in consumer electronics.

The global market for electronic products, based on worldwide production of electronic products, increased from JPY148.4 trillion (USD1.9 trillion)[1] in 2011 to an estimated JPY234.5 trillion (USD1.9 trillion)[2] in 2015, registering a CAGR of 12.1%. Of the total worldwide electrical and electronic product sales in 2015, communications as well as computers and information terminals comprised the largest proportion, at an estimated 49.8%. Meanwhile, semiconductors, electronic components, audio-visual equipment and display devices comprised an estimated 43.9%, and other electronic equipment comprised the remaining estimated 6.3%. Global production of electronic products is forecast to reach JPY239.4 trillion (USD2.0 trillion)[3] in 2016.

Global consumer electronics market – global production of electronic products



e Estimate
f Forecast

[1] *Exchange rate from JPY to USD in 2011 was converted based on average annual exchange rates in 2011 extracted from OANDA at JPY1 = USD0.01255*
[2] *Exchange rate from JPY to USD in 2015 was converted based on average annual exchange rates in 2015 extracted from OANDA at JPY1 = USD0.00826*
[3] *Exchange rate from JPY to USD in 2016 was converted based on average annual exchange rates in 2015 extracted from OANDA at JPY1 = USD0.00826*

Latest available data indicates that the global market for E&E products, based on worldwide E&E product sales, is estimated to have grown from USD2.0 trillion (RM6.4 trillion)[4] in 2010 to USD2.3 trillion (RM7.2 trillion)[5] in 2013, registering a CAGR of 4.8% during this period. Consumer electronics such as mobile and wireless devices, televisions and home appliances are now the largest contributors to E&E product sales, comprising 36.5% of total E&E product sales worldwide.

Growth in global electronic production is indicative of an increasing demand trend for electronic products globally. Technological advancements have driven the development of new devices that serve new functions in the everyday lives of consumers and have opened up new market segments within the consumer electronics landscape. These advancements have extended to creating more innovative manufacturing processes and techniques that enable the production of more complex precision components using machinery capable of nanometre-scale movements, allowing for miniaturisation of components and products. These improvements have also brought about production efficiency, which in turn have lowered the cost of manufacturing, enabling manufacturers to achieve economies of scale, providing a boost to the electronics manufacturing sector.

The consumer electronics industry is typically cyclical, characterised by periods of growth and decline caused by economic cycles. The industry rose steadily in the early 1990s, driven by the widespread adoption of computers in businesses and homes during the period. This growth was augmented by the introduction of the Windows 3.0 operating system in 1990, which was the first operating system to gain popularity due to its ease of use and ability for improved graphics and virtual memory. In 1995, the growth in demand for personal computers propelled when the more user-friendly Windows 95 operating system was introduced. Growth in the consumer electronics industry over the last two (2) decades was primarily driven by continuous demand for personal computers and other consumer electronics products.

Mobile Devices

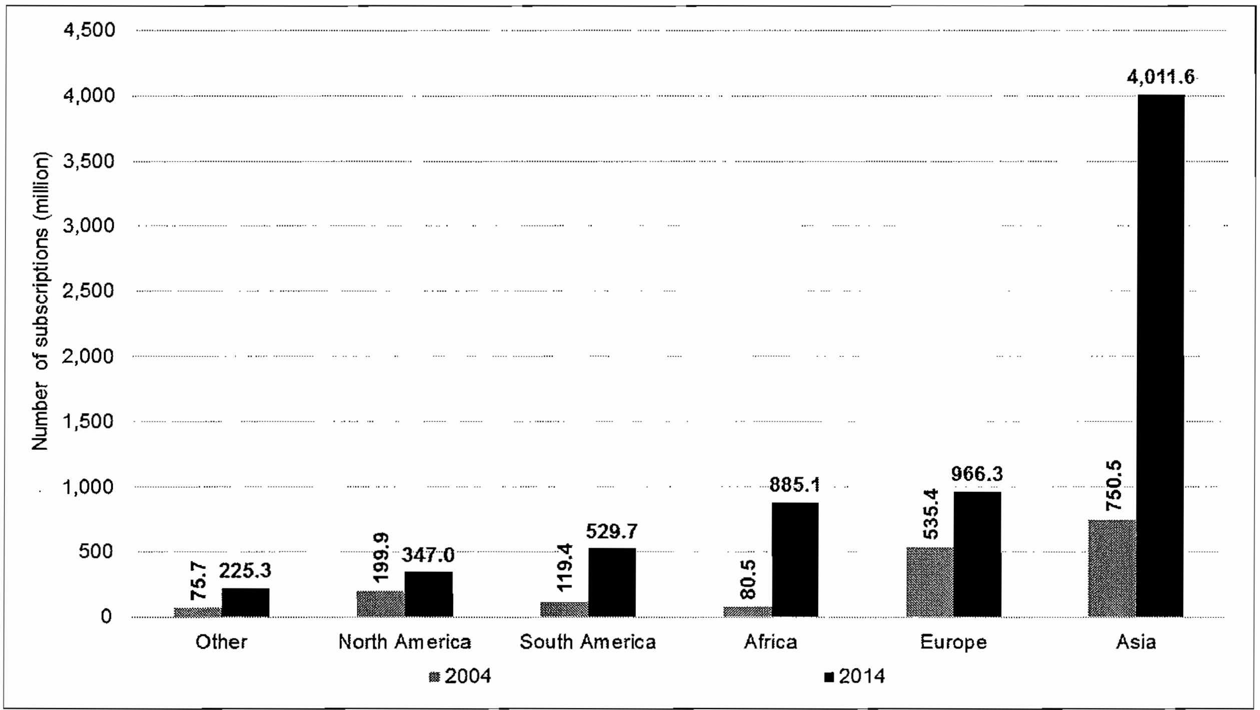
Mobile devices are a subset of consumer electronics and consist of devices that are equipped with some form of mobile communication technology. This includes various kinds of mobile phones, tablets and laptops that have the ability to engage in communication activity while being portable and not connected to physical communication infrastructure via power or data cables. The proliferation of mobile devices in recent years has made mobile devices a part of the lifestyle of modern consumers across the world. The pervasiveness of communication technology infrastructure and mobile devices that utilise this infrastructure allows people to stay in contact with one another and enables access to data services on the move.

Global mobile cellular subscriptions increased from 1.8 billion in 2004 to 7.0 billion in 2014 at a CAGR of 14.5%. The growth in mobile cellular subscriptions is indicative of the penetration of cellular technology around the world and the increased access enjoyed by the world population. Asia had the most number of subscribers in the world in 2014 with 4.0 billion subscribers, having increased from 750.5 million subscribers in 2004 at a CAGR of 18.2%. Africa experienced the largest mobile cellular subscribership growth rate between 2004 and 2014 where the number of subscribers in this region increased from 80.5 million subscribers to 885.1 million subscribers at an impressive CAGR of 27.1%. South America posted a promising subscribership growth rate as subscribers increased from 119.4 million subscribers in 2004 to 529.7 million subscribers in 2014 at a CAGR of 16.1%.

[4] *Exchange rate from USD to RM in 2010 was converted based on average annual exchange rates in 2010 extracted from published information from Bank Negara Malaysia at USD1 = RM3.2182*

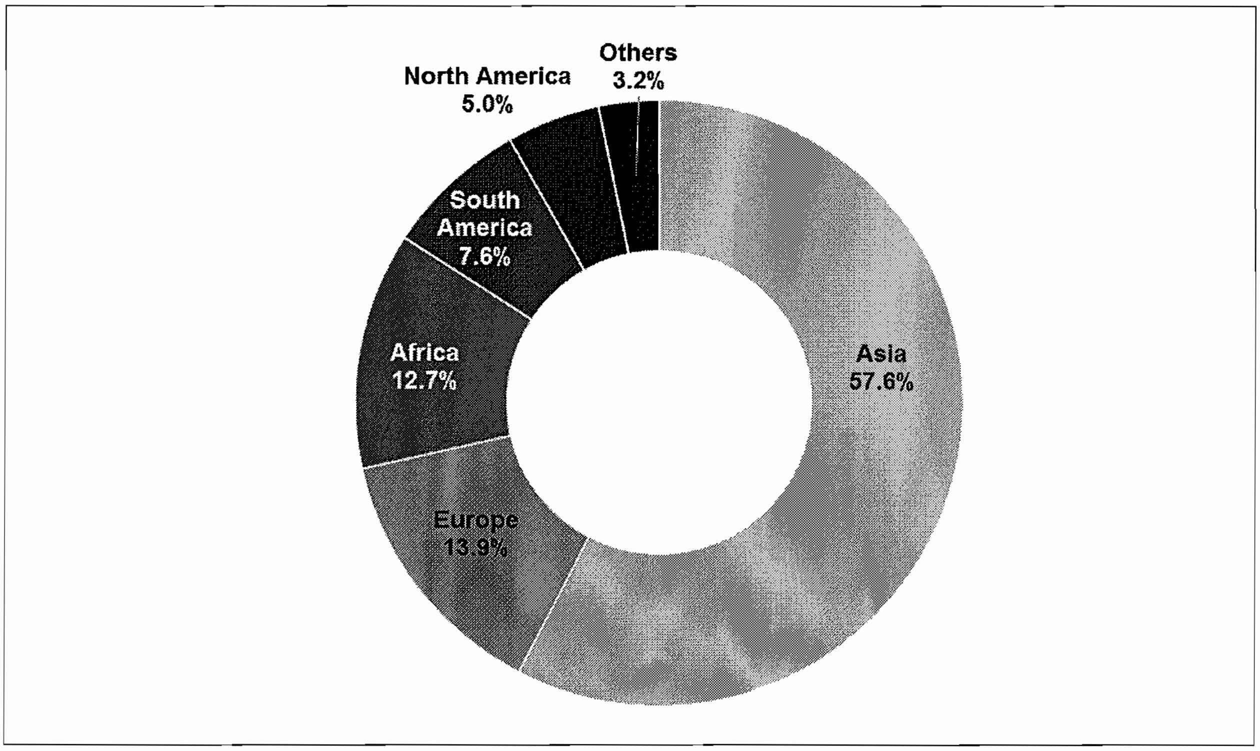
[5] *Exchange rate from USD to RM in 2013 was converted based on average annual exchange rates in 2013 extracted from published information from Bank Negara Malaysia at USD1 = RM3.1511*

Global consumer electronics market – global mobile cellular subscriptions



Source: International Telecommunications Union

Global consumer electronics market – regional split of global mobile cellular subscriptions in 2014

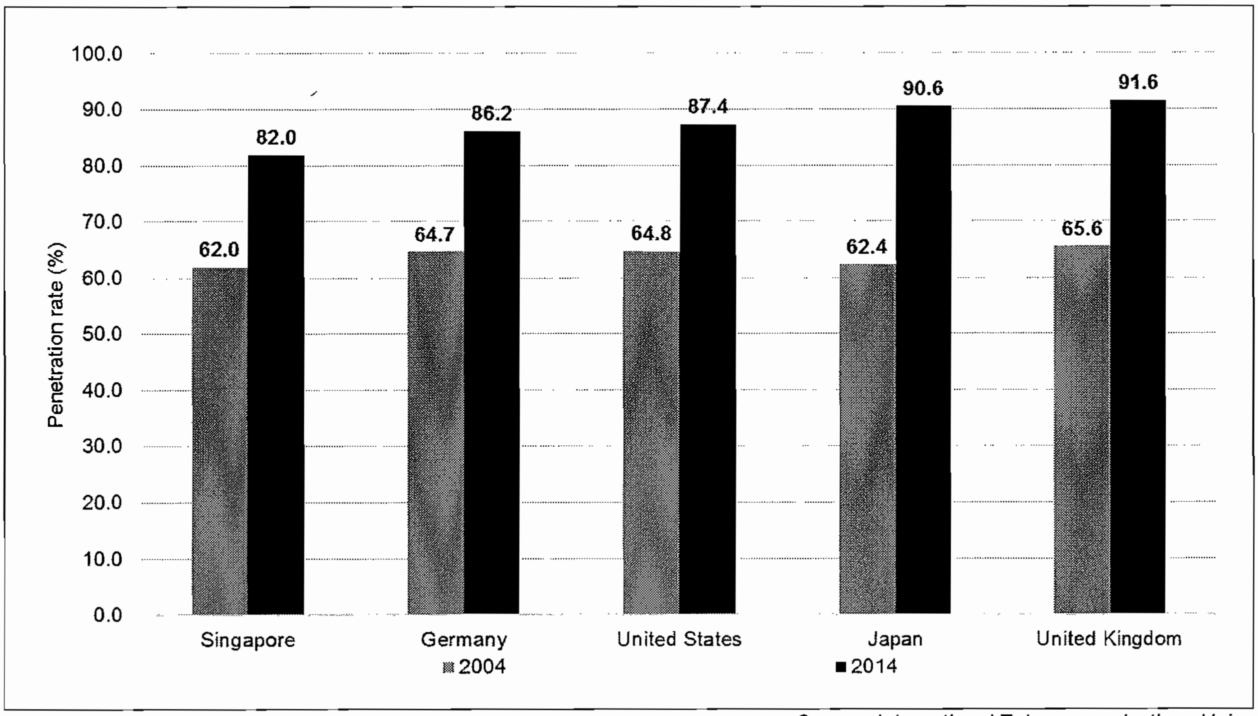


Source: International Telecommunications Union

Mobile cellular growth figures highlight the investments committed to cellular infrastructure in the individual regions and market potential in terms of mobile devices and peripherals to leverage on this infrastructure. Africa, Asia and South America recorded the highest growth rates of 27.1%, 18.2% and 16.1% respectively between 2004 and 2014, reflecting the scope for growth in these regional economies. As more developed economies approach subscriber saturation, populous developing economies present the strongest opportunity for growth in mobile cellular subscriptions and markets for consumer electronics manufacturers. As these developing economies continue to invest in infrastructure and their populations enjoy greater disposable income, these regions will increasingly become key markets for consumer electronics products.

Internet penetration represents the percentage of a population with access to the internet. Internet penetration rates in developed economies in recent years have approached saturation, where the internet is accessible to a large portion of the population. In 2014, the United Kingdom and Japan recorded internet penetration rates of 91.6% and 90.6% respectively, growing from 65.6% and 62.4% respectively in 2004. The United States and Germany achieved internet penetration rates of 87.4% and 86.2% respectively in 2014, growing from 64.8% and 64.7% respectively in 2004. Singapore, the sole developed country in Southeast Asia, achieved an internet penetration rate of 82.0% in 2014, growing from 62.0% in 2004.

Global consumer electronics market – internet penetration rates for selected developed countries

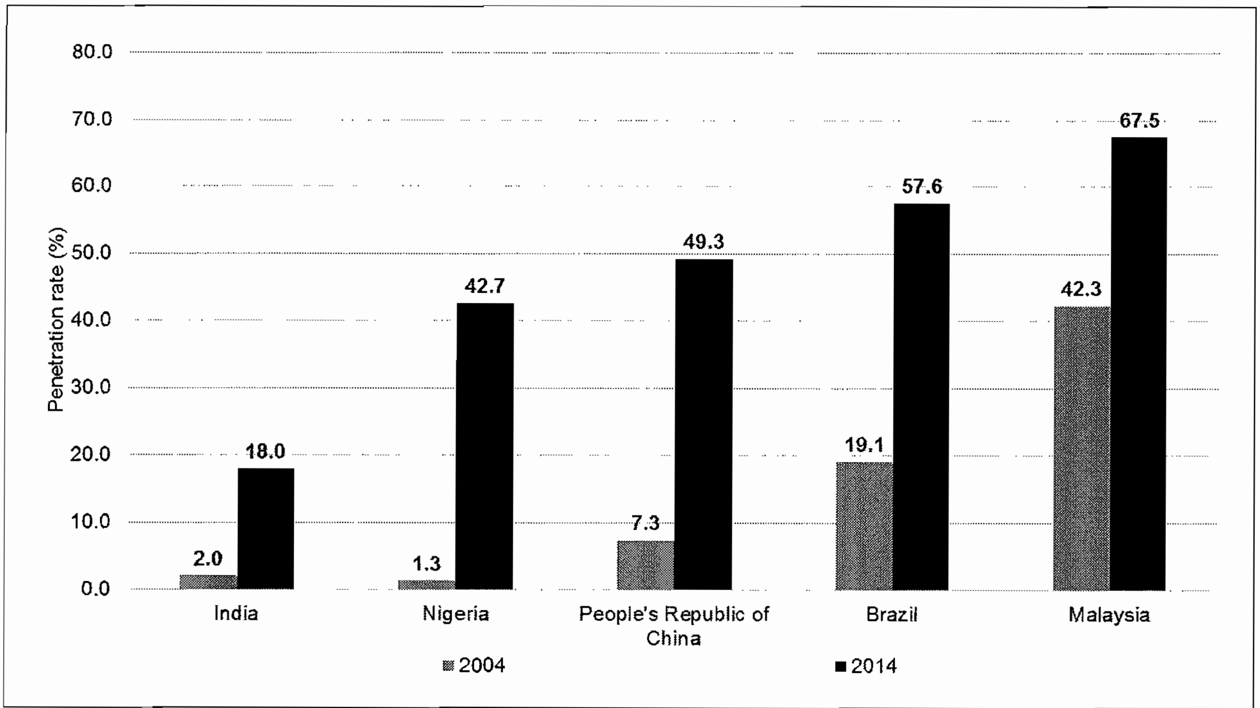


Source: International Telecommunications Union

Developing economies have lower internet penetration rates owing to telecommunications infrastructure that are not as vast or comprehensive. Internet penetration is seen as an important aspect of the development of an economy, with several governments of developing economies identifying the internet as a pillar for development, as the internet provides an avenue to access education, information and trade opportunities. Such access is considered a socio-economic balancing mechanism that allows trade to flow into rural areas and enables rural communities to participate in economic activity through access to information. The lower internet penetration rates in developing economies signify growth opportunities available for intenet infrastructure, equipment and devices in these regions.

Malaysia achieved an internet penetration rate of 67.5% in 2014 having grown from 42.3% in 2004, while Brazil achieved 57.6% having grown from 19.1% in the same time period. The People's Republic of China and Nigeria recorded staggering growth figures between 2004 and 2014 as their internet penetration rates grew from 7.3% and 1.3% respectively to 49.3% and 42.7% respectively. India achieved an internet penetration rate of 18.0% in 2014 growing from 2.0% in 2004.

Global consumer electronics market – internet penetration rates for selected developing countries



Source: International Telecommunications Union

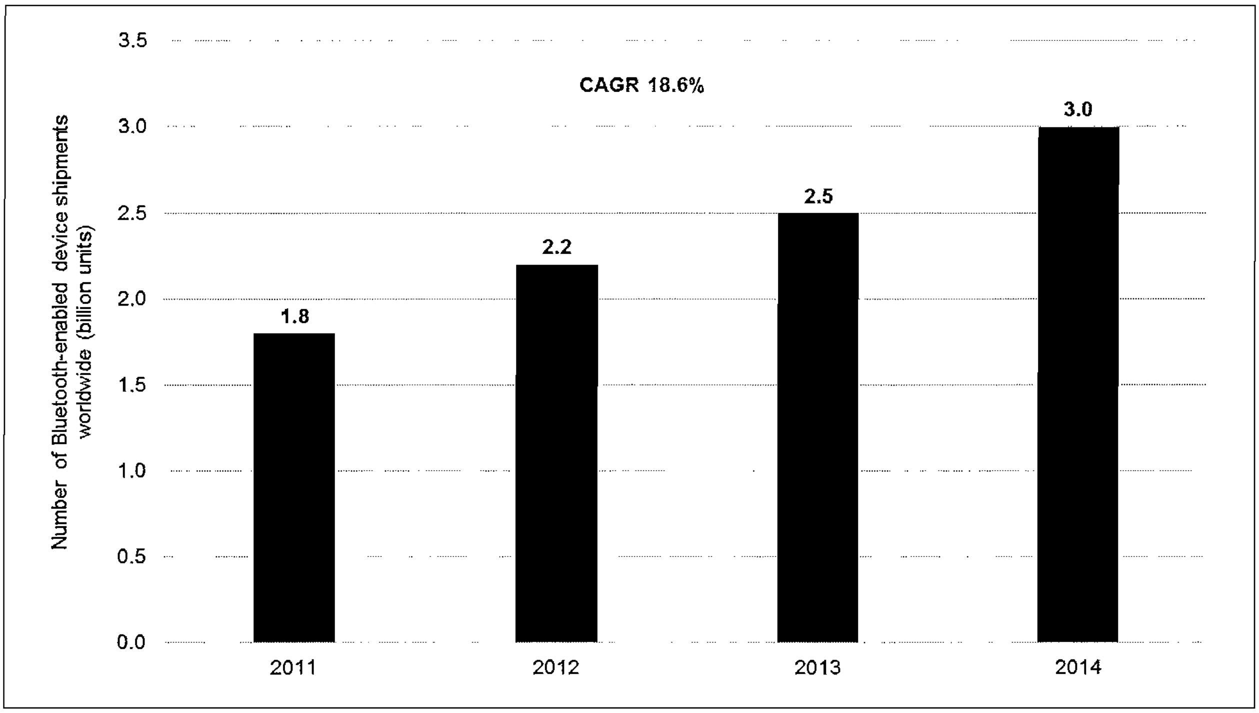
Growing internet penetration rates in developing countries is also a factor that creates growth potential for new markets in the consumer electronics industry. As more populations have increasing access to mobile cellular coverage and the internet, there will be greater demand for devices and peripherals that will enhance the experience and add value to the utilisation of the internet and telecommunications infrastructure in general. These are trends that indicate potential growth in the consumer electronics industry as it accesses new markets and untapped potential moving forward.

Bluetooth Devices

Bluetooth has become one (1) of the most prevalent and pervasive wireless technologies available today and is only rivalled in ubiquity by cellular technology and Wi-Fi technology. Each of these technologies, however, operates in an environment where they each serve a separate purpose. While some functionality may overlap, they each fulfil their individual core functions. While cellular technology is used for long range cellular and data connections as part of a region or country-wide mobile network, and Wi-Fi functions as a means to wirelessly access data over short range local area networks, Bluetooth specifically fulfils the purpose of connecting devices and peripherals to each other to share data and information among them. The role of Bluetooth in the connected environment has evolved with the advancement of technology and the expansion in the consumer electronics product lines to accommodate relatively new functions such as the connected home and wearable technology.

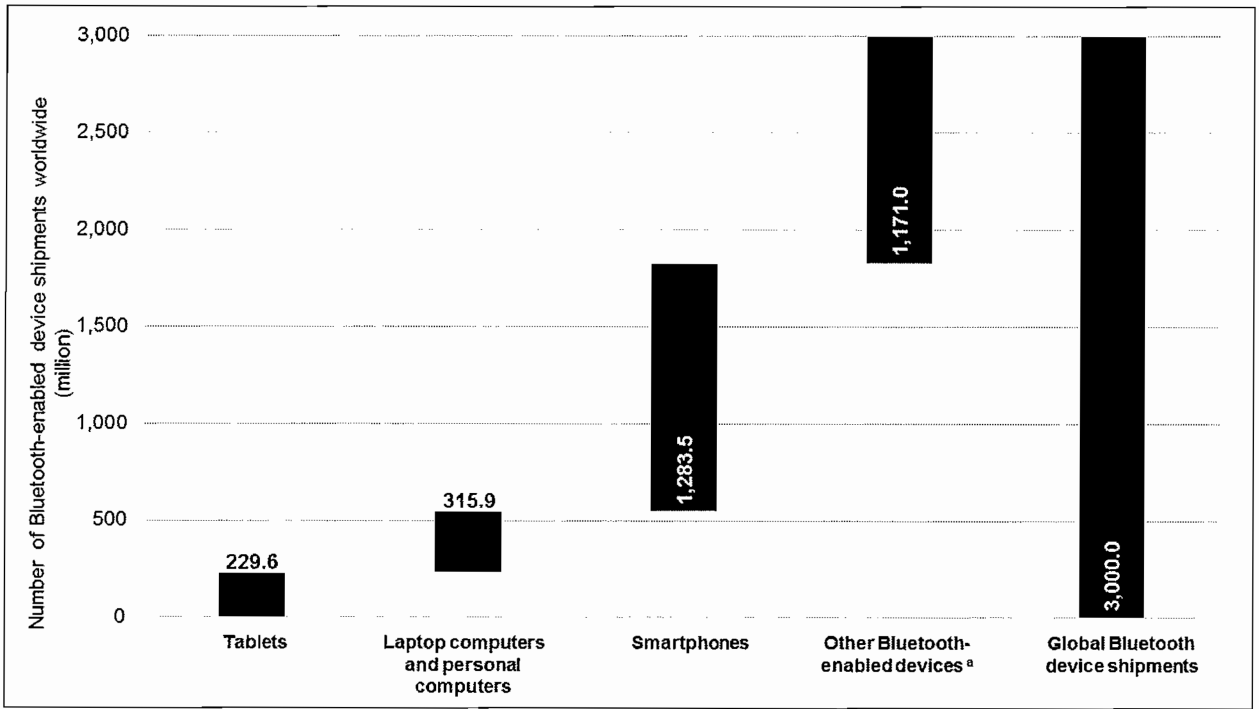
With new low energy Bluetooth Smart Ready chipsets that have been designed to operate in low power environments, Bluetooth has gone beyond being present in smartphones, tablets, laptops and earphones to now operating in sensors, smartwatches, hearing aids, fitness and health trackers as well as being embedded in apparel. This expansion of its footprint and target markets has seen growth in devices and peripherals with integrated Bluetooth functionality in the last few years. Bluetooth-enabled device shipments worldwide grew from 1.8 billion units in 2011 to 3.0 billion units in 2014, representing an impressive CAGR of 18.6%.

Global consumer electronics market – historical global Bluetooth device shipments



Based on SMITH ZANDER's research, global Bluetooth device shipments in 2014 primarily comprised smartphones which accounted for 1.3 billion units or 42.8% of global Bluetooth device shipments in 2014. Other major Bluetooth device product segments in 2014 include laptops and personal computers, as well as tablets, that accounted for 315.9 million units (10.5% of global Bluetooth device shipments in 2014) and 229.6 million units (7.7% of global Bluetooth device shipments in 2014) respectively. Other Bluetooth-enabled devices including products such as smartwatches, Bluetooth headsets, Bluetooth speakers, computer peripherals, and Bluetooth sensors comprised the remaining 1.2 billion units (39.0% of global Bluetooth device shipments in 2014).

Global consumer electronics market – global Bluetooth device shipment breakdown in 2014 [a]



[a] *Other Bluetooth-enabled devices include smartwatches, Bluetooth headsets, Bluetooth speakers, computer peripherals and Bluetooth sensors*

With the continued rapid adoption of Bluetooth Smart technology as the primary wireless standard for various applications, including the IoT, shipments of Bluetooth-enabled devices have witnessed strong growth in the last four (4) years. The application of Bluetooth Smart and Smart Ready technology across key verticals such as health and wellness, sports and fitness, consumer electronics, and industrial and home automation has bolstered this growth.

Connectivity is a key capability required in IoT applications, both for consumer and enterprise infrastructure devices. Consumer electronics are already popular around the world, driven by consumer enthusiasm and increasing internet access. Ownership of consumer electronics is expected to grow as consumers demand a more seamlessly connected environment that enables them to manage daily tasks in a time efficient and effortless manner. This is expected to drive demand for key products such as smartphones, tablets, and laptops as well as peripherals that are able to interact with them towards meeting this end.

Bluetooth-enabled device shipments worldwide are projected to grow from 3.0 billion units in 2014 to 4.9 billion units in 2018 at a strong CAGR of 13.0% owing to the expansion in the role of Bluetooth in consumer electronics, as well as other end-user industries as IoT further develops as a concept and expands into new areas of consumer lifestyle.

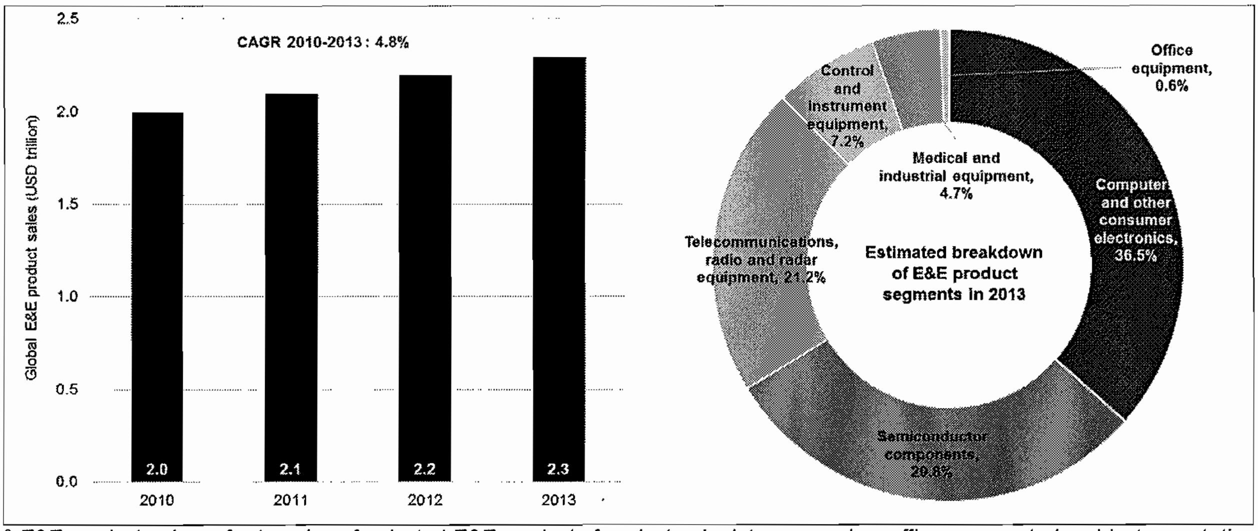
Demand Conditions – Key Demand Drivers

Wide range of applications across multiple end-user industries drives global demand for electronics products

The range of applications for E&E has broadened dramatically over the last couple of decades, and E&E products developed today play essential roles in consumer retail, medical, manufacturing, and telecommunications industries. Many of these industries cannot function without the use of E&E products. For instance, the medical industry requires the use of electronic medical equipment to perform diagnosis, monitoring and treatment of patients. The manufacturing industry today also largely consists of fully or semi-automated manufacturing facilities, and thus electronic machinery and equipment form an integral component of manufacturing activities.

Latest available data indicates that the global market for E&E products, based on worldwide E&E product sales, is estimated to have grown from USD2.0 trillion (RM6.4 trillion)[4] in 2010 to USD2.3 trillion (RM7.2 trillion)[5] in 2013, registering a CAGR of 4.8% during this period. Consumer electronics such as mobile and wireless devices, televisions and home appliances are now the largest contributors to E&E product sales, comprising 36.5% of total E&E product sales worldwide.

Global consumer electronics market – global and regional E&E industry product sales [a, b]



[a] E&E product sales refer to sales of selected E&E products for electronic data processing, office use, control and instrumentation equipment, medical and industrial equipment, communications and radar equipment, telecommunications, semiconductor components as well as other consumer electronics including video equipment, audio equipment and personal consumer electronics (e.g. electronic watches, musical instruments and clocks)
[b] Latest available as at 6 April 2016

[4] Exchange rate from USD to RM in 2010 was converted based on average annual exchange rates in 2010 extracted from published information from Bank Negara Malaysia at USD1 = RM3.2182
[5] Exchange rate from USD to RM in 2013 was converted based on average annual exchange rates in 2013 extracted from published information from Bank Negara Malaysia at USD1 = RM3.1511

Mobile and wireless devices, which comprise mobile feature phones, smartphones and tablets, have become a necessity as a means of communication and connectivity, particularly in urban areas. The penetration of mobile phones reached 73.0% of the global population, while smartphones had a 22.0% penetration rate in 2014. While mobile cellular subscriptions illustrated a healthy growth of 105.3% in a span of eight (8) years between 2007 and 2014, active mobile broadband (which enables the use of smartphones and tablets) grew eight (8) times faster with a growth of 758.2% during the same time period, from 268.0 million subscriptions in 2007 to an estimated 2.3 billion subscriptions in 2014[6] and thus, much of the growth of the consumer electronics industry is expected to be driven by the rapidly increasing uptake of smartphones and tablets.

Computers have become one (1) of the most used technological items today. In fact, computers enable IT which is the application of computers and other equipment to store, retrieve, transmit and manage digital data. As an increasing volume of digital data is managed and stored globally, IT is increasingly integrated with consumer lifestyles and business operations. In other words, consumers and businesses have become increasingly dependent on computers for connectivity as well as to perform daily tasks such as accessing information and preparing business documents. Based on SMITH ZANDER's research, the market potential for computers can be depicted through total worldwide IT expenditure, which was valued at RM11.7 trillion[7] (USD3.7 trillion) in 2013, an increase of 15.6% from RM11.3 trillion[8] (USD3.2 trillion) in 2009.

The convergence of electronics into consumer lifestyles creates continued demand for electronics

Consumer electronics play an important role in consumer lifestyles today, particularly among urban population, as many use and interact with their devices on a daily basis, where they are widely used in communications, entertainment as well as for office use. Consumer electronics such as computers, mobile and wireless devices, audio-visual products, digital cameras and home electronics are now the largest contributors to E&E product sales globally, comprising 36.5% of total E&E product sales worldwide. In 2014, 52.8% of the households in Malaysia had access to laptops, while 34.1% of the households had access to tablets. This is an increase from 49.0% and 21.8% respectively in 2013.

Computers have also become one (1) of the most used technological items today. Computers enable IT, which is the application of computers and other equipment to store, retrieve, transmit and manage digital data. As an increasing volume of digital data is managed and stored globally, IT is increasingly integrated with consumer lifestyles and business operations. As such, consumers and businesses have become increasingly dependent on computers for connectivity as well as to perform daily tasks such as accessing information and preparing business documents.

Rapid technological advancements drive consumer electronics sales

Moving forward, it is expected that the number of electronic products which are integrated with the lifestyle of today's society will only increase further. Rapid technological developments within the electronics industry will continue to promote new product launches as industry players (i.e. manufacturers and/or brand owners) continuously launch new products to ensure they remain competitive and are not obsolete.

[6] *Source: International Telecommunication Union*

[7] *Exchange rate from USD to RM in 2013 was converted based on average annual exchange rates in 2013 extracted from published information from Bank Negara Malaysia at USD1 = RM3.1511*

[8] *Exchange rate from USD to RM in 2009 was converted based on average annual exchange rates in 2009 extracted from published information from Bank Negara Malaysia at USD1 = RM3.5236*

The electronics industry has seen developments in terms of performance, size and technology of various products. For instance, computers have transformed from when it was first introduced in 1961 as mainframe computers, to the current portable size of notebooks/laptops today. Within the last few years, new computer models were constantly introduced to the market with advancements made in terms of its processor performance and reductions in weight and size. Likewise, mobile phones have experienced similar advancements in the 21st century, in terms of its design, performance, features and reductions in weight. Mobile phones are no longer just a telecommunication tool for making telephone calls and sending and receiving messages; more advanced smartphones now have functions for internet access, photography, data storage, entertainment and social media networking. Computers and laptops have evolved in recent years from the traditional keyboard and touchpad interface to touch technology that adds touch and gesture functionalities through touchscreen monitors on these devices. Computers and laptops with touch technology allow users to touch, tap and swipe touchscreen monitors to carry out various tasks on these devices.

Consumers are highly receptive to these new product innovations, resulting in relatively shorter product lifecycles for most electronic products, and especially consumer electronics. As a result, new and enhanced versions of products are constantly introduced to the market, and these new introductions have been the key driving factor for electronics sales.

Bluetooth as a key connectivity technology in IoT

The IoT refers to a network of devices and sensors that are able to communicate and transfer data between them and other parties in a seamless manner, and is a concept that seeks to leverage on communication technologies to facilitate daily human activity and address urban development challenges. IoT encompasses the concept of integrated computer based systems of machine-to-machine communications and ubiquitous sensor networks that communicate with one another where information is gathered, measured, processed and communicated to devices that are able to convey this data. The IoT environment allows for smart interconnected environments like homes, workplaces and cars to be intelligent, enabling them to facilitate with everyday tasks that introduces convenience to these environments.

The ubiquity and prevalence of Bluetooth technology in everyday devices today like smartphones, tablets, laptops, and various peripherals such as headphones and smartwatches has made it a key technological component of the IoT environment. The evolution of Bluetooth and the adaptability of this technology has enabled new kinds of devices to tap into new markets with a range of products that have been made possible by the miniaturisation, cost efficiency, and low power consumption of Bluetooth hardware.

With the introduction of the Bluetooth 4.0 ecosystem, Bluetooth technology has been strengthened in relation to the technological environment today and has made the technology adaptive to the evolving needs of the modern consumer. New low energy Bluetooth Smart Ready chipsets that have been designed to operate in low power environments have enabled Bluetooth to go beyond being present in smartphones, tablets, laptops and earphones to now operating in sensors, smartwatches, hearing aids, fitness and health trackers as well as being embedded in apparel. This expansion of its footprint and target markets has seen growth in devices and peripherals with integrated Bluetooth functionality in the last few years.

The constant evolution and development of new Bluetooth functionality and devices that leverage on this functionality bolsters the position of the technology in the modern environment. Products such as the Bluetooth Smart Beacon, i.e. small devices that transmit location information to smartphones and are powered by Bluetooth Smart, enable end-user features such as mobile wallet functionality, mobile couponing, and location-based services. These features can be repurposed for applications in industries and spaces that are beginning to become more connected and intelligent such as hospitals, airports and transit stations.

The evolving IoT environment will result in more Bluetooth-enabled devices and sensors entering the market with the aim of creating a smart environment that is able to offer the user a sense of convenience that leverages on technology. The technology industry is a competitive industry with an ever changing landscape. Bluetooth technology plays an important role in the connected electronic environment today and has the potential to be a key part of the vision for a more connected society through IoT.

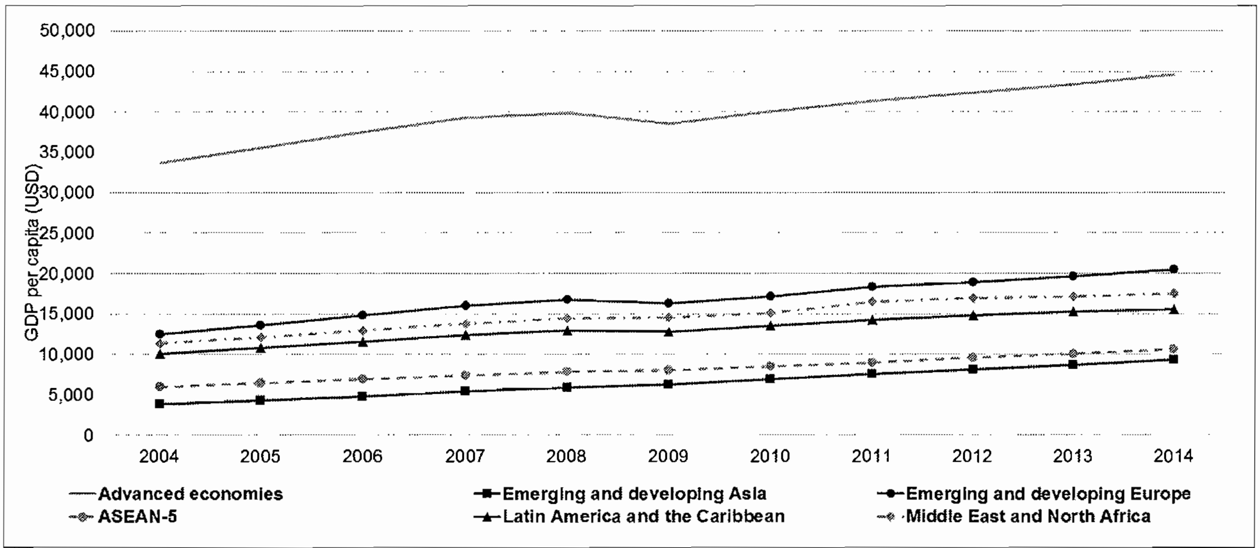
Increasing global income levels have made consumer electronics within economic reach of larger portions of the global population

Economic development and increased global trade have led to increased economic activity in more integrated global markets, resulting in rising global income levels. These effects have varying distribution effects worldwide as populations in more economically developed regions have historically on average enjoyed higher proportions of income compared to developing regions. However, developing regions have a greater proportion of unlocked economic potential that may be capitalised moving forward. These rising income levels and wealth creation have led to increased prosperity and the increased availability of products and services to sections of the global population to whom these products and services are within economic reach.

Gross domestic production ("GDP") per capita metrics capture income per capita and is an indicator of the prosperity of the population of a region. GDP per capita of advanced economies increased from USD33,733 in 2004 to USD44,630 in 2014 at a CAGR of 2.8%, while GDP per capita of emerging and developing Europe increased from USD12,474 to USD20,479 in the same period at a CAGR of 5.1%. GDP per capita of Middle East and North Africa increased from USD11,350 in 2004 to USD17,472 in 2014 at a CAGR of 4.4%, while GDP per capita of Latin America and the Caribbean increased from USD10,102 to USD15,551 in the same period at a CAGR of 4.4%. The GDP per capita of the Association of Southeast Asian Nations five (5) ("ASEAN-5") economies that consist of Indonesia, Malaysia, Philippines, Thailand and Vietnam increased from USD5,963 in 2004 to USD10,584 in 2014 at a CAGR of 5.9%, while GDP per capita of emerging and developing Asia increased from USD3,835 to USD9,334 in the same period at a CAGR of 9.3%. Regional growth in GDP per capita between 2004 and 2014 was highest in emerging and developing Asia, the ASEAN-5 economies, and emerging and developing Europe. These regions exhibited the highest growth of average income in their populations and are among the regions with the greatest market growth potential globally.

Increasing GDP per capita translates to increased economic prosperity and thus, greater purchasing power for essential and non-essential goods such as consumer electronics for a larger segment of society. The demand for touchscreen laptops and computers will be driven by the pervasive use of laptops and computers globally arising from the growth in global income levels that have made these devices within economic reach of larger portions of the global population. Continued global economic growth and GDP per capita, particularly in developing regions, creates growth potential for the consumer electronics industry moving forward, which would ultimately benefit industry players that are involved in the consumer electronics manufacturing value chain.

Global consumer electronics market – GDP per capita by region



	GDP per capita (USD)		CAGR
	2004	2014	
Advanced economies	33,733	44,630	2.8%
Emerging and developing Asia	3,835	9,334	9.3%
Emerging and developing Europe	12,474	20,479	5.1%
ASEAN-5	5,963	10,584	5.9%
Latin America and the Caribbean	10,102	15,551	4.4%
Middle East and North Africa	11,350	17,472	4.4%

Source: International Monetary Fund

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Key Supply Conditions

Availability of raw materials for the manufacture of consumer electronics

Raw materials are a key facet for the manufacturing of consumer electronics worldwide. Critical aspects involving raw materials in the manufacture of consumer electronics include the selection of appropriate materials that meet quality specifications, selection of suitable suppliers from which such materials can be reliably sourced and delivered at an appropriate cost, and ensuring adequate inventory levels.

The raw materials involved in the manufacture of consumer electronics include, but are not limited to, various metals and alloys, polycarbonates, as well as rubber-based materials. These materials play various roles in the finished products of various consumer electronics devices, and are used to produce electronic components and parts, casings and enclosures within which electronic components are housed. It is integral that materials sourced for these purposes fulfil certain quality criteria and functionality that enable them to fulfil their designated functions within the finished product. As such, the supply chain of raw materials for the manufacture of consumer electronics is a critical factor in the production process.

Manufacturers that are able to secure a steady and reliable supply of raw materials that meet the required quality standards in a cost effective and timely manner are able to remain sustainable and competitive in the longer term.

Availability of human resources for the manufacture of consumer electronics

Labour and talent are components of human resources that are critical to the manufacturing operations of consumer electronics. Labour typically refers to unskilled personnel that carry out primarily physical functions in the production line of consumer electronics, which include, but are not limited to, the operation of various machinery, product assembly and quality inspections. Talent typically comprises skilled personnel with a specialisation specific to functions within the manufacturing operations of consumer electronics, including but not limited to, design, engineering, research and development.

While a number of functions in the production line of consumer electronics have become increasingly mechanised and automated with technological advancement and thus allowing for machinery and specialised tools to play a larger role in manufacturing processes, there remains a need for personnel to operate certain kinds of machinery and to assist with various non-mechanised aspects of the production line. In certain countries where the cost of labour is low, it may be more cost effective to have minimal mechanisation on production lines and maintain a large labour force on the production line. This then creates a reliance on labour for manufacturing operations and thus, maintaining a workforce of the appropriate size is an important consideration to ensure effective and efficient operations.

Talent is represented by personnel with specific skillsets that allow them to carry out specialised functions within the manufacturing operations of consumer electronics. It is important for industry players to be able to attract and retain talent as it is critical to maintaining the efficiency of output, the implementation of processes that streamline manufacturing operations, and new product development. A competent talent pool would also enable a manufacturer to build a reputation for itself in the industry and remain competitive within the marketplace, enabling it to attract and retain customers looking to render their services.

Supply and availability of machinery required to meet customer specifications

Technological progress has allowed for the mechanisation and automation of several functions and processes across the production line in the consumer electronics manufacturing industry. It has enabled the development of specific machinery that allow for certain functions beyond human capability to be carried out in a consistent, reliable and cost effective manner. These machinery enable manufacturers to undertake more demanding tasks in the manufacture of consumer electronics products that require a greater degree of precision, scale and cost efficiency.

With the rapid pace of technological advancement and an increasingly demanding consumer electronics market, product development of consumer electronics has advanced and is incorporating newer functionalities, as well as adopting more specialised techniques and greater precision in manufacturing processes. These demands create a pressure on consumer electronics manufacturers to meet these demands and carry out precision manufacturing on a large scale.

The identification of the appropriate machinery and the suppliers of such machinery will allow industry players to expand their range of products and volume of output. Securing the appropriate machinery in a manner that expands functionality and maintains cost efficiency is critical for consumer electronics manufacturers to remain competitive in the evolving consumer electronics marketplace.

Availability of funding for the expansion of operations and to carry out manufacturing activities at scale

In order to remain competitive in the global marketplace, industry players must be able to meet customer demands from both technical and economical perspectives. Manufacturers need to be able to offer an expanded range of services that are competitively priced in order to attract and retain customers. Remaining competitive is increasingly important as fast pace technological developments take place and manufacturing demands increase in complexity.

A certain degree of capital investment is required on the part of the consumer electronics manufacturer to be able to expand its services at competitive cost levels. This includes, but is not limited to, the acquisition of new or additional machinery, acquisition and development of additional factory floor space, and the development of additional infrastructure. To this end, a manufacturer may depend on external funding should internal funds be deemed insufficient. The availability of funding is critical, thereby allowing a manufacturer to expand production capacity and/or to undertake additional functionality in the manufacturing process of consumer electronics, and would have longer term implications on business growth.

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Product/Service Substitution

Electronics manufacturing services rendered by third party electronics manufacturers may also be carried out in-house by OEMs or brand owners themselves.

Nonetheless, SMITH ZANDER notes that since the 1980s, the consumer electronics value chain experienced change as brand owners increasingly adopted the services of third party manufacturing firms for contract manufacturing services. There are various factors that drive brand owners to seek the services of third party design and manufacturing firms, where cost reduction is a primary factor. Nonetheless, in addition to cost reduction, third party design and manufacturing firms can provide:

- a second manufacturing resource to that of the brand owner of electronic products, which can absorb some or all of the fluctuations in the demand cycle;
- reduction of working capital for the brand owner of electronic products;
- immediate availability of trained and experience staff;
- shortened time for availability or the acquisition of new technologies;
- optimisation of yield and rework costs;
- ability to offer after sales and warranty services;
- ability to work with design, pre-production and other services which may be in short supply in-house;
- an experienced supply chain management; and
- a reduction in business risk with capital tied up in plant and equipment.

As such, this allows brand owners to concentrate on areas such as research and development, design and branding and marketing activities. Outsourcing to third party design and manufacturing firms further allows brand owners to gain access to the latest equipment, process knowledge and manufacturing technology without having to incur significant investments in plant and equipment.

Competitive Landscape

Brand owners of consumer electronics have been largely reliant on third party design and manufacturing firms for electronics manufacturing services. Third party design and manufacturing firms may provide more than manufacturing services, including unit assembly and testing for brand owners of electronic products, as they may offer value added services such as product design support services, aftermarket support, warranty repair, supply chain management, global distribution, logistics and quality control management. These third party design and manufacturing firms serve a large end-user base such as consumer electronics, telecommunications, automotive and industrial electronics.

The development of the electronics manufacturing services industry is competitive where brand owners in various industries are prone to focus on their core competencies while outsourcing non-core business processes to third party design and manufacturing firms. There is a distinct trend in the shifting of outsourced manufacturing activities from high-cost regions such as North America and Western Europe to low-cost regions such as Southeast Asia and East Asia where countries such as Malaysia, the People's Republic of China and the Republic of China ("Taiwan") are located.

This trend of outsourcing is expected to continue, reinforced by the sustained general thrust among brand owners to concentrate on their core competencies and global competitive positioning, marketing, sales and business development strategies, and to leverage on the cost advantages provided by third party design and manufacturing firms.

While the electronics manufacturing services industry is competitive in nature, there are barriers to entry that can restrict the entry of new firms into this industry. These barriers to entry include:

- **Capital intensive industry**

  The electronics manufacturing services industry is capital intensive as initial investments are required to secure manufacturing space, machinery and equipment, as well as raw materials for manufacturing activities;

- **Strong technical skills**

  Industry players in the electronics manufacturing services industry require a certain degree of technical competence and know-how in order to deliver tailored solutions to brand owners;

- **Complex business model built on strong supply chain network**

  Electronics manufacturing services industry players rely on a complex supply chain network in order to fulfil the requirements of brand owners, and deliver services that meet service level agreement parameters throughout the design, procurement, manufacturing and delivery activities;

- **Product and quality certification**

  Products manufactured by electronics manufacturing services industry players must adhere to country and/or region specific quality certifications and licenses. Electronics manufacturing services industry players must undergo quality certification audits that require rigorous testing procedures to ensure manufactured products operate within predetermined parameters.

Salutica Berhad is principally involved in the design, development and manufacture of Bluetooth devices for external brands; product conceptualisation, design, development, manufacture, marketing and sales of Bluetooth devices for its in-house brand, FOBO; and manufacture of other electronics and precision parts and components for external brands. Thus, Salutica Berhad competes in the global consumer electronics manufacturing services industry.

Salutica Berhad competes with major players in the consumer electronics manufacturing services industry including Benchmark Electronics Inc.; Compal Electronics Inc.; Flextronics International Ltd.; GoerTek Inc.; Hon Hai Precision Industry Co., Ltd.; Inventec Corporation; K-mate General Electronics Co., Ltd.; Kinpo Electronics Inc.; OSI Systems Inc.; Pegatron Corporation; Primax Electronics Ltd.; Sanmina Corporation; Shenzhen Kaifa Technology Co., Ltd.; and Universal Scientific Industrial (Shanghai) Co., Ltd. These players are present in various geographical segments and provide manufacturing and/or design solutions for various brands of consumer electronics comprising both Bluetooth and non-Bluetooth products.

In 2014, Salutica Berhad shipped 2.1 million units of Bluetooth headsets and smartwatches under external brands, as well as Bluetooth-enabled devices under its in-house FOBO brand, namely FOBO Tag, FOBO MAX and FOBO Tire.[9] Global Bluetooth device shipments in 2014 totalled 3.0 billion units, of which other Bluetooth-enabled devices that are in the same categories as the Bluetooth products designed and manufactured by Salutica Berhad include products such as smartwatches, Bluetooth headsets, Bluetooth speakers, computer peripherals and Bluetooth sensors, comprised 1.2 billion units. Based on the 2.1 million

[9] *Source: Salutica Berhad*

units of Bluetooth devices shipped by Salutica Berhad in comparison to the volume of other Bluetooth-enabled devices of 1.2 billion units, Salutica Berhad achieved a global market share of 0.18% in 2014.

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Consumer electronics manufacturing services industry – profiles of selected global industry players [a]

Industry player	Headoffice location	Principal activity	Products	Latest available financial year ending	Revenue (USD '000)	Profit before tax (USD '000)	Profit after tax (USD '000)
Benchmark Electronics Inc.	United States	Design and manufacturing services and provision of integrated electronics manufacturing services to OEMs of industrial control equipment (including equipment for the aerospace and defense industry), telecommunication equipment, computers and related products for business enterprises, medical devices, and testing and instrumentation products	▪ Wireless technology ▪ Storage ▪ Optics ▪ Servers ▪ Bluetooth products ▪ Telematics ▪ Semiconductors ▪ PCBA ▪ Industrial control systems	31 December 2015	2,540,873	90,039	95,401
Compal Electronics Inc.	Taiwan	Design, development, manufacture and sales of computing, communications and consumers products	▪ Electronic readers ("e-readers") ▪ Smartphones ▪ Tablets ▪ Wireless technology ▪ Liquid crystal display ("LCD") television and monitors ▪ Set-top boxes ▪ Notebook and netbook computers, and personal computers ▪ Smart accessories ▪ Cloud infrastructure	31 December 2014	26,791,508	308,159	144,317

Industry player	Headoffice location	Principal activity	Products	Latest available financial year ending	Revenue (USD '000)	Profit before tax (USD '000)	Profit after tax (USD '000)
Flextronics International Ltd.	Singapore	Design, build, ship and service complete packaged consumer electronics and industrial products for OEMs	▪ Business telecommunications systems and core routers and switches ▪ Power chargers ▪ Aftermarket services for notebooks ▪ Tablets ▪ Smartphones ▪ Enterprise telecommunications infrastructure ▪ Radio base stations for Long Term Evolution (LTE) and Global System for Mobile Communications (GSM) infrastructure ▪ Fitness tracker ▪ Notebook and netbook computers, personal computers and all-in-one desktops ▪ Processors ▪ Sync modules, lighting products, solenoids and motion control electronics ▪ Processors ▪ Gaming and computer peripherals	31 March 2015	26,147,916	670,655	600,801

Industry player	Headoffice location	Principal activity	Products	Latest available financial year ending	Revenue (USD '000)	Profit before tax (USD '000)	Profit after tax (USD '000)
			▪ Mobile communication, wearables and connected living devices ▪ Office equipment and imaging				
GoerTek Inc.	People's Republic of China	Research and development, production and sales of electro-acoustic components, electric accessories, light emitting diode ("LED") sealing and related products	▪ Miniature microphones ▪ Miniature speaker/ receiver ▪ Bluetooth headsets	31 December 2015	2,171,542	237,095	197,182
Hon Hai Precision Industry Co., Ltd.	Taiwan	Design, development, engineering, procurement, manufacturing, logistics and after sales services for E&E products	▪ Smartphones ▪ Tablets ▪ E-readers ▪ Game consoles	31 December 2014	133,471,847	5,516,073	4,196,978
Inventec Corporation	Taiwan	Design, manufacture and sales of smartphones and electronic dictionaries; design and manufacture of all-in-one personal computers and solar batteries; and the design and manufacture of solar battery modules	▪ Notebook computers ▪ Servers ▪ Storage ▪ Switches ▪ Mobile devices ▪ Tablets ▪ E-readers ▪ Cloud infrastructure	31 December 2014	13,799,657	306,681	211,163
K-mate General Electronics Co., Ltd. [b]	Taiwan	Design and manufacture of Bluetooth modules as well as Bluetooth and non-Bluetooth accessories	▪ Bluetooth headsets ▪ Bluetooth car kits ▪ Bluetooth transmitters and receivers ▪ Bluetooth speakers	Not available	Not available	Not available	Not available

Industry player	Headoffice location	Principal activity	Products	Latest available financial year ending	Revenue (USD '000)	Profit before tax (USD '000)	Profit after tax (USD '000)
			▪ Bluetooth modules ▪ Cables and car chargers ▪ Docking speakers ▪ Frequency modulation (FM) transmitters				
Kinpo Electronics Inc.	Taiwan	Involved in electronics manufacturing services and as an ODM	▪ Storage ▪ Wireless technology ▪ Power management ▪ Three (3)-dimensional ("3D") printing ▪ Robotics ▪ LED products ▪ Electronic controls ▪ Global positioning system ("GPS") modules ▪ E-readers ▪ Tablets ▪ Printers ▪ Game console peripherals ▪ Keyboards ▪ Calculators ▪ PCBA ▪ Set-top boxes ▪ Touch screen insulin pump ▪ Wi-Fi modules ▪ Smartwatches and smart bands ▪ Medical and fitness bio clothing	31 December 2014	1,381,351	80,486	74,813

Industry player	Headoffice location	Principal activity	Products	Latest available financial year ending	Revenue (USD '000)	Profit before tax (USD '000)	Profit after tax (USD '000)
OSI Systems, Inc.	United States	Design and manufacture of specialised electronic systems and components for critical applications	▪ Optoelectronics ▪ Semiconductors ▪ LCD displays	30 June 2015	958,202	88,853	65,151
Pegatron Corporation	Taiwan	Development, design and manufacturing of peripherals and components of electronics products	▪ Notebook computers and personal computers ▪ Motherboards ▪ Video graphics array (VGA) cards ▪ Mobile internet devices ▪ Cable modems ▪ Set-top boxes ▪ Smartphones ▪ Switches and routers ▪ Tablets ▪ E-readers ▪ Game consoles ▪ LCD television ▪ Multimedia players	31 December 2014	32,304,975	831,974	599,620
Primax Electronics Ltd.	Taiwan	Manufacturing of E&E products, as well as industrial and construction parts, provision of information services, and trading, wholesaling and retailing of electrical, electronics and IT software	▪ Bluetooth headsets ▪ Audio transmitters ▪ Hands-free car headsets and car accessories ▪ Identification card headphones ▪ Image viewers ▪ Digital pens ▪ GPS receivers ▪ Charging cradles ▪ Data cables ▪ Car chargers	31 December 2014	1,341,836	51,743	48,935

Industry player	Headoffice location	Principal activity	Products	Latest available financial year ending	Revenue (USD '000)	Profit before tax (USD '000)	Profit after tax (USD '000)
			▪ Wireless charging solutions ▪ Camera modules ▪ Keyboard modules ▪ Computer input devices ▪ Digital writing tablet/stylus ▪ Printers and scanners ▪ Smart television remote control ▪ Wireless audio products ▪ Wireless portable storage devices ▪ Internet music box				
Salutica Berhad [c]	Malaysia	Design, development and manufacture of Bluetooth devices for external brands; product conceptualisation, design, development, manufacture, marketing and sales of Bluetooth devices for its in-house brand, FOBO; and manufacture of other electronics and precision parts and components for external brands	▪ Bluetooth mono headsets ▪ Bluetooth stereo headsets ▪ Bluetooth speakers ▪ Bluetooth smartwatch ▪ Bluetooth handsfree car kit ▪ Bluetooth-enabled TPMS ▪ Bluetooth electronic sensors ▪ Bluetooth tracking devices ▪ Bluetooth beacon transmitters ▪ Camera lenses	30 June 2015	49,271	5,191	7,016

Industry player	Headoffice location	Principal activity	Products	Latest available financial year ending	Revenue (USD '000)	Profit before tax (USD '000)	Profit after tax (USD '000)
			▪ Camera body ▪ 3D glasses ▪ Optical light guide for electronic book (e-book) readers and printers ▪ Electronic industrial door locks ▪ Plastic parts for lighting				
Sanmina Corporation	United States	Provider of integrated manufacturing solutions, components, products and repair, logistics and aftermarket services primarily to OEMs in the communications networks, computing and storage, multimedia, industrial and semiconductor capital equipment, defense and aerospace, medical, energy and clean technology and automotive industries	▪ Base stations ▪ Routers and switches ▪ Optical wiring ▪ Storage ▪ Set-top boxes ▪ Point of sale equipment ▪ Casino gaming equipment ▪ Touchscreen operated equipment ▪ LED products ▪ Semiconductors ▪ PCBA ▪ Processors ▪ Professional and automotive audio/ video/multimedia equipment	27 September 2015	6,375,000	176,000	377,000
Shenzhen Kaifa Technology Co., Ltd.	People's Republic of China	Turnkey manufacturing services which include research and development, production,	▪ Smart meters ▪ Payment terminals ▪ Automation equipment ▪ Cover lens for optics	31 December 2015	2,402,565	43,322	28,308

Industry player	Headoffice location	Principal activity	Products	Latest available financial year ending	Revenue (USD '000)	Profit before tax (USD '000)	Profit after tax (USD '000)
		and distribution for ODM and OEM customers	▪ Touch panel ▪ Semiconductors ▪ Storage ▪ Smartphones ▪ Computing ▪ PCBA ▪ LED products				
Universal Scientific Industrial (Shanghai) Co., Ltd.	People's Republic of China	Design, miniaturisation, material sourcing, manufacturing, logistics, and after services of electronic devices/modules for brand owners	▪ Smartphones ▪ Tablets ▪ E-readers ▪ Storage ▪ LED products ▪ Point of sale equipment ▪ Servers ▪ LED control panel equipment ▪ Automotive electronics ▪ Processors	31 December 2015	3,390,729	120,535	109,881

[a] *Latest available as at 6 April 2016*

[b] *Financial statements are not publicly available as K-mate General Electronics Co. Ltd is a private company*

[c] *For the FYE 30 June 2015, Salutica Berhad recorded a revenue of RM192,517,682, profit before tax of RM20,283,733 and profit after tax of RM27,411,834. The exchange rate from USD to RM in 2015 was converted based on average annual exchange rates in 2015 extracted from published information from Bank Negara Malaysia at USD1 = RM3.9073*

Source: Annual reports of the respective industry players, Salutica Berhad

3 ANALYSIS OF THE CONSUMER ELECTRONICS INDUSTRY IN MALAYSIA

Industry Performance, Outlook and Prospects

Malaysia's E&E industry has been acknowledged as a pillar of the nation's economy, as it is the largest manufacturing sub-segment of Malaysia's economy, contributing to approximately 26.5% of the manufacturing sector GDP and 6.1% of Malaysia's total GDP in 2015, as well as about a third of the nation's export income. The E&E industry's GDP was valued at RM64.6 billion in 2015, growing by 7.9% from RM51.4 billion in 2012.

Consumer electronics industry in Malaysia – economic performance of Malaysia's E&E industry

Year	National GDP (RM billion)	E&E industry GDP (RM billion)	E&E industry contribution to national GDP (%)
2012	912.3	51.4	5.6
2013*e*	955.3	53.7	5.6
2014*p*	1,012.5	59.5	5.9
2015*p*	1,062.6	64.6	6.1

e Estimate
p Preliminary

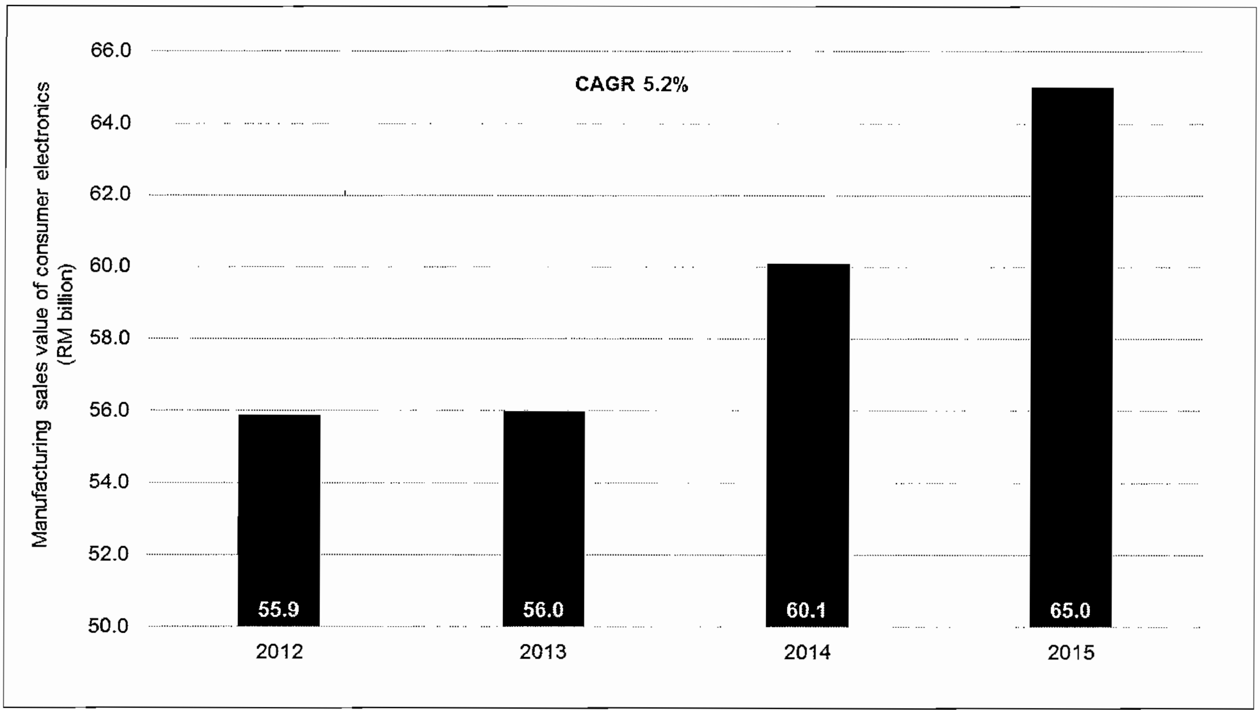
Source: Department of Statistics Malaysia

Over the years, Malaysia has built a reputation as a producer and assembler of components and parts of manufactured goods with good product quality. This has led to a continuous demand for Malaysia's E&E products from various end-user markets such as consumer electronics, telecommunications and automotive for both the domestic and export market. In light of this, Malaysia's exports of E&E products grew from RM231.3 billion in 2012 to RM277.9 billion in 2015.

Most consumer electronics today are equipped with the ability to transfer data in order to be able to share information between devices and/or log metrics and/or activity to a device that accumulates such data. These data connections can take place through wired connections, where a device is connected to another device via an appropriate and compatible physical data cable enabling the data transfer, or wirelessly, where both devices are able to establish a connection through one (1) of several kinds of wireless technologies or protocols. The advancement of technology and the development of wireless technologies have lowered the cost of implementing wireless capabilities on an increasing number of devices and peripherals today. This has allowed wireless technologies such as Wi-Fi, near field communication (NFC) and Bluetooth to be increasingly pervasive and seen as standard features in many consumer electronics today.

The manufacturing sales value of consumer electronics in Malaysia grew from RM55.9 billion in 2012 to RM65.0 billion in 2015 at a CAGR of 5.1%. Prior to 2012, the consumer electronics manufacturing industry was impacted by the European financial crisis in 2011, followed by its after-effects thereafter in 2012 and 2013, which lowered consumer spending on personal computers and other consumer electronics such as mobile phones, laptops and peripheral equipment. Nevertheless, as the European economy recovered and with the substantial rise in demand for mobile and wireless devices such as smartphones and tablets, consumer electronics manufacturing sales in Malaysia rebounded and grew from RM55.9 billion in 2012 to RM65.0 billion in 2015.

Consumer electronics industry in Malaysia – consumer electronics manufacturing sales value



Source: Department of Statistics Malaysia

The export value of E&E products in Malaysia grew from RM231.3 billion in 2012 to RM277.9 billion in 2015 at a CAGR of 6.3% post the European financial crisis as confidence returned to global consumers and global consumer spending improved, thus positively impacting the nation's consumer electronics manufacturing industry.

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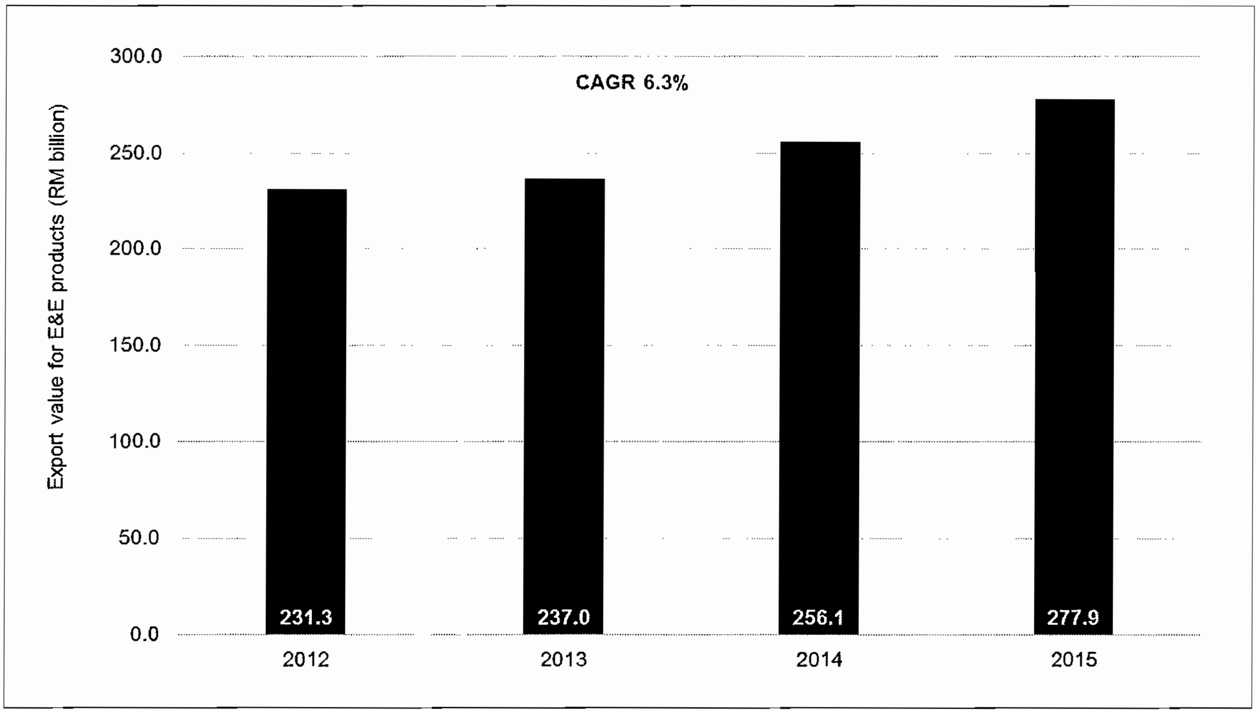
Consumer electronics industry in Malaysia – E&E export value



Source: Department of Statistics Malaysia

The consumer electronics industry is expected to post strong sales in 2015 on the back of increased demand for smartphones and tablets. Consumer spending on smartphones is projected to increase predominantly from emerging markets, driven by declining average selling prices of smartphones and the introduction of new products from major mobile and wireless device brands as exhibited by the Apple and Samsung brands who have introduced new product lines in the consumer wearables category, which encompasses smartwatches and fitness trackers, alongside updates to existing product lines.

Strong global demand for consumer electronics will subsequently boost consumer electronics manufacturing activities in Malaysia and the nation's E&E product exports as manufacturer order books grow to meet increasing demand. This creates positive upside for consumer electronics manufacturing industry players in Malaysia, with industry players servicing global brands well poised to benefit from this trend.

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Reliance and Vulnerability to Imports

The E&E industry is a key economic contributor for Malaysia, both from the manufacturing and external trade perspectives. At present, Malaysia's ability to develop talent and resources with technical capabilities and skills to undertake activities in various segments of the E&E value chain has led to a strong foundation for its E&E industry, thereby reducing the nation's reliance and vulnerability to imports.

The development of the E&E industry in Malaysia has transformed Malaysia into a major player in the global E&E industry. Malaysia has built a reputation as a producer and assembler of components and parts of manufactured E&E products with good product quality, as can be seen by the continuous demand from export markets such as United States and Singapore. This has led to continuous demand for Malaysia's E&E products from various end-user industries such as consumer electronics, telecommunications, and automotive, for both the domestic and export market. In light of this, Malaysia's exports of E&E products grew from RM231.3 billion in 2012 to RM277.9 billion in 2015 at a CAGR of 6.3%. As a major global exporter of E&E products, Malaysia's E&E industry is not vulnerable to imports.

Relevant Laws and Regulations

Factories and Machinery Act 1967

The Factories and Machinery Act 1967 provides for the control of factories with respect to matters relating to the safety, health and welfare of persons therein, the registration and inspection of machinery and for matters connected to it. The Factories and Machinery Act 1967 is applicable to the manufacturing, mining and quarrying, as well as construction industries.

The Factories and Machinery Act 1967 mandates the appointment of Chief Inspector of Factories and Machinery and Deputy Chief Inspector of Factories and Machinery with the power to enter, inspect and examine any factory, and the machinery, plant and appliances contained therein. Failure to comply with any order lawfully provided by the inspecting Chief Inspector of Factories and Machinery or Deputy Chief Inspector of Factories and Machinery, or willful delay or willful withholding of information can result in a fine not exceeding RM5,000 or imprisonment of a term not exceeding two (2) years or both. The Factories and Machinery Act 1967 also makes specific provisions relating to the safety, health and welfare of employees in the manufacturing, mining and quarrying, as well as construction industries.

Employment Act 1955

The Employment Act 1955 and its regulations stipulate the benefits and entitlements that employees are entitled to, and which all employers are required to comply with. These include the need to ensure that the benefits and entitlements of employees are fulfilled in terms of their wages, hours of work, rest days, and sick and annual leaves. The Employment (Restriction) Act 1968 also states that an employer is required to obtain a permit to employ legal foreign workers under contracts of services, and ensure their welfare and rights are fulfilled in terms of their wages, hours of work, rest days, and sick and annual leaves. The Ministry of Human Resources is responsible for monitoring and ensuring that companies are in compliance with the employment laws.

Occupational Safety and Health Act 1994

All employers possess a general duty of care to the employees. In accordance with the Occupational Safety and Health Act 1994, employers need to ensure that the work site facilities and systems are practicable, safe and without risks or hazard to the employees' health and safety. It is also the obligation of the employer to provide employees with the training, knowledge, information and supervision, in providing a safe working environment without risks to their health, safety and welfare. The Department of Occupational Safety and Health is authorised to ensure that companies have taken proper steps to ensure a safe working environment for their employees.

Environmental Quality Act 1974

The Department of Environment Malaysia is responsible for the implementation and monitoring of Malaysia's environmental regulations and policies. The Environmental Quality Act 1974 prohibits industrial activities which cause air, sound, soil, and water pollution without obtaining a valid license. Therefore, the burning of waste or rubbish or any open burning is prohibited without obtaining the necessary licenses or permits. Under this regulation, effluent is not permitted to be diluted, whether raw or treated, at any time or point after it is treated, without first obtaining a written authorisation which approves the effluent to be treated according to the terms and conditions of the authorisation.

Industrial Co-ordination Act 1975

The Industrial Co-ordination Act 1975 is an Act introduced with the objective of maintaining the co-ordination, orderly development and growth in Malaysia's manufacturing sector. The Act requires manufacturing companies in Malaysia with shareholders' funds of RM2.50 million and above or with 75 or more full-time employees to apply for a manufacturing license for approval by the Ministry of International Trade and Industry ("MITI").

Applications for the manufacturing license are to be submitted to the Malaysian Industrial Development Authority ("MIDA"), and this license will subsequently be approved and issued by MITI. The licenses are non-transferable unless with prior approval has been obtained from MITI.

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4 OVERVIEW OF THE GLOBAL AUTOMOTIVE MARKET

Industry Performance, Outlook and Prospects

Global production of vehicles, comprising both passenger and commercial vehicles, grew from 74.8 million units in 2010 to 90.7 million units in 2015, registering a CAGR of 3.9%. Of this, global production of passenger vehicles grew from 58.3 million units in 2010 to 68.6 million units in 2015 at a CAGR of 3.3% while global production of commercial vehicles grew from 16.5 million units in 2010 to 22.1 million units in 2015 at a CAGR of 6.0%.

Global sales of vehicles grew from 75.0 million units to 89.7 million units between 2010 and 2015 at a CAGR of 3.6%, of which global sales of passenger vehicles grew from 55.4 million units to 66.3 million units at a CAGR of 3.7% while global sales of commercial vehicles grew from 19.6 million units to 23.4 million units at a CAGR of 3.6%.

Growth in the production and sales volumes of vehicles during this period were underpinned by increased global economic activity as a result of increased global consumption and trade flows. Passenger vehicles and commercial vehicles play a central role in the transport of goods and people between locations and supplement other forms of transportation, allowing global markets to function efficiently and in a timely manner.

Global automotive market – production and sales of vehicles

	Production volume			Sales volume		
	2010	2015	CAGR	2010	2015	CAGR
	'000 units		%	'000 units		%
Asia	37,663.6	47,613.1	4.8	34,054.5	42,549.0	4.6
Europe	19,807.7	21,096.3	1.3	18,808.7	19,044.9	0.2
North America	10,043.5	14,383.6	7.4	13,355.6	19,410.6	7.8
Africa	512.0	835.9	10.3	1,273.9	1,550.3	4.0
Latin America	6,536.7	6,581.1	0.1	6,375.3	5,821.3	-1.8
Others	244.0	173.0	-6.6	1,137.1	1,301.9	2.7
Total	**74,807.5**	**90,683.0**	**3.9**	**75,005.1**	**89,678.0**	**3.6**

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Global automotive market – production and sales of passenger vehicles

	Production volume			Sales volume		
	2010	2015	CAGR	2010	2015	CAGR
	'000 units		%	'000 units		%
Asia	32,203.5	39,862.5	4.4	26,378.4	35,480.1	6.1
Europe	17,271.1	18,537.7	1.4	16,499.9	16,424.4	-0.1
North America	3,698.2	5,052.2	6.4	6,329.8	8,285.7	5.5
Africa	356.9	604.8	11.1	927.2	1,125.5	4.0
Latin America	4,529.9	4,344.8	-0.8	4,603.0	4,377.7	-1.0
Others	205.3	159.9	-4.9	665.0	618.5	-1.4
Total	**58,264.9**	**68,561.9**	**3.3**	**55,403.3**	**66,311.9**	**3.7**

Global automotive market – production and sales of commercial vehicles

	Production volume			Sales volume		
	2010	2015	CAGR	2010	2015	CAGR
	'000 units		%	'000 units		%
Asia	5,460.1	7,750.6	7.3	7,676.1	7,068.9	-1.6
Europe	2,536.6	2,558.7	0.2	2,308.8	2,620.6	2.6
North America	6,345.3	9,331.3	8.0	7,025.8	11,124.9	9.6
Africa	155.1	231.2	8.3	346.7	424.7	4.1
Latin America	2,006.8	2,236.3	2.2	1,772.4	1,443.7	-4.0
Others	38.7	13.1	-19.5	472.1	683.3	7.7
Total	**16,542.6**	**22,121.2**	**6.0**	**19,601.9**	**23,366.1**	**3.6**

Globally, total vehicles in use increased from 1.1 billion units in 2010 to 1.2 billion units in 2014 at a CAGR of approximately 4.0%, where total passenger vehicles in use grew from 775.6 million units to 907.1 million units at a CAGR of 4.0%, and total commercial vehicles in use grew from 281.3 million units to 329.3 million units at a CAGR of 4.0%.

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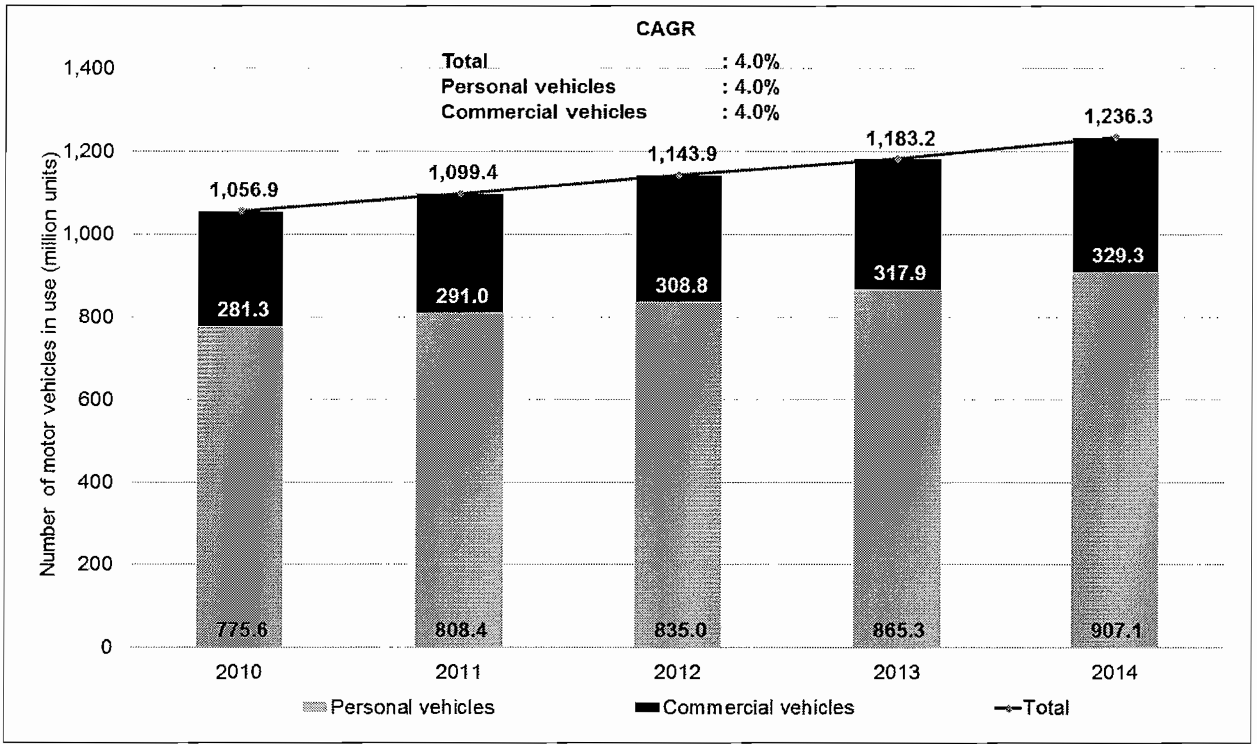
Global automotive market – total number of vehicles in use [a]



[a] Latest available as at 6 April 2016

Regionally, the distribution of vehicles in use was highest in Asia at 387.3 million units in 2014 (31.3% of the share of global vehicles in use), followed by Europe at 382.2 million units (30.9% of the share of global vehicles in use), North America at 280.9 million units (22.7% of the share of global vehicles in use), Latin America at 122.9 million units (9.9% of the share of global vehicles in use) and Africa 42.5 million units (3.4% of the share of global vehicles in use).

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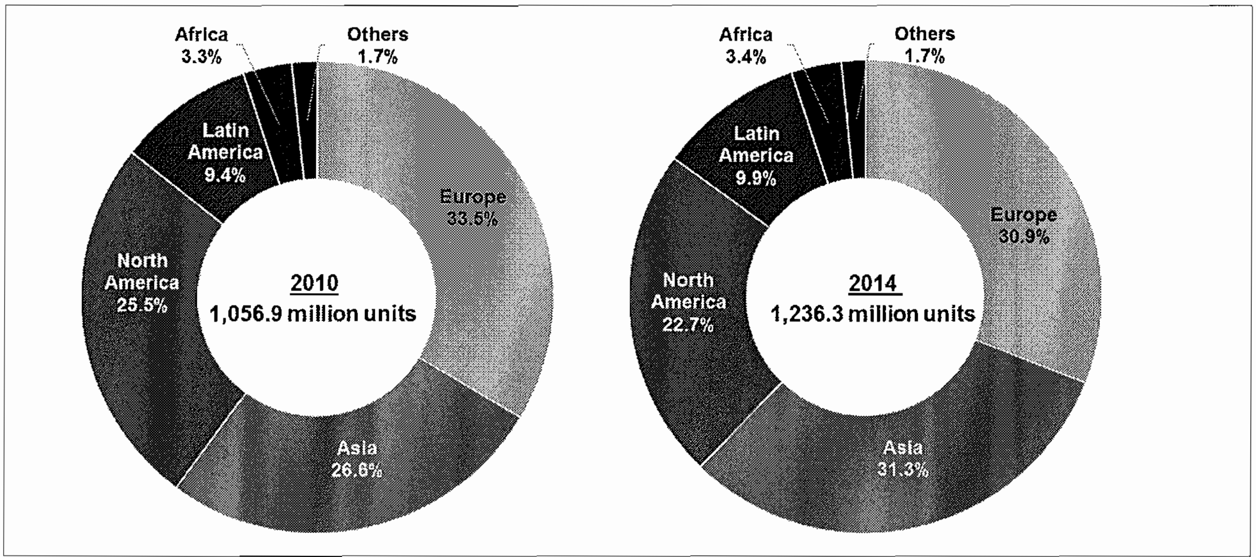
Global automotive market – distribution of vehicles in use by region [a]



[a] Latest available as at 6 April 2016

Competitive Landscape

TPMS as an aftermarket solution is a segment of the automotive accessories market that has significant growth potential as there is a large number of vehicles in use that do not have TPMS installed as a factory specification. Factory specification refers to the technical specifications for vehicles that leave the production line where these specifications have been defined by brand owners and/or manufacturers. These specifications must be met by parties involved in the automotive supply chain, including OEMs and vendors.

TPMS is a safety feature that is a relatively new addition to vehicle specifications. TPMS gained prominence in the recent decade as developed countries such as the United States have passed legislation making it mandatory for new production vehicles to be equipped with TPMS. In markets where such legislation is not in place, manufacturers are not legally required to have TPMS as part of the factory specification. Given the additional cost involved for the inclusion of TPMS as a factory specification, automotive brand owners and/or manufacturers have typically not included TPMS as a standardised feature across vehicle lines in all geographies. Thus, there is a large percentage of vehicles in use and newly produced vehicles that do not have TPMS installed as a factory specification. These passenger and commercial vehicles in use as well as new vehicles coming off the production line represent growth potential for TPMS industry players. Strong growth in the global automotive industry combined with increasing regulation and recommendations by the respective country authorities will benefit TPMS industry players, opening new and untapped markets for these industry players.

The TPMS industry is competitive in nature, where industry players comprise multinational brands as well as local brands. Major multinational brands include Continental AG; Denso Corporation; Doran Manufacturing LLC; Hitachi Ltd.; Huf Hulsbeck & Furst GmbH & Co., KG; Knorr Bremse AG; Lear Corporation; Omron Corporation; Orange Electronic Co., Ltd.; Pacific Industrial Co., Ltd.; Robert Bosch GmbH; Salutica Berhad; Schrader International Inc.; and ZF TRW Automotive Holdings Corp. These players are present in various geographical segments and provide both OEM and aftermarket TPMS solutions comprising Bluetooth and non-Bluetooth technologies for passenger and commercial vehicles, as well as motorcycles.

Global automotive market – global TPMS industry players

Industry player	Headoffice location	Markets	Application	Brands [a]
Continental AG	Germany	▪ OEM ▪ Aftermarket	▪ Light vehicles ▪ Heavy vehicles	▪ VDO REDI-Sensor
Denso Corporation	Japan	▪ OEM ▪ Aftermarket	▪ Light vehicles ▪ Heavy vehicles	▪ Denso
Doran Manufacturing LLC	United States	▪ Aftermarket	▪ Motorcycles ▪ Light vehicles ▪ Heavy vehicles	▪ Doran
Hitachi Ltd.	Japan	▪ Aftermarket	▪ Light vehicles ▪ Heavy vehicles	▪ Hitachi
Huf Hulsbeck & Furst GmbH & Co., KG	Germany	▪ OEM ▪ Aftermarket	▪ Light vehicles ▪ Heavy vehicles	▪ Huf ▪ Beru ▪ IntelliSens
Knorr-Bremse AG	Germany	▪ OEM ▪ Aftermarket	▪ Motorcycles ▪ Light vehicles ▪ Heavy vehicles	▪ SmarTire
Lear Corporation	United States	▪ OEM ▪ Aftermarket	▪ Light vehicles ▪ Heavy vehicles	▪ Lear
Omron Corporation	Japan	▪ OEM ▪ Aftermarket	▪ Light vehicles ▪ Heavy vehicles	▪ Omron
Orange Electronic Co., Ltd.	Taiwan	▪ Aftermarket	▪ Motorcycles ▪ Light vehicles ▪ Heavy vehicles	▪ Orange Electronic
Pacific Industrial Co., Ltd.	Japan	▪ OEM ▪ Aftermarket	▪ Light vehicles ▪ Heavy vehicles	▪ Pacific
Robert Bosch GmbH	Germany	▪ Aftermarket	▪ Light vehicles ▪ Heavy vehicles	▪ Bosch
Salutica Berhad	Malaysia	▪ Aftermarket	▪ Motorcycles ▪ Light vehicles ▪ Heavy vehicles	▪ FOBO
Schrader International Inc.	United States	▪ OEM ▪ Aftermarket	▪ Motorcycles ▪ Light vehicles ▪ Heavy vehicles	▪ Schrader
ZF TRW Automotive Holdings Corp.	United States	▪ OEM ▪ Aftermarket	▪ Light vehicles ▪ Heavy vehicles	▪ TRW

[a] List of brands may not be exhaustive

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5 PROSPECTS AND OUTLOOK FOR SALUTICA BERHAD

Bluetooth has become one (1) of the most prevalent and pervasive wireless technologies available today as its role has evolved with the advancement of technology and the expansion in the consumer electronics product lines to accommodate relatively new functions such as the connected home and wearable technology. With new low energy Bluetooth Smart Ready chipsets that have been designed to operate in low power environments, Bluetooth has gone beyond being present in smartphones, tablets, laptops and earphones to now operating in sensors, smartwatches, hearing aids, fitness and health trackers as well as being embedded in apparel.

Connectivity is a key capability required in IoT applications, both for consumer and enterprise infrastructure devices. Consumer electronics are already popular around the world, driven by consumer enthusiasm and increasing internet access. Ownership of consumer electronics is expected to grow as consumers demand a more seamlessly connected environment that enables them to manage daily tasks in a time efficient and effortless manner. This is expected to drive demand for key products such as smartphones, tablets, and laptops as well as peripherals that are able to interact with them towards meeting this end.

Bluetooth-enabled device shipments worldwide grew from 1.8 billion units in 2011 to 3.0 billion units in 2014 representing an impressive CAGR of 18.6%. Bluetooth-enabled device shipments worldwide are projected to grow from 3.0 billion units in 2014 to 4.9 billion units in 2018 at a strong CAGR of 13.0% owing to the expansion in the role of Bluetooth in consumer electronics, as well as other end-user industries as IoT further develops as a concept and expands into new areas of consumer lifestyle.

Based on SMITH ZANDER's research, global Bluetooth device shipments in 2014 primarily comprised smartphones which accounted for 1.3 billion units or 42.8% of global Bluetooth device shipments in 2014. Other major Bluetooth device product segments in 2014 include laptops and personal computers, as well as tablets, that accounted for 315.9 million units (10.5% of global Bluetooth device shipments in 2014) and 229.6 million units (7.7% of global Bluetooth device shipments in 2014) respectively. Other Bluetooth-enabled devices including products such as smartwatches, Bluetooth headsets, Bluetooth speakers, computer peripherals, and Bluetooth sensors comprised the remaining 1.2 billion units (39.0% of global Bluetooth device shipments in 2014).

Brand owners of consumer electronics have been largely reliant on third party design and manufacturing firms for electronics manufacturing services. There is a distinct trend in the shifting of outsourced manufacturing activities from high-cost regions such as North America and Western Europe to low-cost regions such as Southeast Asia and East Asia where countries such as Malaysia, the People's Republic of China and Taiwan are located. This trend of outsourcing is expected to continue, reinforced by the sustained general thrust among brand owners to concentrate on their core competencies and global competitive positioning, marketing, sales and business development strategies, and to leverage on the cost advantages provided by third party design and manufacturing firms.

Global production of vehicles, comprising both passenger and commercial vehicles, grew from 74.8 million units in 2010 to 90.7 million units in 2015, registering a CAGR of 3.9%. Global sales of vehicles grew from 75.0 million units to 89.7 million units between 2010 and 2015 at a CAGR of 3.6%, of which global sales of passenger vehicles grew from 55.4 million units to 66.3 million units at a CAGR of 3.7% while global sales of commercial vehicles grew from 19.6 million units to 23.4 million units at a CAGR of 3.6%. Growth in the production and sales volumes of vehicles during this period were underpinned by increased global economic activity as a result of increased global consumption and trade flows.

Globally, total vehicles in use increased from 1.1 billion units in 2010 to 1.2 billion units in 2014 at a CAGR of approximately 4.0%, where total passenger vehicles in use grew from 775.6 million units to 907.1 million units at a CAGR of 4.0%, and total commercial vehicles in use grew from 281.3 million units to 329.3 million units at a CAGR of 4.0%.

Tyre pressure is one (1) of the aspects of road safety that has become a focus for authorities in developed countries owing to the correlation between insufficient tyre pressure and road traffic incidents. The United States has legislation in place in the form of the TREAD Act requiring the installation of TPMS on all light vehicles effective 1 September 2007. The European Union regulation ECE-R 64 requires vehicles to be equipped with TPMS as of 1st November 2012 with all newly registered vehicles required to be fully compliant from 1 November 2014. Japan, the Republic of Korea, the People's Republic of China and India are all currently in the process of adopting similar legislation with the Republic of Korea confirming its intention with the passing of TPMS legislation. Japan, the People's Republic of China and India are expected to follow with Japan estimated to enact TPMS regulations in 2017, the People's Republic of China in 2018 and India in 2019.

TPMS as an aftermarket solution is a segment of the automotive accessories market that has significant growth potential as there is a large number of vehicles in use that do not have TPMS installed as a factory specification. These passenger and commercial vehicles in use as well as new vehicles coming off the production line represent growth potential for TPMS industry players. Strong growth in the global automotive industry combined with increasing regulation and recommendations by the respective country authorities will benefit TPMS industry players, opening new and untapped markets for these industry players.

In 2014, Salutica Berhad shipped 2.1 million units of Bluetooth headsets and smartwatches under external brands, as well as Bluetooth-enabled devices under its in-house FOBO brand, namely FOBO Tag, FOBO MAX and FOBO Tire. Global Bluetooth device shipments in 2014 totalled 3.0 billion units, of which other Bluetooth-enabled devices that are in the same categories as the Bluetooth products designed and manufactured by Salutica Berhad include products such as smartwatches, Bluetooth headsets, Bluetooth speakers, computer peripherals and Bluetooth sensors, comprised 1.2 billion units. Based on the 2.1 million units of Bluetooth devices shipped by Salutica Berhad in comparison to the volume of other Bluetooth-enabled devices of 1.2 billion units, Salutica Berhad achieved a global market share of 0.18% in 2014. SMITH ZANDER believes that the prospects for Salutica Berhad will be supported by the growth in Bluetooth device shipments on the back of greater demand for consumer electronics including smartphones, tablets, and laptops as well as the continued adoption of Bluetooth technology across key verticals such as health and wellness, sports and fitness and industrial and home automation.

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8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

8.1 Promoters and substantial shareholders

8.1.1 Shareholdings

The direct and indirect interests of our Promoters and/or substantial shareholders in our Company before and after our IPO are set out below:-

		Before IPO				After IPO			
		Direct		Indirect		Direct		Indirect	
Promoters and substantial shareholders	Nationality/ Country of incorporation	No. of Shares ('000)	(%)(1)	No. of Shares ('000)	(%)(1)	No. of Shares ('000)	(%)(2)	No. of Shares ('000)	(%)(2)
BOE	Malaysia	224,750	72.5	-	-	216,500	55.8	-	-
Genius Thinkers	Malaysia	46,500	15.0	-	-	46,500	11.9	-	-
James Lim	Malaysian	6,028	1.9	272,972(3)	88.0	-	-	263,000(3)	67.7
Joshua Lim	Malaysian	861	0.3	278,139(4)	89.7	-	-	263,000(4)	67.7
Joel Lim	Malaysian	861	0.3	278,139(5)	89.7	-	-	263,000(5)	67.7

Notes:-

(1) Based on the existing issued and paid-up share capital of 310,000,000 Shares, i.e. before the Public Issue.

(2) Based on the enlarged issued and paid-up share capital of 388,000,000 Shares, i.e. after the Public Issue.

(3) Deemed interested by virtue of his sons' shareholdings in our Company and his shareholdings in BOE and Genius Thinkers pursuant to Section 6A of the Act.

(4) Deemed interested by virtue of his father's and brother's shareholdings in our Company and his shareholdings in BOE and Genius Thinkers pursuant to Section 6A of the Act.

(5) Deemed interested by virtue of his father's and brother's shareholdings in our Company and Genius Thinkers, and his shareholdings in BOE pursuant to Section 6A of the Act.

Save as disclosed above, our Directors are not aware of any person who, directly or indirectly, jointly or severally, exercises control over our Company.

8.1.2 Profiles of Promoters

BOE, Genius Thinkers, James Lim, Joshua Lim and Joel Lim are the Promoters of our Company as well as the substantial shareholders of our Company.

BOE was incorporated as a private limited company in Malaysia under the Act on 6 May 2015. The principal activity of BOE is investment holding.

As at the LPD, BOE has an authorised share capital of RM400,000 comprising 400,000 ordinary shares of RM1.00 each, of which RM100 comprising 100 ordinary shares of RM1.00 each have been issued and fully paid-up.

As at the LPD, the directors and shareholders of BOE and their respective shareholdings in BOE are set out below:-

	Direct		Indirect	
	No. of shares	**(%)**	**No. of shares**	**(%)**
Directors and shareholders				
James Lim	54	54.0	46(1)	46.0
Joshua Lim	23	23.0	77(2)	77.0
Shareholder				
Joel Lim	23	23.0	77(2)	77.0

Notes:-

(1) Deemed interested by virtue of his sons' shareholdings in BOE pursuant to Section 6A of the Act.

(2) Deemed interested by virtue of his father's and brother's shareholdings in BOE pursuant to Section 6A of the Act.

Genius Thinkers was incorporated as a private limited company in Malaysia under the Act on 20 April 2015. The principal activity of Genius Thinkers is investment holding.

As at the LPD, Genius Thinkers has an authorised share capital of RM400,000 comprising 400,000 ordinary shares of RM1.00 each, of which RM2.00 comprising 2 ordinary shares of RM1.00 each have been issued and fully paid-up.

As at the LPD, the directors and shareholders of Genius Thinkers and their respective shareholdings in Genius Thinkers are set out below:-

	Direct		Indirect	
	No. of shares	**(%)**	**No. of shares**	**(%)**
Directors and shareholders				
James Lim	1	50.0	1(1)	50.0
Joshua Lim	1	50.0	1(2)	50.0

Notes:-

(1) Deemed interested by virtue of his sons' shareholdings in Genius Thinkers pursuant to Section 6A of the Act.

(2) Deemed interested by virtue of his father's shareholdings in Genius Thinkers pursuant to Section 6A of the Act.

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James Lim, a Malaysian aged 58, is our Managing Director / Chief Executive Officer. He was appointed to our Board on 26 November 2012. He is also a member of our Remuneration Committee. He is responsible for our business growth direction, major corporate development plans and activities, monitoring of daily on-site operations, overseeing business strategies and product design. He is a trained electrical and electronics engineer with a degree (Hons) in Electrical Engineering from the University of Malaya where he graduated in 1982.

He began his career as a design engineer with ASEA AB (presently known as ASEA Brown Boveri) of Sweden in 1982 where his role involved the standardisation of power transmission systems in Malaysia. Subsequently, in 1983, he left ASEA AB and joined General Electric Malaysia Appliance Components Sdn Bhd as an application engineer where his duties involved quality assurance, process engineering and customer application liaison. He was then promoted to assistant managing director in 1990, where he was given the additional responsibility of overseeing operations of the company until 1991.

In 1991, he entered the computer peripherals industry and joined Maxtor Corporation (Penang) as an operations director, where his role involved overseeing operations in productions, which included industrial/process engineering and quality assurance. In 1992, he left Maxtor Corporation (Penang) and joined Applied Magnetics (M) Sdn Bhd as an operations director where his duties involved managing the firm's mass production of computer peripherals due to the growth in volume and demand in the early 1990s. In 1993, he left Applied Magnetics (M) Sdn Bhd and joined Crest Ultrasonics (M) Sdn Bhd as managing director, where he was responsible for overseeing the growth of the company in the manufacture of automated precision cleaning systems until 1995.

In 1995, he joined the Malaysian operations of Seagate Technology LLC as an executive director, where he was in charge of the commencement, development and growth of the company's Ipoh facility. After the closure of the Ipoh facility, he was subsequently transferred to head the Seagate removable storage solutions division in Penang as the managing director in 2000 until 2003. Thereafter, he joined Knowles Electronics (M) Sdn Bhd as a managing director, playing a key role in the development and growth of the company's Penang operations until 2004.

In 2004, he was headhunted as the chief executive officer of Salutica Allied (then known as TFP) and he set up the R&D division to focus on R&D of Bluetooth technology and other wireless, touchscreen and light guide technologies. At the end of 2010, James Lim retired from Salutica Allied and in February 2011 became a consultant to the chief operating officer of TPK Touch Solutions (Xiamen) Inc, in China ("**TPK**"). He subsequently left TPK following his appointment as the chief operating officer and a director of Balda AG in December 2011, with additional focus on the Malaysian operations. In January 2012, he was also appointed as the Chief Executive Officer of Salutica Allied (then known as Balda Solutions). He left the board of directors of Balda AG in December 2012.

In 2013, he led a management buyout of Salutica Allied from Balda AG Group when the latter intended to focus on its core business in medical precision plastic parts and solutions. He remained as the Chief Executive Officer of Salutica Allied upon the completion of the management buyout.

Joshua Lim, a Malaysian aged 32, is our Non-Independent Non-Executive Director. He was appointed to our Board on 11 September 2013. He is also a member of our Audit, Remuneration and Nomination Committee. He graduated with an external LL.B (Hons) degree from the University of London in 2007 and subsequently obtained the Certificate in Legal Practice in 2008. He completed his pupillage with Shearn Delamore & Co where he was confirmed as a legal assistant in 2009. In 2010, he left Shearn Delamore & Co and joined Rahmat Lim & Partners as an associate until 2013. In 2013, he became the founding partner of the law firm Joshua Lim & Lee, and is currently the managing partner of the firm.

Joel Lim is a Malaysian aged 30. He graduated with an external LL.B (Hons) degree from the University of London in 2008 and subsequently obtained the Certificate in Legal Practice in 2009. He completed his pupillage with Skrine in 2010 and subsequently joined Sekhar & Suaran as a legal assistant. Thereafter, he joined Kandiah & Sri in 2011 as a legal assistant where his focus was in the area of Commercial Law and Intellectual Property. In 2012, he left Kandiah & Sri and became a founding partner of Joel & Mei. He is also a registered Trademark Agent and Industrial Design Agent with the Intellectual Property Corporation of Malaysia. Presently, he is also a director and shareholder of Joel Mei IP Consulting Sdn Bhd.

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8.1.3 Changes in shareholdings

The table below sets forth our Promoters' and/or substantial shareholders' direct and indirect interests in our Company for the financial period under review up to the LPD:-

	As at 30 June 2013				As at 30 June 2014			
	Direct		Indirect		Direct		Indirect	
Promoters and substantial shareholders	**No. of shares**	**(%)#**	**No. of shares**	**(%)#**	**No. of shares**	**(%)#**	**No. of shares**	**(%)#**
BOE	-	-	-	-	-	-	-	-
Genius Thinkers	-	-	-	-	-	-	-	-
James Lim	95	95.0	-	-	140	70.0	40[(2)]	20.0
Joshua Lim	-	-	95[(1)]	95.0	20	10.0	160[(3)]	80.0
Joel Lim	-	-	95[(1)]	95.0	20	10.0	160[(3)]	80.0
Remaining shareholders								
Chan Shook Ling	1	1.0	-	-	5	2.5	-	-
Chin Seen Choon	1	1.0	-	-	5	2.5	-	-
Ho Keat Soong	1	1.0	-	-	5	2.5	-	-
Goh Bee Chin @ Ooi Bee Chin	1	1.0	-	-	5	2.5	-	-
Pan Yoon Shing	1	1.0	-	-	-	-	-	-
Total	**100**	**100.0**	**-**	**-**	**200**	**100.0**	**-**	**-**

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

	As at 30 June 2015				As at 31 January 2016			
	Direct		Indirect		Direct		Indirect	
Promoters and substantial shareholders	No. of Shares	(%)	No. of Shares	(%)	No. of Shares	(%)	No. of Shares	(%)
BOE	224,750,000	72.5	-	-	224,750,000	72.5	-	-
Genius Thinkers	46,500,000	15.0	-	-	46,500,000	15.0	-	-
James Lim	6,027,780	1.9	272,972,220[(4)]	88.1	6,027,780	1.9	272,972,220[(4)]	88.1
Joshua Lim	861,110	0.3	278,138,890[(5)]	89.7	861,110	0.3	278,138,890[(5)]	89.7
Joel Lim	861,110	0.3	278,138,890[(6)]	89.7	861,110	0.3	278,138,890[(6)]	89.7
Remaining shareholders								
Chan Shook Ling	7,750,000	2.5	-	-	7,750,000	2.5	-	-
Chin Seen Choon	7,750,000	2.5	-	-	7,750,000	2.5	-	-
Ho Keat Soong	7,750,000	2.5	-	-	7,750,000	2.5	-	-
Goh Bee Chin @ Ooi Bee Chin	7,750,000	2.5	-	-	7,750,000	2.5	-	-
Total	**310,000,000**	**100.0**	-	-	**310,000,000**	**100.0**	-	-

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8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

	As at the LPD			
	Direct		Indirect	
Promoters and substantial shareholders	**No. of Shares**	**(%)**	**No. of Shares**	**(%)**
BOE	224,750,000	72.5	-	-
Genius Thinkers	46,500,000	15.0	-	-
James Lim	6,027,780	1.9	272,972,220(4)	88.1
Joshua Lim	861,110	0.3	278,138,890(5)	89.7
Joel Lim	861,110	0.3	278,138,890(6)	89.7
Remaining shareholders				
Chan Shook Ling	7,750,000	2.5	-	-
Chin Seen Choon	7,750,000	2.5	-	-
Ho Keat Soong	7,750,000	2.5	-	-
Goh Bee Chin @ Ooi Bee Chin	7,750,000	2.5	-	-
Total	**310,000,000**	**100.0**	-	-

Notes:-

\# *Ordinary shares of RM1.00 each in our Company, prior to the Subdivision of Shares which was completed on 30 June 2015.*

(1) *Deemed interested by virtue of his father's shareholdings in our Company pursuant to Section 6A of the Act.*

(2) *Deemed interested by virtue of his sons' shareholdings in our Company pursuant to Section 6A of the Act.*

(3) *Deemed interested by virtue of his father's and brother's shareholdings in our Company pursuant to Section 6A of the Act.*

(4) *Deemed interested by virtue of his sons' shareholdings in our Company and his shareholdings in BOE and Genius Thinkers pursuant to Section 6A of the Act.*

(5) *Deemed interested by virtue of his father's and brother's shareholdings in our Company and his shareholdings in BOE and Genius Thinkers pursuant to Section 6A of the Act.*

(6) *Deemed interested by virtue of his father's and brother's shareholdings in our Company and Genius Thinkers, and his shareholdings in BOE pursuant to Section 6A of the Act.*

8.2 Directors

8.2.1 Shareholdings

The following table sets forth the direct and indirect shareholdings of each of our Directors before and after the IPO, assuming our Directors will subscribe for their respective pink form allocation as set out in **Section 3.3.1(ii)** of this Prospectus:-

			Before IPO				After IPO			
			Direct		Indirect		Direct		Indirect	
Director	Designation	Nationality	No. of Shares ('000)	(%)[1]	No. of Shares ('000)	(%)[1]	No. of Shares ('000)	(%)[2]	No. of Shares ('000)	(%)[2]
Chia Chee Hoong (M)	Chairman / Independent Non-Executive Director	Malaysian	-	-	-	-	700[5]	0.2	-	-
James Lim (M)	Managing Director / Chief Executive Officer	Malaysian	6,028	1.9	272,972[3]	88.1	-	-	263,000[3]	67.8
Joshua Lim (M)	Non-Independent Non-Executive Director	Malaysian	861	0.3	278,139[4]	89.7	-	-	263,000[4]	67.8
Low Teng Lum (M)	Senior Independent Non-Executive Director	Malaysian	-	-	-	-	700[5]	0.2	-	-
Leow Chan Khiang (M)	Independent Non-Executive Director	Malaysian	-	-	-	-	700[5]	0.2	-	-

Notes:-

(1) Based on the existing issued and paid-up share capital of 310,000,000 Shares, i.e. before the Public Issue.

(2) Based on the enlarged issued and paid-up share capital of 388,000,000 Shares, i.e. after the Public issue.

(3) Deemed interested by virtue of his sons' shareholdings in our Company and his shareholdings in BOE and Genius Thinkers pursuant to Section 6A of the Act.

(4) Deemed interested by virtue of his father's and brother's shareholdings in our Company and his shareholdings in BOE and Genius Thinkers pursuant to Section 6A of the Act.

*(5) Based on their respective entitlements pursuant to the pink form allocation as disclosed under **Section 3.3.1(ii)** of this Prospectus.*

Notwithstanding the pink form allocation reserved for our Directors, our Directors may subscribe for the Issue Shares under the Public Issue.

8.2.2 Profiles of Directors

Save for the profile of James Lim and Joshua Lim which are set out in **Section 8.1.2** of this Prospectus, the profiles of our other Directors are as follows:-

Chia Chee Hoong, a Malaysian aged 39, is our Chairman / Independent Non-Executive Director. He was appointed to our Board on 15 October 2015. He is also the Chairman of our Remuneration Committee and a member of our Audit and Nomination Committee.

He obtained his undergraduate degree in law (LL.B) in 1999 from the University of London and he also obtained a post graduate degree in law (LL.M) in 2004, specialising in corporate & securities law from University College London, UK under the auspices of the British Chevening Scholarship awarded by the Foreign and Commonwealth Office, UK. He obtained the Certificate in Legal Practice in 2000 and was called to the Malaysian Bar in 2001. He started his career in 2001 as a legal assistant with Zain & Co. He left Zain & Co in 2008 to join Zaid Ibrahim & Co as a senior associate. After leaving Zaid Ibrahim & Co at the end of 2009, he joined Rahmat Lim & Partners in 2010 as a Partner.

Low Teng Lum, a Malaysian aged 62, is our Senior Independent Non-Executive Director. He was appointed to our Board on 15 October 2015. He is also the Chairman of our Nomination Committee and a member of our Audit and Remuneration Committee. He obtained his qualifications from the Association of Chartered Certified Accountants ("**ACCA**") and Institute of Chartered Secretaries and Administrators, both of the UK, in 1979. He attended the Applied Management Program of the Swedish Institute of Management in 1990. In 1996, he obtained a Masters in Public Administration from the John Fitzgerald Kennedy School of Government, Harvard University.

He started his career as an audit junior in Arthur Young & Company (presently known as Ernst & Young) in 1977 and was subsequently promoted to audit senior in 1978. He then left Arthur Young & Company in 1980 and joined Guthrie Malaysia Holdings Berhad as an internal audit manager until 1981, and subsequently joined Palmco Holdings Berhad in the same year as an internal audit manager. In 1985, he left Palmco Holdings Berhad and joined General Corporation Berhad as a group internal auditor until 1987. Then, he joined Southern Steel Berhad as a finance manager and became the chief operating officer of the steel business unit in 2000 until he left the company in 2001. Subsequently, he joined Guinness Anchor Berhad in 2001 as the finance director and a member of the board of directors (appointed on 19 August 2001) and retired in 2011.

He is a Chartered Accountant of the Malaysian Institute of Accountants ("**MIA**"), a Fellow member of the ACCA and an Associate member of the Institute of Chartered Secretaries and Administrators, and a member of the Association of Corporate Treasurers, UK. He has also served as a member of both the Taxation and Trade committees of the Malaysian International Chamber of Commerce and Industry, from 2002 and 2005 respectively until his resignation in 2011.

Presently, he is an independent non-executive director of Boilermech Holdings Berhad (appointed on 27 October 2010) and Permaju Industries Berhad (appointed on 28 November 2014), both of which are companies listed on Bursa Securities. He also holds directorships in other private companies.

Leow Chan Khiang, a Malaysian aged 50, is our Independent Non-Executive Director. He was appointed to our Board on 20 October 2015. He is also the Chairman of our Audit Committee and a member of our Remuneration Committee. He is a Chartered Accountant of the MIA and a Fellow member of the ACCA. He obtained a Bachelor degree in Economics from the University of Malaya in 1990 and a Master's degree in Business Administration from Universiti Utara Malaysia in 1999. He is also an approved GST Tax Agent by the Royal Malaysian Customs.

He began his career in 1991 as an executive in Hong Leong Bank Berhad and was promoted to assistant manager in 1994. In 1996, he left Hong Leong Bank Berhad and joined Malaysian International Merchant Bankers Berhad as an assistant manager where he was responsible for various corporate fund raising exercises as well as general advisory work until 2001. Subsequently, he joined Ayza Industries Sdn Bhd as a senior manager until 2002. In 2002, he joined CAB Cakaran Corporation Berhad ("**CAB**") as a director of corporate finance, and subsequently, was appointed as an executive director in 2003 where he was responsible for corporate planning, accounting and tax as well as joint-venture matters. Subsequently, he resigned from his position as an executive director of CAB in 2007.

Presently, he is a non-independent non-executive director in SLP Resources Berhad (appointed on 26 October 2007) and an independent non-executive director of Ni Hsin Resources Berhad (appointed on 26 October 2015), all of which are companies listed on Bursa Securities. He is also a major shareholder and executive director of Trinity Avenue Sdn Bhd, a company specialising in GST consulting and its related services.

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8.2.3 Principal business performed outside our Group

The following table sets out the principal directorships of our Directors as at the LPD and that which were held within the past five (5) years up to the LPD, and the principal business activities performed by our Directors outside of our Group as at the LPD:-

Director	Companies/Firms	Principal activities	Date of appointment of directorship	Date of resignation	Involvement in business activities performed outside our Group other than director
Chia Chee Hoong	*Present directorships/partnerships:-*				
	Rahmat Lim & Partners	Law firm	-	-	Partner
	MRA Communications (Malaysia) Sdn Bhd	Public relation services	25 June 2013	-	Shareholder (Direct: 50.0%)
	Trilink Reality Sdn Bhd	Management services and investment holdings	-	-	Shareholder (Direct: 9.1%)
	Past directorships/partnerships:-				
	Nil				
James Lim	*Present directorships/partnerships:-*				
	BOE[(a)]	Investment holding company[(b)]	25 June 2015	-	Shareholder (Direct: 54.0%, Indirect: 46.0%)
	Genius Thinkers[(a)]	Investment holding company[(c)]	25 June 2015	-	Shareholder (Direct: 50.0%, Indirect: 50.0%)
	Past directorships/partnerships:-				
	Balda AG	Provision of plastic solutions for the healthcare and diagnostics industry	29 December 2011	31 December 2012	-

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Director	Companies/Firms	Principal activities	Date of appointment of directorship	Date of resignation	Involvement in business activities performed outside our Group other than director
Joshua Lim	*Present directorships/partnerships:-*				
	BOE	Investment holding company[(b)]	25 June 2015	-	Shareholder (Direct: 23.0%, Indirect: 77.0%)
	Genius Thinkers	Investment holding company[(c)]	25 June 2015	-	Shareholder (Direct: 50.0%, Indirect: 50.0%)
	Joshua Lim & Lee	Law firm	-	-	Partner
	Past directorships/partnerships:-				
	Nil				
Low Teng Lum	*Present directorships/partnerships:-*				
	Boilermech Holdings Berhad	Investment holding company and through its subsidiaries, is engaged in the design and manufacture of boilers	27 October 2010	-	-
	Permaju Industries Berhad	Distribution of automobile and the provision of their related support services, and property development activities	28 November 2014	-	-
	Owliswise Sdn Bhd	Provision of consultancy services in financial and strategic management	16 July 2014	-	Shareholder (Direct: 50.0%, Indirect: 50.0%)

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Director	Companies/Firms	Principal activities	Date of appointment of directorship	Date of resignation	Involvement in business activities performed outside our Group other than director
Low Teng Lum *(Cont'd)*	Kiah Liong Marketing Sdn Bhd	Distribution of tobacco products and beverages, primarily alcoholic, in Malaysia	26 December 2011	-	-
	Kiah Liong Sdn Bhd	Trading and distribution of tobacco products and beverages, primarily alcoholic, in Malaysia	26 December 2011	-	-
	Wide Delta Sdn Bhd	Distribution of fast-moving consumer goods (Dormant since 2013)[d]	26 December 2011	-	-
	Panarena Marketing Sdn Bhd	Distribution of fast-moving consumer goods (Dormant since 2013)[e]	26 December 2011	-	-
	Takdir Tulin Sdn Bhd	Distribution of fast-moving consumer goods (Dormant since 2013)[e]	26 December 2011	-	-
	Talent Zone Sdn Bhd	Distribution of fast moving consumer goods	1 December 2011	-	-
	Omnifood Sdn Bhd	Operator of food outlets in Malaysia	25 July 2011	-	Shareholder (Indirect: 19.4%)
	Past directorships/partnerships:-				
	Malayan Breweries (Malaya) Sdn Bhd	Investment holding company (In the midst of being struck off)	12 April 2002	2 November 2011	-
	Guinness Sabah Sdn Bhd	Ceased operations since 1 October 1985 (Dormant)[e]	12 April 2002	3 May 2011	-

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Director	Companies/Firms	Principal activities	Date of appointment of directorship	Date of resignation	Involvement in business activities performed outside our Group other than director
Low Teng Lum *(Cont'd)*	Guinness Anchor Marketing Sdn Bhd	Marketing and promotion of beverages, primarily alcoholic in Malaysia	12 April 2002	3 May 2011	-
	Ramaha Corporation (M) Sdn Bhd	Property holding and land development	12 April 2002	3 May 2011	-
	Guinness Anchor Berhad	Production, packaging, marketing and distribution of beverages, primarily alcoholic	15 August 2001	30 April 2011	-
Leow Chan Khiang	*Present directorships/partnerships:-*				
	Ni Hsin Resources Berhad	Investment holding company and through its subsidiaries, is involved in design, manufacture, and sale of stainless steel kitchenware and cookware	26 October 2015	-	-
	Trinity Avenue Sdn Bhd	Provision of professional advisory specialising in GST consulting	30 September 2013	-	Shareholder (Direct 40.0%)
	SLP Resources Berhad	Investment holding company and through its subsidiaries, is involved in manufacturing, exporting and distribution of plastic packaging products and plastic related goods, as well as trading of polymer products	26 October 2007	-	-

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Director	Companies/Firms	Principal activities	Date of appointment of directorship	Date of resignation	Involvement in business activities performed outside our Group other than director
Leow Chan Khiang *(Cont'd)*	Leowin Capital Sdn Bhd	Provision of book keeping, accounting & management consultancy services (Dormant since 2012)[(e)]	2 June 2006	-	Shareholder (Direct: 50.0%)
	Past directorships/partnerships:-				
	Ideal Jacobs (Malaysia) Corporation Berhad	Investment holding company and through its subsidiaries, is involved in the manufacture of graphic overlays, nameplates, custom labels, membrane switches, fabric over foam gaskets, die cut components, injection molded panels and machined parts	28 October 2015	23 February 2016	-

Notes:-

(a) *James Lim, our Managing Director / Chief Executive Officer, is not involved in the day-to-day activities and operations of the abovementioned businesses and accordingly, his involvement in the abovementioned companies do not affect his contribution to our Group or negatively impact his ability to act as our Managing Director / Chief Executive Officer.*

(b) *Salutica is approximately a 72.5% owned subsidiary of BOE as at the LPD. BOE is an investment holding company since its incorporation and does not have any other intended activity in the future.*

(c) *Genius Thinkers does not have any subsidiaries as at the LPD. Genius Thinkers is an investment holding company since its incorporation and does not have any other intended activity in the future.*

(d) *Save for Panarena Marketing Sdn Bhd and Takdir Tulin Sdn Bhd, being the wholly-owned subsidiaries of Wide Delta Sdn Bhd, the company does not have any other subsidiaries nor any intended activity in the future.*

(e) *The company does not have any subsidiaries nor any intended activity in the future.*

8.2.4 Directors' remuneration, fees and material benefits-in-kind

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our Directors for services rendered in all capacities to our Group for FYE 30 June 2015 and FYE 30 June 2016 are as follows:-

	Remuneration band (RM)	
Directors	**FYE 30 June 2015**	**Proposed for FYE 30 June 2016**
Chia Chee Hoong	^N/A	0-50,000
James Lim	1,350,001-1,400,000	1,500,001-1,550,000
Joshua Lim	-	0-50,000
Low Teng Lum	^N/A	0-50,000
Leow Chan Khiang	^N/A	0-50,000

Notes:-

^ *Appointed subsequent to FYE 30 June 2015.*

N/A *Not applicable.*

The remuneration of our Directors which includes salaries, bonuses, fees and allowances as well as other benefits, is approved by our Board, following recommendations made by our Remuneration Committee for FYE 30 June 2016 and subject to our Articles of Association. Any change in Directors' fees as set out in our Articles of Association must be approved by shareholders of our Company pursuant to an ordinary resolution passed at a general meeting where appropriate notice of any proposed increase should be given. Please refer to **Section 8.3.3** of this Prospectus for further details.

8.3 Board practice

8.3.1 Directorship

In accordance with our Articles of Association, the Directors shall have the power at any time and from time to time to appoint any person to be a Director either to fill a casual vacancy or as an additional Director, but so that the total number of Directors shall not at any time exceed the maximum number fixed by or in accordance with our Articles of Association which is seven (7) directors. At the first (1st) AGM of our Company, all our Directors shall retire from office, and at the AGM in every subsequent year, one third (1/3) of our Directors shall retire at each AGM of shareholders but shall be eligible for re-election. Our Directors must submit themselves for re-election at least once in every three (3) years.

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As at the LPD, the details of the date of expiration of the current term of office for each of our Directors and the period that each of our Directors has served in office are as follows:-

Name	Date of appointment as Director	Date of expiration of the current term of office (1)(2)	Approximate no. of years in office
Chia Chee Hoong	15 October 2015	Subject to retirement at AGM 2017	Less than a year
James Lim	26 November 2012	Subject to retirement at AGM 2016	3 years
Joshua Lim	11 September 2013	Subject to retirement at AGM 2016	2 years
Low Teng Lum	15 October 2015	Subject to retirement at AGM 2017	Less than a year
Leow Chan Khiang	20 October 2015	Subject to retirement at AGM 2018	Less than a year

Notes:-

(1) In accordance with Article 95 of our Articles of Association, an election of Directors shall take place every year. At the first AGM of our Company all the Directors shall retire from office, and at the AGM in every subsequent year one-third (1/3) of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3) shall retire from office PROVIDED ALWAYS that all the Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election. A retiring Director shall be eligible for re-election and shall retain office until the close of the meeting at which he retires.

(2) In accordance with Article 96 of our Articles of Association, the Directors to retire in each year (including any Managing Director) shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. The length of time a Director has been in office shall be computed from his last election or appointment when he has previously vacated office.

8.3.2 Audit Committee

The composition of our Audit Committee is set out below:-

Name	Designation	Directorship
Leow Chan Khiang	Chairman	Independent Non-Executive Director
Chia Chee Hoong	Member	Chairman / Independent Non-Executive Director
Joshua Lim	Member	Non-Independent Non-Executive Director
Low Teng Lum	Member	Senior Independent Non-Executive Director

The terms of reference of our Audit Committee, amongst others, include the following:-

(i) To ensure openness, integrity and accountability in our Group's activities so as to safeguard the rights and interests of our shareholders;

(ii) To provide assistance to our Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices;

(iii) To improve our Group's business efficiency, the quality of accounting and audit function and strengthening of public's confidence in our Group's reported results;

(iv) To determine that the management has implemented policies ensuring the Group's risks are identified and evaluated and that internal controls in place are adequate and effective to identify those risks;

(v) To maintain a direct line of communication and ensure coordination between our Board and the external and internal auditors;

(vi) To enhance the independence of the external and internal auditors;

(vii) To create a climate of discipline and control, to reduce the opportunity for fraud;

(viii) To assess the financial risks and matters relating to related party transactions and conflict of interests;

(ix) To recommend our Board regarding the appointment of the external auditors; and

(x) Obtain advice from independent parties and other professionals, where necessary, in discharging their duties.

8.3.3 Remuneration Committee

The composition of our Remuneration Committee is set out below:-

Name	Designation	Directorship
Chia Chee Hoong	Chairman	Chairman / Independent Non-Executive Director
James Lim	Member	Managing Director / Chief Executive Officer
Joshua Lim	Member	Non-Independent Non-Executive Director
Low Teng Lum	Member	Senior Independent Non-Executive Director
Leow Chan Khiang	Member	Independent Non-Executive Director

The terms of reference of our Remuneration Committee, amongst others, include the following:-

(i) Provide assistance to our Board in determining the remuneration of executive directors and, if applicable, senior management. In fulfilling this responsibility, the Remuneration Committee is to ensure that executive directors and applicable senior management of our Company:-

  (a) are fairly rewarded for their individual contributions to overall performance;

  (b) that the compensation is reasonable in light of our Company's objectives; and

  (c) that the compensation is comparable or better than other companies;

(ii) reviewing and recommending the remuneration of non-executive directors to our Board;

(iii) Establish the Chief Executive Officer's goals and objectives; and

(iv) Review the Chief Executive Officer's performance against the goals and objective set.

James Lim, being the Managing Director / Chief Executive Officer of our Group who is also a member of the Remuneration Committee, will abstain from deliberating and voting on matters relating to his role as the Chief Executive Officer. The Chief Executive Officer's goals and objectives as well as his performance against the goals and objectives set will be established and reviewed by the three (3) independent directors of the Remuneration Committee.

8.3.4 Nomination Committee

The composition of our Nomination Committee is set out below:-

Name	Designation	Directorship
Low Teng Lum	Chairman	Senior Independent Non-Executive Director
Chia Chee Hoong	Member	Chairman / Independent Non-Executive Director
Joshua Lim	Member	Non-Independent Non-Executive Director

The terms of reference of our Nomination Committee, amongst others, include the following:-

(i) Identify and recommend to our Board, candidates for board directorships of our Company;

(ii) Recommend to our Board, directors to fill the seats on Board committees;

(iii) Evaluate the effectiveness of our Board and Board committees (including its size and composition) and contributions of each individual director; and

(iv) Ensure an appropriate framework and plan for Board succession for our Company.

8.4 Key management

8.4.1 Shareholdings

The following table sets forth the direct and indirect shareholdings of each of our key management before and after the IPO, assuming each of our key management will subscribe for their respective pink form allocation:-

			Before IPO				After IPO			
			Direct		Indirect		Direct		Indirect	
Name	Designation	Nationality	No. of Shares ('000)	(%)[1]	No. of Shares ('000)	(%)[1]	No. of Shares ('000)	(%)[2]	No. of Shares ('000)	(%)[2]
James Lim	Managing Director / Chief Executive Officer	Malaysian	6,028	1.9	272,972[3]	88.1	-	-	263,000[3]	67.8
Chan Shook Ling	Chief Financial Officer	Malaysian	7,750	2.5	-	-	6,100	1.6	-	-
Chin Seen Choon	Chief Operating Officer	Malaysian	7,750	2.5	-	-	6,100	1.6	-	-
Ho Keat Soong	Chief Supply Chain Officer	Malaysian	7,750	2.5	-	-	6,400	1.6	-	-
Goh Bee Chin @ Ooi Bee Chin	Chief Administrative Officer	Malaysian	7,750	2.5	-	-	6,300	1.6	-	-
Ho Chang Tih	Director, Business Development	Malaysian	-	-	-	-	400	0.1	-	-
Kaveh Mohammadpour	Head of Product Development	Iranian	-	-	-	-	5	^	-	-

Notes:-

^ *Negligible*

(1) Based on the existing issued and paid-up share capital of 310,000,000 Shares, i.e. before the Public Issue.

(2) Based on the enlarged issued and paid-up share capital of 388,000,000 Shares, i.e. after the Public issue.

(3) Deemed interested by virtue of his sons' shareholdings in our Company and his shareholdings in BOE and Genius Thinkers pursuant to Section 6A of the Act.

Notwithstanding the pink form allocation reserved for our key management, our key management may subscribe for the Issue Shares under the Public Issue.

8.4.2 Key management profiles

Save for the profile of James Lim which is set out in **Section 8.1.2** of this Prospectus, the profiles of the other key management of our Group are as follows:-

Chan Shook Ling, a Malaysian aged 46, is our Chief Financial Officer. She graduated with a Diploma in Commerce (Financial Accounting) from Tunku Abdul Rahman College in 1995. She obtained her qualifications from the ACCA where she became a Fellow member in 2005. She is also a chartered accountant of the MIA.

She began her career as a settlement clerk for Overseas Union Bank Ltd in Singapore in 1990. In 1992, she left Overseas Union Bank Ltd to further her studies in Tunku Abdul Rahman College, where she graduated in 1995. Then, she joined SSL Heavy Machinery Sdn Bhd in 1995 as an accounts supervisor until 1999.

In 1999, she joined Salutica Allied (then known as TFP) as an accountant and was subsequently promoted to senior accountant in 2006. In 2007, she was further promoted to finance manager, where she was responsible for the overall function of the finance department. In 2011, she was promoted to financial controller.

In 2013, she assumed her current position as our Chief Financial Officer, where she is responsible for overseeing the overall financial, accounting, compliance and internal control functions of our Group.

Chin Seen Choon, a Malaysian aged 48, is our Chief Operating Officer. He graduated with a Bachelor of Engineering in Electronic Engineering from Oxford Brookes University, UK, in 1994. He has more than twenty (20) years of experience in the electrical and electronics industry, and plays a key role in managing the overall operations of our Company.

He began his career as an automation engineer with Sony Electronics (Malaysia) Sdn Bhd in 1994. He then left Sony Electronics (Malaysia) Sdn Bhd and joined Seagate Industry (Malaysia) Sdn Bhd in 1995 as an automation engineer, and was subsequently promoted to a photolithography process engineer in 1996. He was then promoted to senior manufacturing engineer in 1997. In 1999, he left Seagate Industry (Malaysia) Sdn Bhd and joined Certance (Malaysia) Sdn Bhd as a staff engineer until 2003. In 2003, he joined Knowles Electronics (Malaysia) Sdn Bhd as a product engineering manager until 2005.

In 2005, he joined Salutica Allied (then known as Balda Thong Fook) as an engineering manager. He was subsequently promoted to senior manager in manufacturing in 2006. In 2012, he was promoted to director of operations where he was responsible for the overall engineering and production activities for plastic and value added solutions, tool design, tooling, and facility and industrial engineering in business service management.

He assumed his current position as our Chief Operating Officer in 2015, where he is responsible for overseeing factory operations.

Ho Keat Soong, a Malaysian aged 50, is our Chief Supply Chain Officer. He graduated with a Bachelor of Science in Business Administration from Colorado State University, US, in 1989. He then obtained a Master of Business Administration from the University of South Alabama, US, in 1992. He brings with him approximately twenty three (23) years of experience in supply chain management.

He began his career as a production planner in Penang Seagate Industries (M) Sdn Bhd in 1993. He was then promoted to senior materials manager in 1999 where he was responsible for plant-wide materials and production planning functions until 2000.

In 2000, he joined Synerflex Consulting as a senior consultant specialising in the supply chain management improvement projects and consultancy services.

Subsequently, in 2003, he left Synerflex Consulting and joined Salutica Allied (then known as TFP) as a general manager of supply chain management. He was then promoted to director of supply chain in 2006, and subsequently, senior director of supply chain in 2011.

He assumed his current position as our Chief Supply Chain Officer in 2015, where he is responsible for the plant-wide sourcing, purchasing, planning, logistics, quality and key account functions.

Goh Bee Chin @ Ooi Bee Chin, a Malaysian aged 51, is our Chief Administrative Officer. She graduated with a Bachelor of Business Administration from Universiti Utara Malaysia in 1990. In 2000, she obtained a certified Diploma in Accounting and Finance from the ACCA. She then obtained a Master of Business Administration from the Universiti Utara Malaysia in 2011. She holds approximately twenty five (25) years of experience in human resource and administrative management.

She began her career in 1990 as an administration officer with DNP Holdings Berhad until 1992. In 1992, she joined Salutica Allied (then known as TFP) as an administrative executive, where her role involved human resource and administrative functions. She was then promoted to administrative manager in 1994, and subsequently senior manager of human resources in 2004. In 2006, she was promoted to director of human resource.

Subsequently, in 2015, she assumed her current position as our Chief Administrative Officer, where she is responsible for manpower planning, human resource management, administration, IT, insurance and the security and safety aspects of the assets and properties of the Group.

Ho Chang Tih, a Malaysian aged 45, is our Director of Business Development. He graduated with a Bachelor of Business Administration from Simon Fraser University, Canada in 1994.

He began his career in 1994 as a computer sales consultant in Future Shop Ltd, Canada until 1995. In 1995, he joined Yee Lee Trading Co (Malaysia) Sdn Bhd as a marketing executive where he was responsible for product management and marketing of fast moving consumer goods. In 1999, he left Yee Lee Trading Co (Malaysia) Sdn Bhd and joined F&N Coca-Cola (Malaysia) Sdn Bhd as a region marketing services manager where he was responsible for managing the marketing programme for multiple brands and was subsequently promoted to marketing services manager in 2004, managing the marketing programme for F&N brands of products throughout Malaysia until 2005.

Immediately thereafter, he joined Salutica Allied (then known as Balda Thong Fook) in 2005 as a senior manager of business development where he was involved in managing key customer accounts. Then, he assumed his current position as our Director of Business Development in 2014 where he is responsible for the sales and marketing of our in-house brands and the business development of our Group.

Kaveh Mohammadpour, an Iranian aged 42, is our Head of Product Development. He graduated with a Bachelor's Degree in Marine Engineering – Navigation from the University of Sistan and Baluchestan, Iran, in 2000.

He began his career as a network executive for Farhang Azma Group (FACC) in Iran in 2000. He was then promoted to network administrator in 2003 where he was responsible for the implementation and configuration of online servers until 2004. In 2004, he joined the International Migration Organization, a temporary project by the United Nations in Iran and Afghanistan, as a network administrator where he led the local network maintenance and troubleshooting team until 2005.

He then joined Homa Telecommunication Company in Iran in 2005 as an IT manager, and subsequently joined Nooran Telecom Company Commence in Iran in 2009 as an IT project manager until 2013. He has extensive experience in the design, implementation and maintenance of networks, development of programs and is well versed in a variety of programming languages including C++, Java, and Python. In addition, he was a Cisco Certified Network Associate – Routing and Switching until 13 August 2015.

In 2013, he joined Salutica Allied as a software architect for the R&D department. He was promoted to senior manager of mobile app development in 2015. Subsequently, he was promoted to Head of Product Development in the same year. He is responsible for the conceptualisation of new ideas and products, research and prototyping, firmware development and leading the development of mobile apps for a variety of operating systems.

8.5 Involvement of our executive director and/or key management in other businesses/corporations

As at the LPD, save as disclosed in **Section 8.2.3** of this Prospectus (in respect of James Lim), none of our key management is involved in other businesses or corporations in Malaysia, save and except for the operations of our Group.

8.6 Declaration from our Promoters, substantial shareholders, Directors and key management

As at the LPD, none of our Promoters, substantial shareholders, Directors and key management is or has been involved in any of the following events (whether within or outside Malaysia):-

(i) a petition under any bankruptcy or insolvency laws filed (and not struck out) against him or any partnership in which he was a partner or any corporation of which he was a director or key personnel;

(ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;

(iii) charged and/ or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;

(iv) any judgment was entered against him involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or

(v) being the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

8.7 Family relationships and/or associations

Save as disclosed below, there is no family relationship and/or association between any of our Promoters, substantial shareholders, Directors and key management as at the LPD:-

(i) James Lim, our Promoter and Managing Director / Chief Executive Officer, is the father of Joshua Lim and Joel Lim;

(ii) Joshua Lim, our Promoter and Non-Independent Non-Executive Director, is the son of James Lim and brother of Joel Lim; and

(iii) Joel Lim, our Promoter, is the son of James Lim and brother of Joshua Lim.

8.8 Promoters, substantial shareholders and/or Directors benefits

Save for the remuneration and benefits paid to our Directors for services rendered in all capacities to our Group as set out in **Section 8.2.4** of this Prospectus there are no other amounts or benefits paid or intended to be paid or given to our Promoters, substantial shareholders and/ or Directors within the two (2) years preceding the date of this Prospectus.

8.9 Service agreements

As at the LPD, none of our Directors and key management have any existing or proposed service agreement with our Group, save for standard employment contracts containing normal terms of employment.

8.10 Employees

8.10.1 Employees

As at the LPD, our Group has a total workforce of 808 employees, of which 416 are permanent employees and 392 are temporary(1) employees. Malaysians account for approximately 415 of total employees while the remaining 393 are foreign nationals. All of our foreign employees have valid working permits and are mainly from Indonesia, Nepal and Myanmar. As at the LPD, there has been no breach by our Group of any immigration laws.

Note:-

(1) As our Group produces a wide array of products for both our in-house and external brands, we are dependent on a large proportion of temporary workers who are foreign nationals to support our manufacturing operations and to cater for flexibility in manpower requirements. In addition, as Salutica experiences seasonal production demands, this enables our Group to recruit more employees when there is an increase in demand for products.

Our Group sources its temporary employees both directly and from reliable third-party agents. Generally, the temporary employees provided by third-party agents are assigned to our Group for period of minimum of two (2) years and up to five (5) years. The temporary employees will be given on-the-job training that is relevant to their respective job functions.

The functional distribution of our permanent employees by categories as at the past three (3) FYE 30 June 2013, 2014 and 2015 and as at the LPD is set out below:-

	<------No. of permanent employees------>			
	As at 30 June			As at
	2013	**2014**	**2015**	**the LPD**
Operations	322	309	282	303
R&D	29	34	29	32
QA/QC	38	36	33	33
Business development, sales and marketing	10	9	9	9
Procurement	14	15	13	13
Finance	5	4	4	6
IT	5	5	5	5
Administration / Human resources	16	16	16	15
Total workforce	**439**	**428**	**391**	**416**

On 1 July 2015, Salutica Allied established a collective agreement with Kesatuan Pekerja-Pekerja Salutica Allied Solutions Sdn Bhd, an in-house employee union which represents all permanent local and foreign employees of supervisory rank and below who are employed directly by us. The collective agreement was established to provide the employees with a channel of communication with the management and to maintain industrial harmony. We consider our current relations with this employee union and its members to be good. As at the LPD, there are no material industrial disputes or actions taken against our Group by our employees.

8.10.2 Training and development programmes

We recognise the importance of human resource as a central element of any successful organisation and aim to build an experienced, capable and dynamic team. Hence, we emphasise the importance of providing training and development programmes for our employees as part of our human resource development. In line with this, we conduct on-the-job training programmes for our employees aimed at improving their skills and technical knowledge.

The key training and development programmes attended by our employees for the past three (3) years up to the LPD are set out below:-

Month/ Year	Training and Development Programmes undertaken
August 2013	• Near Field Communication (NFC) Data Programming Test Station
October 2013	• Wireless Charging Platform
April 2014	• Waterproofing (IPXS) Technique in Consumer Product
May 2014	• Mechanical Sealing Technique in Consumer Product
July 2014	• Social Accountability (SA) 8000 Awareness
August 2014	• Failure Mode and Effect Analysis
September 2014	• Testing Waterproofing (IPX7) Properties in Consumer Product

Month/ Year	Training and Development Programmes undertaken
January 2015	• Understanding GST • Professional In Scheduled Waste Management • ISO 14001 and OHSAS 18001 Legal Requirement • Environment Aspect Impact Identification and Evaluation • Hazard Identification, Risk Assessment and Risk Control • ISO 14001 Internal Auditor Training
February 2015	• Project Management Professional (PMP) • MATRADE Mid-Tier Companies Development Programme(1)
March 2015	• ISO 9001 Internal Auditor Training
April 2015	• Managing and Making Projects Work Through People
June 2015	• National Electronics Packaging Conference (NEPCON)
August 2015	• Lean Manufacturing
September 2015	• Six Sigma Green Belt
October 2015	• MATRADE Mid-Tier Companies Development Programme(1)
November 2015	• Lean Manufacturing • Atos 3D Scanning and GOM Inspect V8
December 2015	• Electrostatic Discharge (ESD) Training • Service Leadership • Six Sigma Green Belt
March 2016	• Basic Occupational First Aid Cardiopulmonary Resuscitation (CPR) & Automated External Defibrillator (AED) • Emotional Intelligence for Effective Work Performance • ISO 9001 Internal Auditor Training

Note:-

*(1) We were selected by the Malaysia External Trade Development Corporation ("**MATRADE**") to participate in the Mid-Tier Companies Development Programme from February 2015 to October 2015. This programme was established by MATRADE in 2014 and is aimed at helping local mid-tier companies in Malaysia to accelerate export growth and strengthen core business functions. A total of 50 high performing mid-tier companies are selected to participate in this programme annually.*

8.10.3 Management succession plan

Our business is organised along functional lines where department managers are responsible for the execution of their duties. Our Group practices management empowerment whereby department managers are relatively autonomous, and have significant decision-making authority within their span of control and within clearly defined boundaries. As such, there is no over reliance on our Managing Director / Chief Executive Officer to be involved in all details and aspects of the operational and functional areas. This allows our Managing Director / Chief Executive Officer to focus on strategic matters and business.

Nevertheless, to ensure business continuity, our Group has put in place a management succession plan which includes:-

(i) Identifying key competencies and requirements for managers and higher positions. Job and candidate profiles are developed for management positions in line with business goals, strategies and the culture of our Group; and

(ii) Taking a positive approach towards addressing talent management to ensure the organisation has talent readily available from a capability perspective to undertake leadership positions throughout the organisation.

In addition, our middle management are constantly exposed to various aspects of our business activities in order to ensure that they have a full understanding of the responsibilities and the decision-making process and are equipped with the knowledge necessary for them to succeed to senior management positions.

Every six (6) months, our key management carries out an off-site management meeting with all the managers to review our business and product strategies as well as setting annual targets. This gives all the managers an overall view on the business direction and the growth of the Group as a whole.

We are in the process of grooming some of our key management to be readily available to undertake the leadership position, including the role of James Lim, throughout our Group. Further, the independent directors will also be involved in the process of identifying the potential successor to James Lim as well as reviewing the potential successor's readiness, key competence and requirements to undertake this role.

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9. APPROVALS AND CONDITIONS

9.1 Approvals and conditions

9.1.1 Bursa Securities

Bursa Securities had, vide its letter dated 11 March 2016, approved our admission to the Official List and listing and quotation for our entire enlarged issued and paid-up share capital on the ACE Market of Bursa Securities. The approval from Bursa Securities is subject to compliance with the following conditions:-

	Conditions	Status of compliance
(i)	Any director of the Company that has not attended the Mandatory Accreditation Programme must do so prior to listing of the Company;	Complied.
(ii)	Submit the following information in respect of the moratorium on the shareholdings of Promoters to Bursa Depository: (a) name of shareholders; (b) number of Shares; and (c) date of expiry of the moratorium for each block of Shares.	Complied.
(iii)	Obtain approvals from other relevant authorities for implementation of the listing proposal;	Complied.
(iv)	Make the relevant announcements pursuant to paragraphs 8.1 and 8.2 of Guidance Note 15 of the Listing Requirements;	To be complied.
(v)	Furnish Bursa Securities with a copy of the schedule of distribution showing compliance with the share spread requirements based on the entire issued and paid-up share capital of Salutica on the first day of Listing;	To be complied.
(vi)	In relation to the public offering to be undertaken by Salutica, please announce at least two (2) Market Days prior to the Listing date, the result of the offering including the following: (a) level of subscription of public balloting and placement; (b) basis of allotment/allocation; (c) a table showing the distribution for placement tranche; and (d) disclosure of placees who become substantial shareholder of Salutica arising from the public offering, if any.	To be complied.
	Salutica/RHB Investment Bank to ensure that the overall distribution of Salutica's securities is properly carried out to provide an orderly trading in the secondary market; and	Noted.
(vii)	Salutica/RHB Investment Bank to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the admission to the Official List on the ACE Market is completed.	To be complied.

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9. APPROVALS AND CONDITIONS (Cont'd)

9.1.2 SC

Our IPO is an exempt transaction under Section 212(8) of the CMSA and is therefore not subject to the approval of the SC.

The SC had, vide its letter dated 14 March 2016, approved the resultant equity structure of Salutica pursuant to the Listing under the equity requirements for public companies.

The Shariah Advisory Council of the SC had, vide its letter dated 11 December 2015, classified our Shares as shariah-compliant based on the audited consolidated financial statements for FYE 30 June 2015.

9.1.3 MITI

The MITI had, vide its letter dated 28 December 2015, stated that it has taken note and has no objection to our IPO. The condition imposed by MITI and status of compliance is set out below:-

Condition	Status of compliance
Salutica to notify MITI upon completion of our Listing	To be complied.

9.2 Moratorium on our Shares

In accordance with Rule 3.19 of the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of Shares held by our Promoters as follows:-

(i) The moratorium applies to our Promoters' entire shareholdings for a period of six (6) months from the date of our admission to the Official List of ACE Market ("**First 6 Months Moratorium**");

(ii) Upon the expiry of the First 6 Months Moratorium, we must ensure that our Promoters' aggregate shareholdings amounting to at least 45% of our issued and paid-up ordinary share capital remain under moratorium for a further six (6) months ("**Second 6 Months Moratorium**"); and

(iii) Thereafter, the Promoters may sell, transfer or assign up to a maximum of 1/3 per annum (on a straight-line basis) of the Shares held under moratorium after the Company has generated one (1) full financial year of operating revenue based on the latest audited financial statements.

Details of our Shares held by our Promoters which will be subject to moratorium are as follows:-

	Shares under the First 6 Months Moratorium		Shares under the Second 6 Months Moratorium	
Promoters	**No. of Shares**	**(%)**	**No. of Shares**	**(%)**
BOE	216,500,000	55.8	174,600,000	45.0
Genius Thinkers	46,500,000	12.0	-	-
Total	**263,000,000**	**67.8**	**174,600,000**	**45.0**

Our Promoters have provided written undertakings that they will not sell, transfer or assign their respective shareholdings in Salutica during the moratorium period.

The moratorium restrictions, which are fully acknowledged by our Promoters, are specifically endorsed on our share certificates representing their shareholdings which are under moratorium to ensure that our Share Registrar will not register any sale, transfer or assignment that contravenes such restrictions.

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

10.1 Related party transactions and conflict of interest

Save as disclosed below, as at the LPD, there are no existing or presently proposed material related party transactions or subsisting contracts of arrangement, entered into or to be entered into by us which involves the interest, direct or indirect, of our Directors and substantial shareholders, and/or persons connected with them for the past three (3) FYE 30 June 2013, 2014 and 2015 as well as the seven (7) months FPE 31 January 2016 and the estimated for the 11 months period from 1 February 2016 to 31 December 2016:-

10.1.1 Recurrent related party transactions

				<----Actual Transaction Value----				Estimated for the 11 months period from 1 February 2016 to 31 December 2016
				<----FYE 30 June---->			Seven (7) months FPE 31 January 2016[3]	
Transacting Parties	Related party	Nature of relationship	Nature of transaction	2013[1] (RM'000)	2014[2] (RM'000)	2015[3] (RM'000)	(RM'000)	(RM'000)
Salutica Allied	Joel & Mei	Joel Lim, our Promoter and substantial shareholder, is a partner of Joel & Mei	Legal services in respect of patent licensing	103.9	10.7	11.1	11.2	15.0[4]
Salutica Allied	Joshua Lim & Lee	Joshua Lim, our Director, Promoter and substantial shareholder, is a partner of Joshua Lim & Lee	General legal consultancy services which include advising on and drafting documents for, legal matters	20.5	156.5	103.5	30.0[5]	-[5]
Total				**124.4**	**167.2**	**114.6**	**41.2**	**15.0**

Notes:-

(1) *Based on the audited financial statements of Salutica Allied for FYE 30 June 2013. We have excluded the transaction between Salutica Allied and Balda AG Group, which was previously deemed as a related party transaction during FYE 30 June 2013. The transaction refers to the management fees payable by Salutica Allied to Balda AG Group amounting to approximately RM3.0 million which has ceased following the completion of the management buyout on 4 September 2013.*

(2) *Based on the audited financial statements of Salutica Allied for FYE 30 June 2014.*

(3) *Based on the audited consolidated financial statements of Salutica for FYE 30 June 2015 and seven (7) months FPE 31 January 2016, respectively.*

(4) *The Group will continue to seek legal services from Joel & Mei on an ad hoc basis as and when necessary.*

(5) *The general legal consultancy services from Joshua Lim & Lee has ceased since October 2015.*

10.1.2 Non-recurrent related party transactions

Save for the advisory fee of estimated RM300,000 paid/payable to Rahmat Lim & Partners in relation to the services rendered to Salutica Group as of the LPD, there are no existing or presently proposed material non-recurrent related party transactions for the past three (3) FYE 30 June 2013, 2014 and 2015 as well as the seven (7) months FPE 31 January 2016 up to the LPD entered into or to be entered into by us which rights and obligations are subsisting and/or proposed as at the date of this Prospectus. The transaction with Rahmat Lim & Partners is deemed as a related party transaction as Chia Chee Hoong, our Chairman is also a partner of Rahmat Lim & Partners.

Our Directors are of the opinion that all the above transactions in **Section 10.1.1** and **Section 10.1.2** were carried out in the best interest of our Group on an arm's length basis, on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the interest of our minority shareholders.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit Committee will, amongst others, review the terms of all related party transactions (if any), and report to our Board for further action. When necessary, our Board will make appropriate disclosures in our annual report with regard to any related party transaction entered into by us. In the event that there are any proposed related party transactions that involve the interest, direct or indirect, of our Directors, the interested Director(s) shall disclose his interest to our Board, of the nature and extent of his interest including all matters in relation to the proposed related party transaction that he is aware or should reasonably be aware of, which is not in our best interest. The interested Director(s) shall also abstain from any Board deliberation and voting on the relevant resolution(s) in respect of such proposed related party transaction.

In the event that there are any proposed related party transaction that require the prior approval of our shareholders, the Directors, substantial shareholders and/or persons connected with a Director or substantial shareholder which have any interest, direct or indirect, in the proposed related party transactions will also abstain from voting in respect of his direct and/or indirect shareholdings. Such interested Director and/or substantial shareholder will also undertake to ensure that the person connected with him will abstain from voting on the resolution approving the proposed related party transaction at the general meeting.

10.2 Transactions that are unusual in their nature or conditions

Our Board confirms that there are no transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets, to which our Company and/or Salutica Allied was a party for the past three (3) FYE 30 June 2013, 2014 and 2015 as well as the seven (7) months FPE 31 January 2016 up to the LPD.

10.3 Outstanding loans made to or for the benefits of related parties

Our Board confirms that there are no outstanding loans (including guarantees of any kind) that have been granted by our Company and/or Salutica Allied to or for the benefits of the related parties for the past three (3) FYE 30 June 2013, 2014 and 2015 as well as the seven (7) months FPE 31 January 2016 up to the LPD.

Our Group does not expect to enter into any future transactions of the above nature after our admission to the Official List of Bursa Securities, and in the event we do so, such transactions would be conducted in accordance with the procedures as may be required by the relevant authorities.

10.4 Interest in similar businesses and in businesses of our customers or suppliers

As at the LPD, none of our Directors or substantial shareholders has any interest, direct or indirect, in other businesses and corporations carrying on a similar trade as our Group and/or any businesses and corporations of our customers and/or suppliers.

10.5 Declaration by advisers for our IPO

(i) Principal Adviser, Sponsor, Underwriter and Placement Agent

RHB Investment Bank has given its confirmation that there is no situation of conflict of interest that exists or is likely to exist in relation to its role as the Principal Adviser, Sponsor, Underwriter and Placement Agent to Salutica for the Listing on the basis that:-

(a) RHB Investment Bank is a licensed investment bank and its appointment as Principal Adviser, Sponsor, Underwriter and Placement Agent for the Proposed Listing, is in the ordinary course of its business; and

(b) the conduct of RHB Banking Group's business is regulated by the Financial Services Act, 2013 and RHB Banking Group's own internal controls and checks.

(ii) Solicitors

Save as disclosed below, Rahmat Lim & Partners has given its confirmation that there is no situation of conflict of interest that exists or is likely to exist in relation to its role as the Solicitors for our IPO.

Chia Chee Hoong is a Director of our Company and a partner of Rahmat Lim & Partners. Notwithstanding the aforesaid, Rahmat Lim & Partners is of the opinion that there is no conflict of interest arising from Chia Chee Hoong's position as the Chairman / Independent Non-Executive Director of our Company, on the basis that:-

(a) Chia Chee Hoong was not involved in the Board's deliberation in respect of the appointment of Rahmat Lim & Partners' role as Solicitors for the IPO and neither was Rahmat Lim & Partners involved in the selection process and appointment of Chia Chee Hoong as our independent director;

(b) Chia Chee Hoong is appointed as the Chairman / Independent Non-Executive Director of our Company and as such he does not deal with the day-to-day operations of our Company;

(c) Neither Chia Chee Hoong nor the solicitors reporting to him directly were or will be involved (i) in the due diligence process undertaken by; or (ii) the provision of advisory services by; or (iii) in the deliberation and discussions pertaining to the IPO with the team members of our Solicitors who were involved in the IPO exercise;

(d) In the event that there is a conflict of interest arising between our Company and our Solicitors in connection with the IPO, Chia Chee Hoong will abstain from (i) any of our board deliberations and voting, and (ii) any partnership deliberation and voting at Rahmat Lim & Partners, on such matter of conflict;

(e) the advisory fees payable to our Solicitors is limited to the legal due diligence work and legal advice pertaining to our IPO which is in Rahmat Lim & Partners' ordinary course of business and not material compared to Rahmat Lim & Partners' annual revenue; and

(f) the advisory fees payable to our Solicitors in relation to the IPO is below the threshold limit(1) as specified under the Listing Requirements.

Our Board has been informed and made aware of the above matters by our Solicitors, and is agreeable with the appointment of our Solicitors in relation to our IPO.

Note:-

*(1) Under Paragraph 4.0 of the Guidance Note 9 of the Listing Requirements, a person who is proposed to be or is an independent director ("**said Director**") is disqualified from being an independent director if he:-*

(a) had personally provided professional advisory services to the applicant/listed company within the last two (2) years; or

*(b) is presently a partner, director (except as an independent director) or major shareholder, of a firm or corporation ("**Entity**") which has provided professional advisory services to the applicant/listed company within the last two (2) years,*

and the consideration in aggregate is more than 5% of the gross revenue on a consolidated basis (where applicable) of the said Director or the Entity, or RM1.0 million, whichever is the higher.

(iii) Auditors and Reporting Accountants

PricewaterhouseCoopers (AF 1146) has given its confirmation that there is no existing or potential conflict of interest in its capacity as the auditors and the Reporting Accountants for our IPO.

(iv) Independent Market Researcher

Smith Zander has given its confirmation that there is no existing or potential conflict of interest in its capacity as the Independent Market Researcher for our IPO.

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11. FINANCIAL INFORMATION

11.1 Historical financial information

Our Company completed the acquisition of Salutica Allied via a management buyout from its previous owner, Balda AG Group on 4 September 2013. Since the acquisition, there were no material changes to the business model or material disruption to our operations as the key management team that undertook the acquisition has been substantially the same since 2004.

As Salutica Allied is our sole operating subsidiary, our Group's results largely reflect the financial performance of Salutica Allied. However, as we completed the management buyout in September 2013, our Group's results for FYE 30 June 2014 captures the financial performance of Salutica Allied for a ten (10)-month period from 4 September 2013 to 30 June 2014. Accordingly, in order to allow investors to better compare the underlying performance of our core business in a consistent manner for the recent past three (3) FYEs, we have presented our historical financial information based on our Group's audited financial statements for FYE 30 June 2014, FYE 30 June 2015 and seven (7) months FPE 31 January 2016, as well as Salutica Allied's audited financial statements for FYE 30 June 2013 and FYE 30 June 2014.

Our audited financial statements are prepared in accordance with MFRS and IFRS. The following selected historical financial information should be read in conjunction with the "Management's discussion and analysis of the financial condition as well as results of operations" and the "Accountants' Report" in **Section 11.3** and **Section 12** of this Prospectus, respectively.

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11. FINANCIAL INFORMATION (Cont'd)

Historical financial performance

	Salutica Allied[(1)]		Salutica Group[(2)]			
					Unaudited	Audited
	Audited FYE 30 June		Audited FYE 30 June		Seven (7) months FPE 31 January	Seven (7) months FPE 31 January
	2013	2014	2014[(3)]	2015	2015	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	**78,559**	**234,212**	**204,132**	**192,518**	**124,266**	**145,654**
Cost of sales[(4)]	(80,501)	(214,973)	(187,741)	(172,080)	(111,225)	(118,300)
(Gross loss) / GP	**(1,942)**	**19,239**	**16,391**	**20,438**	**13,041**	**27,354**
Other operating income[(4)]	1,474	11,634	4,226	6,790	1,765	2,051
Other operating expenses[(4)]	(5,140)	(1,693)	(1,580)	(137)	(95)	(1,390)
Gain on bargain purchase arising from acquisition of a subsidiary	-	-	45,416	-	-	-
Administrative and selling expenses[(4)]	(9,064)	(6,193)	(5,104)	(6,719)	(3,783)	(6,346)
(Loss) / profit from operations	**(14,672)**	**22,987**	**59,349**	**20,372**	**10,928**	**21,669**
Finance cost	(36)	(104)	(101)	(88)	(55)	(374)
(LBT) / PBT	**(14,708)**	**22,883**	**59,248**	**20,284**	**10,873**	**21,295**
Taxation	(321)	867	867	7,128	(123)	(5,464)
(LAT) / PAT	**(15,029)**	**23,750**	**60,115**	**27,412**	**10,750**	**15,831**
(LAT) / PAT attributable to:-						
- Owners of our Company	**(15,029)**	**23,750**	**60,115**	**27,412**	**10,750**	**15,831**
- Non-controlling interest	-	-	-	-	-	-
Other comprehensive income:						
Item that may be subsequently reclassified to profit or loss:						
- change in fair value of available-for-sale financial assets	-	-	-	16	16	-
Total comprehensive (loss) / income attributable to the owners of the Company	**(15,029)**	**23,750**	**60,115**	**27,428**	**10,766**	**15,831**

11. FINANCIAL INFORMATION (Cont'd)

	Salutica Allied[1]		Salutica Group[2]			
					Unaudited	Audited
	Audited FYE 30 June		Audited FYE 30 June		Seven (7) months FPE 31 January	Seven (7) months FPE 31 January
	2013	2014	2014 [3]	2015	2015	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
(LBITDA) / EBITDA[5]	**(9,239)**	**28,438**	**18,521**	**24,958**	**13,659**	**24,692**
(Gross loss) / GP margin[6] (%)	(2.5)	8.2	8.0	10.6	10.5	18.8
(LBT) / PBT margin[7] (%)	(18.7)	9.8	6.8 [9]	10.5	8.8	14.6
(LAT) / PAT margin[8] (%)	(19.1)	10.1	7.2 [9]	14.2	8.7	10.9
Effective tax rate (%)	2.2	(3.8)	(1.5)	(35.1)	1.1	25.7
No. of shares in issue ('000)	18,000	18,000	310,000 [10]	310,000	310,000 [10]	310,000
Basic/diluted (LPS) / EPS (sen)	(83.5) [11]	131.9 [11]	4.7 [9][12]	8.8 [12]	3.5 [12]	5.1 [12]

Notes:-

(1) Key financial figures are extracted from the audited financial statements of Salutica Allied for the respective FYEs.

(2) Key financial figures are extracted from the audited consolidated financial statements of Salutica for the respective FYEs and FPE.

(3) For reference purposes only as our Group's results only captures the ten (10) months financial performance of Salutica Allied following the completion of the management buyout of Salutica Allied on 4 September 2013.

(4) Based on management accounts that were used in the preparation of the audited financial statements for the respective FYEs and FPE.

(5) *(LBITDA) / EBITDA represents (losses) / earnings before finance cost, interest income, taxation, depreciation and amortisation. We have also excluded gain on bargain purchase arising from acquisition of a subsidiary for FYE 30 June 2014 of Salutica Group. The table below sets forth a reconciliation of our (LBT) / PBT to (LBITDA) / EBITDA:-*

	Salutica Allied		Salutica Group			
					Unaudited	Audited
	Audited FYE 30 June		Audited FYE 30 June		Seven (7) months FPE 31 January	Seven (7) months FPE 31 January
	2013	2014	2014	2015	2015	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
(LBT) / PBT	**(14,708)**	**22,883**	**59,248**	**20,284**	**10,873**	**21,295**
Adjusted for:-						
Finance cost	36	104	101	88	55	374
Interest income	(775)	(703)	(569)	(1,058)	(555)	(647)
Depreciation	6,208	6,154	5,157	5,644	3,286	3,670
Gain on bargain purchase arising from acquisition of a subsidiary	-	-	(45,416)	-	-	-
(LBITDA) / EBITDA	**(9,239)**	**28,438**	**18,521**	**24,958**	**13,659**	**24,692**

(6) *Computed based on (gross loss) / GP over total revenue.*

(7) *Computed based on (LBT) / PBT over total revenue.*

(8) *Computed based on (LAT) / PAT over total revenue.*

(9) *Excluding gain on bargain purchase arising from acquisition of a subsidiary of approximately RM45.4 million.*

(10) *Based on our issued and paid-up share capital prior to the Listing.*

(11) *Computed based on (LAT) / PAT divided by number of ordinary shares of Salutica Allied in issued.*

(12) *Computed based on PAT divided by number of Shares in issued prior to Listing.*

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Historical financial position

	Salutica Allied		Salutica Group		
	Audited FYE 30 June		Audited FYE 30 June		Audited seven (7) months FPE 31 January
	2013	2014	2014	2015	2016
	RM'000	RM'000	RM'000	RM'000	RM'000
Total non-current assets	38,753	42,789	42,789	47,483	45,167
Total current assets	42,958	79,401	79,637	75,428	92,548
Total assets	**81,711**	**122,190**	**122,426**	**122,911**	**137,715**
Share capital	18,000	18,000	^ (1)	31,000	31,000
Reserves	18,536	40,085	58,275	45,182	59,013
Total equity / NA	**36,536**	**58,085**	**58,275**	**76,182**	**90,013**
Total non-current liabilities	-	15,346	15,346	9,366	13,690
Total current liabilities	45,175	48,759	48,805	37,363	34,012
Total liabilities	**45,175**	**64,105**	**64,151**	**46,729**	**47,702**
Total equity and liabilities	**81,711**	**122,190**	**122,426**	**122,911**	**137,715**

Notes:-

^ *Negligible.*

(1) *Based on share capital of RM200 as at 30 June 2014.*

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11.2 Pro forma consolidated financial information together with the notes and the Reporting Accountants' letter thereon

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The Board of Directors
Salutica Berhad (formerly known as Blue Ocean Genius Sdn. Bhd.)
3 Jalan Zarib 6
Kawasan Perindustrian Zarib
31500 Lahat
Perak Darul Ridzuan

5 April 2016

Dear Sirs,

Reporting Accountants' Assurance Report on the Compilation of Pro Forma Consolidated Financial Information of Salutica Berhad (formerly known as Blue Ocean Genius Sdn. Bhd.) for Inclusion in the Prospectus

1 We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Financial Information of Salutica Berhad (formerly known as Blue Ocean Genius Sdn. Bhd.) ("the Company" or "Salutica") and its subsidiary, Salutica Allied Solutions Sdn. Bhd. ("Salutica Allied") (collectively known as "Salutica Group") that comprises the Pro Forma Consolidated Statement of Financial Position as at 31 January 2016 together with the Notes thereon (collectively known as "Pro Forma Consolidated Financial Information"). The Pro Forma Consolidated Financial Information which is set out in the Appendix (which we have stamped for the purpose of identification), have been compiled by the Directors of the Company for inclusion in the Prospectus to be issued by the Company in connection with the listing of and quotation for the entire enlarged issued and paid-up ordinary share capital of Salutica on the ACE Market of Bursa Malaysia Securities Berhad ("the IPO").

2 The applicable criteria on the basis of which the Directors have compiled the Pro Forma Consolidated Financial Information are described in the notes of the Appendix and are specified in the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines").

3 The Pro Forma Consolidated Financial Information has been compiled by the Directors, for illustrative purposes only, to show the effects of the completed transaction, the IPO and utilisation of proceeds on the Consolidated Statement of Financial Position presented had these transactions been effected at the date stated. As part of this process, information about the financial position of the Salutica Group has been extracted by the Directors from the audited financial statements of the Salutica Group for the seven months financial period ended 31 January 2016.

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
1st Floor, Standard Chartered Bank Chambers, 21-27 Jalan Dato' Maharaja Lela, P.O. Box 136, 30710 Ipoh, Perak, Malaysia
T: +60 (5) 254 9545, F: +60 (5) 253 2366, www.pwc.com/my

pwc

The Board of Directors
Salutica Berhad (formerly known as Blue Ocean Genius Sdn. Bhd.)
5 April 2016

The Directors' Responsibility for the Pro Forma Consolidated Financial Information

4 The Directors are responsible for compiling the Pro Forma Consolidated Financial Information on the basis set out in the notes of the Appendix and in accordance with the requirements of the Prospectus Guidelines.

Our Independence and Quality Control

5 We have complied with the independence and other ethical requirement of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

6 Our firm applies *International Standard on Quality Control 1* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

7 Our responsibility is to express an opinion as required by the Prospectus Guidelines, about whether the Pro Forma Consolidated Financial Information has been compiled, in all material respects, by the Directors on the basis set out in the notes of the Appendix using financial statements prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") and in a manner consistent with both the format of the financial statements and the accounting policies of Salutica Group.

8 We conducted our engagement in accordance with 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 International Auditing and Assurance Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors of the Company have compiled, in all material respects, the Pro Forma Consolidated Financial Information on the basis set out in the notes of the Appendix.

9 For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any financial information used in compiling the Pro Forma Consolidated Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Financial Information. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

The Board of Directors
Salutica Berhad (formerly known as Blue Ocean Genius Sdn. Bhd.)
5 April 2016

10 The purpose of the Pro Forma Consolidated Financial Information included in a prospectus 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.

11 A reasonable assurance engagement to report on whether the Pro Forma Consolidated Financial Information has been compiled in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Consolidated Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Consolidated Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

12 The procedures selected depend on our judgement, having regard to our understanding of the nature of the Company and its subsidiary, the event or transaction in respect of which the Pro Forma Consolidated Financial Information has been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Financial Information.

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

Opinion

14 In our opinion, the Pro Forma Consolidated Financial Information has been compiled, in all material respects, on the basis set out in the notes of the Appendix, using financial statements prepared in accordance with MFRS and IFRS and in a manner consistent with both the format of the financial statements and the accounting policies of Salutica Group.

pwc

The Board of Directors
Salutica Berhad (formerly known as Blue Ocean Genius Sdn. Bhd.)
5 April 2016

Other Matter

15 This report is issued for the sole purpose of inclusion in the Prospectus in connection with the IPO and should not be used or relied upon for any other purpose. We accept no duty of responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this report in connection with any transaction other than the IPO.

Yours faithfully,

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

CHO CHOO MENG
[No. 2082/9/16 (J/PH)]
Chartered Accountant

APPENDIX
Page 1

SALUTICA BERHAD (FORMERLY KNOWN AS BLUE OCEAN GENIUS SDN. BHD.)

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

1. INTRODUCTION

The Pro Forma Consolidated Financial Information together with the notes thereon, for which the Directors are solely responsible, have been prepared for illustrative purposes only for the purpose of inclusion in the Prospectus in connection with the initial public offering and listing of and quotation for the entire enlarged issued and paid-up share capital of Salutica ("the IPO") on the ACE Market of Bursa Securities.

Pro Forma Consolidated Statement of Financial Position as at 31 January 2016 has been prepared based on the assumption that the Completed Transaction, the IPO and the utilisation of proceeds as set out in Notes 1.1, 1.2 and 1.3 were effected on 31 January 2016.

1.1. Completed Transaction

The Completed Transaction is in respect of dividend declared by Salutica subsequent to the seven months financial period ended 31 January 2016 that has a financial impact on the net assets of the Pro Forma Consolidated Statement of Financial Position.

On 4 April 2016, the Directors declared a second interim single-tier tax exempt dividend of 0.65 sen (rounded to nearest 2 decimal places) per share on 310,000,000 ordinary shares of RM0.10 each, totalling RM2,000,000 which will be payable on 18 April 2016.

1.2 The IPO

(i) Public Issue

Public issue of 78,000,000 new ordinary shares of RM0.10 each in Salutica ("Issue Share(s)"), representing approximately 20.10% of the enlarged issued and paid-up share capital of Salutica, at the issue price of RM0.80 per Issue Share for total gross proceeds of RM62,400,000, payable in full upon application.

(ii) Offer for Sale

Offer for Sale of 23,000,000 existing ordinary shares of RM0.10 each in Salutica ("Offer Share(s)") by the Selling Shareholders, representing approximately 5.93% of the enlarged issued and paid-up share capital of Salutica, at the offer price of RM0.80 per Offer Share.

Salutica will not receive any proceeds from the Offer for Sale. The gross proceeds from the Offer for Sale of RM18,400,000 based on offer price of RM0.80 per Offer Share will accrue entirely to the Selling Shareholders disposing their existing shares.

1. INTRODUCTION (CONTINUED)

1.3 Utilisation of proceeds

The gross proceeds from the Public Issue of RM62,400,000 as stated in Note 1.2(i) are expected to be utilised as follows:

	RM
Repayment of bank borrowing [Note 1]	8,500,000
Capital expenditure [Note 2]	25,000,000
Research and development expenditure [Note 3]	8,200,000
Working capital	16,700,000
Estimated listing expenses [Note 4]	4,000,000
	62,400,000

[Note 1] Salutica proposes to utilise RM8.5 million of the proceeds within six (6) months of receipts to partially settle a term loan with balance of RM14.1 million outstanding as at 31 January 2016.

[Note 2] Salutica proposes to utilise RM25.0 million of the proceeds within twenty-four months of receipts, to purchase machinery, equipment, expand production line and to upgrade the information technology infrastructure.

[Note 3] Salutica proposes to utilise RM8.2 million of the proceeds within twenty-four months of receipts for its research and development activities. Salutica expects to utilise the full receipts for the development of its own FOBO / other in-house brands and expects 70% of the development expenditure amounting to RM5.7 million which will be capitalised and subject to amortisation to profit or loss over a period of two (2) years. The remaining balance of RM2.5 million is related to research activities which will be charged out as expenses in the profit or loss.

[Note 4] The estimated listing expenses totalling RM4.0 million to be borne by Salutica comprise brokerage, underwriting and placement fees, professional fees, regulatory fees and miscellaneous expenses. The existing shareholders will bear their own professional fees and miscellaneous expenses in respect of the Offer for Sale. A total of approximately RM1.47 million is assumed to be directly attributable to the Public Issue and as such will be debited against the share premium account whereas the remaining IPO expenses of approximately RM2.53 million are assumed to be attributable to the Listing and as such, will be charged to the profit or loss.

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SALUTICA BERHAD (FORMERLY KNOWN AS BLUE OCEAN GENIUS SDN. BHD.)
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

2 PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY 2016

The Pro Forma Consolidated Statement of Financial Position ('SOFP') as at 31 January 2016 has been prepared for illustrative purposes only to show the effects on the audited Consolidated SOFP as at 31 January 2016 had the Completed Transaction, the IPO and the utilisation of proceeds as set in Notes 1.1, 1.2 and 1.3 had been effected on 31 January 2016, and should be read in conjunction with the notes in this Section.

	Audited	Completed Transaction	Pro Forma I	The IPO and utilisation of proceeds	Pro Forma II
	Consolidated SOFP as at 31 January 2016	Adjustment for dividend	Consolidated SOFP after Completed Transaction	Adjustments for Public Issue and utilisation of proceeds	Consolidated SOFP after Pro Forma I and the IPO and utilisation of proceeds
	RM	RM	RM	RM	RM
Non current assets					
Property, plant and equipment	41,954,317	0	41,954,317	25,000,000	66,954,317
Deferred development expenditure	0	0	0	5,700,000	5,700,000
Available-for-sale financial asset	55,000	0	55,000	0	55,000
Deferred tax assets	3,157,942	0	3,157,942	0	3,157,942
	45,167,259	0	45,167,259	30,700,000	75,867,259
Current assets					
Inventories	31,119,484	0	31,119,484	0	31,119,484
Receivables, deposits and prepayments	24,058,863	0	24,058,863	0	24,058,863
Tax recoverable	23,433	0	23,433	0	23,433
Short term investment	1,300,710	0	1,300,710	0	1,300,710
Cash and bank balances	36,045,746	(2,000,000)	34,045,746	16,700,000	50,745,746
	92,548,236	(2,000,000)	90,548,236	16,700,000	107,248,236
Current liabilities					
Payables and accruals	30,335,481	0	30,335,481	0	30,335,481
Hire-purchase creditors	738,248	0	738,248	0	738,248
Term loans	2,852,329	0	2,852,329	0	2,852,329
Provision for warranties	86,437	0	86,437	0	86,437
	34,012,495	0	34,012,495	0	34,012,495
Net current assets	58,535,741	(2,000,000)	56,535,741	16,700,000	73,235,741
Non current liability					
Hire-purchase creditors	1,314,388	0	1,314,388	0	1,314,388
Term loans	12,375,459	0	12,375,459	(8,500,000)	3,875,459
	13,689,847	0	13,689,847	(8,500,000)	5,189,847
Net assets	90,013,153	(2,000,000)	88,013,153	55,900,000	143,913,153

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IPOH
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Chartered Accountants

APPENDIX
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SALUTICA BERHAD (FORMERLY KNOWN AS BLUE OCEAN GENIUS SDN. BHD.)

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

2 PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY 2016 (CONTINUED)

	Audited	Completed Transaction	Pro Forma I	The IPO and utilisation of proceeds	Pro Forma II
	Consolidated SOFP as at 31 January 2016	Adjustment for dividend	Consolidated SOFP after Completed Transaction	Adjustments for Public Issue and utilisation of proceeds	Consolidated SOFP after Pro Forma I and the IPO and utilisation of proceeds
	RM	RM	RM	RM	RM
Capital and reserves					
Share capital	31,000,000	0	31,000,000	7,800,000	38,800,000
Share premium	0	0	0	53,130,220	53,130,220
Fair value reserve	16,000	0	16,000	0	16,000
Retained earnings	58,997,153	(2,000,000)	56,997,153	(5,030,220)	51,966,933
	90,013,153	(2,000,000)	88,013,153	55,900,000	143,913,153
Number of ordinary shares of RM0.10 each	310,000,000		310,000,000		388,000,000
Net assets attributable to equity holders of the Company #	90,013,153		88,013,153		143,913,153
Net assets attributable to equity holders of the Company per ordinary share of RM0.10 each (RM) @	0.29		0.28		0.37

\# Net assets attributable to equity holders of the Company = Equity attributable to equity holders of the Company.

@ Net assets attributable to equity holders of the Company per ordinary share = Equity attributable to equity holders of the Company divided by the number of ordinary shares.

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2 PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY 2016 (CONTIUED)

2.1 Basis of preparation

The Pro Forma Consolidated SOFP as at 31 January 2016 has been prepared based on the audited Consolidated SOFP of Salutica as at 31 January 2016 which was prepared in accordance with MFRS and IFRS, and in a manner consistent with the format of the financial statements and accounting policies of Salutica Group.

The Pro Forma Consolidated SOFP as at 31 January 2016 has been prepared for illustrative purposes only to show the effects of the Completed Transaction, the IPO and the utilisation of proceeds on the audited Consolidated SOFP as at 31 January 2016 on the assumption that these transactions as set out in Notes 1.1, 1.2 and 1.3 had been effected on 31 January 2016, and should be read in conjunction with the notes in this Section. Such information, because of its nature, does not give a true picture of the effects of the Completed Transaction, the IPO and the utilisation of proceeds on the financial information presented had the transaction or event occurred on 31 January 2016. Further, such information does not purport to predict Salutica Group's financial position.

The audit report on the audited financial statements of Salutica Group for the financial year ended 31 January 2016 used in the preparation of the Pro Forma Consolidated SOFP was not subject to any qualification.

2.2 Effects of the Completed Transaction, the IPO and utilisation of proceeds as set out in notes above on the Pro Forma Consolidated SOFP

<u>Pro Forma I</u>
Pro Forma incorporates the effects of the Completed Transaction as set out in Note 1.1 above.

<u>Pro Forma II</u>
Pro Forma incorporates the effects of Pro Forma I, the IPO and the utilisation of proceeds as set out in Notes 1.2 (i) and 1.3 above.

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SALUTICA BERHAD (FORMERLY KNOWN AS BLUE OCEAN GENIUS SDN. BHD.)

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3.0 APPROVAL BY BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of Salutica Berhad (formerly known as Blue Ocean Genius Sdn. Bhd.) in accordance with resolution dated 5 April 2016.

On behalf of the Board

Lim Chong Shyh
Director

Joshua Lim Phan Yih
Director

PRICEWATERHOUSE COOPERS
IPOH
for identification only
Chartered Accountants

11.3 Management's discussion and analysis of financial condition as well as results of operations

The following discussion and analysis should be read in conjunction with the selected historical financial information presented in **Section 11.1** of this Prospectus, as well as the "Accountants' Report" included in **Section 12** of this Prospectus.

The selected historical financial information presented in **Section 11.1** of this Prospectus includes, amongst others, the financial information of our Group for FYE 30 June 2014 and the financial information of our sole operating subsidiary, Salutica Allied for FYE 30 June 2014. It is pertinent to note that the financial information of our Group for FYE 30 June 2014 largely reflects the financial performance of Salutica Allied for FYE 30 June 2014, save for the following items:-

(i) Salutica Allied contributed revenue and PAT of approximately RM204.1 million and RM14.9 million, respectively to our Group for the period from 4 September 2013 to 30 June 2014. Had the acquisition taken effect at the beginning of FYE 30 June 2014, the revenue and PAT of our Group would have been approximately RM234.2 million and RM69.0 million, respectively; and

(ii) we recorded a gain on bargain purchase amounting to approximately RM45.4 million for FYE 30 June 2014 arising from the acquisition of Salutica Allied.

In order to analyse the year-to-year financial performance of our underlying business which is solely contributed by our operating subsidiary, Salutica Allied, we have compared:-

(i) the financial information of Salutica Allied for FYE 30 June 2013 with the financial information of Salutica Allied for FYE 30 June 2014; and

(ii) the financial information of Salutica Allied for FYE 30 June 2014 with the consolidated financial information of Salutica for FYE 30 June 2015;

in our discussion and analysis.

This discussion and analysis may contain forward-looking statements that reflect our current views with respect to future events and our future financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those set out under "Risk Factors" in **Section 4** of this Prospectus.

11.3.1 Overview

Our Company is principally involved in investment holding whilst our wholly-owned subsidiary, Salutica Allied is involved in the following business activities as set out below:-

External brands		***FOBO***
To provide design, development and manufacturing services for Bluetooth devices such as Bluetooth audio headsets, Bluetooth smartwatches and Bluetooth car kits.	To provide manufacturing services of other electronics and precision parts and components such as 3D glasses, camera lenses/subparts, optical light guide and electronic locks.	Involved in the product conceptualisation, design, development, manufacturing, marketing and sales of Bluetooth-enabled automotive accessories and consumer electronics devices, comprising Bluetooth-enabled TPMS, and Bluetooth-enabled electronic sensors and tracking devices.

Our revenue consists mainly of the sales of products for (i) external brands, and (ii) internal brand, *FOBO*. Further, our sales from external brands mainly comprise of (i) Bluetooth related products, comprising mainly Bluetooth headsets, smartwatches and car kits, and (ii) other electronics and precision parts and components.

Please refer to **Section 6** of this Prospectus for our Group's detailed business overview.

11.3.2 Components of results of operations

The components of our results of operations are as follows:-

Revenue analysis

(i) Revenue by brands

The revenue by brands is illustrated in the table below:-

	Salutica Allied				Salutica Group			
	FYE 30 June				FYE 30 June			
	2013		2014		2014[(1)]		2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
External brands	78,227	99.6	233,979	99.9	203,935	99.9	188,988	98.2
FOBO	332	0.4	233	0.1	197	0.1	3,530	1.8
Total revenue	**78,559**	**100.0**	**234,212**	**100.0**	**204,132**	**100.0**	**192,518**	**100.0**

	Salutica Group			
	Seven (7) months FPE 31 January			
	2015		2016	
	RM'000	%	RM'000	%
External brands	122,847	98.9	144,007	98.9
FOBO	1,419	1.1	1,647	1.1
Total revenue	**124,266**	**100.0**	**145,654**	**100.0**

Note:-

(1) For reference purposes only as our Group's results only captures the ten (10) months financial performance of Salutica Allied from 4 September 2013 to 30 June 2014.

Our revenue for the past three (3) FYE 30 June 2013, 2014 and 2015 was approximately RM78.6 million, RM234.2 million and RM192.5 million, respectively, representing a CAGR of approximately 56.5%. For the seven (7) months FPE 31 January 2016, we recorded revenue of approximately RM145.7 million, an increase of approximately RM21.4 million or 17.2% as compared to the previous seven (7) months FPE 31 January 2015 of approximately RM124.3 million. Our total revenue growth was mainly due to an increase in revenue from our external brands segment as this segment is the largest component of our total revenue, contributing approximately 99.6%, 99.9%, 98.2% and 98.9% for FYE 30 June 2013, 2014 and 2015 as well as the seven (7) months FPE 31 January 2016, respectively.

The remaining revenue was contributed from our *FOBO* segment, which represented approximately 0.4%, 0.1%, 1.8% and 1.1% of our total revenue for FYE 30 June 2013, 2014 and 2015 as well as the seven (7) months FPE 31 January 2016, respectively.

(ii) Revenue by products

The revenue analysis by product categories is illustrated in the table below:-

	Salutica Allied				Salutica Group			
	FYE 30 June				FYE 30 June			
	2013		2014		2014[(1)]		2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
External brands								
- Bluetooth related products[(2)]	53,398	68.0	216,371	92.4	188,556	92.4	174,051	90.4
- Other electronics, and precision parts and components[(3)]	24,829	31.6	17,608	7.5	15,379	7.5	14,937	7.8
Subtotal	**78,227**	**99.6**	**233,979**	**99.9**	**203,935**	**99.9**	**188,988**	**98.2**
FOBO	**332**	**0.4**	**233**	**0.1**	**197**	**0.1**	**3,530**	**1.8**
Total revenue	**78,559**	**100.0**	**234,212**	**100.0**	**204,132**	**100.0**	**192,518**	**100.0**

	Salutica Group			
	Seven (7) months FPE 31 January			
	2015		2016	
	RM'000	%	RM'000	%
External brands				
- Bluetooth related products[(2)]	113,630	91.5	132,405	90.9
- Other electronics, and precision parts and components[(3)]	9,217	7.4	11,602	8.0
Subtotal	**122,847**	**98.9**	**144,007**	**98.9**
FOBO	**1,419**	**1.1**	**1,647**	**1.1**
Total revenue	**124,266**	**100.0**	**145,654**	**100.0**

Notes:-

(1) For reference purposes only as our Group's results only captures the ten (10) months financial performance of Salutica Allied from 4 September 2013 to 30 June 2014.

(2) Comprising mainly Bluetooth headsets, smartwatches and car kits.

(3) Comprising, amongst others, optical light guide, 3D glasses, electronic locks and camera subparts.

The revenue contribution from the Bluetooth related products for external brands represented approximately 68.0%, 92.4%, 90.4% and 90.9% of our total revenue for FYE 30 June 2013, 2014 and 2015 as well as the seven (7) months FPE 31 January 2016, respectively, while revenue contribution from other electronics, and precision parts and components represented approximately 31.6%, 7.5%, 7.8% and 8.0% of our total revenue for FYE 30 June 2013, 2014 and 2015 as well as the seven (7) months FPE 31 January 2016, respectively.

For the past three (3) financial years under review, we recorded an overall increase in revenue from the design, development and manufacture of Bluetooth related products for external brands, from approximately RM53.4 million in FYE 30 June 2013 to approximately RM174.1 million in FYE 30 June 2015. This increase was mainly due to the significant increase in orders for existing and new Bluetooth headsets in FYE 30 June 2014. The successful bid for a new product, the smartwatch, had also contributed to a significant increase in our sales for FYE 30 June 2014. This marked our entry into the smartwatch market. For the seven (7) months FPE 31 January 2016, we continued to record strong contribution from this segment of approximately RM132.4 million mainly due to overall increase in order for Bluetooth headsets.

The revenue from other electronics, and precision parts and components decreased from approximately RM24.8 million in FYE 30 June 2013 to RM14.9 million in FYE 30 June 2015. The decrease was mainly due to an overall reduction in orders for camera subparts, 3D glasses and electronic locks. For the seven (7) months FPE 31 January 2016, we recorded approximately RM11.6 million for this segment.

Leveraging on our experience and expertise in Bluetooth technology and R&D capabilities, we had begun to venture into the development of our in-house products under the brand name "*FOBO*". Our first *FOBO* device, a Bluetooth enabled electronic sensor and tracking device, namely *FOBO Tag* was launched in April 2013 and contributed approximately 0.4% and 0.1% in FYE 30 June 2013 and 2014, respectively. Subsequently, we launched a series of Bluetooth TPMS products commencing from October 2014 and recorded revenue of approximately RM3.5 million from our *FOBO* products which represented approximately 1.8% of our total revenue in FYE 30 June 2015. For the seven (7) months FPE 31 January 2016, the total revenue contribution from our *FOBO* products is approximately RM1.6 million or 1.1% of our total revenue.

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11. FINANCIAL INFORMATION (Cont'd)

(iii) Revenue by geographical markets

The revenue analysis by geographical markets is illustrated in the table below:-

	Salutica Allied				Salutica Group							
	FYE 30 June				FYE 30 June				Seven (7) months FPE 31 January			
	2013		2014		2014[1]		2015		2015		2016	
	RM'000#	%	RM'000#	%	RM'000#	%	RM'000#	%	RM'000#	%	RM'000#	%
External brands												
Overseas												
North America[2]	33,598	42.7	110,399	47.1	87,194	42.7	136,631	71.0	82,006	66.0	131,349	90.2
Europe[3]	16,400	20.9	105,752	45.2	99,745	48.9	30,643	15.9	29,146	23.5	3,375	2.3
Australasia	46	0.1	125	0.1	46	^	942	0.5	942	0.8	5	^
Asia[4]	13,746	17.5	14,322	6.1	14,215	7.0	18,731	9.7	9,482	7.6	8,599	5.9
African region and the Middle East	-	-	-	-	-	-	^	^	-	-	-	-
Subtotal	**63,790**	**81.2**	**230,598**	**98.5**	**201,200**	**98.6**	**186,947**	**97.1**	**121,576**	**97.9**	**143,328**	**98.4**
Malaysia	**14,437**	**18.4**	**3,381**	**1.4**	**2,735**	**1.3**	**2,041**	**1.1**	**1,271**	**1.0**	**679**	**0.5**
Total external brands	**78,227**	**99.6**	**233,979**	**99.9**	**203,935**	**99.9**	**188,988**	**98.2**	**122,847**	**98.9**	**144,007**	**98.9**
FOBO												
Overseas												
North America[2]	-	-	5	^	6	^	797	0.4	345	0.3	974	0.7
Europe[3]	-	-	69	^	69	^	735	0.4	143	0.1	346	0.2
Australasia	3	^	-	-	-	-	144	^	97	0.1	63	^
Asia[4]	162	0.2	7	^	3	^	329	0.2	126	0.1	171	0.1
African region and the Middle East	-	-	14	^	14	^	224	0.1	85	^	22	^
Subtotal	**165**	**0.2**	**95**	**^**	**92**	**^**	**2,229**	**1.1**	**796**	**0.6**	**1,576**	**1.0**
Malaysia	**167**	**0.2**	**138**	**0.1**	**105**	**0.1**	**1,301**	**0.7**	**623**	**0.5**	**71**	**0.1**
Total *FOBO*	**332**	**0.4**	**233**	**0.1**	**197**	**0.1**	**3,530**	**1.8**	**1,419**	**1.1**	**1,647**	**1.1**
Total revenue	**78,559**	**100.0**	**234,212**	**100.0**	**204,132**	**100.0**	**192,518**	**100.0**	**124,266**	**100.0**	**145,654**	**100.0**

11. FINANCIAL INFORMATION (Cont'd)

Notes:-

Revenue by geographical market is tracked by the country where the goods are delivered rather than the origin of the customer.

^ *Negligible.*

(1) *For reference purposes only as our Group's results only captures the ten (10) months financial performance of Salutica Allied from 4 September 2013 to 30 June 2014.*

(2) *Mainly US and Canada.*

(3) *Mainly Sweden, Netherlands, Poland, Cyprus, Spain, France, Russia and Germany.*

(4) *Mainly Japan, Republic of Korea, Singapore, Hong Kong and Saudi Arabia.*

Our products are generally exported and marketed in North America, Europe and Asia. The revenue from external brands is primarily derived from overseas markets which contributed approximately 81.2%, 98.5%, 97.1% and 98.4% of our total revenue for the financial period under review. Our largest overseas markets are North America and Europe. Revenue from Malaysia contributed approximately 18.4%, 1.4%, 1.1% and 0.5% of our total revenue for FYE 30 June 2013, 2014 and 2015 as well as the seven (7) months FPE 31 January 2016, respectively.

As for our *FOBO* products, the revenue from overseas markets has increased from approximately RM0.2 million in FYE 30 June 2013 to approximately RM2.2 million in FYE 30 June 2015, representing 0.2% and 1.1% of our total revenue in FYE 30 June 2013 and FYE 30 June 2015, respectively. For the seven (7) months FPE 30 January 2016, our *FOBO* products revenue derived from overseas markets contributed approximately 1.0% of our total revenue.

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(iv) **Cost of sales**

Our cost of sales comprises primarily of raw materials and consumables, labour costs and production overheads. The analysis of our cost of sales is set out below:-

	Salutica Allied				Salutica Group			
	FYE 30 June				FYE 30 June			
	2013		2014		2014[(1)]		2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Raw materials and consumables used	50,480	62.7	177,412	82.5	159,124	84.8	135,745	78.9
Changes in inventories of work in progress and finished goods	(1,322)	(1.6)	(671)	(0.3)	(3,632)	(1.9)	(175)	(0.1)
Direct labour costs	10,241	12.7	15,009	7.0	12,667	6.7	14,829	8.6
Subtotal	**59,399**	**73.8**	**191,750**	**89.2**	**168,159**	**89.6**	**150,399**	**87.4**
Production overheads								
- Depreciation of machinery and equipment	5,866	7.3	5,710	2.7	4,777	2.6	5,074	3.0
- Indirect labour costs	9,061	11.2	10,302	4.8	8,702	4.6	10,044	5.8
- Utilities	3,135	3.9	3,237	1.5	2,708	1.4	3,058	1.8
- Others[(2)]	3,040	3.8	3,974	1.8	3,395	1.8	3,505	2.0
Subtotal	**21,102**	**26.2**	**23,223**	**10.8**	**19,582**	**10.4**	**21,681**	**12.6**
Total cost of sales	**80,501**	**100.0**	**214,973**	**100.0**	**187,741**	**100.0**	**172,080**	**100.0**

	Salutica Group			
	Seven (7) months FPE 31 January			
	2015		2016	
	RM'000	%	RM'000	%
Raw materials and consumables used	87,057	78.3	106,375	89.9
Changes in inventories of work in progress and finished goods	2,585	2.3	(11,202)	(9.4)
Direct labour costs	8,672	7.8	10,203	8.6
Subtotal	**98,314**	**88.4**	**105,376**	**89.1**
Production overheads				
- Depreciation of machinery and equipment	2,972	2.7	3,153	2.7
- Indirect labour costs	5,638	5.0	6,190	5.2
- Utilities	1,883	1.7	1,672	1.4
- Others[(2)]	2,418	2.2	1,909	1.6
Subtotal	**12,911**	**11.6**	**12,924**	**10.9**
Total cost of sales	**111,225**	**100.0**	**118,300**	**100.0**

Notes:-

(1) For reference purposes only as our Group's results only captures the ten (10) months financial performance of Salutica Allied from 4 September 2013 to 30 June 2014.

(2) Others comprising, amongst others, loose tools and implements, repairs, maintenance and upkeep of machinery and factory.

Raw materials and consumables cost

Raw materials and consumables include materials used in our business operations that consist of, electronic components (i.e. capacitors, resistors, integrated chips), electro-mechanical components (i.e. PCBs, speakers and batteries), mechanical parts (i.e. cables, gaskets and metal stamping parts), resin and chemicals, which are sourced from both local and overseas suppliers. Our cost of raw materials and consumables is mainly affected by price fluctuations as a result of general demand and supply conditions for materials, sourcing capabilities and the outcome of negotiations with our suppliers.

Raw materials and consumables cost is the largest cost of sales component for our operations accounting for approximately 62.7%, 82.5%, 78.9% and 89.9% of our total cost of sales for FYE 30 June 2013, 2014 and 2015 as well as the seven (7) months FPE 31 January 2016, respectively.

Direct labour costs

Direct labour costs comprise mainly salaries and wages of our workers (including contract workers) who are directly involved in manufacturing operations. Direct labour costs accounted for approximately 12.7%, 7.0%, 8.6% and 8.6% of our total cost of sales for FYE 30 June 2013, 2014 and 2015 as well as the seven (7) months FPE 31 January 2016, respectively.

Production overheads

Production overheads comprise of depreciation of machinery and equipment, indirect labour costs (including production/supply chain/QA technicians, engineers and managers), utilities as well as repairs and maintenance. For FYE 30 June 2013, 2014 and 2015 as well as the seven (7) months FPE 31 January 2016, the production overheads represented approximately 26.2%, 10.8%, 12.6% and 10.9% of our total cost of sales.

(v) (Gross loss) / GP and (gross loss) / GP margin

The following table sets out the (gross loss) / GP and (gross loss) / GP margin:-

	Salutica Allied		Salutica Group			
	FYE 30 June		FYE 30 June		Seven (7) months FPE 31 January	
	2013	**2014**	**2014[1]**	**2015**	**2015**	**2016**
(Gross loss) / GP (RM'000)	(1,942)	19,239	16,391	20,438	13,041	27,354
(Gross loss) / GP margin (%)	(2.5)	8.2	8.0	10.6	10.5	18.8

Note:-

(1) For reference purposes only as our Group's results only captures the ten (10) months financial performance of Salutica Allied from 4 September 2013 to 30 June 2014.

11. FINANCIAL INFORMATION (Cont'd)

Our GP has improved from a gross loss position of approximately RM1.9 million in FYE 30 June 2013 to GP of approximately RM20.4 million in FYE 30 June 2015 which translates to GP margin of approximately 10.6% in FYE 30 June 2015. This was contributed by the successful bidding and entry into the smartwatch market from one of our major customers. The timely realisation of sales of new orders and higher production volume resulted in better absorption of production overheads which translated to better GP margin. For the seven (7) months FPE 31 January 2016, we recorded GP of approximately RM27.4 million which translate to GP margin of approximately 18.8%. The increase was mainly due to higher revenue recognised due to the strength of USD against RM as our sales are mostly denominated in USD, and better absorption of fixed production overheads due to higher production volume.

(vi) Other operating income

The following table sets out the components of our other operating income:-

	Salutica Allied				Salutica Group							
	FYE 30 June				FYE 30 June				Seven (7) months FPE 31 January			
	2013		2014		2014[1]		2015		2015		2016	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Rental income	60	4.0	58	0.5	49	1.2	61	0.9	34	1.9	43	2.1
Government grant	-	-	-	-	-	-	3,900	57.4	-	-	-	-
Net gain on foreign exchange	214	14.5	-	-	149	3.5	1,820	26.8	1,615	91.5	-	-
Fair value gain/(loss) on derivative financial instruments	23	1.6	265	2.3	304	7.2	(172)	(2.5)	(513)	(29.0)	147	7.2
Interest income	775	52.6	703	6.0	569	13.4	1,058	15.6	555	31.4	647	31.5
(Loss)/gain on disposal of PPE	(46)	(3.1)	7,450	64.0	^	^	112	1.6	65	3.7	8	0.4
Bad debts recovered	-	-	3,089	26.6	3,089	73.1	-	-	-	-	-	-
Gain from early settlement of finance lease liability	-	-	-	-	-	-	-	-	-	-	1,149	56.0
Others	448	30.4	69	0.6	66	1.6	11	0.2	9	0.5	57	2.8
Total other operating income	**1,474**	**100.0**	**11,634**	**100.0**	**4,226**	**100.0**	**6,790**	**100.0**	**1,765**	**100.0**	**2,051**	**100.0**

Notes:-

^ *Negligible.*

(1) *For reference purposes only as our Group's results only captures the ten (10) months financial performance of Salutica Allied from 4 September 2013 to 30 June 2014.*

Rental income

We receive rental income from one of our customers who rents a space in our warehouse to store their finished products.

Government grant

Government grant refers to reimbursement claim from a Malaysian government agency for applicable past expenses relating to qualifying training, research related activities and modernisation of production processes. The reimbursement of applicable past expenses incurred is recognised as income in the profit or loss in the period the claim is approved by the relevant authorities.

In FYE 30 June 2015, we received and recognised a reimbursement of approximately RM3.9 million in respect of applicable past expenses incurred from June 2013 to June 2014. The reimbursement relating to the grant is not considered as a one-off income as we have submitted and intend to submit further claims in respect of applicable expenses incurred and/or to be incurred in FYE 30 June 2015 and 2016, respectively, which are subject to approval from the government agency.

Net gain on foreign exchange

Foreign exchange net gain is in respect of the settlement of foreign currency denominated transactions and the translation of monetary assets and liabilities denominated in foreign currency.

Interest income

Our interest income is derived from bank deposits.

(Loss) / gain on disposal of PPE

Salutica Allied settled the dividend-in-specie to its former shareholder, Balda AG Group in FYE 30 June 2014 with the disposal of its leasehold land and buildings valued at approximately RM27.0 million. A gain on disposal of approximately RM7.5 million was recognised during FYE 30 June 2014 as the carrying amount of the leasehold land and buildings was recorded at approximately RM19.5 million.

Bad debt recovered

During FYE 30 June 2014, we partially recovered bad debt from one of our customers after an allowance for doubtful debt had been made in FYE 30 June 2013.

Gain from early settlement of finance lease liability

For the seven (7) months FPE 31 January 2016, a gain of approximately RM1.1 million was recognised as a result of early settlement of finance lease liability, being the difference between final settlement amount of RM14.7 million and outstanding finance lease liability of RM15.8 million.

Others

Others mainly comprise of sundry income from sale of scrap resin and insurance claims. The income received from insurance claims amounting to RM0.3 million during FYE 30 June 2013 relate to several lost moulding tools that were no longer in use but were able to fetch scrap value.

(vii) Other operating expenses

The following table sets out the components of our other operating expenses:-

	Salutica Allied				Salutica Group							
	FYE 30 June				FYE 30 June				Seven (7) months FPE 31 January			
	2013		2014		2014[1]		2015		2015		2016	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Allowance for doubtful debts	5,040	98.1	-	-	-	-	-	-	-	-	-	-
Impairment loss of PPE	-	-	1,432	84.6	1,432	90.6	-	-	-	-	-	-
Net loss on foreign exchange	-	-	106	6.3	-	-	-	-	-	-	1,296	93.2
Others	100	1.9	155	9.1	148	9.4	137	100.0	95	100.0	94	6.8
Total other operating expenses	**5,140**	**100.0**	**1,693**	**100.0**	**1,580**	**100.0**	**137**	**100.0**	**95**	**100.0**	**1,390**	**100.0**

Note:-

(1) For reference purposes only as our Group's results only captures the ten (10) months financial performance of Salutica Allied from 4 September 2013 to 30 June 2014.

Other operating expenses for the FYE 30 June 2013, 2014 and 2015 as well as the seven (7) months FPE 31 January 2016 were RM5.1 million, RM1.7 million, RM0.1 million and RM1.4 million, respectively. For the financial period under review, other operating expenses comprised mainly the allowance for doubtful debts, impairment loss of PPE and net loss on foreign exchange incurred in FYE 30 June 2013, 2014 and seven (7) months FPE 31 January 2016, respectively, while the remaining were bank charges incurred for the e-commerce payment platform.

11. FINANCIAL INFORMATION (Cont'd)

In FYE 30 June 2013, we recognised an allowance for doubtful debts amounting to approximately RM5.0 million which primarily relates to the debts owing from one of our customers who had financial difficulties and defaulted on payment. A legal case was undertaken against the customer in end 2012 and was subsequently settled out of court, where the settlement amount of approximately RM3.1 million was received in FYE 30 June 2014. For FYE 30 June 2014, we had an impairment loss of PPE amounting to RM1.4 million which relates to certain types of machinery and equipment that was made idle due to changes in demand and orders from customers.

For the seven (7) months FPE 31 January 2016, we incurred loss on foreign exchange of approximately RM1.3 million mainly due to the settlement of foreign currency forward exchange contracts entered into at less favourable contracted rates compared to the month end exchange rate on maturity dates.

(viii) Administrative and selling expenses

The following table sets out the components of our administrative and selling expenses:-

	Salutica Allied				Salutica Group							
	FYE 30 June				FYE 30 June				Seven (7) months FPE 31 January			
	2013		2014		2014[1]		2015		2015		2016	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff costs	3,637	40.1	4,410	71.2	3,718	72.8	4,750	70.7	2,740	72.4	3,063	48.3
Corporate support fees	2,996	33.1	-	-	-	-	-	-	-	-	-	-
Advertising and marketing expenses	102	1.1	27	0.4	25	0.5	146	2.2	113	3.0	32	0.5
Legal and professional fees	1,146	12.6	333	5.4	29	0.6	320	4.8	60	1.6	1,657	26.1
Others [2]	1,183	13.1	1,423	23.0	1,332	26.1	1,503	22.3	870	23.0	1,594	25.1
Total administrative and selling expenses	**9,064**	**100.0**	**6,193**	**100.0**	**5,104**	**100.0**	**6,719**	**100.0**	**3,783**	**100.0**	**6,346**	**100.0**

Notes:-

(1) For reference purposes only as our Group's results only captures the ten (10) months financial performance of Salutica Allied from 4 September 2013 to 30 June 2014.

(2) Others comprising, amongst others, office depreciation, telephone and facsimile charges, security expenses, travelling expenses, subscription, licence and registration fee, and audit and secretarial fee.

The administrative and selling expenses mainly consist of staff costs, corporate support fees, advertising and marketing expenses as well as legal and professional fees.

Staff cost includes salaries and other related expenses of our staff and directors' remuneration.

Corporate support fee relates to a fee payable to Salutica Allied's former shareholder, Balda AG Group. This fee payment has ceased since the completion of the management buyout of Salutica Allied by Salutica in September 2013.

The advertising and marketing expenses incurred are mainly for our in-house brand, *FOBO*.

The legal and professional fees include fees payable to legal advisers in relation to litigation, intellectual property advice, intellectual property registration and other general legal advice, whilst professional fees relate to consultancy on GST implementation (only incurred in FYE 30 June 2015).

The total administrative and selling expenses for the FYE 30 June 2013, 2014 and 2015 as well as the seven (7) months FPE 31 January 2016 were RM9.1 million, RM6.2 million, RM6.7 million and RM6.3 million, respectively. For FYE 30 June 2014, the decrease in our administrative and selling expenses was primarily due to the cessation of payment of corporate support fees since the completion of the management buyout of Salutica Allied by Salutica in September 2013. Further, the amount of legal and professional fees decreased to RM0.3 million in FYE 30 June 2014 as compared to RM1.1 million in FYE 30 June 2013. The legal fees of RM1.1 million incurred in FYE 30 June 2013 was mainly attributable to the legal adviser fees amounting to RM0.8 million pertaining to a litigation claim filed against one of our customers in a foreign jurisdiction whilst the remaining RM0.3 million was incurred for other general legal advice.

For FYE 30 June 2015, the administrative and selling expenses increased slightly from RM6.2 million to RM6.7 million due mainly to the increase in staff costs in tandem with the yearly staff increment and advertising costs.

For the seven (7) months FPE 31 January 2016, the administrative and selling expenses increased from approximately RM3.8 million to RM6.3 million mainly due to the professional fees and related disbursements incurred in relation to the Listing exercise amounting to approximately RM1.7 million.

(ix) Gain on bargain purchase arising from acquisition of a subsidiary

Based on the Group's results for FYE 30 June 2014, a gain on bargain purchase of approximately RM45.4 million was recognised for the acquisition of the entire share capital of Salutica Allied from Balda AG Group which was completed on 4 September 2013. The management considered the acquisition to be a fair transaction, taking into consideration the entire business risk of Salutica Allied.

(x) Finance cost

Our finance cost comprises finance lease interest for the leasehold land and building, hire-purchase interest for machinery and interest for term loans.

(xi) (LBT) / PBT and (LBT) / PBT margin

The following table sets out the (LBT) / PBT and (LBT) / PBT margin for the period indicated below:-

	Salutica Allied		Salutica Group			
	FYE 30 June		FYE 30 June		Seven (7) months FPE 31 January	
	2013	**2014**	**2014[(1)]**	**2015**	**2015**	**2016**
(LBT) / PBT (RM'000)	(14,708)	22,883	59,248	20,284	10,873	21,295
(LBT) / PBT margin (%)	(18.7)	9.8	6.8[(2)]	10.5	8.8	14.6

Notes:-

(1) For reference purposes only as our Group's results only captures the ten (10) months financial performance of Salutica Allied from 4 September 2013 to 30 June 2014.

(2) Excluding gain on bargain purchase arising from acquisition of a subsidiary of approximately RM45.4 million.

In FYE 30 June 2013, we recorded a LBT of RM14.7 million which was mainly due to a gross loss of approximately RM1.9 million as a result of insufficient customer orders and production volume to offset fixed production overheads. In the same year, we had also recognised an allowance of doubtful debts of approximately RM5.0 million.

In line with the increase in our GP, we recorded PBT of approximately RM22.9 million, RM20.3 million and RM21.3 million in FYE 30 June 2014 and FYE 30 June 2015 as well as the seven (7) months FPE 31 January 2016, respectively.

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11. FINANCIAL INFORMATION (Cont'd)

(xii) Taxation

Our taxation represents income tax charge during the financial year and the recognition and reversal of deferred tax assets.

	Salutica Allied		Salutica Group			
					Unaudited	Audited
	Audited FYE 30 June		Audited FYE 30 June		Seven (7) months FPE 31 January	Seven (7) months FPE 31 January
	2013	2014	2014(1)	2015	2015	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current financial year/period:-						
Income tax charge	321	207	207	283	123	155
(Deferred tax assets) / deferred tax charge – origination and reversal of temporary difference	-	(1,074)	(1,074)	(7,411)	-	5,326
Previous financial year/period:-						
(Over) / under provision of income tax	-	(^)	(^)	^	-	(18)
Tax expense / (credit)	**321**	**(867)**	**(867)**	**(7,128)**	**123**	**5,463**

Notes:-

^ *Negligible.*

(1) *For reference purposes only as our Group's results only captures the ten (10) months financial performance of Salutica Allied from 4 September 2013 to 30 June 2014.*

Salutica Allied was granted the pioneer status under Section 127 of the Income Tax Act, 1967 which allowed Salutica Allied to enjoy tax exemption on 100% of its statutory income for approved products for a period of 10 years from 1 June 2005 to 31 May 2015. As a result, our tax expenses for the past three (3) FYE 30 June 2013, 2014 and 2015 of approximately RM0.3 million, RM0.2 million and RM0.3 million, respectively were incurred only in respect of other income such as interest income, rental income and scrap income.

Our deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Unused tax losses during the pioneer status period can be carried forward and deducted against the post pioneer status period statutory income relating to the approved pioneer products of Salutica Allied. As at 31 January 2016, Salutica Allied has unused tax losses amounting to approximately RM19.4 million (as at 30 June 2015 was approximately RM42.5 million) which can be carried forward and utilised to set off against its future taxable profits. These unused tax losses have been fully recognised as deferred tax assets in FYE 30 June 2015.

Our tax expenses for the seven (7) months FPE 31 January 2016 was approximately RM5.5 million which translate to an effective tax rate of approximately 25.7%. Due to certain expenses being non-deductible for tax purposes, our effective tax rate was higher compared to the statutory corporate tax rate of 24.0%.

11.3.3 Commentary on past performance

(i) FYE 30 June 2013

Revenue

For FYE 30 June 2013, we recorded revenue of approximately RM78.6 million. The sales from external brands segment contributed approximately 99.6% of our total revenue where approximately 68.0% was derived from the sale of Bluetooth related products and approximately 31.6% was derived from the sales of other electronics and precision parts and components. The remaining revenue of approximately 0.4% was derived from our in-house product, *FOBO Tag* which was launched in April 2013.

The revenue from external brand was primarily derived from overseas markets amounting to approximately RM63.8 million or 81.2% of our total revenue. Our largest export market is North America followed by Europe which collectively contributed approximately 63.6% of our total revenue while the revenue from the local market for external brands was approximately 18.4% of our total revenue. This was primarily derived from the sale of camera subparts to a customer based in Malaysia.

Cost of sales, gross loss and gross loss margin

For FYE 30 June 2013, we recorded total cost of sales of approximately RM80.5 million. The cost of raw materials and consumables was approximately RM50.5 million or 62.7% of the cost of sales and was the largest component of our cost of sales. Direct labour cost accounted for approximately 12.7% of the cost of sales while production overheads accounted for approximately 26.2% of our cost of sales.

In FYE 30 June 2013, we recorded a gross loss of approximately RM1.9 million as we did not receive sufficient orders and did not achieve sufficient production volume to offset the production overheads. The market conditions, in particular, the European economic crisis had affected end user demand and caused a delay in the launch of our customers' new products.

Other operating income / operating expenses

For FYE 30 June 2013, we recorded an operating income of approximately RM1.5 million which includes, amongst others, the interest income of approximately RM0.8 million and net gain on foreign exchange of approximately RM0.2 million.

However, we incurred operating expenses of approximately RM5.1 million in FYE 30 June 2013 due to allowance for doubtful debts of approximately RM5.0 million as a result of default in payment by one of our customers who was facing financial constraints at that time.

Administrative and selling expenses

For FYE 30 June 2013, we incurred administrative and selling expenses of approximately RM9.1 million which included, amongst others, staff cost of approximately RM3.6 million, corporate support fee payable to former shareholder of approximately RM3.0 million and legal fees of approximately RM0.8 million in relation to a claim filed against one of our customers in a foreign jurisdiction.

Finance cost

Our finance cost of approximately RM0.03 million relates to interest expenses on hire purchase facilities.

LBT

As a result of the reasons discussed above, we recorded a LBT of approximately RM14.7 million in FYE 30 June 2013.

Taxation

We incurred tax expenses of approximately RM0.3 million in FYE 30 June 2013 arising from non-pioneer related activities.

LAT

As a result of the foregoing factors, we recorded LAT of approximately RM15.0 million in FYE 30 June 2013.

(ii) FYE 30 June 2014

Revenue

Total revenue increased by approximately 198.0% from approximately RM78.6 million in FYE 30 June 2013 to approximately RM234.2 million in FYE 30 June 2014. The increase in total revenue was mainly due to the increase in revenue from our Bluetooth related products for external brands as we secured two (2) new orders for Bluetooth stereo headsets and Bluetooth smartwatches from one of our major customers based in Sweden, and these products were exported to Europe and PRC. The revenue from this major customer increased from approximately RM13.5 million in FYE 30 June 2013 to approximately RM114.5 million in FYE 30 June 2014. The percentage revenue contribution from this customer was mainly for smartwatches due to the anticipated higher demand from consumers for this product. The revenue from smartwatches was approximately RM101.6 million, contributing approximately 43.4% of our total revenue in FYE 30 June 2014. In addition, we also secured increased orders for existing and new Bluetooth headsets from other customers which were exported to North America.

Revenue from other electronics and precision parts and components decreased by approximately 29.0% from approximately RM24.8 million in FYE 30 June 2013 to approximately RM17.6 million in FYE 30 June 2014. The decrease was due to reduced orders for camera subparts from one of our customers as a result of the general decline in demand for digital cameras. For FYE 30 June 2014, the revenue from *FOBO* contributed approximately 0.1% of our total revenue.

The revenue from overseas markets for external brands increased from approximately RM63.8 million in FYE 30 June 2013 to approximately RM230.6 million in FYE 30 June 2014, representing an increase of approximately 261.4%. The increase was due to increase in demand from customers in North America and Europe.

The revenue from the local market for external brands decreased from approximately RM14.4 million in FYE 30 June 2013 to RM3.4 million in FYE 30 June 2014, representing a decrease of approximately 76.4%. The decrease was mainly due to reduced order for camera subparts from a Malaysia-based customer.

Cost of sales, GP and GP margin

In tandem with the increase in revenue, the total cost of sales increased by approximately 167.1% from approximately RM80.5 million in FYE 30 June 2013 to approximately RM215.0 million in FYE 30 June 2014.

The costs of raw materials and consumables increased from approximately RM50.5 million in FYE 30 June 2013 to approximately RM177.4 million in FYE 30 June 2014, representing an increase of approximately 251.3%. Similarly, direct labour costs also increased from approximately RM10.2 million in FYE 30 June 2013 to approximately RM15.0 million in FYE 30 June 2014, representing an increase of approximately 47.1%. The increase in both of the above components of cost of sales was primarily due to higher cost of raw materials as a result of changes in product mix as well as increase in labour headcount to support higher production volume. In aggregate, both these components of cost of sales (after adjusting for the changes in inventories) contributed approximately 89.2% of total cost of sales in FYE 30 June 2014 as compared to an aggregate contribution of approximately 73.8% in FYE 30 June 2013.

The production overheads increased by approximately 9.9% from RM21.1 million in FYE 30 June 2013 to RM23.2 million in FYE 30 June 2014. However, the production overheads as a percentage of total cost of sales decreased from 26.2% in FYE 30 June 2013 to 10.8% in FYE 30 June 2014 as a result of production efficiency.

We recorded a GP of approximately RM19.2 million representing a GP margin of 8.2% in FYE 30 June 2014 as compared to the gross loss of approximately RM1.9 million in FYE 30 June 2013. This was due to amongst others, operating efficiency achieved through process improvements, implementation of lean management principles and better production planning as well as better absorption of production overheads which are fixed in nature.

Other operating income/expenses

Other operating income increased from approximately RM1.5 million in FYE 30 June 2013 to approximately RM11.6 million in FYE 30 June 2014 primarily due to the a gain on disposal of the leasehold land and buildings of approximately RM7.5 million and bad debt recovered of approximately RM3.1 million following the receipt of a settlement sum from one of our debtors.

Other operating expenses in FYE 30 June 2014 include mainly the impairment loss of PPE of approximately RM1.4 million.

Administrative and selling expenses

Administrative and selling expenses decreased by approximately 31.9% from approximately RM9.1 million in FYE 30 June 2013 to approximately RM6.2 million in FYE 30 June 2014 as there was no corporate support fee payable to Salutica Allied's former shareholder following the completion of the management buyout in September 2013.

Finance cost

Finance cost increased from approximately RM0.03 million in FYE 30 June 2013 to approximately RM0.1 million in FYE 30 June 2014 primarily due to finance lease interest incurred for the leasehold land and buildings under a finance lease arrangement.

PBT and PBT margin

Premised on the abovementioned factors, we recorded a PBT of approximately RM22.9 million and PBT margin of approximately 9.8% in FYE 30 June 2014, as compared to a LBT of approximately RM14.7 million and LBT margin of 18.7% recorded in FYE 30 June 2013.

Taxation

We recorded a net tax credit of approximately RM0.9 million in FYE 30 June 2014 primarily due to the recognition of deferred tax assets of approximately RM1.1 million. These deferred tax assets comprised mainly of the unutilised capital allowance and the provision and allowances made, which is partially set off by deferred tax liabilities relating to the purchase of property, plant and equipment.

PAT

As a result of the foregoing factors, we recorded a PAT approximately RM23.7 million in FYE 30 June 2014 as compared to a LAT of approximately RM15.0 million recorded in FYE 30 June 2013.

(iii) FYE 30 June 2015

Revenue

Our total revenue decreased by 17.8% from approximately RM234.2 million in FYE 30 June 2014 to approximately RM192.5 million in FYE 30 June 2015. The decrease in total revenue was mainly due to a reduction in revenue from our Bluetooth related products for external brands.

Revenue from the Bluetooth related products for external brands decreased by approximately 19.5% from approximately RM216.4 million in FYE 30 June 2014 to approximately RM174.1 million in FYE 30 June 2015. The decrease was mainly due to end-of-life of a particular smartwatch model, which was one of the main revenue contributors in FYE 30 June 2014. The revenue generated from the sales of smartwatches reduced by RM74.2 million in FYE 30 June 2015 compared to FYE 30 June 2014 which represents a drop of more than 50.0%. However, this decrease was partially offset by the increase in orders for Bluetooth headsets.

Revenue from other electronic and precision parts and components decreased by approximately 15.3% from approximately RM17.6 million in FYE 30 June 2014 to approximately RM14.9 million in FYE 30 June 2015. The decrease was primarily due to general decline in orders from our customers, in particular, reduced orders for camera subparts.

Revenue from *FOBO* increased from approximately RM0.2 million to RM3.5 million due to the recognition of the first year sales of our Bluetooth TPMS products which was launched in October 2014.

Cost of sales, GP and GP margin

The total cost of sales decreased by approximately 20.0% from approximately RM215.0 million in FYE 30 June 2014 to approximately RM172.1 million in FYE 30 June 2015.

The cost of raw materials and consumables used decreased from approximately RM177.4 million in FYE 30 June 2014 to approximately RM135.7 million in FYE 30 June 2015, representing a decrease of approximately 23.5%. The decrease was mainly attributable to the changes in product mix resulting in purchase of lower cost raw materials. The direct labour cost remained fairly consistent in FYE 30 June 2014 and FYE 30 June 2015 as the production volume was fairly constant in both years. For FYE 30 June 2014, we achieved a production volume of approximately 7.8 million units of PCBA and approximately 7.5 million units of PCBA in FYE 30 June 2015. In aggregate, both the raw materials and consumables costs (after adjusting for the changes in inventories), and the direct labour costs contributed approximately 87.4% of total cost of sales in FYE 30 June 2015 as compared to an aggregate contribution of approximately 89.2% in FYE 30 June 2014.

Although the production overheads decreased by 6.5% from RM23.2 million in FYE 30 June 2014 to RM21.7 million in FYE 30 June 2015, the contribution of production overheads to total cost of sales increased from 10.8% in FYE 30 June 2014 to 12.6% in FYE 30 June 2015 due to lower production volume.

The GP increased by approximately 6.3% from approximately RM19.2 million in FYE 30 June 2014 to approximately RM20.4 million in FYE 30 June 2015 and the GP margin improved from approximately 8.2% in FYE 30 June 2014 to approximately 10.6% in FYE 30 June 2015. The improved GP margin is mainly due to a change in product mix. Furthermore, the implementation of improved engineering processes and investments in new machinery has resulted in reduced material wastage and labour costs.

Other operating income/expenses

Other operating income decreased by approximately 40.9% from approximately RM11.6 million in FYE 30 June 2014 to approximately RM6.8 million in FYE 30 June 2015. The decrease was mainly due to the recognition of gain on disposal of PPE of approximately RM7.5 million and bad debts recovered of approximately RM3.1 million in FYE 30 June 2014. However, the drop in other income for FYE 30 June 2015 was partially offset by a net gain on foreign exchange of approximately RM1.8 million and recognition of government grant income of approximately RM3.9 million.

Administrative and selling expenses

Administrative and selling expenses increased by approximately 8.1% from approximately RM6.2 million in FYE 30 June 2014 to approximately RM6.7 million in FYE 30 June 2015 primarily due to salary increment for staff and advertising and marketing expenses incurred for *FOBO* products.

Finance cost

Finance cost for FYE 30 June 2015 remained consistent with the finance cost recorded in the previous FYE 30 June 2014.

PBT and PBT margin

Our PBT decreased by approximately 11.4% from RM22.9 million in FYE 30 June 2014 to RM20.3 million in FYE 30 June 2015. The decrease was mainly due to recognition of the gain on disposal of leasehold land and buildings of approximately RM7.5 million and the bad debt recovered of approximately RM3.1 million in FYE 30 June 2014. However, this was offset with the increase in net gain on foreign exchange of approximately RM1.8 million and the government grant income of approximately RM3.9 million recognised in FYE 30 June 2015.

Despite the decrease in PBT, our PBT margin improved from approximately 9.8% in FYE 30 June 2014 to approximately 10.5% in FYE 30 June 2015 primarily due to an improvement in our GP margin.

Taxation

Our net tax credit increased from approximately RM0.9 million in FYE 30 June 2014 to approximately RM7.1 million in FYE 30 June 2015. The net tax credit of approximately RM7.1 million in FYE 30 June 2015 was mainly due to recognition of unused tax losses as deferred tax assets.

PAT

As a result of the net tax credit, our PAT increased from approximately RM23.8 million in FYE 30 June 2014 to approximately RM27.4 million in FYE 30 June 2015.

(iv) Seven (7) months FPE 31 January 2016

Revenue

Our total revenue increased by 17.2% from approximately RM124.3 million in FPE 31 January 2015 to approximately RM145.7 million in FPE 31 January 2016. The increase in total revenue was mainly due to an increase in revenue from our Bluetooth related products for external brands from approximately RM113.6 million in FPE 31 January 2015 to approximately RM132.4 million in FPE 31 January 2016, representing an increase of approximately 16.5%. This was contributed by the increased orders for Bluetooth headsets from existing customers.

Revenue from other electronic and precision parts and components increased by approximately 26.1% from approximately RM9.2 million in FPE 31 January 2015 to approximately RM11.6 million in FYE 30 June 2015. The increase was primarily due to increased orders for electronic industrial door locks.

Revenue from *FOBO* increased from approximately RM1.4 million to RM1.6 million, representing an increase of approximately 14.3%.

Cost of sales, GP and GP margin

The total cost of sales increased by approximately 6.4% from approximately RM111.2 million in FPE 31 January 2015 to approximately RM118.3 million in FPE 31 January 2016.

The cost of raw materials and consumables used increased from approximately RM87.1 million in FPE 31 January 2015 to approximately RM106.4 million in FPE 31 January 2016, representing an increase of approximately 22.2%. Our direct labour cost also increased from approximately RM8.6 million in FPE 31 January 2015 to RM10.2 million in FPE 31 January 2016, representing an increase of 18.6%. The increase in both the above components of cost of sales was primarily due to increase in the purchase of raw materials as a result of higher production volume as well as increase in wages. We achieved a production volume of approximately 5.7 million units of PCBA in FPE 31 January 2016 compared to 4.6 million units of PCBA in FPE 31 January 2015.

In aggregate, both the raw materials and consumables costs (after adjusting for the changes in inventories), and the direct labour costs contributed approximately 89.1% of total cost of sales in FPE 31 January 2016 as compared to an aggregate contribution of approximately 88.4% in FPE 31 January 2015.

Despite the increase in indirect labour cost, our production overheads remained fairly consistent in FPE 31 January 2015 and FPE 31 January 2016 of RM12.9 million for both FPEs. However, the production overhead as a percentage of total cost of sales decreased slightly from 11.6% in FPE 31 January 2015 to 10.9% in FPE 31 January 2016.

The GP increased by approximately 110.8% from approximately RM13.0 million in FPE 31 January 2015 to approximately RM27.4 million in FPE 31 January 2016 and the GP margin improved from approximately 10.5% in FPE 31 January 2015 to approximately 18.8% in FPE 31 January 2016. The increase in GP margin was mainly due to higher revenue recognised due to the strength of USD against RM as our sales are mostly denominated in USD, and better absorption of fixed production overheads due to higher production volume.

Other operating income/expenses

Other operating income increased by approximately 16.2% from approximately RM1.8 million in FPE 31 January 2015 to approximately RM2.1 million in FPE 31 January 2016. The increase was mainly due to recognition of a gain from the early settlement of the finance lease liability amounting to RM1.1 million. However, as we did not record any gain on foreign exchange for the FPE 31 January 2016 compared to a gain on foreign exchange of approximately RM1.6 million recognised in FPE 31 January 2015, this has partially offset the impact of the gain from the early settlement of the finance lease liability.

Administrative and selling expenses

Administrative and selling expenses increased by approximately 65.8% from approximately RM3.8 million in FPE 31 January 2015 to approximately RM6.3 million in FPE 31 January 2016 primarily due to the professional fees and related disbursements incurred in relation to the Listing exercise amounting to approximately RM1.7 million.

Finance cost

Finance cost increased from approximately RM0.05 million in FYE 31 January 2015 to approximately RM0.3 million in FPE 31 January 2016 primarily due to interest incurred for our term loans and hire purchase facilities.

PBT and PBT margin

Our PBT increased by approximately 95.4% from RM10.9 million in FPE 31 January 2015 to RM21.3 million in FPE 31 January 2016. Our PBT margin improved from approximately 8.8% in FPE 31 January 2015 to approximately 14.6% in FPE 31 January 2016 primarily due to an improvement in our GP margin.

Taxation

We recorded our net tax expense of approximately RM5.5 million in FPE 31 January 2016, which translated to an effective tax rate of 25.7%. This was higher compared to the corporate tax rate due to certain expenses being non-deductible for tax purposes.

PAT

As a result of the foregoing factors, our PAT increased from approximately RM10.8 million in FPE 31 January 2015 to approximately RM15.8 million in FPE 31 January 2016.

11.3.4 Factors affecting our financial condition and results of operations

Our financial condition and results of operations have been, and are expected to continue to be affected by, amongst others, the principal factors set out below.

(i) Credit risk

Our financial performance is dependent, to a certain extent, on the creditworthiness of our customers. If circumstances arise that affect our customers' ability or willingness to pay us, we may experience payment delays or in more severe circumstances, we may not be able to collect payment from our customers. Accordingly, we would have to make allowance for doubtful debts, or incur debt write-offs, which may have an adverse impact on our profitability.

The abovementioned credit risk may be mitigated on the basis that our major customers are mainly reputable multinational corporations with strong financial standing and these customers have maintained good payment records in their past dealings with us. In addition, we conduct credit risk assessments on our new customers, such as assessments on the reputation and financial information of the customers, ownership structure, country of incorporation and credit rating. Further, we monitor the outstanding balance and collection of our trade receivables.

(ii) Tax consideration

Our tax expense comprises current income tax and deferred tax. The income tax expenses or credit for the financial period is the tax payable on the current financial period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the current and deferred taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax provisions in the period in which such determination is made.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Our Group is currently subject to the corporate tax rate of 25% (reduced to 24% for year of assessment 2016). As at the seven (7) months FPE 31 January 2016, we have unused tax losses amounting of approximately RM19.4 million, which can be utilised to set off against future taxable profits and thereby offset/reduce our future income tax payable. The unused tax losses can only be utilised provided that we achieve adequate future taxable profit.

(iii) Fluctuation of foreign exchange rate

Our sales and direct material purchases are denominated in various currencies, mainly in USD and RM. We are therefore mainly exposed to USD fluctuations against the RM. Any significant change in USD foreign exchange rate may affect our Group's financial results favourably or unfavourably.

For the financial period under review, we have not incurred any material losses arising from transactions denominated in foreign currencies. We set out below the net gain on foreign exchange and net fair value gain on derivative financial instruments for the financial years under review:-

	Salutica Allied		Salutica Group			
	FYE 30 June		FYE 30 June		Seven (7) months FPE 31 January	
	2013	**2014**	**2014[(1)]**	**2015**	**2015**	**2016**
Net gain/(loss) on foreign exchange (RM'000)	214	(106)	149	1,820	1,615	(1,296)
Fair value gain/(loss) on derivative financial instruments (RM'000)	23	265	304	(172)	(513)	147
Total net gain/(loss) on foreign exchange (RM'000)	**237**	**159**	**453**	**1,648**	**1,102**	**(1,149)**
As a percentage of PBT (%)	N/A	0.7	3.3[(2)]	8.1	10.1	(5.4)

Notes:-

N/A *Not applicable*

(1) For reference purpose only as our Group's results only captures the ten (10) months financial performance of Salutica Allied from 4 September 2013 to 30 June 2014.

(2) Based on the PBT after excluding gain on bargain purchase arising from acquisition of a subsidiary of approximately RM45.4 million.

For FYE 30 June 2013, 2014 and 2015, we recorded a total net gain on foreign exchange of approximately RM0.24 million, RM0.16 million, and RM1.65 million, respectively. In FYE 30 June 2014, the total net gain on foreign exchange decreased by approximately 32.9% from approximately RM0.24 million in FYE 30 June 2013 to approximately RM0.16 million in FYE 30 June 2014. The decrease was due to the loss on foreign exchange of approximately RM0.11 million. In FYE 30 June 2015, the total net gain on foreign exchange increased from approximately RM0.16 million to approximately RM1.65 million due to the recognition of net gain on foreign exchange amounting to approximately RM1.82 million as a result of the strength of USD against the RM.

For the seven (7) months FPE 31 January 2016, we recorded a total net loss on foreign exchange of approximately RM1.1 million. This was mainly due to the settlement of foreign currency forward exchange contracts entered into at less favourable contracted rates compared to the month end exchange rate on maturity dates.

(iv) Fluctuation in the prices of materials and other costs

The raw materials used by our Group include, amongst other, electronic components, electro-mechanical components, resin and chemicals. Any increase in the cost of raw materials would have an adverse impact on the profitability of our Group, if we are unable to pass on the increased costs to our customers in the form of higher prices. In the past, we have not experienced any material fluctuations in the prices of materials or other costs. Generally, we are able to pass on the increases in costs to our customers who require us to source materials from suppliers specified by them. As for any increase in price of materials or other costs demanded by our own approved list of suppliers, we may negotiate for a price increase with our customers, if necessary, and accordingly pass on the increase in costs to our customers in the form of higher prices. Nonetheless, we may, to a certain extent, absorb the increase in costs to remain competitive.

Further, any increase in other costs such as labour cost, depreciation of manufacturing equipment, maintenance of machinery and equipment, and utilities may have an impact on our financial performance.

(v) Efficiency

Our net profit increases with higher efficiency from our manufacturing process – we can achieve higher yields from using common manufacturing equipment for different products, reducing raw materials wastage and higher volume production. Our profitability is also driven by the optimisation of equipment in our manufacturing facilities. If we are able to optimise our equipment, our production overheads are spread over a large number of units produced, which generally leads to lower unit operating costs. As a result, our ability to optimise our equipment can significantly improve our margins.

Our ability to optimise our equipment is affected by several factors, including the level of customer orders, production efficiency, product mix and general industry and market conditions. Our overall ability to optimise our equipment is primarily affected by the time it takes to set up new production lines when we are installing new equipment and training staff. Therefore, our ability to optimise our equipment may affect our business operations and financial performance in the future.

(vi) Competition risks

We face competition from established original equipment manufacturers both locally and internationally as well as potential new entrants. As we also have our in-house electronic products for our *FOBO* brand, our products also compete with other products of similar function in the market. Our Group's future success and competitiveness largely depends on, amongst others, our production and R&D capabilities, our technical expertise, our ability to keep abreast with the latest technology, our understanding and ability to respond to the constantly changing economic conditions and changing consumer trends and demand for consumer electronic products as well as our planning and marketing strategies.

We believe that we will remain competitive and be able to grow our business due to our competitive advantages and key strengths as set out in **Section 6.3** of this Prospectus. Nevertheless, there can be no assurance that competition within the consumer electronics sector will not have any material impact on our business and financial performance.

(vii) Technology obsolescence risk

Our Group operates in a market where the products and services are prone to frequent new technology introductions and enhancements. Our Group's future growth and success would depend on our ability to keep abreast with the latest technology to develop new products and services to meet the needs of our customers.

Our ability to grow is also subject to the risk of future disruptive technology that may unexpectedly displace the current technology. Such disruptive technology could adversely affect the competitiveness of our Group if we are unable to respond to the new technology accordingly.

We seek to limit these risks by actively engaging in R&D activities that focus on developing new products and services as well as enhancing our proprietary solutions and process technology. We also maintain a good relationship with our customers to keep abreast with the latest trend and technology in the consumer electronic industry.

(viii) Changes in political, economic and regulatory conditions

Risks relating to political, economic, regulatory factors which may materially affect our operations are set out in **Section 4.1.3** of this Prospectus.

Although we have adopted a proactive approach in keeping abreast with the political, economic and regulatory developments in the relevant jurisdictions and will continue to ensure material compliance with the legal and regulatory frameworks in the countries in which we and our customers operate, there is no assurance that the introduction of new laws or other future economic, political and regulatory conditions will not have a material adverse effect on the business, results of operations or financial condition of our Group.

11.3.5 Orderbook

We do not maintain an orderbook as our sales for both external brands and *FOBO* are based on purchase orders.

11.3.6 Significant changes

Save as disclosed in this Prospectus, there is no significant change that has occurred which may have a material effect on the financial position and results of our Group subsequent to the seven (7) months FPE 31 January 2016.

11.4 Capitalisation and indebtedness

The table below summarises our capitalisation and indebtedness:-

(i) Based on the latest unaudited consolidated financial information as at the LPD; and

(ii) After adjusting for the second (2nd) interim dividend of 0.65 sen to be payable on 18 April 2016 and the net proceeds arising from the issuance of 78,000,000 Issue Shares pursuant to the Public Issue as well as the utilisation of proceeds as set out in **Section 3.8** of this Prospectus.

	Unaudited	**Pro forma**
	As at the LPD	**After our IPO and utilisation of proceeds**
	RM'000	**RM'000**
Cash and bank balances	**37,290**	**51,990**
Indebtedness		
(a) Short-term debt		
Secured and guaranteed		
- Term loan	2,661	2,661
- Hire purchase	931	931
Unsecured but guaranteed		
- Term loan	220	220
(b) Long-term debt		
Secured and guaranteed		
- Term loan	11,020	2,520
- Hire purchase	1,553	1,553
Unsecured but guaranteed		
- Term loan	859	859
Total indebtedness	**17,244**	**8,744**
Capitalisation		
Total equity	92,995	146,895
Total capitalisation and indebtedness	**110,239**	**155,639**
Gearing ratio (times)	**0.19**	**0.06**

11.5 Liquidity and capital resources

11.5.1 Working capital

We finance our growth and operations through a combination of internal and external sources of funds. Our Group's internal sources of funds comprise of cash generated from operating activities, while our external funds mainly comprise of credit and loan facilities from financial institutions.

For the seven (7) months FPE 31 January 2016, we generated net operating cash flows of approximately RM2.6 million. As at the LPD, we have cash and bank balances (including short-term deposits) of approximately RM37.3 million, of which approximately RM5.0 million is pledged with a licensed bank.

Our Board is of the opinion that, after taking into consideration our existing cash and cash equivalents, the expected funds to be generated from our operations, proceeds to be raised from our IPO, and unused credit facilities available for drawdown of approximately RM12.5 million as at the LPD, we have adequate working capital for a period of twelve (12) months from the date of this Prospectus.

11.5.2 Cash flows

The details of the cash flows of our Group for financial period under review are as follows:-

	Salutica Allied		Salutica Group		
	Audited FYE 30 June 2013	Audited FYE 30 June 2014	Audited FYE 30 June 2014[(1)]	Audited FYE 30 June 2015	Audited FPE 31 January 2016
	RM'000	RM'000	RM'000	RM'000	RM'000
Net operating cash flows	2,648	17,036	14,938	25,998	2,554
Net investing/(used in) cash flows	1,406	(2,395)	13,360	(5,542)	4,387
Net financing cash flows	(1,476)	(8,033)	(7,593)	(15,245)	(1,812)
Net increase in cash and cash equivalents	**2,579**	**6,608**	**20,705**	**5,211**	**5,129**
Cash and cash equivalents at beginning of year	11,283	13,862	1	20,706	25,917
Cash and cash equivalents at end of year	**13,862**	**20,470**	**20,706**	**25,917**	**31,046**

Note:-

(1) For reference purposes only as our Group's results only captures the ten (10) months financial performance of Salutica Allied from 4 September 2013 to 30 June 2014.

Net operating cash flows

For FYE 30 June 2013, we recorded a negative operating cash flow before working capital changes of approximately RM2.0 million. After adjusting for the cash inflow of approximately RM4.9 million from working capital changes and net tax paid of approximately RM0.2 million, net cash from operating activities amounted to approximately RM2.6 million. Our working capital changes mainly arose from a decrease in inventories of approximately RM1.2 million and a decrease in receivables of approximately RM7.0 million which was partially offset by a decrease in payables of approximately RM3.3 million.

For FYE 30 June 2014, we generated an operating cash flow before working capital changes of approximately RM22.3 million. After adjusting for the cash outflow of approximately RM5.0 million from working capital changes and net tax paid of approximately RM0.3 million, our net cash from operating activities amounted to approximately RM17.0 million. Our working capital changes mainly arose from an increase in inventories, receivables and payables of approximately RM7.7 million, RM22.5 million and RM25.2 million, respectively.

For FYE 30 June 2015, we generated an operating cash flow before working capital changes amounting to approximately RM25.6 million. After adjusting for the cash inflow of approximately RM0.6 million from working capital changes and net tax paid of approximately RM0.3 million, our net cash from operating activities amounted to approximately RM26.0 million. Our working capital changes mainly arose from a decrease in inventories of approximately RM2.2 million and a decrease in receivables of approximately RM11.0 million which was partially offset by a decrease in payables of approximately RM12.6 million.

For the seven (7) months FPE 31 January 2016, we generated an operating cash flow before working capital changes amounting to approximately RM23.6 million. After adjusting for the cash outflow of approximately RM20.8 million from working capital changes and net tax paid of approximately RM0.2 million, our net cash from operating activities amounted to approximately RM2.6 million. Our working capital changes mainly arose from an increase in inventories and receivables of approximately RM15.5 million and RM5.4 million, respectively which was marginally offset by an increase in payables of approximately RM0.01 million.

Net investing cash flows

For FYE 30 June 2013, approximately RM1.4 million was gained from our investing activities. The net cash from investing activities was mainly from the upliftment of deposits with a licensed bank with maturity period of more than three (3) months amounting to RM1.5 million and interest income received of approximately RM0.8 million which was partially offset by the purchase of machinery and equipment amounting to approximately RM0.9 million.

For FYE 30 June 2014, approximately RM2.4 million was used in our investing activities. The net cash used in investing activities was mainly for the purchase of machinery and equipment amounting to approximately RM3.1 million, of which the purchase of motor vehicles for staff amounted to approximately RM37,078. This was partially offset by interest income received amounting to approximately RM0.7 million.

For FYE 30 June 2015, approximately RM5.5 million was used in our investing activities. The net cash used in investing activities was mainly for the purchase of machinery and equipment amounting to RM1.9 million as well as the purchase of motor vehicles for staff amounting to approximately RM1.0 million and placement of fixed deposits with a licensed bank with maturity period of more than three (3) months amounting to RM3.8 million. This was partially offset by interest income received amounting to approximately RM1.1 million and proceeds from disposal of property, plant and equipment of approximately RM0.1 million.

For the seven (7) months FPE 31 January 2016, approximately RM4.4 million was gained in our investing activities. The net cash from investing activities was mainly from the upliftment of deposits with a licensed bank with maturity period of more than three (3) months amounting to RM8.8 million, proceeds from sales of short term investment of approximately RM1.9 million as well as interest income received of approximately RM0.6 million. This was partially offset by the purchase of machinery and equipment as well as short term investment amounting to approximately RM3.8 million and RM3.2 million, respectively.

Net financing cash flows

For FYE 30 June 2013, approximately RM1.5 million was used in our financing activities, of which approximately RM4.0 million, RM0.5 million and RM0.4 million was related to the payment of dividends, repayment of term loans and repayment of hire purchase creditors, respectively and was partially offset by upliftment of fixed deposit amounting to RM3.5 million charged to OCBC Bank (Malaysia) Berhad for credit facilities.

For FYE 30 June 2014, approximately RM8.0 million was used in our financing activities, of which approximately RM5.5 million was related to the repayment of finance lease liability and approximately RM2.2 million was related to the payment of dividends.

For FYE 30 June 2015, approximately RM15.2 million was used in our financing activities, of which approximately RM9.5 million was related to the payment of dividends and approximately RM5.7 million was related to the repayment of finance lease liability.

For the seven (7) months FPE 31 January 2016, approximately RM1.8 million was used in our financing activities, of which approximately RM2.0 million, RM0.7 million, RM0.4 million and RM0.3 million was related to the payment of dividends, repayment of term loans, interest expenses and repayment of hire purchase creditors, respectively and was partially offset by upliftment of fixed deposit amounting to RM1.5 million charged to OCBC Bank (Malaysia) Berhad for credit facilities.

11.5.3 Borrowings

As at 31 January 2016, our Group's total outstanding borrowings, all of which are interest bearing, are as follows:-

	Interest Rate Terms	**Audited** **As at 31 January 2016** **RM'000**
(a) Short-term debt		
Secured		
- Term loan	5.92%	2,634
- Hire purchase	6.60%-7.42%	738
Unsecured		
- Term loan [(1)]	5.67%	218
		3,590
(b) Long-term debt		
Secured		
- Term loan	5.92%	11,479
- Hire purchase	6.60%-7.42%	1,314
Unsecured		
- Term loan [(1)]	5.67%	897
		13,690
Total loans and borrowings		**17,280**

Note:-

(1) This term loan was obtained to finance the single insurance premium of approximately RM1.2 million payable to Great Eastern Life Assurance (Malaysia) Berhad in relation to the Single Life Entrepreneur Term Loan Assurance policy. This is a standard keyman insurance policy, whereby the Principal Banker (the lender of business loan facility to Salutica) is the policyholder, James Lim (the key person of Salutica) is the assured member. The policy is effective from 19 August 2015 to 19 August 2025, with sum assured of up to approximately RM2.3 million.

We obtain our borrowings from Malaysian financial institution.

The table below sets forth the maturity profile of our borrowings as at 31 January 2016:-

	As at 31 January 2016 RM'000
Within 1 year	3,590
2 to 5 years	13,690
Total borrowings	**17,280**

Our Group has not defaulted on payments on either interest and/or principal sums in respect of any borrowings throughout the past three (3) financial years and up to the LPD. Our Group is not in breach of any terms and conditions or covenants associated with the credit arrangements or bank loans which could materially affect our financial position or business operations or the investment by holders of our securities.

11.5.4 Material capital expenditures and divestures

Save as disclosed below, there are no other material capital expenditures and divestures made by us for the financial period under review:-

	Salutica Allied		Salutica Group		
	FYE 30 June		FYE 30 June		FPE 31 January
	2013	2014	2014[(1)]	2015	2016
	RM'000	RM'000	RM'000	RM'000	RM'000
Investments at cost					
Leasehold land and buildings	-	27,015[(2)]	-	-	776[(5)]
Plant and machinery, moulds and motor vehicles	711	2,219[(3)]	2,219[(3)]	2,032[(4)]	5,195[(6)]
Furniture, fittings, equipment and electrical installation	242	879	587	880	729
Total expenditures	**953**	**30,113**	**2,806**	**2,912**	**6,700**
Divestments at carrying amount					
Leasehold land and buildings	^	19,565[(2)]	-	-	-
Plant and machinery, moulds and motor vehicles	^	-	-	^	^
Furniture, fittings, equipment and electrical installation	67	^	^	2	19
Total divestments	**67**	**19,565**	**^**	**2**	**19**

Notes:-

^ *Negligible.*

(1) *For reference purposes only as our Group's results only captures the ten (10) months financial performance of Salutica Allied from 4 September 2013 to 30 June 2014.*

(2) *Salutica Allied had settled the dividend-in-specie of approximately RM27.0 million declared in FYE 30 June 2013 with the transfer of its leasehold land and buildings to its former shareholder. Subsequently, Salutica Allied entered into a lease agreement with Widesphere Sdn Bhd ("**Lessor**"), a subsidiary of Balda AG with an option to purchase the land and buildings at the acquisition cost of RM27.0 million plus acquisition costs less accumulated lease payments made to the Lessor at the point when the option is exercised. Salutica Allied accounted for this lease as a finance lease and has accordingly capitalised the land and buildings as PPE with the corresponding liability recorded as finance lease liability.*

On 19 June 2015, Salutica Allied had exercised the option and entered into a sale and purchase agreement with the Lessor to acquire the land and buildings at a revised purchase consideration of approximately RM26.1 million, which was completed on 12 October 2015.

(3) *Purchase of machinery, such as, nano coating machine, SMT modular placement and robotic glue dispenser for our manufacturing operations.*

(4) *Purchases of machinery, such as, SMT modular placement, solder paste inspection, Bluetooth tester as well as motor vehicles.*

(5) *Capitalistion of stamp duty for the transfer of land and building from Widesphere Sdn Bhd to Salutica Allied.*

(6) *Purchases of machinery, such as, laser depanelling machine, moulding machine, hot bar soldering machine, smartscope measuring equipment as well as motor vehicles. The purchase of motor vehicles amounted to approximately RM1.1 million.*

As at the LPD, save as disclosed above and in **Section 11.5.5** of this Prospectus, we do not have any material capital expenditure or divestures currently in progress, within or outside Malaysia.

11.5.5 Material capital commitments

Save as disclosed below, there are no other material capital commitment for PPE:-

	Salutica Group	
	Audited as at 31 January 2016	**Unaudited as at the LPD**
	RM'000	**RM'000**
Approved and contracted for	450	386
Approved and not contracted for	11,703 [(1)]	11,340 [(1)]
Total	**12,153**	**11,726**

Note:-

(1) *Comprising machineries such as SMT production line, laser cut machines, surface treatment machines, tooling machines and optical measuring scope.*

As at the LPD, the capital commitments of our Group relate to the purchase of equipment for our manufacturing operations. We expect to fund the above capital commitments through a combination of proceeds from the IPO, bank borrowings and/or internally generated funds.

The contracted capital commitments are expected to be incurred over the next twelve (12) months from the LPD.

11.5.6 Contingent liabilities

Our Directors, after having made due enquiries, are not aware of any material contingent liabilities as at the LPD, which upon becoming enforceable may have a material impact on the financial position of our Group.

11.5.7 Key financial ratios

	Salutica Allied		Salutica Group		
	FYE 30 June		FYE 30 June		Seven (7) months FPE 31 January
	2013	2014	2014[(1)]	2015	2016[(2)]
Average trade receivables turnover period (days)[(3)]	50	25	31	42	27
Average trade payables turnover period (days)[(4)]	79	44	60	70	40
Average inventory turnover period (days)[(5)]	57	25	27	36	42
Current ratio (times)[(6)]	1.0	1.6	1.6	2.0	2.7
Gearing ratio (times)[(7)]	^	0.4	0.4	0.2	0.2

Notes:-

^ *Negligible.*

(1) *Based on ten (10) months consolidated figures of Salutica Allied of the period from 4 September 2013 to 30 June 2014. Hence, the turnover period computed is based on 300 days.*

(2) *The turnover period computed is based on 215 days, based on seven (7) months FPE 31 January 2016.*

(3) $\dfrac{\text{(Opening trade receivables + closing trade receivables) / 2}}{\text{Revenue}} \times \text{365 days}$

(4) $\dfrac{\text{(Opening trade payables + closing trade payables) / 2}}{\text{Purchases}} \times \text{365 days}$

(5) $\dfrac{\text{(Opening inventory + closing inventory) / 2}}{\text{Cost of sales}} \times \text{365 days}$

(6) *Current assets over current liabilities.*

(7) *Total borrowings (inclusive of finance lease liability) over shareholders' equity.*

Average trade receivables turnover days

Our average trade receivables turnover days decreased from 50 days in FYE 30 June 2013 to 25 days in FYE 30 June 2014. This was a result of an increase in revenue from RM78.6 million in FYE 30 June 2013 to RM234.2 million in FYE 30 June 2014 and lower opening trade receivables as at 1 July 2013. For FYE 30 June 2015, our average trade receivables turnover days increased to 42 days and were within our credit period. The increase was a result of higher opening trade receivables as at 1 July 2014 and a decrease in revenue from RM234.2 million to RM192.5 million. However, our trade receivables turnover day decreased to 27 days for the seven (7) months FPE 31 January 2016 mainly due to lower opening trade receivables as at 1 July 2015.

As at 31 January 2016, the trade receivables of our Group amounted to approximately RM21.2 million which can be analysed as follows:-

	Within credit period	Past due		
	0-90 days	1-30 days	31-60 days	Total
Trade receivables (RM'000)	16,767	3,176	1,233	21,176
Percentage of total trade receivables (%)	79.2	15.0	5.8	100.0
Subsequent collections up to LPD (RM'000)	16,372	3,176	-	19,538

We generally grant our customers credit terms of ranging from 10 days to 60 days but there are instances where we grant longer credit period of up to 90 days to some of our customers.

As at the LPD, approximately 92.0% or RM19.5 million of the net trade receivables outstanding as at 31 January 2016 of RM21.2 million has been collected. The remaining trade receivables of approximately RM1.2 million which was past due as at 31 January 2016 relates to amounts charged to one of our existing major customers for product development. The customer is expected to make payment near the completion of the product development stage envisaged in May 2016. Our Board is of the opinion that the trade receivables past due are recoverable given the long term business relationship and the reputable standing of our customer.

Average trade payables turnover days

Our average trade payables turnover days decreased from 79 days for FYE 30 June 2013 to 44 days for FYE 30 June 2014 as a result of prompt payment to a supplier who gave shorter credit terms for our purchase of major components used in the smartwatch. For FYE 30 June 2015, our average trade payables turnover days increased to 70 days due to decrease in purchase of major components used in the smartwatch which has shorter credit terms compared to other components and this was in line with the credit period granted by our suppliers. For the seven (7) months FPE 31 January 2016, our trade payables turnover period was 40 days mainly due to lower opening trade payables as at 1 July 2015 and is within our normal credit terms granted by our suppliers. For comparison purposes, our trade payables turnover period for the FPE 31 January 2015 was 57 days.

The ageing analysis for our trade payables as at 31 January 2016 are as follows:-

	Within credit period	Past due		
	0-90 days	1-30 days	31-60 days	Total
Trade payables (RM'000)	19,452	-	^	19,452
Percentage of total trade payables (%)	100.0	-	^	100.0
Subsequent payments up to the LPD (RM'000)	17,568	-	-	17,568

Note:-

^ *Negligible.*

The credit period generally granted by our suppliers is up to 60 days but there are instances where we receive a longer credit period for up to 90 days from some of our suppliers.

As at the LPD, approximately 90.3% or RM17.6 million of the total trade payables have been paid.

Average inventories turnover days

Our inventories mainly comprise of raw materials and consumables, work in progress and finished goods. Our average inventory turnover days decreased from 57 days for FYE 30 June 2013 to 25 days for FYE 30 June 2014. The decrease was driven by earlier than expected delivery schedule by one of our customers.

For FYE 30 June 2015, our average inventory turnover days increased to 36 days due to an increase in inventories as a result of the postponement of a product shipment at the request of one of our customers.

For the seven (7) months FPE 31 January 2016, our average inventory turnover days increased to 42 days, mainly due to increase in inventory as a result of the change in the method we deal with one of our customers on finished goods, from outright sales to a vendor-managed inventory model (**VMI**) where our goods are kept at our customer's warehouse as inventory in readiness for their production use. Through VMI, the goods delivered to customer's warehouse are recorded as our inventory whereas through outright sales, the goods are recorded as sales once delivered.

In accordance with our Group's inventory policy for inventory write down, allowance for inventory write down of slow moving items is made based on an analysis of the ageing profile and taking into account the expected lifecycle and sales patterns of individual item held in inventory. Changes in the inventory ageing, the expected lifecycle and sales profiles can have an impact on the allowance recorded.

Current ratio (times)

Our current ratio improved from approximately 1.0 times as at 30 June 2013 to 1.6 times as at 30 June 2014. The increase is mainly due to the increase in trade and other receivables, inventories as well as cash and cash equivalents, which was proportionately higher than the increase in current liabilities.

Our current ratio continued to improve from 1.6 times as at 30 June 2014 to 2.0 times as at 30 June 2015 primarily due to the increase in cash and cash equivalents coupled with a decrease in payable and accruals.

For the seven (7) months FPE 31 January 2016, our current ratio increased to 2.7 times primarily due to the increase in trade receivables and inventories.

Gearing ratio (times)

The gearing ratio as at 30 June 2014 and 2015 are 0.4 times and 0.2 times respectively and relates to the finance lease liability on leasehold land and buildings. The finance lease liability of approximately RM15.8 million as at 30 June 2015 was subsequently fully settled following the exercise of the option to acquire the leasehold land and buildings which was under a financial lease agreement.

For the seven (7) months FPE 31 January 2016, our gearing ratio is 0.2 times primarily due to the drawdown of a bank loan of approximately RM14.7 million to part finance the acquisition of aforementioned land and buildings which was completed on 12 October 2015.

11.5.8 Type of financial instruments used for hedging

Our Group has a natural hedge arising from our sales and purchases being denominated in the same foreign currency. We enter into foreign currency forward exchange contracts in relation to USD to hedge the net exposure between our receivables and payables, as and when necessary.

For the financial years under review, our Group entered into several foreign currency forward exchange contracts with banking institutions to sell foreign currencies in relation to USD at predetermined exchange rates with different maturity dates in the future. Our foreign currency forward exchange contracts were mainly converting sales receipts denominated in USD to RM. As at 31 January 2016, our Group did not have any outstanding foreign currency forward exchange contracts. As at the LPD, we have entered into foreign currency forward exchange contracts to sell USD at predetermined exchange rates with the notional principal amounts of the outstanding foreign currency forward exchange contracts of approximately RM6.2 million.

11.5.9 Treasury policies and objectives

We have been financing our operations with a combination of internal and external sources of funds. Our internal funds comprise of cash generated from operating activities, while our external funds mainly comprise of credit and loan facilities from financial institutions. Our funding policy is to obtain the most suitable type of financing and favourable cost of funding whereas, our treasury policy is to maintain sufficient working capital to finance our operations, coupled with adequate credit facilities to meet estimated commitments arising from our operational expenditure and financial liabilities.

We have credit facilities available to our Group which comprise mainly overdrafts, term loans and trade lines that can be used to finance working capital, payment to suppliers and purchase of raw materials. The interest rates for our short-term bank borrowings are based on the market rates prevailing at the dates of the respective transactions.

The decision to either utilise banking facilities or internally generated funds for our operations depend on factors such as our cash reserves, expected cash inflows or receipts from customers, future working capital requirements, future capital expenditure requirements and the prevailing interest rates of the banking facilities.

11.6 Trend information

Based on our track record for the past years under review, including our segmental analysis of revenue and profitability, our Board observes and anticipates the following trends:-

(a) For the past financial period under review, our major customers set out in **Section 6.18** of this Prospectus contributed in aggregate more than 80% to our Group's total revenue. We expect our major customers to continue contributing significantly to our revenue in the future, given our close working relationship (where we are privy to, and have regular and extensive discussions on product specifications and product launches) and our strong R&D capabilities aimed at supporting our customers' product enhancement initiatives and growth aspirations. Apart from products for external brands, we are also focused on increasing our *FOBO* product offerings and stepping-up our sales and marketing efforts for *FOBO*, with the ultimate aim of having revenue from *FOBO* contributing at least 10% to our Group's revenue within a period of three (3) years.

With approximately ten (10) years of experience in the consumer electronic products industry and our continuous expenditure and focus in R&D, we are confident of growing our revenue further.

(b) The main components of cost of sales are raw materials and consumables (after adjusting the changes in inventories), and direct labour which have in aggregate contributed approximately 73.8% to 89.1% to our total cost of sales over the past financial period under review. Our production overheads contributed approximately 26.2% to our total cost of sales for FYE 30 June 2013 and reduced to approximately 10.8% for FYE 30 June 2014, approximately 12.6% for FYE 30 June 2015 and approximately 10.9% for the seven (7) months FPE 31 January 2016, reflecting a better absorption of production overheads as our production volume increased. Moving forward, our cost of sales is expected to fluctuate in tandem with the general growth of our business and would depend on amongst others, the volume of production orders, the availability of raw materials and workers, product complexity and general economic conditions.

(c) We achieved a GP margin of approximately 8.2%, 10.6% and 18.8% in FYE 30 June 2014 and 2015 as well as the seven (7) months FPE 31 January 2016, respectively. We hope to maintain the same range of GP margin recorded in the financial period under review. This would depend on, amongst others, our continued ability to manage cost efficiently and improve productivity, customers' orders, global economic outlook, fluctuations of foreign currency exchange rates and market demand.

(d) Our PBT is expected to move in tandem with the growth of our GP, administrative and selling expenses and finance cost. We expect these costs to move in tandem with the growth of our business as we expand to cater for our external brand customers as well as our range of in-house products.

Save as disclosed above, including our Management's Discussion and Analysis of Financial Conditions and Results of Operations, **Section 4**, **Section 5** and **Section 6** of this Prospectus, our Board believes that there are no other significant known trends, uncertainties, demand, commitments or events that are reasonably likely to have a material favourable or unfavourable impact on our financial information as disclosed in this Prospectus.

11.7 Dividend policy

Our ability to pay dividends or make other distributions to our shareholders is dependent upon a number of factors, including our level of cash and retained earnings, gearing, results of our operations, capital expenditure requirements, general financial conditions and any other factors considered relevant by our Board. Actual dividend proposed and declared may be varied depending on our financial performance and cash flow and may be waived if the payment of dividends would adversely affect our cash flow and operations.

Upon Listing, our Board intends to adopt a stable and sustainable dividend policy to allow our shareholders to participate in the profits of our Group whilst maintaining an optimal capital structure and ensuring sufficient funds for our future growth. In this regard, our intention is to have a dividend payout of not less than thirty percent (30.0%) of our annual net profit attributable to shareholders. Any final dividends declared are subjected to the approval of our shareholders at our annual general meeting.

You should take note that this dividend policy merely describes our Group's present intention and shall not constitute legally binding statements in respect of our Group's future dividends that are subject to modification at our Board's absolute discretion.

No inference should be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

11.8 Future financial information

There is no future financial information prepared for inclusion in this Prospectus.

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Accountants' Report on Salutica Berhad (formerly known as Blue Ocean Genius Sdn. Bhd.)

The Board of Directors
Salutica Berhad (formerly known as Blue Ocean Genius Sdn. Bhd.)
3 Jalan Zarib 6
Kawasan Perindustrian Zarib
31500 Lahat
Perak Darul Ridzuan

Dear Sir

Reporting Accountants' audit opinion on the historical financial statements of Salutica Berhad (formerly known as Blue Ocean Genius Sdn. Bhd.)

Report on the consolidated financial statements

We have audited the consolidated financial statements of Salutica Berhad (formerly known as Blue Ocean Genius Sdn. Bhd.) contained in the Accountants' Report, which comprise the consolidated statements of financial position as at 30 June 2014, 30 June 2015 and 31 January 2016, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the financial years ended 30 June 2014, 30 June 2015 and seven months financial period ended 31 January 2016, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 2.1 to 2.33.

Directors' Responsibility for the Consolidated Financial Statements

The directors of Salutica Berhad (formerly known as Blue Ocean Genius Sdn. Bhd.) are responsible for the preparation of consolidated financial statements for the financial years ended 30 June 2014 and 30 June 2015 contained in the Accountants' Report so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards and the consolidated interim financial statements for the seven months ended 31 January 2016 in accordance with Malaysian Financial Reporting Standard 134 "Interim Financial Reporting" and International Accounting Standard 34 "Interim Financial Reporting". 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.

Reporting Accountants' Responsibility

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

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
1st Floor, Standard Chartered Bank Chambers, 21-27 Jalan Dato' Maharaja Lela, P.O. Box 136, 30710 Ipoh, Perak, Malaysia
T: +60 (5) 254 9545, F: +60 (5) 253 2366, www.pwc.com/my

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Reporting Accountants' audit opinion on the historical financial statements of Salutica Berhad (formerly known as Blue Ocean Genius Sdn. Bhd.) (continued)

Report on the consolidated financial statements (continued)

Reporting Accountants' Responsibility (continued)

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 directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Salutica Berhad (formerly known as Blue Ocean Genius Sdn. Bhd.) as of 30 June 2014 and 30 June 2015 and of its financial performance and cash flows for the financial years ended 30 June 2014 and 30 June 2015 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and of the financial position as of 31 January 2016 and of its financial performance and cash flows for the seven months ended 31 January 2016 in accordance with Malaysian Financial Reporting Standard 134 "Interim Financial Reporting" and International Accounting Standard 34 "Interim Financial Reporting".

Other matters

The comparative information for the consolidated statements of financial position as of 31 January 2016 is based on the audited financial statements as at 30 June 2015. The comparative information for the consolidated statements of comprehensive income, changes in equity and cash flows and related explanatory notes, for the seven months financial period ended 31 January 2016 has not been audited.

In accordance with 13.04 of Chapter 13, Division 1 - Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia, we also report there is no significant subsequent event other than the matter disclosed in Note 2.33 since date of the last audited consolidated interim financial statements for the seven months financial period ended 31 January 2016 to the date of this report.

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Reporting Accountants' audit opinion on the historical financial statements of Salutica Berhad (formerly known as Blue Ocean Genius Sdn. Bhd.) (continued)

Other matters (continued)

Salutica Berhad (formerly known as Blue Ocean Genius Sdn. Bhd.) has previously prepared its statutory financial statements for the financial year ended 30 June 2014 in accordance with Private Entities Reporting Standards ("PERS") on which we have issued separate auditors' report to the members of the Company dated 22 September 2014.

This report has been prepared solely to comply with the Prospectus Guidelines - Equity issued by the Securities Commission Malaysia and for inclusion in the Prospectus in connection with the initial public offering and listing of and quotation for the entire enlarged issued and paid-up share capital of Salutica Berhad (formerly known as Blue Ocean Genius Sdn. Bhd.) on ACE Market of Bursa Malaysia Securities Berhad and should not be relied on for any other purposes. Our work had been carried out in accordance with the approved standards on auditing in Malaysia and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions.

PRICEWATERHOUSECOOPERS	CHO CHOO MENG
[No. AF: 1146]	[No. 2082/9/16 (J/PH)]
Chartered Accountants	Chartered Accountant

Ipoh, Perak Darul Ridzuan

5 April 2016

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Salutica Berhad
(formerly known as Blue Ocean Genius Sdn. Bhd.)
(Company no: 1024781 T)
(Incorporated in Malaysia)

1. HISTORICAL FINANCIAL STATEMENTS

1.1 General information

Salutica Berhad ("Salutica" or "the Company") was incorporated as a private limited liability company in Malaysia on 19 November 2012 under the name of Blue Ocean Genius Sdn. Bhd.. The Company changed its name to Salutica Sdn. Bhd. on 29 June 2015 and converted to a public limited company on 4 November 2015.

The ultimate holding company is Blue Ocean Enlightenment Sdn. Bhd., a company incorporated in Malaysia, which owns 72.5% of the equity interest of the issued and paid up capital of the Company as at 31 January 2016.

Salutica is an investment holding company. The principal activities of its wholly owned subsidiary, Salutica Allied Solutions Sdn. Bhd. ("Salutica Allied") comprise vertical integration process covering product design and development, and manufacturing of mobile communication products, wireless electronics and lifestyle devices. There were no significant changes in the nature of the principal activities of Salutica and Salutica Allied during the financial years/period relevant to these historical financial statements.

The address of the registered office of Salutica is as follows:
41 Jalan Medan Ipoh 6
Bandar Baru Medan Ipoh
31400 Ipoh
Perak Darul Ridzuan

The address of the principal place of business of Salutica is as follows:
3 Jalan Zarib 6
Kawasan Perindustrian Zarib
31500 Lahat, Ipoh
Perak Darul Ridzuan

Salutica and its subsidiary, Salutica Allied, are collectively known as "the Group" or "Salutica Group" in the historical financial statements contained in the Accountants' report.

The financial information of Salutica Group for the financial period ended 31 January 2015 shown in the historical financial statements is unaudited and is presented purely for comparative purposes.

No audited consolidated financial statements of Salutica have been prepared in respect of any period subsequent to 31 January 2016.

Salutica has previously prepared its statutory financial statements for the financial year ended 30 June 2014 in accordance with Private Entities Reporting Standards ("PERS") on which PricewaterhouseCoopers (AF:1146) has issued separate auditors' report to the members of the Company dated 22 September 2014.

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1 HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

1.2 Consolidated Statements of Comprehensive Income

	Note	Financial years ended		7 months financial period ended	
		30.6.2014 Audited RM	30.6.2015 Audited RM	31.1.2015 Unaudited RM	31.1.2016 Audited RM
Revenue	2.4	204,131,872	192,517,682	124,266,467	145,654,109
Raw materials and consumables used		(159,123,797)	(135,745,466)	(87,056,605)	(106,374,853)
Changes in inventories of work in progress and finished goods		3,631,555	175,485	(2,585,268)	11,201,660
Employee benefit costs		(16,054,409)	(19,506,206)	(10,993,250)	(12,346,069)
Contract workers		(9,031,513)	(10,116,200)	(6,056,218)	(7,109,554)
Depreciation of property, plant and equipment		(5,157,413)	(5,644,215)	(3,285,910)	(3,670,196)
Impairment loss of property, plant and equipment		(1,431,900)	0	0	0
Utilities		(2,745,242)	(3,086,021)	(1,901,307)	(1,685,582)
Maintenance and upkeep		(2,298,909)	(2,302,279)	(1,230,068)	(1,528,920)
Bad debts recovered		3,088,521	0	0	0
Interest income		568,910	1,058,483	555,117	647,344
Other operating income		425,445	7,015,487	1,210,688	454,103
Other operating expenses		(2,069,644)	(3,995,054)	(1,994,805)	(3,573,463)
Gain on bargain purchase arising from acquisition of a subsidiary	2.29	45,416,087	0	0	0
Profit from operations	2.5	59,349,563	20,371,696	10,928,841	21,668,579
Finance cost	2.6	(101,359)	(87,963)	(54,899)	(373,766)
Profit before taxation		59,248,204	20,283,733	10,873,942	21,294,813
Taxation	2.7	866,575	7,128,101	(123,080)	(5,463,607)
Net profit for the financial year/period		60,114,779	27,411,834	10,750,862	15,831,206
Other comprehensive income					
Item that may be subsequently reclassified to profit or loss:					
- change in fair value of available-for-sale financial asset		0	16,000	16,000	0
Total comprehensive income for the financial year/period, attributable to the owners of the Company		60,114,779	27,427,834	10,766,862	15,831,206
Earnings per share (sen)					
Basic/diluted	2.8	19.40	8.84	3.47	5.11

Salutica Berhad
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1 HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

1.3 Consolidated Statements of Financial Position

	Note	30.6.2014 Audited RM	As at 30.6.2015 Audited RM	As at 31.1.2016 Audited RM
ASSETS				
Non current assets				
Property, plant and equipment	2.9	41,676,240	38,944,241	41,954,317
Available-for-sale financial asset	2.10	39,000	55,000	55,000
Deferred tax assets	2.11	1,073,540	8,484,291	3,157,942
		42,788,780	47,483,532	45,167,259
Current assets				
Inventories	2.12	18,389,465	15,593,481	31,119,484
Receivables, deposits and prepayments	2.13	29,001,079	18,616,493	24,058,863
Derivative financial instruments	2.15	28,997	0	0
Tax recoverable		11,318	0	23,433
Short term investment	2.16	0	0	1,300,710
Cash and bank balances	2.17	32,206,286	41,217,644	36,045,746
		79,637,145	75,427,618	92,548,236
Total Assets		122,425,925	122,911,150	137,715,495
EQUITY				
Equity attributable to owners of the Company				
Share capital	2.18	200	31,000,000	31,000,000
Fair value reserve	2.19	0	16,000	16,000
Retained earnings	2.20	58,275,113	45,165,947	58,997,153
		58,275,313	76,181,947	90,013,153
LIABILITIES				
Non current liabilities				
Finance lease liability	2.21	15,345,611	9,365,706	0
Hire-purchase creditors	2.22	0	0	1,314,388
Term loans	2.23	0	0	12,375,459
		15,345,611	9,365,706	13,689,847
Current liabilities				
Payables and accruals	2.24	42,662,528	30,675,554	30,335,481
Derivative financial instruments	2.15	3,402	147,352	0
Finance lease liability	2.21	6,139,037	6,483,155	0
Hire-purchase creditors	2.22	0	0	738,248
Term loans	2.23	0	0	2,852,329
Provision for warranties	2.25	34	54,796	86,437
Tax payable		0	2,640	0
		48,805,001	37,363,497	34,012,495
Total liabilities		64,150,612	46,729,203	47,702,342
Total equity and liabilities		122,425,925	122,911,150	137,715,495

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1 HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

1.4 Consolidated Statements of Changes in Equity

	Number of shares	Issued and fully paid share capital RM	Fair value reserve RM	Retained earnings/ (Accumulated loss) RM	Total RM
Financial year ended 30 June 2014					
At 1 July 2013	100	100	0	(11,666)	(11,566)
Total comprehensive income					
Net profit for the financial year	0	0	0	60,114,779	60,114,779
Total transactions with owners, recognised directly in equity					
Issue of share capital (Note 2.18)	100	100	0	0	100
Dividends (Note 2.26)	0	0	0	(1,828,000)	(1,828,000)
	100	100	0	(1,828,000)	(1,827,900)
At 30 June 2014	200	200	0	58,275,113	58,275,313
Financial year ended 30 June 2015					
At 1 July 2014	200	200	0	58,275,113	58,275,313
Total comprehensive income					
Net profit for the financial year	0	0	0	27,411,834	27,411,834
Other comprehensive income for the financial year - fair value gain of available-for-sale financial asset	0	0	16,000	0	16,000
Total comprehensive income for the financial year	0	0	16,000	27,411,834	27,427,834
Total transactions with owners, recognised directly in equity					
Issue of share capital (Note 2.18)	7,000	7,000	0	0	7,000
Bonus issue (Note 2.18)	30,992,800	30,992,800	0	(30,992,800)	0
Sub-division of shares (Note 2.18)	279,000,000	0	0	0	0
Dividends (Note 2.26)	0	0	0	(9,528,200)	(9,528,200)
	309,999,800	30,999,800	0	(40,521,000)	(9,521,200)
At 30 June 2015	310,000,000	31,000,000	16,000	45,165,947	76,181,947

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1 HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

1.4 Consolidated Statements of Changes in Equity (continued)

	Number of shares	Issued and fully paid share capital RM	Fair value reserve RM	Retained earnings RM	Total RM
Financial period ended 31 January 2015					
At 1 July 2014	200	200	0	58,275,113	58,275,313
Total comprehensive income					
Net profit for the financial period	0	0	0	10,750,862	10,750,862
Other comprehensive income for the financial period - fair value gain of available-for-sale financial asset	0	0	16,000	0	16,000
Total comprehensive income for the financial period	0	0	16,000	10,750,862	10,766,862
Total transactions with owners, recognised directly in equity					
Dividends (Note 2.26)	0	0	0	(1,133,000)	(1,133,000)
At 31 January 2015	200	200	16,000	67,892,975	67,909,175
Financial period ended 31 January 2016					
At 1 July 2015	310,000,000	31,000,000	16,000	45,165,947	76,181,947
Total comprehensive income					
Net profit for the financial period	0	0	0	15,831,206	15,831,206
Total transactions with owners, recognised directly in equity					
Dividends (Note 2.26)	0	0	0	(2,000,000)	(2,000,000)
At 31 January 2016	310,000,000	31,000,000	16,000	58,997,153	90,013,153

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1 HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

1.5 Consolidated Statements of Cash Flows

	Financial years ended		7 months financial period ended	
	30.6.2014	30.6.2015	31.1.2015	31.1.2016
	Audited	Audited	Unaudited	Audited
	RM	RM	RM	RM
Operating activities				
Net profit for the financial year/ period	60,114,779	27,411,834	10,750,862	15,831,206
Adjustments for:				
Property, plant and equipment				
- depreciation	5,157,413	5,644,215	3,285,910	3,670,196
- gains on disposal	(325)	(111,868)	(65,201)	(7,914)
- write off	10	125	19	17,214
- impairment loss	1,431,900	0	0	0
Short term investment				
- gains on disposal	0	0	0	(3,727)
- fair value gain	0	0	0	(710)
Gain from early settlement of finance lease liability	0	0	0	(1,148,861)
Interest expense	101,359	87,963	54,899	373,766
Interest income	(568,910)	(1,058,483)	(555,117)	(647,344)
Allowance/(reversal) for slow moving inventories	252,361	615,808	724	(29,663)
(Write back)/Provision for warranties	(55,933)	54,762	18,040	31,641
Gain on bargain purchase arising from acquisition of a subsidiary	(45,416,087)	0	0	0
Unrealised losses/(gains) on foreign exchange	3,336	(43,368)	(434,258)	160,984
Fair value (gains)/losses on derivative financial instruments	(303,611)	172,947	513,161	(147,352)
Taxation	(866,575)	(7,128,101)	123,080	5,463,607
	19,849,717	25,645,834	13,692,119	23,563,043
Changes in working capital:				
Inventories	(3,028,388)	2,180,176	6,657,365	(15,496,340)
Receivables	(15,398,602)	11,008,697	11,393,637	(5,367,988)
Payables	13,769,340	(12,567,717)	(23,674,991)	18,228
Cash flows from operations	15,192,067	26,266,990	8,068,130	2,716,943
Tax paid	(253,480)	(280,000)	(127,589)	(163,331)
Tax refunded	0	11,308	0	0
Net operating cash flow	14,938,587	25,998,298	7,940,541	2,553,612

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1 HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

1.5 Consolidated Statements of Cash Flows (continued)

	Financial years ended		7 months financial period ended	
	30.6.2014	30.6.2015	31.1.2015	31.1.2016
	Audited	Audited	Unaudited	Audited
Investing activities	RM	RM	RM	RM
Purchase of property, plant and equipment	(2,806,190)	(2,912,409)	(1,309,203)	(3,773,792)
Proceeds from disposal of property, plant and equipment	368	111,936	66,749	9,438
Interest income received	568,910	1,058,483	555,117	647,344
Purchase of short term investment	0	0	0	(3,200,000)
Proceeds from sales of short term investment	0	0	0	1,903,727
(Placements)/uplift of deposit with a licensed bank (with maturity period of more than three months)	0	(3,800,000)	(5,500,000)	8,800,000
Acquisition of a subsidiary (Note 2.29)	15,597,286	0	0	0
Net investing cash flow	13,360,374	(5,541,990)	(6,187,337)	4,386,717
Financing activities				
Issuance of shares	100	7,000	0	0
Repayment to a shareholder	(5,946)	0	0	0
Dividends paid (Note 2.26)	(1,828,000)	(9,528,200)	(1,133,000)	(2,000,000)
Repayment of hire-purchase creditors	(128,388)	0	0	(266,000)
Repayment of term loans	0	0	0	(672,461)
Repayment of finance lease liability	(5,530,352)	(5,635,787)	(3,646,851)	0
Uplift of deposits with bank as security	0	0	0	1,500,000
Interest paid	(101,359)	(87,963)	(54,899)	(373,766)
Net financing cash flow	(7,593,945)	(15,244,950)	(4,834,750)	(1,812,227)
Net change in cash and cash equivalents during the financial year/period	20,705,016	5,211,358	(3,081,546)	5,128,102
Cash and cash equivalents at beginning of the financial year/period	1,270	20,706,286	20,706,286	25,917,644
Cash and cash equivalents at end of the financial year/period (Note 2.17)	20,706,286	25,917,644	17,624,740	31,045,746

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS

2.1 Basis of preparation

The financial statements of the Group for the financial year ended 30 June 2014 and 30 June 2015 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") and the interim financial statements of the Group for the seven months ended 31 January 2016 have been prepared in accordance with MFRS 134 "Interim Financial Reporting" and International Accounting Standard 34 "Interim Financial Reporting".

The financial statements of the Group have been prepared under the historical cost convention unless stated otherwise in the individual policy statement set out in Note 2.2 to the financial statements and are presented in Ringgit Malaysia.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date, and the reported amounts of revenues and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgements are based on the directors' best knowledge of current events and actions, actual results may differ. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.3 to the financial statements.

(a) New standards, amendments to published standards and Issue Committee ("IC") interpretations to existing standards that are applicable to the Group and are effective

There are no new standards, amendments to published standards and IC interpretations to existing standards that are applicable to the Group for the current financial period.

(b) New standards early adopted by the Group

There are no standards early adopted by the Group.

(c) New standards, amendments to published standards and IC interpretations to existing standards that are applicable to the Group but not yet effective

The Group will apply the new standards, amendments to published standards and IC interpretations in the following financial period:

(i) Effective for the financial year beginning on/after 1 July 2016

- Amendments to MFRS 116 and MFRS 138 "Clarification of Acceptable Methods of Depreciation and Amortisation" (effective from 1 January 2016)
- Amendments to MFRS 127 "Separate Financial Statements - Equity Accounting in Separate Financial Statements" (effective from 1 January 2016)
- Amendments to MFRS 101 "Presentation of Financial Statements - Disclosure Initiative" (effective from 1 January 2016)
- Amendments to MFRS 10, 12 & 128 "Investment entities - Applying the Consolidation Exception" (effective from 1 January 2016)
- Annual Improvements to MFRSs 2012 - 2014 Cycle (Amendments to MFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", MFRS 7 "Financial Instruments: Disclosures" and MFRS 134 "Interim Financial Reporting") (effective from 1 January 2016)

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.1 Basis of preparation (continued)

(c) New standards, amendments to published standards and IC interpretations to existing standards that are applicable to the Group but not yet effective (continued)

(ii) Effective for the financial year beginning on/after 1 July 2018
- MFRS 9 "Financial Instruments"
- MFRS 15 "Revenue from Contracts with Customers"

None of the standards listed above are expected to have a significant effect on the financial statements of the Group upon initial application, except for the following:

- MFRS 9 "Financial Instruments" (effective 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement".

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with a irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in OCI rather than the profit or loss, unless this creates an accounting mismatch.

  MFRS 9 introduces an expected credit losses model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

- MFRS 15 "Revenue from contracts with customers" (effective 1 January 2018) replaces MFRS 118 "Revenue" and MFRS 111 "Construction Contracts" and related interpretations. This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

  Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods and services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

The Group is currently still in process of assessing the impact of the new standards upon initial application of these standards.

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. Unless otherwise stated, the following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

(a) Consolidation

(i) Subsidiary

Subsidiary is an entity over which the Group has control. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. 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 to direct the relevant activities of the entity. Subsidiary is fully consolidated from the date on which control is transferred to the Group. It is deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combination.

The consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

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 identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of subsidiary have been changed where necessary, to ensure consistency with the policies adopted by the Group.

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(a) Consolidation (continued)

(ii) Changes in ownership interests in subsidiary without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(iii) Disposal of subsidiary

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, 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. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

(b) Investment in subsidiary

In the Company's separate financial statements, investment in subsidiary is carried at cost less accumulated impairment losses. On disposal of investment in subsidiary, the differences between disposal proceeds and the carrying amounts of the investment is recognised in profit or loss.

(c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs (if applicable) that are directly attributable to the acquisition, construction or production of a qualifying asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

Leasehold land is amortised in equal instalments over the lease periods of 78 years which expires in the year 2092.

Other property, plant and equipment are depreciated on a straight line basis to write off the cost of the assets, to their residual values over their expected useful lives. The annual depreciation rates are as follows:

	%
Buildings on long term leasehold land	2 - 5
Factory extension	23
Plant and machinery, moulds and motor vehicles	10 - 20
Furniture, fittings, equipment and electrical installation	10 - 33.33

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of the reporting period.

Assets under construction are carried as capital work in progress and depreciation only commences when the assets are ready for their intended use.

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amounts and are included in profit or loss.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

(d) Research and development

Research expenditure incurred for the Group's own products, 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:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(d) Research and development (continued)

Directly attributable costs capitalised as part of the intangible asset include employee costs involved in development and an appropriate portion of relevant overheads.

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 subsequent period.

Capitalised development costs recognised as intangible assets are amortised from the point at which the asset is ready for use on a straight line basis over its useful life of two years.

(e) Impairment of non-financial assets

Non current and non-financial assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Property, plant and equipment and other non current and non-financial assets that are subject to amortisation are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows (cash-generating units). Non current and non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

The impairment loss is charged to profit or loss. Impairment losses on goodwill are not reversed. In respect of other non current and non-financial assets that are subject to amortisation, any subsequent increase in recoverable amount is recognised in profit or loss. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised.

(f) Non current assets held for sale

Non current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and sales is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(g) Accounting by lessee

(i) Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in the statements of financial position as current and non current liabilities. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant rate of interest on the remaining balance of the liability for each financial period. The property, plant and equipment acquired under finance leases are depreciated over the expected useful life of the asset if there is reasonable certainty that the lessee will obtain ownership by the end of the lease term. Otherwise, the leased assets are depreciated over the shorter of their expected useful lives and the lease period.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease period on the same basis as the lease expense.

(ii) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight line basis over the lease period.

Initial direct costs incurred in negotiating and arranging operating leases are capitalised as prepayments and recognised in profit or loss on a straight line basis over the lease period.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial period in which termination takes place.

(h) Financial instruments

Financial instruments recognised on the statements of financial position

The particular recognition method adopted for financial instruments recognised on the statements of financial position is disclosed in the individual accounting policy statements associated with each item.

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(i) Financial assets

(i) Classification

The Group classifies its financial assets where applicable, in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non current assets.

In addition, certain financial assets are designated at initial recognition at fair value through profit or loss when one of the designation criteria is met:
- Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- Its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The item is a hybrid contract that contains one or more embedded derivatives.

The Group's financial asset at fair value through profit or loss comprises "short term investment" in the statements of financial position.

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 included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non current assets. The Group's loans and receivables comprise "receivables and deposits" (excluding prepayments), "amount due from a subsidiary" (company level only) and "cash and bank balances" in the statements of financial position.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non current assets unless the investment matures or management intends to dispose of it within 12 months from the end of the reporting period.

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(i) Financial assets (continued)

(ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets for all financial assets not carried at fair value through profit or loss (e.g. loans and receivables). Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

(iii) Subsequent measurement - gains and losses

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently carried at fair value. Loans and receivables financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of foreign currency translation, interest and dividend income are recognised in profit or loss in the financial period in which the changes arise.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses and foreign currency exchange gains and losses on monetary assets. The foreign currency exchange differences on monetary assets are recognised in profit or loss.

Interest and dividend income on available-for-sale financial assets are recognised in profit or loss, except for impairment losses. Interest on available-for-sale debt securities calculated using the effective interest method is recognised in profit or loss. Dividends income on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(i) Financial assets (continued)

(iv) Subsequent measurement - impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer, debtor or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the financial difficulty of the issuer, debtor or obligor; granting to the issuer, debtor or obligor a concession that the lender would not otherwise consider;
- It becomes probable that the issuer, debtor or obligor will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  (i) adverse changes in the payment status of the issuer, debtor or obligor in the portfolio; and
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The financial asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss.

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(i) Financial assets (continued)

(iv) Subsequent measurement - impairment of financial assets (continued)

Assets carried at amortised cost (continued)

If "loans and receivables" has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

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 (such as an improvement in the debtor's financial position), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

(v) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Financial liabilities

(i) Classification

The Group classifies the financial liabilities where applicable, in the following categories: at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition, and (ii) those classified as held-for-trading; and financial liabilities measured at amortised cost as other financial liabilities. Management determines the classification of its financial liabilities at initial recognition.

Financial liabilities at fair value through profit or loss

The Group has not designated any financial liabilities as financial liabilities at fair value through profit or loss. Financial liabilities held- for-trading are derivatives entered into by the Group that do not meet the hedge accounting criteria. Liabilities in this category are classified within current liabilities if they are either held-for-trading or are expected to be settled within 12 months after the reporting date. Otherwise, they are classified as non current liabilities.

Other financial liabilities

Other financial liabilities are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. Other financial liabilities are recognised as current liabilities unless the Group has an unconditional right to defer repayment of the liabilities for at least 12 months after the reporting date. Other financial liabilities of the Group comprise "payables and accruals", "term loans", "hire-purchase creditors" and "finance lease liability" in the statements of financial position.

(ii) Recognition and initial measurement

Financial liabilities within the scope of MFRS 139 are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are initially recognised at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transactions costs.

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Financial liabilities (continued)

(iii) Subsequent measurement

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are subsequently carried at fair value. Changes in the fair value of financial liabilities at fair value through profit or loss, including the effect of foreign currency translation are recognised in profit or loss in the financial period in which the changes arise.

Other financial liabilities

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the other financial liabilities are derecognised, and through the amortisation process.

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expired.

(k) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

(l) Inventories

Inventories comprising raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value after adequate allowance has been made for all deteriorated, damaged, obsolete or slow moving inventories. Cost is determined on the first in, first out basis. Cost of raw materials includes purchase price and any cost that is directly attributable to bringing the inventories to their present condition and location. Costs of purchased inventory are determined after deducting rebates, discounts and the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of purchased inventory.

Cost of work in progress and finished goods includes cost of direct materials, direct labour, other direct costs and an appropriate proportion of production overheads (based on normal operating capacity). It excludes borrowing costs.

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

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(m) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non current assets.

Trade and other receivables are recognised initially at fair value, with the amount of GST included. The net amount of GST recoverable from the government is included in "other receivables" in the statements of financial position.

Cash flows are included in the statements of cash flows on a gross basis. The GST components of cash flows which are recoverable from, or payable to, the government are classified as operating cash flows.

Trade and other receivables are subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(n) Cash and cash equivalents

For the purpose of the statements of cash flows, cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with banks and short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

(o) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non current liabilities.

Trade payables are recognised initially at fair value, with the amount of GST included. The net amount of GST payable to the government, wherever applicable, is presented as "other payables" in the statements of financial position. Cash flows are included in the statements of cash flows on a gross basis. The GST components of cash flows which are recoverable from, or payable to, the government are classified as operating cash flows.

Trade payables are subsequently measured at amortised cost using the effective interest method.

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(p) Provision

Provision for warranty and claims are recognised when, the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Where the Group expects a provision to be reimbursed by another party (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provision for warranties covers estimated liability to repair or replace products resulting from customers' complaints and returns. Provision for warranties is recognised when the underlying products are sold. This provision is measured at a percentage rate of historical replacements and a review of possible outcomes against the associated probabilities of returns.

(q) Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the initial recognised amount and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

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

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(r) Share capital

(i) Classifications

Ordinary shares are recorded at nominal value as share capital and proceeds received in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity.

(ii) Share issue costs

Incremental costs directly attributable to the issue of new shares are deducted against share premium account, if any, otherwise it is charged to profit or loss.

(iii) Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

Distributions to holders of an equity instrument is recognised directly in equity.

(iv) Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing:
- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares, if any.

Diluted earnings per share
Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:
- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of GST, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of goods are recognised upon delivery of goods to customers, when significant risks and rewards of ownership of the goods are transferred to the buyer.
(ii) Service charges on contract works are recognised upon rendering of services.
(iii) Revenue on fabrication of tools is recognised upon acceptance by customers.
(iv) Rental income is recognised on accrual basis unless collection is in doubt.
(v) Interest income is recognised using the effective interest method.
(vi) Dividend income is recognised when the Group's rights to receive payment is established.
(vii) Other income is recognised on an accrued basis unless collectability is uncertain.

(t) Employee benefits

(i) <u>Short term employee benefits</u>

Wages, salaries, social security contributions, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the financial period in which the associated services are rendered by employees of the Group. The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the shareholders of the Company after certain adjustments. The Group recognises a provision when contractually obliged or where there is a past practice that has created a constructive obligation.

(ii) <u>Post-employment benefits</u>

The Group contributes to the Employees Provident Fund (EPF), the national defined contribution plan. The contributions are charged to the profit or loss in the financial period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(u) Current and deferred taxes

The tax expense for the period comprises current and deferred tax. The income tax expense or credit for the financial period is the tax payable on the current financial period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the Company and the subsidiary operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes (i.e. tax bases) and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences or unused tax losses or unused tax credits can be utilised.

Deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiary, except where the timing of the reversal of the temporary difference is controlled by the parent and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiary only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the deductible temporary difference can be utilised.

Current and deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on the taxable entity where there is an intention to settle the balances on a net basis.

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(v) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's and the subsidiary's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into Ringgit Malaysia using the foreign currency exchange rates approximating those prevailing at the dates of transactions. Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the end of the reporting period using the foreign currency exchange rates approximating those prevailing at the reporting date, are recognised in profit or loss.

(w) Government grant

Government grant comprises compensation receivable from the government for applicable past expenses relating to qualifying training, research related activities and modernisation of production processes incurred, which comply with conditions imposed on qualifying activities under the Domestic Investment Strategic Fund Grant obtained by the subsidiary for period from June 2013 to June 2016. The grant is recognised as income in profit or loss in the period the claim is approved by the relevant authorities and becomes receivable when there is no further unfulfilled condition that needs to be met subsequent to the approval by the relevant authorities.

(x) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's Chairman, who makes strategic decisions.

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(y) Contingent liabilities

The Group does not recognise contingent liabilities but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group, or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

2.3 Significant accounting estimates and judgements

Estimates and judgements are continually evaluated by the directors based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates may differ from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined follows:

(a) Current and deferred taxes

Income tax is estimated based on the rules governed under the Income Tax Act, 1967. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the current and deferred taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax provisions in the period in which such determination is made.

Deferred tax assets are recognised for all unused tax losses and other deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

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2.3 Significant accounting estimates and judgements (continued)

(a) Current and deferred taxes (continued)

Assumptions about generation of future taxable profits depend on management's estimate of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and the other capital management transactions. Judgement is also required about applicable income tax incentives. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

(b) Inventory write down

Allowance for inventory write down for slow moving items is made based on an analysis of the ageing profile and taking into account the expected product life cycle and sales patterns of individual item held in inventory. Changes in the inventory ageing, the expected product life cycle and sales profiles can have an impact on the allowance recorded.

(c) Allowance for impairment of receivables

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

2.4 Revenue

	Financial years ended		7 months financial period ended	
	30.6.2014	30.6.2015	31.1.2015	31.1.2016
	Audited	Audited	Unaudited	Audited
	RM	RM	RM	RM
Sales of goods at invoiced value less returns	202,814,345	191,244,631	123,368,726	143,334,750
Service charges on contract works	1,317,527	1,273,051	897,741	216,364
Service rendered in respect of product development	0	0	0	2,102,995
	204,131,872	192,517,682	124,266,467	145,654,109

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.5 Profit from operations

	Financial years ended		7 months financial period ended	
	30.6.2014 Audited RM	30.6.2015 Audited RM	31.1.2015 Unaudited RM	31.1.2016 Audited RM
Profit from operations is stated after charging /(crediting):				
Auditors' remuneration paid/payable:				
- statutory audit	90,000	90,000	52,502	52,585
- other assurance services	0	0	0	670,000
- other services	42,200	81,700	56,704	102,111
Employee benefit costs	16,054,409	19,506,206	10,993,250	12,346,069
Research expenses	193,235	1,343,372	514,069	71,132
Allowance/(reversal) for slow moving inventories	252,361	615,808	724	(29,663)
Property, plant and equipment				
- depreciation	5,157,413	5,644,215	3,285,910	3,670,196
- impairment loss	1,431,900	0	0	0
- write off	10	125	19	17,214
(Write back)/Provision for warranties	(55,933)	54,762	18,040	31,641
Bad debts recovered	(3,088,521)	0	0	0
Rental expenses				
- hostel	23,080	17,664	11,159	6,998
- machinery	3,330	4,919	3,750	26,710
Interest income	(568,910)	(1,058,483)	(555,117)	(647,344)
Gain on bargain purchase arising from acquisition of a subsidiary (Note 2.29)	(45,416,087)	0	0	0
Acquisition - related costs	122,556	0	0	0

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2.5 Profit from operations (continued)

	Financial years ended		7 months financial period ended	
	30.6.2014 Audited	30.6.2015 Audited	31.1.2015 Unaudited	31.1.2016 Audited
	RM	RM	RM	RM
Included in other operating income are:				
- Government grants income	0	(3,900,236)	0	0
- Net foreign exchange (gains)/losses				
- realised	(152,897)	(1,776,892)	(1,181,200)	1,134,666
- unrealised	3,336	(43,368)	(434,258)	160,984
- Rental income	(48,842)	(61,379)	(34,315)	(43,471)
- Fair value (gains)/losses on derivative financial instruments	(303,611)	172,947	513,161	(147,352)
- Gains on disposal of property, plant and equipment	(325)	(111,868)	(65,201)	(7,914)
- Gain from early settlement of finance lease liability (Note 2.21)	0	0	0	(1,148,861)
- Short term investment				
- gains on disposal	0	0	0	(3,727)
- fair value gain	0	0	0	(710)
Employee benefit costs (including directors' remuneration)				
Directors of the Company:				
- fees	0	0	0	40,000
- allowances	70,000	84,000	49,000	49,000
- salaries and bonus	779,087	1,033,371	618,850	678,791
- defined contribution plan	246,001	212,306	126,895	137,901
	1,095,088	1,329,677	794,745	905,692
Directors of the subsidiary only:				
- allowances	30,000	36,000	21,000	1,750
- salaries and bonus	334,428	487,042	294,000	342,974
- defined contribution plan	66,877	99,378	59,850	64,739
	431,305	622,420	374,850	409,463
Other staff costs:				
- salaries, wages and bonus	12,164,899	14,491,986	8,157,505	8,803,934
- defined contribution plan	1,506,482	1,797,123	1,013,778	1,105,801
- other short term employee benefits	856,635	1,265,000	652,372	1,121,179
Total other staff costs	14,528,016	17,554,109	9,823,655	11,030,914
Total employee benefit expense	16,054,409	19,506,206	10,993,250	12,346,069
Monetary value of benefits-in-kind other than cash given to a director	42,456	39,093	12,580	48,805

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2.6 Finance cost

	Financial years ended		7 months financial period ended	
	30.6.2014	30.6.2015	31.1.2015	31.1.2016
	Audited	Audited	Unaudited	Audited
	RM	RM	RM	RM
Interests on:				
Term loans	0	0	0	291,953
Hire-purchase	3,211	0	0	58,934
Finance lease liability	98,148	87,963	54,899	22,879
	101,359	87,963	54,899	373,766

2.7 Taxation

	Financial years ended		7 months financial period ended	
	30.6.2014	30.6.2015	31.1.2015	31.1.2016
	Audited	Audited	Unaudited	Audited
	RM	RM	RM	RM
Current financial year/period:				
Income tax charge	207,410	282,640	123,080	155,277
Deferred tax (assets)/charge				
- origination and reversal of temporary differences	(1,073,540)	(7,410,751)	0	5,326,349
	(866,130)	(7,128,111)	123,080	5,481,626
Previous financial year/period:				
(Over)/Under provision of income tax	(445)	10	0	(18,019)
Tax (credit)/expense	(866,575)	(7,128,101)	123,080	5,463,607

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2.7 Taxation (continued)

The explanation of the relationship between taxation and profit before taxation is as follows:

	Financial years ended		7 months financial period ended	
	30.6.2014	30.6.2015	31.1.2015	31.1.2016
	Audited	Audited	Unaudited	Audited
	RM	RM	RM	RM
Profit before taxation	59,248,204	20,283,733	10,873,942	21,294,813
Tax calculated at the Malaysian income tax rate of 24% (2014: 25%; 2015: 25%)	14,812,051	5,070,933	2,718,486	5,110,755
Tax effects of:				
- expenses not deductible for tax purposes	357,078	646,618	105,248	625,161
- income not subject to tax	(11,062,597)	0	0	0
- previously unrecognised deductible temporary differences now recognised	(4,972,662)	(10,502,279)	(2,700,654)	0
- utilisation of deductible temporary differences previously not recognised	0	(2,343,383)	0	0
- under provision of deferred tax assets in respect of previous financial period	0	0	0	(254,290)
- (over)/under provision of income tax in respect of previous financial year/period	(445)	10	0	(18,019)
Tax (credit)/expense	(866,575)	(7,128,101)	123,080	5,463,607

The subsidiary, Salutica Allied had been granted the Pioneer Status under Section 127 of the Income Tax Act, 1967 for a period of 10 years from 1 June 2005 to 31 May 2015.

The salient terms of the Pioneer Status were as follows:
(i) Salutica Allied was granted 100% tax exemption on statutory income for 10 years;
(ii) unabsorbed capital allowances during the pioneer period can be carried forward and deducted against the post pioneer statutory income relating to the approved pioneer products of Salutica Allied; and
(iii) unabsorbed accumulated tax losses during the pioneer period can be carried forward and deducted from the post pioneer statutory income relating to the approved pioneer products of Salutica Allied.

The Board of Directors of Salutica Allied had assessed the Pioneer Status conditions in the financial year ended 30 June 2015 and concluded all the conditions have been met at the end of the Pioneer Status period.

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2.7 Taxation (continued)

As at 31 January 2016, Salutica Allied has unused tax losses amounting to approximately RM19,363,000 (As at 30.6.2014: RM51,596,000; As at 30.6.2015: RM42,508,000) which can be carried forward and utilised to set off against its future taxable profits. Salutica Allied has recognised all unused tax losses as deferred tax assets in the financial year ended 30 June 2015.

2.8 Earnings per share

Basic/diluted earnings per share of the Group is calculated by dividing the net profit for the financial year/period by the weighted average number of ordinary shares in issue during the financial year/period.

	Financial years ended		7 months financial period ended	
	30.6.2014	30.6.2015	31.1.2015	31.1.2016
	Audited	Audited	Unaudited	Audited
Net profit for the financial year/period attributable to owners of the Company (RM)	60,114,779	27,411,834	10,750,862	15,831,206
Weighted average number of ordinary shares in issue during the financial year/period	309,928,250	309,930,384	309,930,000	310,000,000
Basic/diluted earnings per share (sen)	19.40	8.84	3.47	5.11

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2.9 Property, plant and equipment

	Long term leasehold land RM	Buildings on long term leasehold land RM	Factory extension RM	Plant and machinery, moulds and motor vehicles RM	Furniture, fittings, equipment and electrical installation RM	Total RM
Cost						
Acquisition of subsidiary	4,905,000	21,559,238	550,762	14,753,674	3,690,742	45,459,416
Additions	0	0	0	2,219,114	587,076	2,806,190
Disposals	0	0	0	0	(195,856)	(195,856)
Write off	0	0	0	0	(116,751)	(116,751)
At 30 June 2014	4,905,000	21,559,238	550,762	16,972,788	3,965,211	47,952,999
Accumulated depreciation						
Charge for the financial year	51,706	843,011	103,760	3,174,713	984,223	5,157,413
Disposals	0	0	0	0	(195,813)	(195,813)
Write off	0	0	0	0	(116,741)	(116,741)
At 30 June 2014	51,706	843,011	103,760	3,174,713	671,669	4,844,859
Accumulated impairment losses						
Impairment loss for the financial year	0	0	0	832,224	599,676	1,431,900
At 30 June 2014	0	0	0	832,224	599,676	1,431,900
Carrying amount						
At 30 June 2014	4,853,294	20,716,227	447,002	12,965,851	2,693,866	41,676,240

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2.9 Property, plant and equipment (continued)

	Long term leasehold land RM	Buildings on long term leasehold land RM	Factory extension RM	Plant and machinery, moulds and motor vehicles RM	Furniture, fittings, equipment and electrical installation RM	Total RM
Cost						
At 1 July 2014	4,905,000	21,559,238	550,762	16,972,788	3,965,211	47,952,999
Additions	0	0	0	2,032,299	880,110	2,912,409
Disposals	0	0	0	(5,309,879)	(203,489)	(5,513,368)
Write off	0	0	0	(182,016)	(347,965)	(529,981)
At 30 June 2015	4,905,000	21,559,238	550,762	13,513,192	4,293,867	44,822,059
Accumulated depreciation						
At 1 July 2014	51,706	843,011	103,760	3,174,713	671,669	4,844,859
Charge for the financial year	62,047	1,011,613	124,512	3,408,493	1,037,550	5,644,215
Disposals	0	0	0	(5,309,859)	(201,625)	(5,511,484)
Write off	0	0	0	(182,008)	(347,848)	(529,856)
At 30 June 2015	113,753	1,854,624	228,272	1,091,339	1,159,746	4,447,734
Accumulated impairment losses						
At 1 July 2014	0	0	0	832,224	599,676	1,431,900
Disposal	0	0	0	0	(1,816)	(1,816)
At 30 June 2015	0	0	0	832,224	597,860	1,430,084
Carrying amount						
At 30 June 2015	4,791,247	19,704,614	322,490	11,589,629	2,536,261	38,944,241

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.9 Property, plant and equipment (continued)

	Long term leasehold land RM	Buildings on long term leasehold land RM	Factory extension RM	Plant and machinery, moulds and motor vehicles RM	Furniture, fittings, equipment and electrical installation RM	Total RM
Cost						
At 1 July 2015	4,905,000	21,559,238	550,762	13,513,192	4,293,867	44,822,059
Additions	775,569	0	0	5,194,573	728,868	6,699,010
Disposals	0	0	0	(2,529,352)	(299,268)	(2,828,620)
Write off	0	0	0	(231,875)	(185,286)	(417,161)
At 31 January 2016	5,680,569	21,559,238	550,762	15,946,538	4,538,181	48,275,288
Accumulated depreciation						
At 1 July 2015	113,753	1,854,624	228,272	1,091,339	1,159,746	4,447,734
Charge for the financial period	38,887	590,108	72,632	2,295,916	672,653	3,670,196
Disposals	0	0	0	(2,529,323)	(297,773)	(2,827,096)
Write off	0	0	0	(231,874)	(168,073)	(399,947)
At 31 January 2016	152,640	2,444,732	300,904	626,058	1,366,553	4,890,887
Accumulated impairment losses						
At 1 July 2015/ 31 January 2016	0	0	0	832,224	597,860	1,430,084
Carrying amount						
At 31 January 2016	5,527,929	19,114,506	249,858	14,488,256	2,573,768	41,954,317

The carrying amount of land and buildings pledged as securities for the borrowings of the Group as disclosed in Note 2.23 to the financial statements is RM24,892,293 (As at 30 June 2014 and 30 June 2015: N/A).

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2.9 Property, plant and equipment (continued)

(a) Assets under finance lease or hire-purchase

Included in property, plant and equipment of the Group are assets acquired under finance lease or hire-purchase as follows:

		As at	As at
	30.6.2014	30.6.2015	31.1.2016
	Audited	Audited	Audited
	RM	RM	RM
Finance lease			
Leasehold land and buildings			
- carrying amount at financial year/period end	26,016,523	24,818,351	0
Hire-purchase			
Plant and machinery			
- additions during the financial period	0	0	2,957,201
- carrying amount at financial period end	0	0	2,819,549

(b) Assets under finance lease

The subsidiary, Salutica Allied leased the land and buildings with a purchase option exercisable by 28 February 2017. Salutica Allied has accounted for the lease as finance lease and has capitalised the leasehold land and buildings as property, plant and equipment and corresponding liability as finance lease liability accordingly. Under the term of the lease, Salutica Allied has the option to acquire the leased assets based on valuation of RM27,015,000 (as stated in the valuation report issued by KGV International Property Consultants (M) Sdn. Bhd. dated 18 March 2013) plus acquisition cost less accumulated lease payments made to the lessor at the point when the option is exercised.

On 19 June 2015, the subsidiary signed a Sale and Purchase Agreement with the lessor to exercise its purchase option to acquire the land and buildings under finance lease arrangement earlier than the agreed option exercise date due on 28 February 2017 at a revised purchase consideration of RM26,052,250. The transaction was completed on 12 October 2015. Stamp duty relating to the acquisition of the land and buildings amounting to RM775,569 had been capitalised as property, plant and equipment accordingly. Other transaction costs totalling RM105,110 are taken to profit or loss as expenses accordingly.

(c) Salutica Allied reviewed the carrying amount of assets to determine if there was any indication that those assets may be impaired. In June 2014, Salutica Allied, after the acquisition by the Company, impaired certain of its machinery and equipment made idle due to changes in demand and orders from customers. The impairment loss of RM1,431,900 was charged to the profit or loss in the financial year ended 30 June 2014.

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2.10 Available-for-sale financial asset

		As at	As at
	30.6.2014	30.6.2015	31.1.2016
	Audited	Audited	Audited
	RM	RM	RM
Available-for-sale financial asset	39,000	55,000	55,000

The available-for-sale financial asset of the Group comprises a transferable golf club membership stated at fair value that is held for long term purposes as the Group has no intention to dispose it.

2.11 Deferred tax assets

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxation relates to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated statements of financial position:

		As at	As at
	30.6.2014	30.6.2015	31.1.2016
	Audited	Audited	Audited
	RM	RM	RM
Deferred tax assets - subject to income tax	1,073,540	8,484,291	3,157,942

The movements in deferred tax assets during the financial year/period comprise the following:

	2014	2015	2016
	Audited	Audited	Audited
	RM	RM	RM
At 1 July	0	1,073,540	8,484,291
Credited/(Charged) to profit or loss			
- property, plant and equipment	913,645	(3,027,661)	155,552
- provisions and allowances	159,895	236,342	72,842
- unused tax losses	0	10,202,070	(5,554,743)
	1,073,540	7,410,751	(5,326,349)
At 30 June 2014/30 June 2015/31 January 2016	1,073,540	8,484,291	3,157,942

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2.11 Deferred tax assets (continued)

		As at	As at
	30.6.2014	30.6.2015	31.1.2016
	Audited	Audited	Audited
	RM	RM	RM
Subject to income tax			
Deferred tax assets			
- property, plant and equipment	4,867,031	0	0
- provisions and allowances	159,895	396,237	469,079
- unused tax losses	0	10,202,070	4,647,327
Deferred tax assets (before offsetting)	5,026,926	10,598,307	5,116,406
Offsetting	(3,953,386)	(2,114,016)	(1,958,464)
Deferred tax assets (after offsetting)	1,073,540	8,484,291	3,157,942
Deferred tax liabilities			
- property, plant and equipment	(3,953,386)	(2,114,016)	(1,958,464)
Offsetting	3,953,386	2,114,016	1,958,464
Deferred tax liabilities (after offsetting)	0	0	0
Deferred tax assets			
- to be realised within 12 months	1,073,540	5,674,000	3,157,942
- to be realised after 12 months	0	2,810,291	0
	1,073,540	8,484,291	3,157,942

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

The subsidiary, Salutica Allied has fully recognised the unused tax losses of RM42,508,000 as deferred tax asset in the financial year ended 30 June 2015. The unused tax losses determined after appropriate offsetting, for which no deferred tax asset was recognised in the financial statements of Salutica Allied as at 30 June 2014 was RM51,596,000. These unused tax losses were not previously recognised as at 30 June 2014 as it was not then probable that Salutica Allied could generate sufficient future taxable profits for the realisation of the unused tax losses.

2.12 Inventories

		As at	As at
	30.6.2014	30.6.2015	31.1.2016
	Audited	Audited	Audited
	RM	RM	RM
Raw materials	10,949,895	7,978,426	12,302,769
Work in progress	5,901,881	4,099,010	4,572,872
Finished goods	1,537,689	3,516,045	14,243,843
	18,389,465	15,593,481	31,119,484

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2.13 Receivables, deposits and prepayments

		As at	As at
	30.6.2014	30.6.2015	31.1.2016
	Audited	Audited	Audited
	RM	RM	RM
Trade receivables	28,302,267	16,051,173	21,175,864
Other receivables	264,940	1,268,969	830,072
	28,567,207	17,320,142	22,005,936
Amounts recoverable from customers for product development	14,958	9,323	0
Deposits	35,325	34,325	38,825
Prepayments	383,589	1,252,703	2,014,102
	29,001,079	18,616,493	24,058,863

		As at	As at
	30.6.2014	30.6.2015	31.1.2016
	Audited	Audited	Audited
	Days	Days	Days
Credit terms of trade receivables	15 to 75	15 to 90	10 to 90

Included in other receivables of the Group are input tax receivable of RM568,022 (As at 30 June 2014: RMNil; As at 30 June 2015: RM488,793;) in respect of goods and services tax paid for the purchases, partially set off against the sales of goods and services.

Included in prepayments of the Group are downpayments of RMNil (As at 30 June 2014: RMNil; As at 30 June 2015: RM606,582) for the purpose of acquisition of property, plant and equipment.

The currency profile of receivables and deposits of the Group is as follows:

		As at	As at
	30.6.2014	30.6.2015	31.1.2016
	Audited	Audited	Audited
	RM	RM	RM
US Dollar	27,778,317	16,148,381	21,014,028
Ringgit Malaysia	824,215	1,205,344	1,030,733
Euro	0	742	0
	28,602,532	17,354,467	22,044,761

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.14 Related party disclosures

(a) Related parties and relationship

The directors regard Blue Ocean Enlightenment Sdn. Bhd., a company incorporated in Malaysia, as the Company's ultimate holding company.

The wholly-owned subsidiary of the Company is Salutica Allied Solutions Sdn. Bhd., a company incorporated in Malaysia.

All directors of the Company and the senior management team of the subsidiary are regarded as key management personnel of the Group.

(b) Related party balance

Amount due from a subsidiary is denominated in Ringgit Malaysia, interest free and receivable on demand.

(c) Significant related party transactions

	Financial years ended		7 months financial period ended	
	30.6.2014 Audited RM	30.6.2015 Audited RM	31.1.2015 Unaudited RM	31.1.2016 Audited RM
Consultancy fee paid/payable				
- with a person connected with directors of the Company	6,736	11,077	11,077	11,229
- with firms in which certain directors of the Company are members of the respective firms	141,000	103,500	53,500	230,000

The above transactions were established based on terms and prices agreed between the related parties.

(d) Key management compensation

	Financial years ended		7 months financial period ended	
	30.6.2014 Audited RM	30.6.2015 Audited RM	31.1.2015 Unaudited RM	31.1.2016 Audited RM
Salaries and other short term employee benefits	1,540,108	2,117,148	1,256,530	1,460,916
Post employment benefits	359,439	404,836	236,354	258,821
	1,899,547	2,521,984	1,492,884	1,719,737

Key management compensation includes directors' remuneration as disclosed in Note 2.5 to the financial statements.

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2.15 Derivative financial instruments

		As at	As at
	30.6.2014	30.6.2015	31.1.2016
	Audited	Audited	Audited
	RM	RM	RM
Derivative financial instruments			
Assets	28,997	0	0
Liabilities	3,402	147,352	0

The subsidiary, Salutica Allied had entered into foreign currency forward exchange contracts which are economic hedges but do not satisfy the requirements for hedge accounting.

The notional principal amounts of the outstanding derivative financial instruments are as follows:

	Currency bought	Currency sold	30.6.2014	As at 30.6.2015	As at 31.1.2016
			RM	RM	RM
Foreign currency forward exchange contracts	RM	USD	5,832,450	6,307,800	0

2.16 Short term investment

The short term investment of the Group of RM1,300,710 is in respect of an investment in an Islamic money market fund. The quoted market price for this fund as at 31 January 2016 is RM1 per unit (As at 30 June 2014 and 30 June 2015: N/A).

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.17 Cash and cash equivalents

Cash and cash equivalents included in the consolidated statements of cash flows comprise the following:

		As at	As at
	30.6.2014	30.6.2015	31.1.2016
	Audited	Audited	Audited
	RM	RM	RM
Deposits with licensed banks	21,500,000	36,350,000	31,000,000
Cash and bank balances	10,706,286	4,867,644	5,045,746
	32,206,286	41,217,644	36,045,746
Deposits with licensed banks	21,500,000	36,350,000	31,000,000
Deposits pledged with a licensed bank	(6,500,000)	(6,500,000)	(5,000,000)
Deposits with maturity period more than three months (unencumbered)	(5,000,000)	(8,800,000)	0
	(11,500,000)	(15,300,000)	(5,000,000)
Deposits with maturity period of three months or less (unencumbered)	10,000,000	21,050,000	26,000,000
Cash and bank balances	10,706,286	4,867,644	5,045,746
Cash and cash equivalents	20,706,286	25,917,644	31,045,746

The currency profile of deposits, cash and bank balances of the Group is as follows:

		As at	As at
	30.6.2014	30.6.2015	31.1.2016
	Audited	Audited	Audited
	RM	RM	RM
Ringgit Malaysia	22,297,586	38,088,265	32,150,916
US Dollar	9,901,978	3,126,684	3,873,503
Euro	6,246	1,651	20,523
Others	476	1,044	804
	32,206,286	41,217,644	36,045,746

		As at	As at
	30.6.2014	30.6.2015	31.1.2016
	Audited	Audited	Audited
	%	%	%
Weighted average effective interest rate of the deposits of the Group at the reporting date is as follows:			
Deposits with licensed banks	3.21	3.64	3.74

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2.17 Cash and cash equivalents (continued)

		As at	As at
	30.6.2014 Audited Days	30.6.2015 Audited Days	31.1.2016 Audited Days
The range of maturity periods of the deposits with licensed banks are as follows:			
- encumbered	183	183	183
- unencumbered	7 - 183	8 - 365	31 - 92

The cash and bank balances of the Group are deposits placed in current accounts of various licensed banks in Malaysia and cash in hand which do not earn any interest.

2.18 Share capital

	2014 Audited Number of shares	2015 Audited Number of shares	2016 Audited Number of shares	2014 Audited RM	2015 Audited RM	2016 Audited RM
Authorised						
At 1 July	100,000 (1)	100,000 (1)	500,000,000	100,000	100,000	50,000,000
Creation of new ordinary shares of RM1.00 each during the financial year/period	0	49,900,000 (1)	0	0	49,900,000	0
	100,000	50,000,000	500,000,000	100,000	50,000,000	50,000,000
Sub-division of shares of RM0.10 each during the financial year/period	0	450,000,000 (2)	0	0	0	0
At 30 June 2014/30 June 2015/31 January 2016	100,000 (1)	500,000,000 (2)	500,000,000	100,000	50,000,000	50,000,000
Issued and fully paid						
At 1 July	100 (1)	200 (1)	310,000,000	100	200	31,000,000
Issuance of new ordinary shares of RM1.00 each during the financial year/period	100 (1)	7,000 (1)	0	100	7,000	0
Bonus issue	0	30,992,800 (1)	0	0	30,992,800	0
	200	31,000,000	310,000,000	200	31,000,000	31,000,000
Sub-division of shares of RM0.10 each during the financial year/period	0	279,000,000 (2)	0	0	0	0
At 30 June 2014/30 June 2015/31 January 2016	200 (1)	310,000,000 (2)	310,000,000	200	31,000,000	31,000,000

(1) The nominal value of these shares was RM1.00 each.
(2) The nominal value of these shares is RM0.10 each following the subdivision of the Company's shares from the nominal value of RM1.00 each to RM0.10 each on 30 June 2015.

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2.18 Share capital (continued)

On 29 June 2015, issued and fully paid share capital of the Company was increased from RM200 to RM7,200 by way of issuance of 7,000 ordinary shares of RM1.00 each at par for cash. The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

On 30 June 2015, the Company completed the following transactions:

(a) The authorised share capital of the Company was increased from RM100,000 to RM50,000,000 by the creation of 49,900,000 new ordinary shares of RM1.00 each at par. The increased authorised share capital was subsequently subdivided to 500,000,000 ordinary shares of RM0.10 each.

(b) A bonus issue of 30,992,800 new ordinary shares of RM1.00 each on the basis of 4,304.56 (rounded to 2 decimal places) new ordinary shares for every one existing ordinary share held in the Company; and

(c) Sub-division of issued share capital of RM31,000,000 comprising 31,000,000 ordinary shares of RM1.00 each to 310,000,000 ordinary shares of RM0.10 each. Each of the new shares of RM0.10 each have the same rights as the previous shares of RM1.00 nominal value.

There is no new issuance of ordinary shares of the Company during the current financial period.

2.19 Fair value reserve

		As at	As at
	30.6.2014 Audited RM	30.6.2015 Audited RM	31.1.2016 Audited RM
Fair value reserve	0	16,000	16,000

Fair value reserve is in respect of accumulated fair value gains on available-for-sale financial asset.

2.20 Retained earnings

Dividends paid out of retained earnings of the Company are single-tier dividends which are tax exempt in the hands of the shareholders.

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2.21 Finance lease liability

		As at	As at
	30.6.2014 Audited RM	30.6.2015 Audited RM	31.1.2016 Audited RM
Present value of minimum lease payments:			
Current			
- payable within one year	6,139,037	6,483,155	0
Non current			
- payable later than one year but not later than five years	15,345,611	9,365,706	0
	21,484,648	15,848,861	0
Fair value of finance lease liability	21,484,648	15,848,861	0

The subsidiary, Salutica Allied, leased the land and buildings under a finance lease arrangement with lease term expiring in 2018 and a purchase option exercisable by 28 February 2017.

On 19 June 2015, the subsidiary signed a Sale and Purchase Agreement with the lessor to exercise its purchase option to acquire the land and buildings under finance lease arrangement earlier than the agreed option exercise date due on 28 February 2017 at a revised purchase consideration of RM26,052,250. The final settlement amount of RM14,700,000 was derived based on revised purchase consideration plus transaction costs relating to acquisition less accumulated lease payments. The transaction was completed on 12 October 2015 with the drawdown a term loan of RM14,700,000 to re-finance the finance lease liability. The early settlement of the finance lease liability resulted in a gain of RM1,148,861, being the difference between final settlement amount of RM14,700,000 and outstanding finance lease liability of RM15,848,861, recognised in the profit or loss of the Group.

Finance lease liability was effectively secured as the rights to the leased assets revert to the lessor in the event of default.

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2.22 Hire-purchase creditors

	As at 30.6.2014 Audited RM	As at 30.6.2015 Audited RM	As at 31.1.2016 Audited RM
Future minimum hire-purchase payments:			
- Payable within one year	0	0	857,942
- Payable later than one year but not later than five years	0	0	1,390,949
	0	0	2,248,891
Less: Finance charges	0	0	(196,255)
	0	0	2,052,636
Present value of hire-purchase liabilities:			
Current			
- Payable within one year	0	0	738,248
Non current			
- Payable later than one year but not later than five years	0	0	1,314,388
	0	0	2,052,636

Hire-purchase creditors are denominated in Ringgit Malaysia. The effective interest rates ranged from 6.60% - 7.42% (As at 30 June 2014 and 30 June 2015: N/A) per annum. The carrying amount as at 31 January 2016 approximates the fair value. Hire-purchase creditors are effectively secured as the rights to the leased assets revert to the lessor in the event of default and are guaranteed by a director.

2.23 Term loans

	As at 30.6.2014 Audited RM	As at 30.6.2015 Audited RM	As at 31.1.2016 Audited RM
Secured			
Term loan 1	0	0	14,112,596
Unsecured			
Term loan 2	0	0	1,115,192
	0	0	15,227,788
Current			
- Repayable within one year	0	0	2,852,329
Non current			
- Repayable later than one year but not later than five years	0	0	12,375,459
	0	0	15,227,788

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2.23 Term loans (continued)

Term loans 1 and 2 are repayable by 60 instalments commencing November 2015 and September 2015 respectively.

Term loan 1 is secured by way of first legal charge on the land and buildings of Salutica Allied and certain fixed deposits pledged.

Term loan 1 and 2 are guaranteed by a director.

These term loans have effective interest rates per annum as follows:

		As at	As at
	30.6.2014	30.6.2015	31.1.2016
	Audited	Audited	Audited
	%	%	%
Term loan 1	0	0	5.92
Term loan 2	0	0	5.67

The interest expenses on these term loans are calculated based on floating interest rates which may be varied from time to time at the bank's discretion. All of the term loans are denominated in Ringgit Malaysia.

2.24 Payables and accruals

		As at	As at
	30.6.2014	30.6.2015	31.1.2016
	Audited	Audited	Audited
	RM	RM	RM
Trade payables	33,678,278	18,735,684	19,452,232
Other payables and accruals	3,517,792	4,332,678	4,069,204
	37,196,070	23,068,362	23,521,436
Advances from customers for product development	2,152,276	1,835,782	3,390,444
Advances from customers for sales of goods	3,314,182	5,771,410	3,423,601
	42,662,528	30,675,554	30,335,481

Credit terms of trade payables granted to the Group vary from 14 to 90 days (As at 30 June 2014 and 30 June 2015: 14 to 90 days).

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2.24 Payables and accruals (continued)

The currency profile of payables and accruals is as follows:

		As at	As at
	30.6.2014	30.6.2015	31.1.2016
	Audited	Audited	Audited
	RM	RM	RM
US Dollar	29,333,610	16,417,901	18,194,008
Ringgit Malaysia	7,762,758	6,357,924	5,265,789
Euro	89,953	290,837	40,248
Others	9,749	1,700	21,391
	37,196,070	23,068,362	23,521,436

2.25 Provision for warranties

	2014	2015	2016
	Audited	Audited	Audited
	RM	RM	RM
At 1 July	0	34	54,796
Acquisition of subsidiary	55,967	0	0
(Write back)/Charge during the financial year/period	(55,933)	54,762	31,641
At 30 June 2014/30 June 2015/31 January 2016	34	54,796	86,437

Provision for warranties is in respect of finished products manufactured and sold by the Group directly to the end users. The provision is measured at a percentage rate of historical replacement and a review of possible outcomes against the associated probabilities of returns.

2.26 Dividends

	Financial years ended		7 months financial period ended	
	30.6.2014	30.6.2015	31.1.2015	31.1.2016
	Audited	Audited	Unaudited	Audited
	RM	RM	RM	RM
Paid				
First interim tax exempt dividend	728,000	1,133,000	1,133,000	2,000,000
Second interim tax exempt dividend	1,100,000	2,000,000	0	0
Third interim tax exempt dividend	0	6,395,200	0	0
	1,828,000	9,528,200	1,133,000	2,000,000
Dividends per share - gross	12,780	47,641	5,665	0.006

Financial year ended 30 June 2014

(a) First interim single-tier tax exempt dividend of RM7,280 per share, on 100 ordinary shares of RM1.00 each, paid on 16 December 2013.

(b) Second interim single-tier tax exempt dividend of RM5,500 per share, on 200 ordinary shares of RM1.00 each, paid on 16 June 2014.

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2.26 Dividends (continued)

Financial year ended 30 June 2015
(a) First interim single-tier tax exempt dividend of RM5,665 per share, on 200 ordinary shares of RM1.00 each, paid on 15 December 2014.
(b) Second interim single-tier tax exempt dividend of RM10,000 per share, on 200 ordinary shares of RM1.00 each, paid on 23 March 2015.
(c) Third interim single-tier tax exempt dividend of RM31,976 per share, on 200 ordinary shares of RM1.00 each, paid on 22 June 2015.

7 months financial period ended 31 January 2015
(a) First interim single-tier tax exempt dividend of RM5,665 per share, on 200 ordinary shares of RM1.00 each, paid on 15 December 2014.

7 months financial period ended 31 January 2016
(a) First interim single-tier tax exempt dividend of RM0.006 (rounded to 3 decimal places) per share on 310,000,000 ordinary shares of RM0.10 each, paid on 23 October 2015.

2.27 Non cash transactions

The principal non cash transactions of the Group during the financial year/period are as follows:

	Financial years ended		7 months financial period ended	
	30.6.2014	30.6.2015	31.1.2015	31.1.2016
	Audited	Audited	Unaudited	Audited
	RM	RM	RM	RM
- Purchase of plant and machinery by means of hire-purchase arrangement	0	0	0	2,318,636
- Payment of insurance premium of key management by means of a term loan disbursed directly to the insurer	0	0	0	1,200,249
- Early settlement of finance lease liability by means of a term loan disbursed directly to the lessor	0	0	0	14,700,000

2.28 Capital commitments

Capital commitments in respect of property, plant and equipment not provided for in the financial statements are as follows:

	As at		As at
	30.6.2014	30.6.2015	31.1.2016
	Audited	Audited	Audited
	RM	RM	RM
Contracted	546,504	4,094,854	449,923
Authorised but not contracted	36,580	496,564	11,702,512

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2.29 Business combination (For financial year ended 30 June 2014 only)

Acquisition during the financial year ended 30 June 2014

On 4 September 2013, the Group acquired 100% interest in Salutica Allied which is incorporated in Malaysia. The purchase consideration of RM5 was satisfied by cash payment.

	Financial year ended 30.6.2014 RM
Purchase consideration:	
Cash paid	5
Fair values of net assets assumed	(45,416,092)
Gain on bargain purchase	(45,416,087)

The fair values of assets and liabilities assumed at the date of acquisition were as follows:

	2014 RM
Property, plant and equipment	45,459,416
Available-for-sale financial asset	39,000
Inventories	15,613,438
Receivables, deposits and prepayments	13,781,663
Cash and cash equivalents	15,597,291
Deposits with maturity period more than three months	5,000,000
Deposits pledged with a licensed bank	6,500,000
Derivative financial liabilities	(278,016)
Payables and accruals	(29,062,148)
Provision for warranties	(55,967)
Finance lease liability	(27,015,000)
Hire-purchase creditor	(128,388)
Tax payable	(35,197)
Fair value of net assets acquired	45,416,092
Gain on bargain purchase	(45,416,087)
Purchase consideration	5
Purchase consideration satisfied via cash	(5)
Add: Cash and cash equivalents acquired	15,597,291
Cash inflow on acquisition	15,597,286

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2.29 Business combination (For financial year ended 30 June 2014 only) (continued)

Acquisition during the financial year ended 30 June 2014 (continued)

The acquired business contributed revenue and profit after taxation of RM204,131,872 and RM14,868,959 respectively to the Group for the period from 4 September 2013 to 30 June 2014. Had the acquisition taken effect at the beginning of the financial year ended 30 June 2014, the revenue and profit after taxation of the Group would had been RM234,212,437 and RM68,995,371 respectively.

Gain on bargain purchase credited to profit or loss of the Group in the financial year ended 30 June 2014 amounted to RM45,416,087. The shareholders of the Company which are the existing management of Salutica Allied acquired Salutica Allied under a management buy-out scheme from its former shareholder at a purchase consideration of RM5 as the latter decided to exit its investment in Salutica Allied in Malaysia. In arriving at the consideration, the former shareholder had considered the estimated cost to shut down Salutica Allied's operation in Malaysia and place Salutica Allied under member's voluntary liquidation to enable it to exit its investment in Malaysia.

2.30 Financial instruments

(a) Classification of financial instruments

		As at	As at
	30.6.2014	30.6.2015	31.1.2016
	Audited	Audited	Audited
	RM	RM	RM
Financial assets			
Financial assets measured at fair value through profit or loss:			
- Derivative financial instrument	28,997	0	0
- Short term investment	0	0	1,300,710
Available-for-sale financial asset	39,000	55,000	55,000
Loans and receivables at amortised cost:			
- Trade, other receivables and deposits	28,602,532	16,865,674	21,476,739
- Deposits with a licensed bank	21,500,000	36,350,000	31,000,000
- Cash and bank balances	10,706,286	4,867,644	5,045,746
Total	60,876,815	58,138,318	58,878,195

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2.30 Financial instruments (continued)

(a) Classification of financial instruments (continued)

		As at	As at
	30.6.2014	30.6.2015	31.1.2016
	Audited	Audited	Audited
	RM	RM	RM
Financial liabilities			
Financial liability measured at fair value through profit or loss:			
- Derivative financial instrument	3,402	147,352	0
Other financial liabilities at amortised cost:			
- Payables and accruals	37,196,070	23,068,362	23,521,436
- Finance lease liability	21,484,648	15,848,861	0
- Hire-purchase creditors	0	0	2,052,636
- Term loans	0	0	15,227,788
Total	58,684,120	39,064,575	40,801,860

The Group has no financial assets classified as "held-to-maturity".

(b) Financial risk management

The Group's overall financial risk management objectives and policies are to ensure that the Group creates value and maximises returns for its shareholder. Financial risk management is carried out through risk review, internal control systems, benchmarking to the industry's best practices and adherence to the Group's financial risk management policies. The main risks arising from the financial instruments of the Group are market risk, price risk, credit risk and liquidity risk. Management monitors the Group's financial position closely with the objective to minimise potential adverse effects on the financial performance of the Group. The nature of these risks and the Group's approaches in managing these risks are listed below:

(i) Market risk

(a) Foreign currency exchange risk

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

The Group's sales are mostly denominated in US Dollar and Ringgit Malaysia whilst purchases of goods are denominated in US Dollar, Ringgit Malaysia and Euro.

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2.30 Financial instruments (continued)

(b) Financial risk management (continued)

(i) Market risk (continued)

(a) Foreign currency exchange risk (continued)

The Group mitigates its foreign currency exchange risk through the natural hedge of operating foreign currency accounts using the deposits from its export proceeds to pay imported purchases where both are denominated in the same foreign currency. The Group also enters into foreign currency forward exchange contracts to hedge its receivables for export proceeds, whenever considered necessary.

Sensitivity analysis for foreign currency exchange risk

Based on the currency profile of receivables, cash and bank balances and payables as disclosed in the respective Note 2.13, Note 2.17 and Note 2.24 to the financial statements respectively, the sensitivity analysis of foreign currency exchange risk is calculated based on fluctuations in exchange rates for the major currencies transacted by the Group against Ringgit Malaysia at the end of the financial period/year. This analysis assumes that all other variables are held constant.

	Estimated % increase				Impact on profit or loss			
	Financial years ended		7 months financial period ended		Financial years ended		7 months financial period ended	
	30.6.2014	30.6.2015	31.1.2015	31.1.2016	30.6.2014	30.6.2015	31.1.2015	31.1.2016
	Audited	Audited	Unaudited	Audited	Audited	Audited	Unaudited	Audited
	%	%	%		RM	RM	RM	RM
Foreign currency strengthens against RM								
- US Dollar	1	17	12	10	+105,000	+494,000	+1,447,000	+1,028,000
- Euro	6	4	7	7	-4,800	+10,000	-3,000	-1,000

Conversely, weakening of major currencies against Ringgit Malaysia by the above percentages would have had equal but opposite effects on the results of the Group shown above on the basis that all other variables remain constant.

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2.30 Financial instruments (continued)

(b) Financial risk management (continued)

(i) Market risk (continued)

(b) Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to changes in interest rates relates mainly to term loans and deposits placed with licensed banks in Malaysia. Majority of the borrowings are contracted on variable terms.

Sensitivity analysis for interest rate risk

Assuming all variables remain constant, an increase in interest rate by 0.5% for all the financial year/period on financial assets and liabilities of the Group which have variable interest rates would have an impact on the Group's profit or loss as shown below:

	Impact on profit or loss			
	Financial years ended		7 months financial period ended	
	30.6.2014	30.6.2015	31.1.2015	31.1.2016
	Audited	Audited	Unaudited	Audited
	RM	RM	RM	RM
Increase in interest rate:				
- term loans	0	0	0	-25,000
- deposits with licensed banks	+113,000	+145,000	+77,000	+98,000

Conversely, a decrease in interest rate by 0.5% on financial assets and liabilities of the Group would have had equal but opposite effect on the amounts shown above on the basis that all other variables remain constant.

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.30 Financial instruments (continued)

(b) Financial risk management (continued)

(ii) Price risk

Price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to price risk arising from its short term investment in money market fund. The short term investment is classified as fair value through profit or loss.

At the end of the reporting period, if the money market fund had been 2% (As at 30 June 2014 and 30 June 2015: N/A) higher/lower, will all other variables held constant, the Group's net profit would have been RM26,014 (Financial years ended 30 June 2014 and 30 June 2015: N/A) higher/lower, as a result of an increase/ decrease in the fair value of the quoted money market fund.

(iii) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial assets should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables, deposits with licensed banks and bank balances..

Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures. The Group has significant concentration of credit risk in the form of outstanding balance due from 3 customers representing 86% of the total trade receivables as at 31 January 2016 (As at 30 June 2014: 3 customers, 88%; As at 30 June 2015: 3 customers, 86%).

The credit quality of trade receivables that are neither past due nor impaired are substantially amounts due from these major customers with good collection track record with the Group. Management will continuously monitor closely the trade receivables which are past due.

Credit risk also arises from deposits with licensed banks. The deposits are placed with creditworthy licensed banks in Malaysia. The Group considers the risk of material loss in the event of non performance by a financial counterparty to be low.

Exposure to credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.30 Financial instruments (continued)

(b) Financial risk management (continued)

(iii) Credit risk (continued)

Ageing analysis

The ageing analysis of the Group's financial assets is as follows:

		As at	As at
	30.6.2014	30.6.2015	31.1.2016
	Audited	Audited	Audited
	RM	RM	RM
Neither past due nor impaired			
Derivative financial assets	28,997	0	0
Trade receivables	27,643,749	12,342,601	16,767,453
Other receivables and deposits	300,265	814,501	300,875
Deposits with licensed banks	21,500,000	36,350,000	31,000,000
Cash and bank balances	10,706,286	4,867,644	5,045,746
	60,179,297	54,374,746	53,114,074
Trade receivables:			
Past due but not impaired			
1 to 30 days past due	648,617	3,629,512	3,175,543
31 to 60 days past due	9,901	79,060	1,232,868
Sub-total	658,518	3,708,572	4,408,411
Total	60,837,815	58,083,318	57,522,485

Receivables that are neither past due nor impaired

Deposits and bank balances are mainly deposits placed with reputable licensed banks in Malaysia. Amount due from a subsidiary is receivable on demand and is within the treasury arrangements controlled within the Group. Trade and other receivables that are neither past due nor impaired are due from creditworthy debtors with good historical payment records with the Group. Majority of the Group's trade receivables arise from regular customers with the Group and with insignificant losses noted.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial years ended 30 June 2014 and 30 June 2015 and financial period ended 31 January 2016.

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.30 Financial instruments (continued)

(b) Financial risk management (continued)

(iii) Credit risk (continued)

Receivables that are past due but not impaired

As at 31 January 2016, trade receivables of the Group of RM4,408,411 (As at 30 June 2014: RM658,518; As at 30 June 2015: RM3,708,572) were past due but not impaired. These debts relate to a number of independent customers for whom there is no recent history of default. All of these debts have been repaid subsequent to the respective financial years ended 30 June 2014 and 30 June 2015. Certain of the debts outstanding as at 31 January 2016 have been settled subsequent to 31 January 2016.

Trade receivables that are impaired

There are no trade receivables that are impaired at the reporting date.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group maintains sufficient cash and ensures availability of funding through an adequate but flexible amount of credit facilities obtained from financial institutions in Malaysia. Certain facilities are maintained with varying maturities to ensure sufficient cash inflow from operations is available to meet all repayment requirements, if required.

The table below summarises the maturity profile of the Group's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	As at 30.6.2014		
	Within one year RM	Two to five years RM	Total RM
Financial liabilities:			
Payables and accruals	37,196,070	0	37,196,070
Finance lease liability	6,227,000	15,257,648	21,484,648
Total undiscounted financial obligations	43,423,070	15,257,648	58,680,718
Derivative financial liabilities:			
Gross settled currency forward			
- receipts	966,300	0	966,300
- payments	(969,702)	0	(969,702)
	(3,402)	0	(3,402)

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.30 Financial instruments (continued)

(b) Financial risk management (continued)

(iv) Liquidity risk (continued)

	As at 30.6.2015		
	Within one year RM	Two to five years RM	Total RM
Financial liabilities:			
Payables and accruals	23,068,362	0	23,068,362
Finance lease liability	6,542,250	9,306,611	15,848,861
Total undiscounted financial obligations	29,610,612	9,306,611	38,917,223
Derivative financial liabilities:			
Gross settled currency forward			
- receipts	6,307,800	0	6,307,800
- payments	(6,455,152)	0	(6,455,152)
	(147,352)	0	(147,352)

	As at 31.1.2016		
	Within one year RM	Two to five years RM	Total RM
Financial liabilities:			
Payables and accruals	23,521,436	0	23,521,436
Term loans	3,673,800	13,822,645	17,496,445
Hire-purchase creditors	857,942	1,390,949	2,248,891
Total undiscounted financial obligations	28,053,178	15,213,594	43,266,772

There are no outstanding finance lease liability and derivative financial liability as at 31 January 2016.

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.30 Financial instruments (continued)

(b) Financial risk management (continued)

(v) Capital management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value.

Management monitors capital based on shareholders' equity attributable to the owners of the Group.

(c) Fair value of financial instruments

The carrying amounts of the following financial assets and liabilities approximate their fair values due to the relatively short term maturity of these financial instruments: deposits, cash and bank balances, receivables and payables.

The fair value of the floating interest rate borrowings approximates the carrying value as at the reporting date.

The disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The following table presents the relevant Group's assets that are measured at fair value at the respective reporting date:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
At 30 June 2014				
Assets				
Available-for-sale financial asset	0	39,000	0	39,000
Derivative financial instruments	0	28,997	0	28,997
Liabilities				
Derivative financial instruments	0	3,402	0	3,402

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.30 Financial instruments (continued)

(c) Fair value of financial instruments (continued)

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
At 30 June 2015				
Assets				
Available-for-sale financial asset	0	55,000	0	55,000
Liabilities				
Derivative financial instruments	0	147,352	0	147,352
At 31 January 2016				
Assets				
Available-for-sale financial asset	0	55,000	0	55,000
Short term investment	1,300,710	0	0	1,300,710

The fair value of the short term investment is based on quoted market price in active market and is therefore classified in Level 1.

The fair values of the derivative financial instruments and available-for-sale financial asset are based on certain inputs which are not directly obtainable from quoted prices and are therefore classified in Level 2.

There were no transfers between Levels 1, 2 and 3 during the respective financial years/period.

2.31 Segment reporting

The Group operates in Malaysia under one business segment:

- Consumer electronics - is an operating segment which comprises vertical integration processes covering product design and development, and manufacturing of mobile communication products, wireless electronics and lifestyle devices.

Intra-segment revenue comprises dividend income received from a subsidiary.

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.31 Segment reporting (continued)

(a) Analysis of results and financial position

	Consumer electronics			
	Financial years ended		7 months financial period ended	
	30.6.2014	30.6.2015	31.1.2015	31.1.2016
	Audited	Audited	Unaudited	Audited
	RM	RM	RM	RM
Revenue				
Total revenue	206,331,872	232,947,420	125,416,467	150,854,109
Intra-segment revenue	(2,200,000)	(40,429,738)	(1,150,000)	(5,200,000)
External revenue	204,131,872	192,517,682	124,266,467	145,654,109
Results				
Profit from operations	59,349,563	20,371,696	10,928,841	21,668,579
Finance cost	(101,359)	(87,963)	(54,899)	(373,766)
Profit before taxation	59,248,204	20,283,733	10,873,942	21,294,813
Taxation	866,575	7,128,101	(123,080)	(5,463,607)
Net profit for the financial year/period	60,114,779	27,411,834	10,750,862	15,831,206
Other information:				
Interest income	568,910	1,058,483	555,117	647,344
Depreciation of property, plant and equipment	5,157,413	5,644,215	3,285,910	3,670,196
Capital expenditure	2,806,190	2,912,409	1,309,203	6,699,010

		As at	As at
	30.6.2014	30.6.2015	31.1.2016
	Audited	Audited	Audited
	RM	RM	RM
Other information:			
Segment assets	121,341,067	114,426,859	134,534,120
Unallocated assets	1,084,858	8,484,291	3,181,375
Total assets	122,425,925	122,911,150	137,715,495
Segment liabilities	64,150,612	46,726,563	47,702,342
Unallocated liabilities	0	2,640	0
Total liabilities	64,150,612	46,729,203	47,702,342

Unallocated assets consist of taxation recoverable and deferred tax assets. Unallocated liabilities include income tax payable and deferred tax liabilities.

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.31 Segment reporting (continued)

(b) Analysis of revenue by region

Although the business segment is located in Malaysia, the consumer electronics segment exports the goods to Asia, Europe, North America, Australia and Africa. The revenue of the Group is analysed as follows:

	Financial years ended		7 months financial period ended	
	30.6.2014	30.6.2015	31.1.2015	31.1.2016
	Audited	Audited	Unaudited	Audited
	RM	RM	RM	RM
North America	87,199,859	137,428,331	82,350,855	132,322,639
Europe	99,813,829	31,377,593	29,289,225	3,721,139
Australia (including New Zealand, Oceania)	46,007	1,086,363	1,039,573	68,935
Asia (excluding Malaysia)	14,217,715	19,059,886	9,607,986	8,769,694
Africa (including Middle East)	14,165	223,887	85,096	22,108
Malaysia	2,840,297	3,341,622	1,893,732	749,594
	204,131,872	192,517,682	124,266,467	145,654,109

The revenue of major customers individually contributed to more than 10% of the total revenue of the Group for the respective financial years / period are as follows:

(i) Financial year ended 30 June 2014: 3 customers with revenue of RM96,330,813, RM49,604,848 and RM28,381,167 respectively.
(ii) Financial year ended 30 June 2015: 3 customers with revenue of RM85,081,885, RM47,440,101 and RM28,194,588 respectively.
(iii) Financial period ended 31 January 2015: 3 customers with revenue of RM50,115,986, RM29,351,339 and RM27,682,103 respectively.
(iv) Financial period ended 31 January 2016: 2 customers with revenue of RM64,546,979 and RM61,671,854 respectively.

All non current assets of the Group are located in Malaysia.

The basis of measurement of reported segment profit or loss, segment assets and segment liabilities is consistent with the basis used for the consolidated statements of comprehensive income of the Group for the financial years/period ended 30 June 2014, 30 June 2015 and 31 January 2016 and the consolidated statements of financial position as at 30 June 2014, 30 June 2015 and 31 January 2016. The components of the segment assets and liabilities include classes of assets and liabilities disclosed in the consolidated statements of financial position.

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.32 Explanation of transition to MFRS

A summary of the impact of the transition adjustments to MFRS is set out below:

MFRS estimates

MFRS estimates as at transition date are consistent with the estimates as at the same date made in conformity with PERS.

MFRS 139 "Financial Instruments: Recognition and Measurement"

MFRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group has adopted MFRS 139 prospectively on the date of transition in accordance with the transitional provisions. The effects arising from the adoption of this Standard has been accounted for by adjusting the opening retained earnings.

The details of the changes in accounting policies and the effects arising from the adoption of MFRS 139 are discussed below:

Designation of previously recognised financial instruments

The investment in a transferable golf club membership currently held by Salutica Allied is designated as available-for-sale financial assets at date of acquisition and 30 June 2014 which is in accordance with MFRS.

Derivative financial instruments

Prior to the adoption of MFRS 139, derivative contracts were recognised in the financial statements of the Group on settlement date. With the adoption of MFRS 139, derivative contracts are now categorised as fair value through profit or loss and initially measured at their fair values with the subsequent gain or loss recognised in profit or loss.

Year end translation of foreign currency denominated trade receivables balances

Prior to the adoption of MFRS 121, foreign currency trade receivables of the Group are translated to Ringgit Malaysia at exchange rates ruling at year end, unless hedged by foreign currency forward contracts, in which case the rates specified in such forward contracts are used. Upon the adoption of MFRS 121, all foreign currency denominated monetary assets are translated at year end rates.

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.32 Explanation of transition to MFRS (continued)

The effect of transition from PERS to MFRS that has affected the Group is set out as follows:

(a) Reconciliation of equity

	As at 30.6.2014 RM
Equity as reported under PERS	58,394,716
Add/(Less): Transitioning adjustments taken up by subsidiary	
Designation of financial assets	
- as available-for-sale	13,000
- as fair value through profit or loss	25,595
Translation of foreign currency denominated receivables at year end rate	(59,850)
Finance cost	(98,148)
Equity on transition to MFRS	58,275,313

(b) Reconciliation of consolidated statement of comprehensive income

Financial year ended 30 June 2014	As previously reported under PERS RM	Effect of transition to MFRS RM	As restated under MFRS RM
Revenue	204,131,872	0	204,131,872
Raw materials and consumables used	(159,123,797)	0	(159,123,797)
Changes in inventories of work in progress and finished goods	3,631,555	0	3,631,555
Employee benefit expense	(16,054,409)	0	(16,054,409)
Contract workers	(9,031,513)	0	(9,031,513)
Depreciation of property, plant and equipment	(5,157,413)	0	(5,157,413)
Impairment loss of property, plant and equipment	(1,431,900)	0	(1,431,900)
Utilities	(2,745,242)	0	(2,745,242)
Maintenance and upkeep	(2,298,909)	0	(2,298,909)
Write back for doubtful debts	3,088,521	0	3,088,521
Interest income	568,910	0	568,910
Other operating income	464,534	(39,089)	425,445
Other operating expenses	(2,021,633)	(48,011)	(2,069,644)
Gain on bargain purchase arising from acquisition of a subsidiary	45,398,253	17,834	45,416,087
Profit from operations	59,418,829	(69,266)	59,349,563
Finance cost	(51,222)	(50,137)	(101,359)
Profit before taxation	59,367,607	(119,403)	59,248,204
Taxation	866,575	0	866,575
Net profit/Total comprehensive income for the financial year	60,234,182	(119,403)	60,114,779

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.32 Explanation of transition to MFRS (continued)

(c) Reconciliation of consolidated statement of financial position

	As previously reported under PERS RM	Effect of transition to MFRS RM	As restated under MFRS RM
At 30 June 2014			
ASSETS			
Property, plant and equipment	41,676,240	0	41,676,240
Available-for-sale financial asset	26,000	13,000	39,000
Deferred tax assets	1,073,540	0	1,073,540
Inventories	18,389,465	0	18,389,465
Receivables, deposits and prepayments	29,060,929	(59,850)	29,001,079
Derivative financial instruments	0	28,997	28,997
Tax recoverable	11,318	0	11,318
Cash and bank balances	32,206,286	0	32,206,286
Total Assets	122,443,778	(17,853)	122,425,925
EQUITY			
Share capital	200	0	200
Retained earnings	58,394,516	(119,403)	58,275,113
Total equity	58,394,716	(119,403)	58,275,313
LIABILITIES			
Payables and accruals	42,662,528	0	42,662,528
Derivative financial instruments	0	3,402	3,402
Finance lease liability	21,386,500	98,148	21,484,648
Provisions	34	0	34
Total liabilities	64,049,062	101,550	64,150,612
Total equity and liabilities	122,443,778	(17,853)	122,425,925

(d) Reconciliation of consolidated statement of cash flows

The transition from PERS to MFRS has no effect on the reported cash flows generated by the Group.

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2 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

2.32 Explanation of transition to MFRS (continued)

(e) Other additional disclosures

In addition to the above, disclosures in the financial statements have been expanded to comply with MFRS. The expanded disclosures include the following:
- Significant accounting estimates and judgements (Note 2.3)
- Earnings per share (Note 2.8)
- Available-for-sale financial asset (Note 2.10)
- Derivative financial instruments (Note 2.15)
- Key management compensation (Note 2.14(d))
- Disclosure of financial assets and financial liabilities (Note 2.30(a))
- Financial risk management covering market risk, price risk, credit risk, liquidity risk, capital management and fair value of financial instruments (Note 2.30(b) and (c))
- Segment information (Note 2.31)

2.33 Significant event after the consolidated interim financial period ended 31 January 2016.

On 4 April 2016, the directors of the Company have declared a second interim single-tier tax exempt dividend of 0.65 sen (rounded to the nearest 2 decimal places) per share, on 310,000,000 ordinary shares of RM0.10 each, totalling RM2,000,000, payable on 18 April 2016.

Other than the second interim dividend mentioned above, there is no other significant subsequent event after the audited consolidated interim financial statements for the financial period ended 31 January 2016 to the date of this report.

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Accountants' Report on Salutica Allied Solutions Sdn. Bhd.

The Board of Directors
Salutica Berhad (formerly known as Blue Ocean Genius Sdn. Bhd.)
3 Jalan Zarib 6
Kawasan Perindustrian Zarib
31500 Lahat
Perak Darul Ridzuan

Dear Sir

Reporting Accountants' audit opinion on the historical financial statements of Salutica Allied Solutions Sdn. Bhd.

Report on the financial statements

We have audited the financial statements of Salutica Allied Solutions Sdn. Bhd. contained in the Accountants' Report, which comprise the statements of financial position as at 30 June 2013, 30 June 2014, 30 June 2015 and 31 January 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial years ended 30 June 2013, 30 June 2014, 30 June 2015 and seven months financial period ended 31 January 2016, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 2.1 to 2.30.

Directors' Responsibility for the Financial Statements

The directors of Salutica Allied Solutions Sdn. Bhd. are responsible for the preparation of financial statements for the financial years ended 30 June 2013, 30 June 2014 and 30 June 2015 contained in the Accountants' Report so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards and the interim financial statements for the seven months ended 31 January 2016 in accordance with Malaysian Financial Reporting Standard 134 "Interim Financial Reporting" and International Accounting Standard 34 "Interim Financial Reporting". 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.

Reporting Accountants' Responsibility

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

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Reporting Accountants' audit opinion on the historical financial statements of Salutica Allied Solutions Sdn. Bhd. (continued)

Report on the financial statements (continued)

Reporting Accountants' Responsibility (continued)

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 directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Salutica Allied Solutions Sdn. Bhd as of 30 June 2013, 30 June 2014 and 30 June 2015 and of its financial performance and cash flows for the financial years ended 30 June 2013, 30 June 2014 and 30 June 2015 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and of the financial position as of 31 January 2016 and of its financial performance and cash flows for the seven months ended 31 January 2016 in accordance with Malaysian Financial Reporting Standard 134 "Interim Financial Reporting" and International Accounting Standard 34 "Interim Financial Reporting".

Other matters

The comparative information for the statements of financial position as of 31 January 2016 is based on the audited financial statements as at 30 June 2015. The comparative information for the statements of comprehensive income, changes in equity and cash flows and related explanatory notes, for the seven months financial period ended 31 January 2016 has not been audited.

In accordance with 13.04 of Chapter 13, Division 1 - Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia, we also report there is no significant subsequent event other than the matter disclosed in Note 2.30 since the date of the last audited interim financial statements for the seven months financial period ended 31 January 2016 to the date of this report.

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Reporting Accountants' audit opinion on the historical financial statements of Salutica Allied Solutions Sdn. Bhd. (continued)

Other matters (continued)

Salutica Allied Solutions Sdn. Bhd. has previously prepared its statutory financial statements for the financial years ended 30 June 2013 and 30 June 2014 in accordance with Private Entities Reporting Standards ("PERS") on which the predecessor auditor has issued a separate auditors' report dated 5 August 2013 to the member of Salutica Allied Solutions Sdn. Bhd. on the financial statements for the financial year ended 30 June 2013 and we have issued a separate auditors' report dated 5 September 2014 to the member of the Salutica Allied Solutions Sdn. Bhd. on the financial statements for the financial year ended 30 June 2014 respectively.

This report has been prepared solely to comply with the Prospectus Guidelines - Equity issued by the Securities Commission Malaysia and for inclusion in the Prospectus in connection with the initial public offering and listing of and quotation for the entire enlarged issued and paid-up share capital of Salutica Berhad (formerly known as Blue Ocean Genius Sdn. Bhd.) on ACE Market of Bursa Malaysia Securities Berhad and should not be relied on for any other purposes. Our work had been carried out in accordance with the approved standards on auditing in Malaysia and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions.

PRICEWATERHOUSECOOPERS
[No. AF: 1146]
Chartered Accountants

CHO CHOO MENG
[No. 2082/9/16 (J/PH)]
Chartered Accountant

Ipoh, Perak Darul Ridzuan

5 April 2016

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