NETX

ANNUAL REPORT 2014

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Chong Loong Men	*Independent Non-Executive Deputy Chairman*
Dato' Chang Lik Sean	*Executive Director*
En. Yahya Bin Razali	*Senior Independent Non-Executive Director*
Mr. Lai Pai Lan	*Independent Non-Executive Director*

AUDIT COMMITTEE
Chairman
Mr. Lai Pai Lan

Members
Mr. Chong Loong Men
En. Yahya Bin Razali

NOMINATION COMMITTEE
Chairman
En. Yahya Bin Razali

Members
Mr. Lai Pai Lan
Mr. Chong Loong Men

REMUNERATION COMMITTEE
Chairman
En. Yahya Bin Razali

Members
Mr. Lai Pai Lan
Mr. Chong Loong Men

COMPANY SECRETARIES
Ms. Seow Fei San
Ms. Law Mee Poo

REGISTERED OFFICE
802, 8th Floor, Block C
Kelana Square
17, Jalan SS7/26
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : +603-7803 1126
Fax : +603-7806 1387

SHARE REGISTRAR
ShareWorks Sdn Bhd
2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Wilayah Persekutuan
Tel : +603-6201 1120
Fax : +603-6201 5959

MANAGEMENT OFFICE
Wisma Ariantec
1-3 Street Wing
Sunsuria Avenue
Persiaran Mahogani
Kota Damansara, PJU 5
47810 Petaling Jaya
Selangor Darul Ehsan
Tel : +603-6142 3198
Fax : +603-6142 3292

AUDITORS
Ecovis AHL (AF 001825)
9-3, Jalan 109F
Plaza Danau 2
Taman Danau Desa
58100 Kuala Lumpur
Wilayah Persekutuan
Tel : +603-7981 1799
Fax : +603-7980 4796

PRINCIPAL BANKER
Malayan Banking Berhad (3813-K)
Sunway Giza Block B
No.1 & 2, Jln PJU 5/14
Kota Damansara
47810 Petaling Jaya
Selangor Darul Ehsan
Tel : +603- 6140 6451
Fax : +603- 6140 7461

STOCK EXCHANGE LISTING
Bursa Malaysia Securities Berhad
(ACE Market)
Stock Name: NETX
Stock Code: 0020

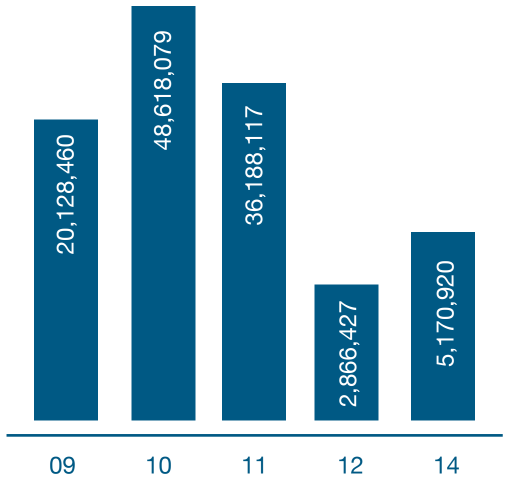
NETX HOLDINGS BERHAD (533441-W)

- 100% Ariantec Sdn Bhd (513689-K)
  - 100% Spammerspy Technologies International Sdn Bhd (722799-K)
- 100% Ariantec Green Power Sdn Bhd (662023-K)
- 100% Ariantec Green R & D Sdn Bhd (653042-H)
- 100% Ariantec Systems Sdn Bhd (661077-X)
- 100% Ariantec Consulting Sdn Bhd (659699-W)
- 100% Ariantec NOC Sdn Bhd (662373-T)
- 100% Global Green Energy Sdn Bhd (685199-W)
- 75% Global Soft (Pg) Sdn Bhd (495873-K)
- 60% Global Soft International Sdn Bhd (677170-K)

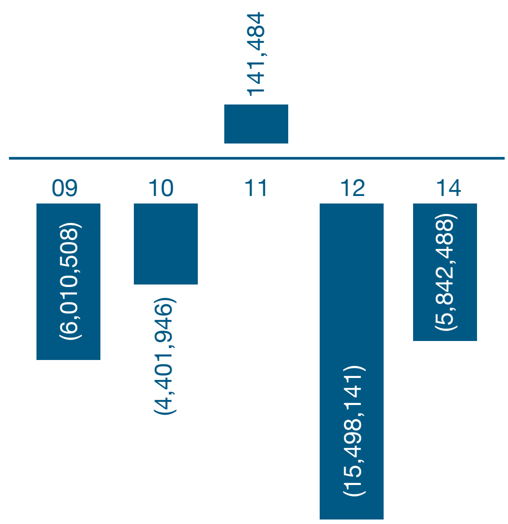
GROUP FINANCIAL HIGHLIGHTS

	30.6.2014 (18 months) RM	31.12.2012 (12 months) RM	31.12.2011 (12 months) RM	31.12.2010 (12 months) RM	31.12.2009 (12 months) RM
REVENUE	5,170,920	2,866,427	36,188,117	48,618,079	20,128,460
EBITDA	(6,070,318)	(17,419,268)	2,157,813	(711,371)	(2,858,842)
NET (LOSS)/PROFIT BEFORE TAX	(6,631,129)	(17,931,444)	392,924	(4,160,098)	(5,798,131)
NET (LOSS)/PROFIT AFTER TAX	(5,842,488)	(15,498,141)	141,484	(4,401,946)	(6,010,508)
NET (LOSS)/PROFIT ATTRIBUTABLE TO EQITY HOLDERS	(5,840,290)	(15,496,188)	145,513	(4,399,511)	(6,010,084)
TOTAL EQUITY	30,521,173	30,379,649	45,876,935	45,732,965	50,151,118
TOTAL ASSETS	34,770,517	36,341,270	52,557,804	77,446,441	94,339,311
TOTAL BORROWING	3,656,330	4,199,334	5,046,388	24,649,553	28,280,702

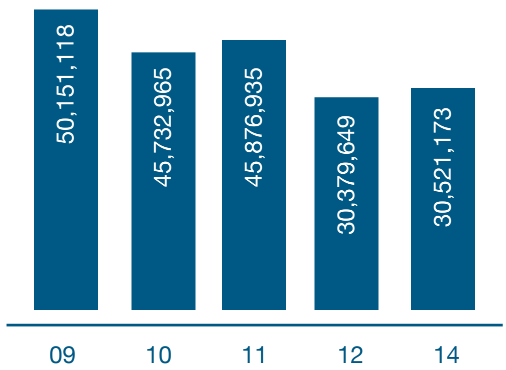
REVENUE (RM)



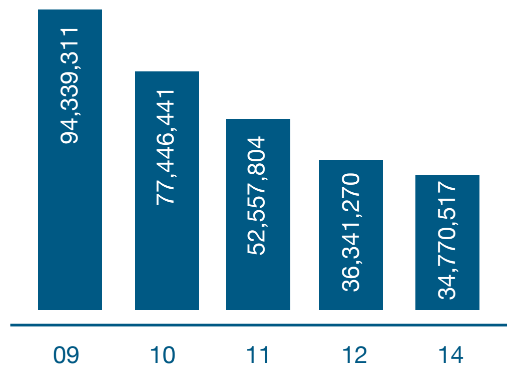
NET (LOSS)/PROFIT AFTER TAX (RM)



TOTAL EQUITY (RM)



TOTAL ASSETS (RM)



Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to the shareholders, the Annual Report of NetX Holdings Berhad ("NetX") for the financial period ended 30 June 2014.

Financial Review

The financial year end for 2014 had changed from 31 Dec 2013 to 30 June 2014, hence this report covers an 18 month financial performance of NetX Holdings Berhad. For the 18 month period ended 30 June 2014, the Group had recorded revenue of RM5.2 million and loss after taxation ("LAT") of RM5.8 million as compared to RM2.9 million revenue and LAT of RM15.5 million in the preceding year. This represents a 79% increase in revenue and a significant reduction in LAT.

The increase in revenue was due to a longer financial period and increase in demand for our products. Whereas the decrease in LAT was mainly due to huge amount of provision of doubtful debts and impairment on goodwill on consolidation that occurred in the preceding year.

Corporate Developments

A few major corporate exercises had taken place during the financial period, the developments are summarised as follows:-

On 20 March 2013, the Company had disposed of its 100% equity interest in Ariantec Global (HK) Limited to Rising Vast Global Investment Limited for a cash consideration of Hong Kong Dollar 1.00 only.

On 28 October 2013, the Company had changed its name from Ariantec Global Berhad to NetX Holdings Berhad.

On 18 November 2013, the Company had completed the private placement exercise with the listing and quotation of 56,800,000 new ordinary shares of RM0.10 each at an issuance price of RM0.10 each.

On 10 December 2013, the Company had changed its financial year end from 31 December to 30 June.

On 28 October 2014, TA Securities Holdings Berhad ("TA") had on behalf of the Company, announced that the Company proposed to undertake the followings:

(i) Proposed renounceable rights issue of up to 625,553,033 new ordinary shares of RM0.10 each in NETX ("NETX Shares" or "Shares") ("Rights Shares") on the basis of one (1) Rights Share for every one (1) existing NETX Share held, together with up to 625,553,033 free detachable warrants ("Warrants") on the basis of one (1) Warrant for every one (1) Rights Share subscribed at an entitlement date to be determined later;

(ii) Proposed acquisition of 51% equity interest in Springworks Sdn Bhd ("Springworks") comprising 51,000 ordinary shares of RM1.00 each in Springworks ("Springworks Shares"), for a purchase consideration of RM16,000,000 to be satisfied via the issuance of 160,000,000 NETX Shares at an issue price RM0.10 per Share;

(iii) Proposed establishment of a share issuance scheme for the eligible employees and Directors of NETX and its subsidiaries;

(iv) Proposed increase in the authorised share capital of NETX from RM70,000,000 comprising 700,000,000 NETX Shares to RM300,000,000 comprising 3,000,000,000 NETX Shares.

Industry Outlook

According to the Economic Report 2013/14 produced by Ministry of Finance Malaysia, most businesses in Malaysia, particularly the Small Medium Enterprises (SMEs), are still slow to adopt Information Communication Technology (ICT) mainly due to limitation of financial resources, lack of technological knowledge, and high maintenance cost of technical team & software applications. Therefore, the potential for our Malaysian market is strong and awaiting to be developed.

Furthermore, according to Paypal, network security issues and data privacy problems deter Malaysian businesses from deploying their plans to maximise its benefits. Paypal believes that more users would be willing to perform their transaction online if the security aspect of internet space improved.

Technological advancement is impacting our everyday life and it has become a trend for businesses to adopt ICT in order to improve productivity, achieve cost savings, and help their products to reach a wider market domestically and globally. The successful story of Alibaba in securing the world's largest stock market floatation in the New York Stock Exchange (NYSE) showed strong evidence that online sales and electronic payment utilising the ICT infrastructures had become a new standard for the western world. Therefore, it is imperative for SMEs to transform their traditional way of doing business in order to maintain competitiveness

Group Prospects

Whilst our Group remains optimistic on the outlook of the global economy, our Board intends to venture into telecommunication products in the next financial year. A successful private placement followed by an upcoming rights issue will take place to raise fund for this purpose.

In tandem with seeking opportunity for business growth, we constantly review our operations, adopt cost cutting measures, streamline processes and invest in telecommunication product to increase the revenue of the Group.

We will continuously seek opportunity for business growth and will look forward for new market opportunity especially in overseas market in order to strengthen the Group's financial performance. The Group is optimistic of achieving better results for the next financial year.

Corporate Governance

The Board of Directors continue to ensure compliance to Bursa Malaysia Listing Requirements for the ACE Market and strives to adopt and adhere to the principals and best practices of good corporate governance.

Appreciation

On behalf of the Board of Directors, I would like to take this opportunity to extend my sincere thanks to the management and staff of NetX Group for their contributions.

I would also like to thank our shareholders, customers, bankers, business partners and all relevant authorities for their support and services.

Chong Loong Men
Deputy Chairman

26 November 2014

DIRECTORS' PROFILE

DATO' CHANG LIK SEAN
Executive Director

Dato' Chang Lik Sean, a Malaysian, aged 40, was appointed as the Executive Director of the Company on 24 February 2014.

He graduated with a Bachelor of Science in Electrical & Electronics Engineering (Honours) and a Master of Science in Computing from University of Northumbria at Newcastle Upon Tyne, UK. He also obtained Higher Diploma in Microelectronics Engineering from Federal Institute of Technology (FIT), Malaysia, Diploma in Industrial Robotics from First Robotics Industrial Science, Institute, Malaysia & Higher Diploma and Certificate in Hotel & Catering Management from Stamford College, Malaysia.

Dato' Chang has attended 4 out of 4 Board of Directors' Meeting held during the financial period ended 30 June 2014. He has no family relationship with any Director and/or major shareholder of NetX. He has no conflict of interest with NetX and no conviction for any offences within the past 10 years.

He is presently the Chairman for MV Group of Companies which he founded in 2001, a company principally involved in IT and Telecommunication products and solutions. He has 13 years of experience in IT & telecommunication industry. He is versed in technical specification & evaluation, design & development, contract negotiations, project management, resource management, business strategy and business development.

EN. YAHYA BIN RAZALI
Senior Independent Non-Executive Director

En. Yahya Bin Razali, a Malaysian, aged 59, was appointed to the Board on 19 March 2013 and re-appointed on 28 June 2013. He is the Chairman of Nomination Committee and Remuneration Committee. He is a member of Audit Committee.

He obtained his Bachelor of Science (Finance) from Southern Illinois University and MBA from Berkeley, United States in 1982 and 1984 respectively. He worked with the Ministry of Culture, Youth and Sports of Malaysia from 1977 to 1979. In 1984, he joined the United State Leasing Corporation, San Francisco, United States as a Financial Analyst. In 1986, he worked as a Consultant with Alexander Proudfoot Productivity Consultant Pte Ltd in Singapore. He also held the position of Investment Manager and Executive Director for Selangor Foundation and Grand United Holdings Berhad respectively from 1988 to 1993. He was the Fund Manager cum Associate Director for Spectrum Asset Management Sdn Bhd, a licensed fund management company. He was an Independent and Non-Executive Director of RNC Corporation Berhad for the period 1998 to 2004.

En. Yahya has attended 11 out of 13 Board of Directors' Meeting held during the financial period ended 30 June 2014. He has no family relationship with any Director and/or major shareholder of NetX. He has no conflict of interest with NetX and no conviction for any offences within the past 10 years.

He is also an Independent Non-Executive Director of Uzma Berhad.

MR. CHONG LOONG MEN
Independent Non-Executive Deputy Chairman

Mr. Chong Loong Men, aged 35, was appointed to the Board on 19 March 2013 and re-appointed on 28 June 2013 as Independent Non-Executive director and redesigned as Independent Non-Executive Deputy Chairman of the Company on 4 October 2013. He is a member of Audit Committee, Nomination Committee and Remuneration Committee.

Being a practising lawyer, he possesses law degree, certificate of legal practice and a higher diploma in Quantity Surveying. He started his career with the Attorney General's Chambers as a Deputy Public Prosecutor before joining the Enforcement Division of the Securities Commission Malaysia in 2007. He started his private practise as a lawyer in 2011 with Messrs Lim, Chong, Phang & Amy, Advocates & Solicitors, a legal firm that he co-found.

Mr. Chong has attended 11 out of 13 Board of Directors' Meeting held during the financial period ended 30 June 2014. He has no family relationship with any Director and/or major shareholder of NetX. He has no conflict of interest with NetX and no conviction for any offences within the past 10 years.

MR. LAI PAI LAN
Independent Non-Executive Director

Mr. Lai Pai Lan, a Malaysian, aged 37, was appointed as the Independent Non-Executive Director of the Company on 8 April 2013 and re-appointed on 28 June 2013. He is Chairman of the Audit Committee. He is a member of Nomination Committee and Remuneration Committee.

He is a fellow member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants (MIA). He has more than 10 years of working experience in the field of accounting, auditing and taxation. He started his career by attaching himself to a Chartered Accountants firm, BDO Binder. He then started his own professional firm which specialising in accounting, consultancy and tax services until present.

Mr. Lai has attended 11 out of 12 Board of Directors' Meeting held during the financial period ended 30 June 2014. He has no family relationship with any Director and/or major shareholder of NetX. He has no conflict of interest with NetX and no conviction for any offences within the past 10 years.

He is also an Independent Non-Executive Director of Biosis Group Berhad.

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors appreciates the importance of adopting high standards of corporate governance as a mean of sustaining the Group's long term growth and increasing shareholders' value. The Group is moving towards ensuring full compliance with principles and best practices of Malaysian Code on Corporate Governance 2012 in observing its high standard of transparency, accountability and integrity.

A. Board of Directors

Composition and Balance of the Board

Currently, the Board consists of four (4) members comprising the following:

- One (1) Independent Non-Executive Deputy Chairman
- One (1) Senior Independent Non-Executive Director
- One (1) Independent Non-Executive Director
- One (1) Executive Director

The current Board composition complies with Rule 15.02 of the ACE Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad whereby majority of the Board members are Independent Directors.

The Board has conducted assessment on the independence of the Independent Directors. None of the Independent Directors has served the Company for more than a cumulative term of nine (9) years.

A Board Charter has been established to spell out the duties and responsibilities of Board members and a set of Directors Code of Conduct has also been formalised to ensure Directors practise ethical, businesslike and lawful conduct.

Both Board Charter and Directors Code of Conduct are available online at www.netx.com.my.

Roles and Responsibility of the Board

The Group acknowledges the importance of having an effective Board to lead and control the Group. Members of the Board comprising wide range of business, financial, technical and legal experience. The Board is ultimately responsible for the stewardship of the Group's strategic direction and development. The Board's responsibilities include reviewing and adopting the Group's goals, objectives and strategic plans set by the management, monitoring the achievement of the goals and objectives, reviewing the performance and identifying the group's principal risks.

Meetings

During the financial period from 1 January 2013 to 30 June 2014, the Board met on 17 occasions. The Board deliberated on a variety of matters. The attendance details of each individual Director are as follows:

	Meetings attended
Dato' Abd. Gani Bin Yusof (Resigned on 18/12/2013)	10/12
Mr. Hee Chee Keong (Retired on 26/06/2013)	7/7
Dr. Vincent Loy Ghee Yaw (Resigned on 22/03/2013)	4/4
Mr. Chen Kong Kheng (Resigned on 22/03/2013)	4/4
Mr. Lee Teck Meng (Resigned on 22/03/2013)	4/4
Mr. N. Chanthiran A/L Nagappan (Resigned on 12/03/2013)	3/4
Mr. Choy Chean Yen (Retired on 26/06/2013)	5/7
En. Mohd Kamal Bin Omar (Resigned on 26/11/2013)	9/10
Mr. Law Boon Keat (Resigned on 16/04/2013)	6/6
Mr. Chong Loong Men (Appointed on 19/03/2013; retired on 26/06/2013 and re-appointed on 28/06/2013)	11/13
En. Yahya Bin Razali (Appointed on 19/03/2013; retired on 26/06/2013 and re-appointed on 28/06/2013)	11/13
Mr. Lai Pai Lan (Appointed on 08/04/2013; retired on 26/06/2013 and re-appointed on 28/06/2013)	11/12
Mr. Cheah Chee Fatt (Appointed on 07/05/2013, Retired on 26/06/2013)	1/1
Mr. Hew Tze Kok (Appointed on 07/05/2013, Retired on 26/06/2013)	1/1
Dato' Chang Lik Sean (Appointed on 24/02/2014)	4/4

Supply of Information

Members of the Board have access to information on a timely basis to enable them to discharge their duties and responsibilities.

In furtherance of their duties, the Board has unrestricted access to timely and accurate information pertaining to the Group as well as advice and services of the Company Secretaries and independent advisors whenever appropriate at the Group's expense.

Appointment and Re-election of Directors

The appointment of any additional director is made as and when it is deemed necessary by the Board with due consideration given to the mix of expertise and experience required for discharging its duties and responsibilities effectively. The Board is assisted in this regard by the Nomination Committee, details of which are set out below.

The procedure for re-election of directors who retire by rotation is set out in the Company's Articles of Association. At each annual general meeting of the Company, one-third (1/3) of the directors for the time being or if their number is not three (3) or a multiple of the three (3), then the number nearest to one-third (1/3), shall retire from office provided always that all directors shall retire from office once at least in every three (3) years but shall be eligible for re-election.

Board Committees

The Company has established four Committee of Directors ("Committees") to assist in the performance of certain duties of the Board under specific terms of reference. Three (3) of the Committees are composed of a majority of Non-Executive Directors. The Board considers that the mix of commercial experience from the Non-Executive Directors will complement the Executive Directors and create an effective Board.

The Committees established are as follows:

(i) Audit Committee

The report of the Audit Committee is set out on pages 12 to 14 of the Annual Report.

(ii) Nomination Committee

The Nomination Committee consists of three members, all of whom are Independent Non-Executive Directors and its Chairman is a Senior Independent Director appointed by the Board.

The functions of the Nomination Committee are as follows:

- Recommend to the Board the candidates for all directorships to be filled by the shareholders or the Board.

- Recommend to the Board the Directors to fill the seats on Committees of Directors.

- Review the required mix of skills and experience and other qualities including core competencies which Non-Executives should bring to the Board.

- Assess the effectiveness of the Board as a whole, the Committees of Directors and the contribution of each Director.

The Board has established a nomination process of board members to facilitate and provide a guide for the Nomination Committee to identify, evaluate, select and recommend to the Board the candidate to be appointed as a director of the Company.

The director who is subject to re-election and/or re-appointment at next Annual General Meeting is assessed by the Nomination Committee before recommendation is made to the Board and shareholders for the re-election and/or re-appointment. Appropriate assessment and recommendation by the Nomination Committee is based on the yearly assessment conducted.

As all members of the Nomination Committee are Independent Directors, the assessment of their independence has been conducted by the Board as a whole.

The summary of the activities of the Nomination Committee during the financial period are as follows:

- Recommended to the Board the nomination of person(s) to be Board member(s).
- Reviewed the mix of skill and experience and other qualities of the Board.
- Assessed the effectiveness of the Board as a whole, the Board committees and the Directors.
- Discussed the Company's Directors' retirement by rotation.

The Nomination Committee is satisfied with the effectiveness of the Board/Board Committees. The assessment and evaluation is properly documented.

(iii) Remuneration Committee

The Remuneration Committee consists of three members, all of whom are Independent Non-Executive Directors.

The responsibilities and functions of the Remuneration Committee include the following:

- To recommend to the Board the remuneration packages of the executive directors of the Company in all its forms, drawing from outside advice as necessary. The determination of remuneration packages of non-executive directors, including non-executive chairman, should be a matter for the board as a whole; and
- To perform such other functions as may be agreed by the Remuneration Committee and Board of Directors.

The Remuneration Committee recommends remuneration packages which are sufficient and necessary to attract, retain and motivate Executive Director(s) to run the Company. The remuneration of Non-Executive Directors is linked to their experience and level of responsibilities undertaken by them.

The Board has established a remuneration policy and to facilitate the Remuneration Committee to review, consider and recommend to the Board for decision the remuneration packages of the Executive Director(s).

The aggregate remuneration paid or payable to all Directors of the Company for the financial period ended 30 June 2014 is as follows:

Component	Executive Directors (RM)	Non-Executive Directors (RM)	Total (RM)
Salaries & other emoluments	620,488	21,000	641,488
Fees	76,750	170,063	246,813
Benefit in kind	148,750	-	148,750
Total	**845,988**	**191,063**	**1,037,051**

The numbers of Directors whose total remuneration falls within the following range are as follows:

Range of Remuneration	Executive Directors	Non-Executive Directors	Total
RM 50,000 and below	-	8	8
RM 50,001 to RM100,000	3	-	3
RM100,001 to RM150,000	1	-	1
RM200,001 to RM250,000	2	-	2

Directors' Training

All the Directors have attended and completed the Mandatory Accreditation Programme ("MAP") prescribed by Bursa Securities.

During the financial period ended 30 June 2014, all the directors have attended at least one training programme. Amongst the training programmes, courses and seminars were attended by the Directors were as follows:

- Mandatory Accreditation Program (MAP)
- Audit Committee Conference 2014
- Goods and Service Tax – A Preparatory Course for GST Consultants and Accountants – Session 1 Public Practice Programme
- Overview of ESG Index & ICB

B. Diversity in the Boardroom

The Board endeavours to have diversity of the Board in terms of gender, experience, qualification, ethnicity and age.

The Board recognises the benefits of having female participation on the Board, however, the Board does not endorse a specific target, it does commit itself to having representatives of women on the Board subject to identification of suitable candidates with appropriate skills.

C. Corporate Disclosure

To ensure quality disclosure, the Company has a corporate disclosure policy to ensure accurate, clear and timely disclosure of material information and take reasonable steps to ensure that the general public has access to such information.

The said corporate disclosure policy is available at www.netx.com.my.

D. Shareholders

The Company has implemented a shareholder communications policy to ensure effective communication with its shareholders and other stakeholders.

Dialogue with investor

The annual reports, quarterly reports and various mandatory announcements are the main channel of information by the Company of its financial performance, operations and corporate developments.

The Company's website www.netx.com.my contains vital information concerning the Group which is updated on a regular basis.

The Board considers it essential that investors are kept informed of all the latest financial result and developments of the Company and where appropriate, will provide disclosure that is in the best interest of the Company and also of the shareholders. All such reporting information can be obtained from the websites of the Company and Bursa Malaysia Securities Berhad.

The Annual General Meeting ("AGM")

The AGM is the main delivery channel for dialogue with all shareholders. Shareholders are encouraged and are given ample opportunities to enquire about the Group's activities and prospects as well as to communicate their expectations and concerns. Suggestions and comments by shareholders will be noted by the Board for consideration.

The Board encourages poll voting for resolutions and will evaluate the feasibility of carrying out electronic polling at its general meetings in the future.

Information on shareholders' rights relating to general meeting is available at www.netx.com.my.

E. Sustainability Policy

The Company endeavours to operate its business in accordance with environmental, social and economic responsibility. This includes working within the law in order to be innovative and demonstrate initiative to meet the requirements of various stakeholders. The Company strives to achieve a sustainable long-term balance between meeting its business goals and preserving the environment.

The strategies to promote sustainability and its implementation can be found at the Company's website at www.netx.com.my.

F. Accountability and Audit

Financial Reporting

The Directors are required by the Companies Act 1965 to ensure that financial statements prepared for each financial year provide a true and fair view of the Company and the Group. The Directors deliberate on financial statements and ensure that the Group has used appropriate accounting policies, supported by reasonable and prudent judgment and estimates. The Audit Committee assists the Board by scrutinizing the information to be disclosed.

The Group's financial statements are presented in pages 27 to 65 of the Annual Report.

Relationship with the Auditors

Through the Audit Committee, the Board has established a formal and transparent relationship with the Group's auditors, both internal and external, in seeking professional advice towards ensuring full compliance with applicable accounting standards.

Internal Control

The Board has overall responsibility for maintaining a system of internal controls, which provides reasonable assessments of effective and efficient operations, internal controls and compliance with laws and regulations.

The Statement on Risk Management and Internal Control as set out in pages 15 to 16 of the Annual Report provides an overview of the state of internal control within the Group.

AUDIT COMMITTEE REPORT

The principle objective of the Audit Committee is to assist the Board in discharging certain of its statutory duties and responsibilities in relation to financial, accounting and reporting practices and to ensure proper disclosure to the shareholders of the Group.

COMPOSITION AND DESIGNATION OF AUDIT COMMITTEE

Currently, the Audit Committee comprises the following members:

Mr. Lai Pai Lan (Chairman)	Independent Non-Executive Director
En. Yahya Bin Razali (Member)	Senior Independent Non-Executive Director
Mr. Chong Loong Men (Member)	Independent Non-Executive Deputy Chairman

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Membership

1. Members of the Audit Committee shall be from amongst its directors which fulfills the following requirements:-

   (a) the Audit Committee must be composed of no fewer than three (3) members;

   (b) all the Audit Committee members must be non-executive directors, with a majority of them being independent directors; and

   (c) at least one (1) member of the Audit Committee:-

      (i) must be a member of the Malaysian Institute of Accountants; or

      (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:-

         (aa) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or

         (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or

      (iii) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

2. No alternate director shall be appointed as a member of the Audit Committee.

3. The members of the Audit Committee shall elect a chairman from among their number who shall be an independent director.

4. If a member of the Audit Committee resigns, dies or for any reason ceases to be a member which results in the number being reduced below three (3), the vacancy must be filled within three (3) months.

5. The term of office and performance of the Audit Committee and each of its members shall be reviewed by the Board at least once every three (3) years.

Meetings

1. The Audit Committee shall meet at least four (4) times in a year or a frequency to be decided by the Committee.

2. A quorum shall be two (2) members with a majority of members present must be independent directors.

3. The Chairman of the Audit Committee shall, upon the request of the external auditor, convene a meeting to consider any matter the external auditor believes should be brought to the attention of the directors or shareholders.

4. Other directors and employees may attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.

5. The Company Secretary shall be the Secretary of the Committee.

Members and Attendance

There were eleven (11) Audit Committee Meeting held during the financial period ended 30 June 2014.

The meetings deliberated on a variety of matters.

The attendance details of each member of Audit Committee are as follows:

Members of Audit Committee	Attendance in 2014
Mr. N. Chanthiran A/L Nagappan (Resigned on 12.3.2013)	3/3
Mr. Lee Teck Meng (Resigned on 22.3.2013)	4/4
Mr. Hee Chee Keong (Resigned on 26.6.2013)	6/6
Mr. Lai Pai Lan	7/7
En. Yahya Bin Razali	7/7
Mr. Chong Loong Men	3/3
En. Mohd Kamal Bin Omar (Resigned on 26.11.2013)	1/2

Functions

1. to review the following and report the same to the Board of directors of the Company:-

   (a) with the external auditor, the audit plan;

   (b) with the external auditor, his evaluation of the system of internal controls;

   (c) with the external auditor, his audit report;

   (d) the assistance given by the employees of the Company to the external auditor;

   (e) the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;

   (f) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;

   (g) the quarterly results and year end financial statements, prior to the approval by the Board of directors, focusing particularly on:-

      (i) changes in or implementation of major accounting policy changes;

      (ii) significant and unusual events; and

      (iii) compliance with accounting standards and other legal requirements;

   (h) any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions of management integrity;

   (i) any letter of resignation from the external auditors of the Company; and

   (j) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment.

2. to recommend the nomination of a person or persons as external auditors.

3. to perform any other functions, responsibilities and/or duties as may be imposed by Bursa Malaysia Securities Berhad or any other relevant authorities from time to time; and

4. to perform such other functions as may be agreed to by the Audit Committee and the Board of Directors.

Rights

The Audit Committee shall, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:-

1. have authority to investigate any matter within its terms of reference;

2. have the resources which are required to perform its duties;

Rights (Cont'd)

3. have full and unrestricted access to any information pertaining to the Company;

4. have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;

5. be able to obtain independent professional or other advice; and

6. be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

Activities

The committee had carried out the following activities during the eleven (11) meetings in discharging their duties and responsibilities:

- reviewed the quarterly reports of the Group and recommendation of the same to the Board for approval and release of the Group's result to Bursa Malaysia Securities Berhad;
- reviewed the external auditors scope of work and audit plan for the Group;
- reviewed with external auditors on the results and issues arising from their audit of the financial year end statements and their resolutions of such issues highlighted in their report to committee;
- reviewed internal audit findings and recommendations for improvement in the system of internal control;
- considered and recommended the external auditors for re-appointment; and
- discussed the new accounting standards which will affect the Company.

Internal Audit Function

The Group had outsourced its internal audit functions on the review of the system of internal control and risk assessment of the Group.

The Internal Audit team will report directly to the Audit Committee and assist the Board in monitoring the risks and reviewing the internal controls system to ensure sound internal control system are established and continue to function effectively and satisfactorily with the Group.

INTRODUCTION

The Board of Directors acknowledges the importance of maintaining a sound system of internal control and effective risk management as part of its ongoing efforts to practice good corporate governance. The Board is pleased to provide the following Statement on Risk Management and Internal Control for the financial period ended 30 June 2014. This statement is made in compliance with Rule 15.26(b) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad and the Malaysian Code on Corporate Governance 2012 ("Code").

RESPONSIBILITY OF THE BOARD

The Board recognises it responsibility for maintaining a sound system of internal controls to safeguard the shareholders' investments and the Group's assets, and to discharge their stewardship responsibilities in identifying principal risk and ensuring the implementation of appropriate systems to manage the risks in accordance with best practices of the Code.

However, due to the limitations inherent in any risk management and internal control systems, it should be noted that such systems are designed to manage rather than eliminate the risk of failure to achieve Group's business objectives. Therefore, the systems can only provide a reasonable and not an absolute assurance against the occurrence of material misstatement, loss or fraud. The internal control systems of the Group covers, inter alia, risk management, financial, operational and compliances aspects.

The Board is assisted by the management in the implementation of the Board's policies and procedures on risks and control by identifying and assessing the risks faced, and in the design, operation and monitoring suitable internal control to mitigate and control these risks. The Board has received assurances from the Executive Director and senior management that the Group's risk management and internal control systems are operating adequately and effectively in all material aspects.

RISK MANAGEMENT FRAMEWORK

The Board recognises that effective risk management is critical for continuous profitability to enhance shareholders value and good corporate governance. The Executive Directors with assistance of the management are continuously identifying, evaluating, managing and reporting on significant business risks on an ongoing basis. They have been entrusted to prepare actions plan to address the risk and control issues identified. The summary key finding was brought to the attention of Executive Director and was also discussed at the Board meeting as and when necessary.

KEY INTERNAL CONTROL PROCESSES

The Group's internal control system encompasses the following:

- A formal organizational structure and discretionary authority limits are in place with defined lines of reporting, to align with business and operational requirements. Formal limits of authority delegation are implemented for planning, executing, controlling and monitoring business operations. The authority limits is summarized in authority matrix which is subject to annual review. The last review being made on 2 June 2014.

- Documentation of standard operating procedures and ensuring that internal policies, processes and procedures are drawn-up, reviewed and revised as and when required and necessary.

- Board Committees are set up by the Group to uphold corporate governance and transparency with its specific terms of reference and authority. The Board Committees comprise of Audit Committee, Nomination and Remuneration Committee. These Committees report to the Board and provide relevant recommendations for Board's decision.

- An Audit Committee, of which the majority comprises Independent Non-Executive Directors, was maintained throughout the year. The Audit Committee convenes meetings at least once every quarter, and discuss among others on the financial results, internal audit findings, related party transactions, risk management and on the external auditors' appointment and their external audit plan and results.

- Employee handbook is provided to employees of the Group. It guides the employees in carrying out their duties and responsibilities covers areas such as compliance with applicable local laws and regulations, integrity, conduct in workplace, business conduct, protection of the Group's assets, confidentiality and conflict of interest.

INTERNAL AUDIT FUNCTION

As the existing internally set up internal audit department has been dissolved during the financial period, the Group has subsequently outsourced its internal audit function to an independent professional consultancy firm, Total Advisors Sdn. Bhd. which provides the Board with much of the assurance it required regarding the effectiveness and adequacy of the Group's system of internal control. The responsibilities of the internal auditors include conducting audits, submitting findings and independent report to the Audit Committee on the Group's systems of internal control. Being an independent function, the audit work is conducted with impartiality, proficiency and due professional care. Internal audit plans are reviewed and approved by the Audit committee and the plans include independent appraisal on the compliance, adequacy and effectiveness of the Group's internal controls and to assess and monitor the effectiveness and implementation of the Group's risk management policies. The findings of the internal audit function, including its recommendations and management's responses, were reported directly to the Audit Committee. In addition, the internal audit function followed up on the implementation of recommendations from previous cycles of internal audit and to update the Audit Committee on the status of management agreed action plan implementation.

During the period under review, a number of internal control weaknesses have been identified and all of which are being addressed by the management. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in this Annual Report.

The total cost incurred for the internal audit function for the financial period ended 30 June 2014 amounted to RM17,550.

CONCLUSION

The Board has received assurance from the Executive Director that in all material aspects, the Group's risk management and internal control system is operating adequately and effectively.

For the financial period under review and up to the date of this report, the Board is satisfied with the Group's system of risk management and internal control. The Board is of the view that the developments of internal controls is an ongoing process and will continue to strengthen the internal control environment.

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

Pursuant to paragraph 15.23 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial period ended 30 June 2014, and reported to the Board that nothing has come to their attention that causes them to believe that this Statement on Risk Management and Internal Control is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

1. UTILISATION OF PROCEEDS

1.1 Private Placement completed on 18 November 2013

The Company has raised cash proceeds of RM5.68 million from a private placement exercise which was completed on 18 November 2013. The summary of the utilisation of proceeds were as follows:-

Utilisasation	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000)	Balance as at 30 June 2014 (RM'000)	Timeframe of utilisation of proceeds
Working capital	3,380	1,820	1,560	Within 12 months
Future projects funding	2,200	1,200	1,000	Within 12 months
Estimated expenses	100	100	-	-
Total	**5,680**	**3,120**	**2,560**	

1.2 Proposed Right Issue of share with warrants in 2014

The Board of Directors had on 28 October 2014 via TA Securities Holdings Berhad announced that the Company proposed to undertake a proposed Rights Issue of Shares with Warrants entails the issuance of up to 625,553,033 Rights Shares on the basis of one (1) Rights Share for every one (1) existing share held, together with up to 625,553,033 free detachable Warrants on the basis of one (1) Warrant for every one (1) Rights Share subscribed at an entitlement date to be determined later. The Company is expected to raise gross proceeds amounting to RM62.555 million from the proposed Right Issue with Warrants. The proceeds are expected to be utilised in the following manners:-

Descriptions	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)	Timeframe of utilisation of proceeds
Investment in the deployment of mobile payment platform and solutions	4,500	10,000	Within 24 months
Expansion of existing businesses and acquisition of future businesses	-	43,955	Within 18 months
Repayment of existing bank borrowings of NETX Group	-	3,600	Within 6 months
Working capital for the NETX Group	500	4,000	Within 24 months
Estimated expenses in relation to the Proposals	1,000	1,000	Within 2 months
Total estimated proceeds	**6,000**	**62,555**	

2 SHARE BUY-BACKS

During the financial period, the Company did not enter into any share buy-back transaction.

3 OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial year 2006, the Company issued 78,971,566 warrants, none of the warrant was exercised during the financial year 2011. The exercise rights of the warrants expired on 18 April 2011.

4 DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any depository receipt programme during the financial period.

5 SANCTIONS/PENALTIES

There were no material sanctions or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial period.

6 NON-AUDIT FEES

The amount of non-audit fees paid and payable to the external auditors by the Group for the financial period ended 30 June 2014 was RM6,000 (Year of 2012 : RM1,000)

7 MATERIAL CONTRACTS INVOLVING DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

There were no material contracts entered into by the company and/or its subsidiaries involving Directors' and/ or major shareholders' interests, either still subsisting at the end of the financial period or entered into since the end of the previous financial year.

8 REVALUATION POLICY

The Company did not revalue any of its property, plant and equipment during financial period.

9 MATERIAL PROPERTY AS AT 30 JUNE 2014
Description of Property
Leasehold Building

Wisma Ariantec 1-3, Street Wing, Sunsuria Avenue, Persiaran Mahogani, Kota Damansara, PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan.

Existing Use	Age of Building	Approximate area	Tenure and expiry date	Net book Value as at 30-06-2014
Management office	4 years	Built-up: 990 sq.metres	Leasehold 99 Years 21 February 2107	RM5,242,217

10 PROFIT GUARANTEE

There were no profit guarantees given by the Company during the financial period.

11 VARIATION IN RESULTS

There were no significant variances noted between the reported results and the unaudited results announced.

12 PROFIT ESTIMATE, FORECAST OR PROJECTION

The Company did not make any release on the profit estimate, forecast or projection for the financial period.

13 RECURRENT RELATED PARTY TRANSACTIONS ("RRPT") OF REVENUE NATURE

During the financial period, there was no RRPT of Revenue Nature.

14 CORPORATE SOCIAL RESPONSIBILITIES

The Group believed that pursuit of business objectives needs to be balanced with the employees, environment and social welfare responsibilities. As such the Group uses its best endeavour on an ongoing basis to integrate corporate social responsibilities practices into its business operations.

As part of our goal to give back to society, the Group continuous contribute toward charities, non-profit organization and make donations. The Company is also adopting eco-friendly practices such as using of energy saving lights for daily operations.

Besides, the Company recognised that employees are the most valuable asset and acknowledged their invaluable contributions to the Company. The Company understands that long term sustainability depends on the ability to attract and retain talented and dedicated employees. Accordingly, employees are provided with a safe and healthy environment with adequate medical benefits and insurance protection plans. On top of this, employees were sent for external training course in order to enhance their skill and competency.

STATEMENT OF DIRECTORS' RESPONSIBILITY

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

The Directors have the responsibility to ensure that the Company keeps proper accounting records, disclosing with reasonable accuracy the financial position of the Group and Company and ensuring that the financial statements comply with the provisions of the Companies Act 1965 and applicable approved accounting standards in Malaysia.

The Directors are responsible for taking reasonable steps to safeguard the assets of the Company and the Group, for the prevention and detection of fraud and other irregularities.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the 18 months financial period ended 30 June 2014.

CHANGE OF NAME

On 28 October 2013, the Company changed its name from Ariantec Global Berhad to NETX Holdings Berhad.

CHANGE OF FINANCIAL YEAR END

On 10 December 2013, the Board of Directors of the Company had approved the change of financial year of the Company from 31 December to 30 June. Accordingly, this set of financial statements covers a period of 18 months from 1 January 2013 to 30 June 2014.

PRINCIPAL ACTIVITIES

The Company is principally involved in the research and development of software, system design, integration and installation and provision of information technology services. The principal activities of the subsidiary companies are disclosed in Note 7 to the financial statements.

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

RESULTS

	Group RM	Company RM
Loss for the financial period	(5,842,488)	(1,133,641)
Attributable to:		
Owners of the Company	(5,840,290)	(1,133,641)
Non-controlling interests	(2,198)	-
	(5,842,488)	(1,133,641)

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend the payment of any dividend in respect of the financial period ended 30 June 2014.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During the financial period, the issued and paid-up share capital of the Company was increased from RM56,875,303 to RM62,555,303 by way of the issuance of 56,800,000 new ordinary shares of RM0.10 each through a private placement for cash, for additional working capital and future projects funding purposes.

The new ordinary shares issued during the financial period ranked pari passu in all respects with the then existing ordinary shares of the Company.

The Company has not issued any debentures during the financial period.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS

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

Dato' Chang Lik Sean	(Appointed on 24.2.2014)
Chong Loong Men	(Appointed on 19.3.2013; retired on 26.6.2013 and re-appointed on 28.6.2013)
Lai Pai Lan	(Appointed on 8.4.2013; retired on 26.6.2013 and re-appointed on 28.6.2013)
Yahya Bin Razali	(Appointed on 19.3.2013; retired on 26.6.2013 and re-appointed on 28.6.2013)
Cheah Chee Fatt	(Appointed on 7.5.2013; retired on 26.6.2013)
Hew Tze Kok	(Appointed on 7.5.2013, retired on 26.6.2013)
Lee Teck Meng	(Resigned on 22.3.2013)
Hee Chee Keong	(Retired on 26.6.2013)
Vincent Loy Ghee Yaw	(Resigned on 22.3.2013)
Chen Kong Kheng	(Resigned on 22.3.2013)
Dato' Abd. Gani Bin Yusof	(Resigned on 18.12.2013)
Choy Chean Yen	(Retired on 26.6.2013)
Law Boon Keat	(Resigned on 16.4.2013)
Mohd Kamal Bin Omar	(Resigned on 26.11.2013)

DIRECTORS' INTERESTS

None of the Directors who held office at the end of the financial period had any interest in shares in the Company or its related corporations during the financial period.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Directors of the Company received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of emoluments received or receivable by Directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

OTHER STATUTORY INFORMATION

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

a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

b) to ensure that any current assets which were unlikely to realise their value in the ordinary course of business as shown in the accounting records had been written down to an amount which they might be expected so to realise.

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

a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

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

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

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

OTHER STATUTORY INFORMATION (cont'd)

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

a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial period which secures the liability of any other person; or

b) any contingent liability of the Group and of the Company which has arisen since the end of the financial period other than those arising in the ordinary course of business.

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

In the opinion of the Directors:

a) the results of the Group's and of the Company's operations during the financial period were not substantially affected by any item, transaction, or event of a material and unusual nature; and

b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction, or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial period in which this report is made.

MATERIAL LITIGATION

Details of material litigation are disclosed in Note 29 to the financial statements.

SIGNIFICANT EVENTS AFTER THE FINANCIAL PERIOD

The significant events occurring after the financial period are disclosed in Note 32 to the financial statements.

AUDITORS

The auditors, ECOVIS AHL, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 29 October 2014.

....	....
DATO' CHANG LIK SEAN	LAI PAI LAN
Director	Director

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, DATO'CHANG LIK SEAN and LAI PAI LAN, being two of the Directors of NETX HOLDINGS BERHAD (formerly known as Ariantec Global Berhad), do hereby state that, in the opinion of the Directors, the financial statements set out on pages 27 to 64 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2014 and of their financial performance and cash flows for the financial period then ended.

The supplementary information set out in Note 34 on page 65, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 29 October 2014.

....	....
DATO' CHANG LIK SEAN	LAI PAI LAN
Director	Director

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, DATO'CHANG LIK SEAN, being the Director primarily responsible for the financial management of NETX HOLDINGS BERHAD (formerly known as Ariantec Global Berhad), do solemnly and sincerely declare that the financial statements set out on pages 27 to 64, are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
DATO'CHANG LIK SEAN)
at Kuala Lumpur in the Federal Territory)
on 29 October 2014.)

....
DATO' CHANG LIK SEAN
Director

Before me,

YM Tengku Fariddudin Bin Tengku Sulaiman
License No : W533
Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NETX HOLDINGS BERHAD
(Formerly known as Ariantec Global Berhad)
(Company No: 533441-W)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of NETX HOLDINGS BERHAD (formerly known as Ariantec Global Berhad), which comprise the statements of financial position as at 30 June 2014 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial period then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 27 to 64.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 June 2014 and of their financial performance and cash flows for the financial period then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 8 to the financial statements which discloses the recoverable amount of Ariantec Sdn. Bhd. ("ASB") exceeded its carrying amount, inclusive of goodwill as of the period end and therefore, there was no impairment on the goodwill amount of RM19,848,834. The recoverable amount of ASB, being its value in use, was determined by the management based on the discounted cash flow forecast and projections prepared for future business plan. In this respect, key assumptions used in the said forecast and projections include the ability to achieve the business plan target, the expected capital injection, sales growth rate and gross profit margin. These assumptions, by their very nature are difficult to forecast and are regarded as significant areas of uncertainty which remain a risk that the ability to achieve management's business plan will be adversely affected due to unforeseen changes in the business plan and the respective economies in which ASB operates.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF NETX HOLDINGS BERHAD (cont'd)
(Formerly known as Ariantec Global Berhad)
(Company No: 533441-W)
(Incorporated in Malaysia)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 ("Act") in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

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

c) Other than those subsidiaries with emphasis of matter paragraphs in the auditors' reports as disclosed in Note 7 to the financial statements, the auditors' reports on the financial statements of the remaining subsidiaries did not contain any qualification or any adverse comments made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 34 on page 65 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

1. This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

2. The financial statements as at 31 December 2012 and for the year then ended were audited by other auditors in which it contained a qualified opinion in the auditor's report dated 18 March 2013.

   The qualification was due to no impairment made for the carrying amounts of cost of investment and goodwill on consolidation which arose on the acquisition of certain subsidiaries amounted to RM20,150,000 and RM20,129,937 respectively. The predecessor auditors were of the opinion that they were unable to obtain sufficient appropriate audit evidence that the carrying amounts of the cost of investment and goodwill on consolidation are not significantly impaired.

   As at the date of this report, the management has reassessed the recoverable amount of the investment based on the value in use. From the assessment made by the management, necessary amount of impairment has been made during the financial period and the carrying amount of the remaining subsidiary is recoverable based on its value in use. Hence, we are of the view that the carrying amount of cost of investment and goodwill on consolidation arose from the acquisition of the remaining subsidiary as at the current financial period ended is fairly stated.

ECOVIS AHL
Firm Number: AF 001825
Chartered Accountants

CHUA KAH CHUN
Approval Number: 2696/09/15 (J)
Chartered Accountant

Kuala Lumpur
29 October 2014

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	Group 30.06.2014 RM	Group 31.12.2012 RM	Company 30.06.2014 RM	Company 31.12.2012 RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	6	5,581,554	5,972,563	-	-
Investment in subsidiaries	7	-	-	21,250,232	21,250,232
Goodwill on consolidation	8	19,848,834	20,129,937	-	-
Development costs	9	-	-	-	-
Deferred tax assets	10	3,159,256	2,419,606	-	-
		28,589,644	28,522,106	21,250,232	21,250,232
CURRENT ASSETS					
Inventories	11	1,342,029	3,951,495	-	-
Trade receivables	12	1,236,000	1,324,233	-	-
Other receivables, deposits and prepayments	13	246,311	1,187,135	213,728	8,523
Amount owing by subsidiaries	14	-	-	4,134,386	2,520,015
Deposits placed with licensed banks	15	-	1,223,626	-	-
Cash and bank balances		3,356,533	132,675	2,614,599	1,593
		6,180,873	7,819,164	6,962,713	2,530,131
TOTAL ASSETS		34,770,517	36,341,270	28,212,945	23,780,363
EQUITY AND LIABILITIES					
EQUITY					
Share capital	16	62,555,303	56,875,303	62,555,303	56,875,303
Reserves	17	(32,059,506)	(26,523,228)	(35,557,568)	(34,337,480)
Equity attributable to Owners of the Company		30,495,797	30,352,075	26,997,735	22,537,823
Non-controlling interest		25,376	27,574	-	-
TOTAL EQUITY		30,521,173	30,379,649	26,997,735	22,537,823
LIABILITIES					
NON-CURRENT LIABILITIES					
Borrowings	18	3,391,856	3,777,447	-	-
Deferred tax liabilities	10	-	16,693	-	-
		3,391,856	3,794,140	-	-
CURRENT LIABILITIES					
Trade payables	20	420,576	1,471,060	-	-
Other payables and accruals	21	160,836	205,824	60,890	44,402
Amount owing to Directors	22	-	21,863	-	-
Amount owing to subsidiaries	14	-	-	1,142,718	1,154,758
Tax payable		11,602	46,847	11,602	43,380
Borrowings	18	264,474	421,887	-	-
		857,488	2,167,481	1,215,210	1,242,540
TOTAL LIABILITIES		4,249,344	5,961,621	1,215,210	1,242,540
TOTAL EQUITY AND LIABILITIES		34,770,517	36,341,270	28,212,945	23,780,363

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

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014

	Note	Group 18 months ended 30.06.2014 RM	Group 12 months ended 31.12.2012 RM	Company 18 months ended 30.06.2014 RM	Company 12 months ended 31.12.2012 RM
Revenue	23	5,170,920	2,866,427	-	200,000
Cost of sales		(7,057,668)	(2,360,337)	-	(100,000)
GROSS (LOSS)/PROFIT		(1,886,748)	506,090	-	100,000
Other income		816,818	111,033	47,987	-
Administrative expenses		(1,485,612)	(2,144,811)	(445,298)	(305,151)
Other operating expenses		(3,743,483)	(16,168,630)	(768,108)	(18,313,401)
OPERATING LOSS		(6,299,025)	(17,696,318)	(1,165,419)	(18,518,552)
Finance costs		(332,104)	(235,126)	-	-
LOSS BEFORE TAX	24	(6,631,129)	(17,931,444)	(1,165,419)	(18,518,552)
Tax income	25	788,641	2,433,303	31,778	5,162
LOSS FOR THE FINANCIAL PERIOD/YEAR		(5,842,488)	(15,498,141)	(1,133,641)	(18,513,390)
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
- Foreign currency translation differences		390,459	855	-	-
TOTAL COMPREHENSIVE EXPENSES FOR THE FINANCIAL PERIOD/YEAR		(5,452,029)	(15,497,286)	(1,133,641)	(18,513,390)
LOSS ATTRIBUTABLE TO:					
Owners of the Company		(5,840,290)	(15,496,188)	(1,133,641)	(18,513,390)
Non-controlling interests		(2,198)	(1,953)	-	-
		(5,842,488)	(15,498,141)	(1,133,641)	(18,513,390)
TOTAL COMPREHENSIVE EXPENSES ATTRIBUTABLE TO:					
Owners of the Company		(5,449,831)	(15,495,333)	(1,133,641)	(18,513,390)
Non-controlling interests		(2,198)	(1,953)	-	-
		(5,452,029)	(15,497,286)	(1,133,641)	(18,513,390)
LOSS PER SHARE (SEN)					
- Basic	26	(0.99)	(2.72)		
- Diluted	26	N/A	N/A		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014

	Note	Share Capital RM	Share Premium RM	Exchange Fluctuation Reserve RM	Accumulated Losses RM	Attributable to Owners of the Company RM	Non-controlling Interest RM	Total Equity RM
		Non-Distributable			*Distributable*			
GROUP								
At 1 January 2012		56,875,303	2,685,410	(391,314)	(13,321,991)	45,847,408	29,527	45,876,935
Loss for the financial year		-	-	-	(15,496,188)	(15,496,188)	(1,953)	(15,498,141)
Other comprehensive income for the financial year								
- Foreign currency translation differences		-	-	855	-	855	-	855
Total comprehensive expenses for the financial year		-	-	855	(15,496,188)	(15,495,333)	(1,953)	(15,497,286)
At 31 December 2012/1 January 2013		56,875,303	2,685,410	(390,459)	(28,818,179)	30,352,075	27,574	30,379,649
Loss for the financial period		-	-	-	(5,840,290)	(5,840,290)	(2,198)	(5,842,488)
Other comprehensive income for the financial period								
- Foreign currency translation differences		-	-	390,459	-	390,459	-	390,459
Total comprehensive expenses for the financial period		-	-	390,459	(5,840,290)	(5,449,831)	(2,198)	(5,452,029)
Contributions by Owners of the Company								
- Issuance of shares via private placement	16	5,680,000	-	-	-	5,680,000	-	5,680,000
- Expenses on issuance of private placement	17	-	(86,447)	-	-	(86,447)	-	(86,447)
Total transactions with Owners of the Company		5,680,000	(86,447)	-	-	5,593,553	-	5,593,553
At 30 June 2014		62,555,303	2,598,963	-	(34,658,469)	30,495,797	25,376	30,521,173

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014 (Cont'd)

	Note	← Non-Distributable → Share Capital RM	Share Premium RM	*Distributable* Accumulated Losses RM	Total RM
COMPANY					
At 1 January 2012		56,875,303	2,685,410	(18,509,500)	41,051,213
Loss for the financial year/ Total comprehensive expenses for the financial year		-	-	(18,513,390)	(18,513,390)
At 31 December 2012/1 January 2013		56,875,303	2,685,410	(37,022,890)	22,537,823
Loss for the financial period/ Total comprehensive expenses for the financial period		-	-	(1,133,641)	(1,133,641)
Issuance of shares via private placement	16	5,680,000	-	-	5,680,000
Expenses on issuance of private placement	17	-	(86,447)	-	(86,447)
At 30 June 2014		62,555,303	2,598,963	(38,156,531)	26,997,735

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014

	Group		Company	
	18 months ended 30.06.2014 RM	12 months ended 31.12.2012 RM	18 months ended 30.06.2014 RM	12 months ended 31.12.2012 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax	(6,631,129)	(17,931,444)	(1,165,419)	(18,518,552)
Adjustments for:				
Impairment loss of:				
- trade receivable	7,000	8,119,338	-	-
- goodwill	281,103	6,655,000	-	-
- investment in subsidiaries	-	-	-	18,112,429
Bad debt written off	502,038	-	-	-
Depreciation of property, plant and equipment	228,707	277,050	-	-
Loss on disposal of plant and equipment	18,604	-	-	-
Impairment loss on amounts owing by subsidiaries companies	-	-	286,954	-
Loss on disposal of a subsidiary	390,459	-	-	-
Interest expense	332,104	235,126	-	-
Interest income	(56,134)	(56,454)	(47,987)	-
Other deposits and prepayments written off	707,327	-	-	-
Property, plant and equipment written off	37,438	1,402	-	1,402
Written down of inventories	1,143,209	-	-	-
Written off of inventories	262,998	-	-	-
Operating loss before working capital changes	(2,776,276)	(2,699,982)	(926,452)	(404,721)
Changes in working capital:				
Inventories	1,203,259	656,208	-	-
Receivables	(420,805)	(1,686)	-	-
Other receivables and prepayments	233,497	65,748	(205,205)	107,147
Amount owing by subsidiaries	-	-	(1,901,325)	278,009
Amount owing to subsidiaries		(2,000)	(12,040)	(16,586)
Amount owing to Directors	(21,863)	-	-	-
Payables	(1,050,484)	436,390	-	-
Other payables and accruals	(44,988)	(36,424)	16,488	21,002
Cash used in operation	(2,877,660)	(1,581,746)	(3,028,534)	(15,149)
Interest paid	(332,104)	(235,126)	-	-
Tax paid	(2,947)	(256,169)	-	-
Net cash used in operating activities	(3,212,711)	(2,073,041)	(3,028,534)	(15,149)

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014 (Cont'd)

	Group		Company	
	18 months ended 30.06.2014 RM	12 months ended 31.12.2012 RM	18 months ended 30.06.2014 RM	12 months ended 31.12.2012 RM
CASH FLOWS FROM NVESTING ACTIVITIES				
Interest received	56,134	56,454	47,987	-
Proceeds from disposal of plant and equipment	110,249	-	-	-
Purchase of plant and equipment	(3,989)	(20,832)	-	-
Net cash generated from investing activities	162,394	35,622	47,987	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Fixed deposits released as securities	1,223,626	1,467,115	-	-
Proceeds from issurance of share via private placement (net)	5,593,553	-	5,593,553	-
Repayments of hire purchase payables	(80,149)	(86,292)	-	-
Net movement on term loans	(365,656)	(857,960)	-	-
Net cash from financing activities	6,371,374	522,863	5,593,553	-
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	3,321,057	(1,514,556)	2,613,006	(15,149)
Effect of changes in exchange rates	-	855	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD/YEAR	35,476	1,549,177	1,593	16,742
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD/YEAR	3,356,533	35,476	2,614,599	1,593
CASH AND CASH EQUIVALENTS COMPRISE:				
Cash and bank balances	3,356,533	132,675	2,614,599	1,593
Deposit placed with licensed banks	-	1,223,626	-	-
Bank overdrafts - secured	-	(97,199)	-	-
	3,356,533	1,259,102	2,614,599	1,593
Less: Deposits pledged as securities	-	(1,223,626)	-	-
	3,356,533	35,476	2,614,599	1,593

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

1. GENERAL INFORMATION

The Company is a public company limited by shares, incorporated and domiciled in Malaysia.

The Company is principally involved in the research and development of software, system design, integration and installation and provision of information technology services. The principal activities of the subsidiary companies are disclosed in Note 7 to the financial statements.

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

The principal place of business and the registered office are as follows:

Principal place of business :	Wisma Ariantec, 1-3, Street Wing, Sunsuria Avenue, Persiaran Mahogani, Kota Damansara, PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan.
Registered office :	No. 802, 8th Floor, Block C Kelana Square, 17 Jalan SS7/26 47301 Petaling Jaya, Selangor Darul Ehsan

The financial statements of the Group and of the Company were authorised for issue by the Board of Directors on 29 October 2014.

2. CHANGE OF NAME

On 28 October 2013, the Company changed its name from Ariantec Global Berhad to NETX Holdings Berhad.

3. BASIS OF PREPARATION

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

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise stated in the summary of significant accounting policies.

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

3.1 Standards Adopted during the Financial Period

During the current financial period, the Company has adopted the following new accounting standards and interpretations (including the consequential amendments, if any):

MFRSs and IC Interpretations (Including The Consequential Amendments)
MFRS 10 Consolidated Financial Statements
MFRS 11 Joint Arrangements
MFRS 12 Disclosure of Interests in Other Entities
MFRS 13 Fair Value Measurement
MFRS 119 (2011) Employee Benefits
MFRS 127 (2011) Separate Financial Statements
MFRS 128 (2011) Investments in Associates and Joint Ventures
Amendments to MFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10, MFRS 11 and MFRS 12: Transition Guidance
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
Annual Improvements to MFRSs 2009 - 2011 Cycle

3. BASIS OF PREPARATION (cont'd)

3.1 Standards Adopted during the Financial Period (cont'd)

The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Company's financial statements except as follows:

MFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. The scope of MFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other MFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in MFRS 13 are more extensive than those required in the current standards and therefore there will be no material impact on the financial statements of the Group and of the Company upon its initial application.

The amendments to MFRS 7 (Disclosures – Offsetting Financial Assets and Financial Liabilities) require disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. There will be no material impact on the financial statements of the Group and of the Company upon its initial application.

The Annual Improvements to MFRSs 2009 – 2011 Cycle contain amendments to MFRS 1, MFRS 101, MFRS 116, MFRS 132 and MFRS 134. These amendments have no material impact on the financial statements of the Group and of the Company upon their initial application.

3.2 Standards Issued but Not Yet Effective

The Company has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial period:

MFRSs and IC Interpretations (Including The Consequential Amendments)		Effective Date
MFRS 9 (2009) Financial Instruments	)	
MFRS 9 (2010) Financial Instruments	)	To be
MFRS 9 Financial Instruments (Hedge Accounting and Amendments to	)	announced
MFRS 7, MFRS 9 and MFRS 139)	)	by MASB
Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9	)	
and Transition Disclosures	)	
MFRS 14 Regulatory Deferral Accounts		1 January 2016
MFRS 15 Revenue from Contracts with Customers		1 January 2017
Amendments to MFRS 10, MFRS 12 and MFRS 127 (2011): Investment Entities		1 January 2014
Amendments to MFRS 11 : Accounting for Acquisitions of Interests in Joint Operations		1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation		1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants		1 January 2016
Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions		1 July 2014
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities		1 January 2014
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-financial Assets		1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting		1 January 2014
IC Interpretation 21 Levies		1 January 2014
Annual Improvements to MFRSs 2010 – 2012 Cycle		1 July 2014
Annual Improvements to MFRSs 2011 – 2013 Cycle		1 July 2014

The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Company's operations except as follows:

MFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Subsequently, this MFRS 9 was amended in year 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition (known as MFRS 9 (2010)). Generally, MFRS 9 replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 divides all financial assets into 2 categories - those measured at amortised cost and those measured at fair value, based on the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of the MFRS 139 requirement. An entity choosing to measure a financial liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss. There will be no financial impact on the financial statements of the Company upon its initial application but may impact its future disclosure.

The amendments to MFRS 132 provide the application guidance for criteria to offset financial assets and financial liabilities. There will be no financial impact on the financial statements of the Group and of the Company upon its initial application but may impact its future disclosures.

4. SIGNIFICANT ACCOUNTING POLICIES

a) Subsidiaries and Basis of Consolidation

i. Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group adopted MFRS 10, Consolidated Financial Statements in the current financial period. This resulted in changes to the following policies:

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the previous financial years, controls exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous year, potential voting rights are considered when assessing control when such rights are presently exercisable.

- The Group considers it has de factor power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider de facto power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less impairment losses, unless the investment is held for sale. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

ii. Business Combinations

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

Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interest issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

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

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

iii. Acquisition of Non-controlling Interests

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

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

a) Subsidiaries and Basis of Consolidation (cont'd)

iv. Loss of Control

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

v. Non-controlling Interests

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

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

vi. Transactions Eliminated on Consolidation

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

b) Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquire (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss.

c) Property, Plant and Equipment, and Depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, 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.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss as incurred.

The property, plant and equipment are depreciated on the straight line basis to write off the cost of the assets over their estimated useful lives. The annual rates used are as follows:

	Rate % /year
Leasehold building	97 years
Furniture and fittings	10
Motor vehicle	20
Office equipment	20
Renovation	10 - 20

Fully depreciated assets are retained in the financial statements until they are no longer in use.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

c) Property, Plant and Equipment, and Depreciation (cont'd)

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The residual values and useful lives of assets are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the financial year the asset is derecognised.

d) Development Costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

(i) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
(ii) the intention to complete the intangible assets and use or sell it;
(iii) the ability to use or sell the intangible assets;
(iv) how the intangible asset will generate probable future economic benefits;
(v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and
(vi) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

e) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined based on the first in, first out basis and is the aggregate of the original cost of purchases plus the cost of bringing the inventories to their present conditions and locations.

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.

f) Financial Instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group or the Company become a party to the contract provisions of the financial instruments.

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

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

The Group or the Company categorise the financial instruments as follows:

(i) Financial Assets

Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss if they are held for trading, including derivatives, or are designated as such upon initial recognition.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised as other gains or losses in statements of comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

f) Financial Instruments (cont'd)

(i) Financial Assets (cont'd)

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market, trade and other receivables and cash and cash equivalents are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity that are quoted in an active market and the Company have the positive intention and ability to hold the investment to maturity is classified as held-to-maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

(ii) Financial Liabilities

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

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

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

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

(iii) Regular Way Purchase or Sale of Financial Assets

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

f) Financial Instruments (cont'd)

(iv) Derecognition

A financial asset is derecognised when the contractual rights to receive cash flows from the asset has expired or is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the profit or loss.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

g) Cash and Cash Equivalents

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

h) Impairment of Assets

i. Impairment of Financial Assets

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

h) Impairment of Assets (cont'd)

ii. Impairment of Non-financial Assets

The carrying amounts of non-financial assets, except for inventories and deferred tax assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

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

i) Equity Instruments

Instruments classified as equity are stated at cost on initial recognition and are not remeasured subsequently.

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of share issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Incremental costs directly attributable to the issue of instruments classified as equity are recognised as a deduction, net of tax from equity.

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

j) Leased Assets

(a) Finance Lease

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

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

Leasehold land which is in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

j) Leased Assets (cont'd)

(b) Operating Lease

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating lease and not recognised on the statements of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

k) Revenue and Other Income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group or the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sales of Goods and Services Rendered
Revenue from sale of goods and services rendered is recognised in the financial statements when the significant risks and rewards of ownerships of the goods have been transferred to the buyer or when services rendered.

(ii) Interest Income
Interest income is recognised as it accrues using the effective interest method.

(iii) Rental Income
Rental income is recognised on an accrual basis in accordance with the substance of the relevant agreement unless the collectability of the rental is in doubt and suspended.

l) Employee Benefits

i. Short-term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

ii. Defined Contribution Plans

As required by the law, the Group and the Company make contributions to statutory pension funds, the Employee Provident Fund ("EPF"). Such contribution is recognised as an expense in the statements of comprehensive income as incurred.

m) Income Taxes

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

i. Current Tax

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

ii. Deferred Tax

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

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

m) Income Taxes (cont'd)

ii. Deferred Tax (cont'd)

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

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

n) Borrowing Costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

o) Foreign Currencies

(a) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(b) Foreign Operations

Assets and liabilities of foreign operations are translated to RM at the rates of exchange ruling at the end of the reporting period. Revenues and expenses of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity under the translation reserve. On the disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to profit or loss.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period, except for those business combinations that occurred before the date of transition (1 January 2012) which are treated as assets and liabilities of the Company and are not retranslated.

In the consolidated financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

p) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group and of the Company.

Contingent liabilities and assets are not recognised but disclosed (unless the probability of outflow of economic benefits is remote) in the financial statements of the Group and of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

q) Operating Segments

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

r) Fair Value Measurement

From 1 January 2013, the Group adopted MFRS 13, Fair Value Measurement which prescribed that the fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial assets, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively, has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group's assets or liabilities other than the additional disclosures.

s) Related Parties

A party is related to an entity if:

i. directly, or indirectly through one or more intermediaries, the party:
   - control, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
   - has an interest in the entity that gives it significant influence over the entity; or
   - has joint control over the entity;

ii. the party is an associated of the entity;
iii. the party is a joint venture in which the entity is a venturer;
iv. the party is a member of the key management personnel of the entity or its parent;
v. the party is a close member of the family of any individual referred to in (i) or (iv);
vi. the party is an entity that is controlled, joint controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
vii. the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

a) Estimated Useful Lives of Property, Plant and Equipment

The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or limits on the use of the relevant assets.

In addition, the estimation of the useful lives of property, plant and equipment are based on the internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timings of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (cont'd)

b) Impairment of Goodwill on Consolidation

Goodwill is tested for impairment annually or more frequently when such indicators exist. This requires an estimation of the value-in-use ("VIU") of the cash-generating units ("CGUs") to which goodwill is allocated. When VIU calculations are undertaken, management must estimate the expected future cash flows from the assets/CGU and choose a suitable discount rate to calculate the present value of those cash flows. Further details of the carrying value and the key assumptions applied in the impairment assessment of goodwill are stated in Note 8.

c) Deferred Tax Assets

Deferred tax assets are recognised for unused tax losses and unabsorbed capital allowance to the extent that it is probable that taxable profit will be available against which tax losses and capital allowances 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.

d) Write Down of Inventories

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

e) Impairment of Trade Receivables and Other Receivables

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

f) Income Taxes

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

6. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Building RM	Motor Vehicles RM	Office Equipment RM	Furniture and Fittings RM	Renovation RM	Total RM
Group						
At cost						
At 1 January 2013	5,453,030	582,000	387,697	148,852	436,980	7,008,559
Additions	-	-	3,989	-	-	3,989
Disposals	-	(582,000)	-	(25,544)	-	(607,544)
Written off	-	-	(219,858)	-	(9,960)	(229,818)
At 30 June 2014	5,453,030	-	171,828	123,308	427,020	6,175,186
Accumulated depreciation						
At 1 January 2013	126,488	467,633	253,013	63,607	125,255	1,035,996
Charge for the financial period	84,325	-	65,839	19,632	58,911	228,707
Disposals	-	(467,633)	-	(11,057)	-	(478,690)
Written off	-	-	(184,821)	-	(7,560)	(192,381)
At 30 June 2014	210,813	-	134,031	72,182	176,606	593,632
Carrying amount						
At 30 June 2014	5,242,217	-	37,797	51,126	250,414	5,581,554
At cost						
At 1 January 2012	5,453,030	582,000	367,615	148,102	436,980	6,987,727
Additions	-	-	20,082	750	-	20,832
At 31 December 2012	5,453,030	582,000	387,697	148,852	436,980	7,008,559
Accumulated depreciation						
At 1 January 2012	70,271	351,233	202,771	48,790	85,881	758,946
Charge for the financial year	56,217	116,400	50,242	14,817	39,374	277,050
At 31 December 2012	126,488	467,633	253,013	63,607	125,255	1,035,996
Carrying amount						
At 31 December 2012	5,326,542	114,367	134,684	85,245	311,725	5,972,563

a) The carrying amount of property, plant and equipment pledged to licensed banks to secure the banking facilities granted to the Group are as follows:

	Group	
	30.6.2014 RM	31.12.2012 RM
Leasehold buildings	5,242,217	5,326,542

b) Plant and equipment of the Group held under hire purchase installment with carrying amount of RM Nil (31.12.2012: RM87,500).

7. INVESTMENT IN SUBSIDIARIES

	Company 30.6.2014 RM	31.12.2012 RM
Unquoted shares		
At cost	44,517,855	44,517,855
Less: Disposal of a subsidiary	(4,107,850)	-
	40,410,005	44,517,855
Accumulated impairment losses		
At beginning of the financial period/year	(23,267,623)	(5,155,194)
Disposal of a subsidiary	4,107,850	-
Impairment loss recognised during the financial period/year	-	(18,112,429)
At end of the financial period/year	(19,159,773)	(23,267,623)
	21,250,232	21,250,232

The details of the subsidiaries are as follows:

Name of Subsidiaries	Effective Interest 30.6.2014 %	31.12.2012 %	Principal Activities
Direct subsidiaries			
Ariantec Green Power Sdn. Bhd.	100	100	Temporarily inactive
Ariantec Green R & D Sdn. Bhd. #	100	100	Temporarily inactive
Ariantec Systems Sdn. Bhd.	100	100	Temporarily inactive
Ariantec NOC Sdn. Bhd.	100	100	Temporarily inactive
Ariantec Global (HK) Limited.	-	100	Dormant
Global Soft International Sdn. Bhd.	60	60	Temporarily inactive
Global Green Energy Sdn. Bhd. #	100	100	Temporarily inactive
Ariantec Consulting Sdn. Bhd. #	100	100	Dormant
Ariantec Sdn. Bhd. #	100	100	Provision of turnkey solutions on the network infrastructure and security management
Global Soft (PG) Sdn. Bhd. #	75	75	Temporarily inactive
Subsidiary of Ariantec Sdn. Bhd.			
Spammerspy Technologies International Sdn. Bhd.	100	100	Temporarily inactive

\# The audited reports of these subsidiaries contain an emphasis of matter relating to the appropriateness of the going concern basis used in the preparation of their financial statements. The Company has confirmed to provide continued financial support to these subsidiaries to continue its business without any significant curtailment of its operations.

All the subsidiaries held by the Company at the end of the financial period are incorporated in Malaysia.

On 20 March 2013, the Company had disposed of its 100% equity interest in Ariantec Global (HK) Limited to Rising Vast Global Investment Limited for a cash consideration of Hong Kong Dollar 1.00 only.

The disposal does not have material financial effects to the Group and the Company for the current financial period, other than a loss on disposal to the Group recognised in the profit or loss amounted to RM378,290.

8. GOODWILL ON CONSOLIDATION

	Group	
	30.6.2014 RM	31.12.2012 RM
Cost		
At beginning and end of the financial period/year	26,784,937	26,784,937
Accumulated impairment losses		
At beginning of the financial period/year	(6,655,000)	-
Impairment loss recognised during the financial period/year	(281,103)	(6,655,000)
At end of the financial period/year	(6,936,103)	(6,655,000)
Carrying amount at end of the financial period/year	19,848,834	20,129,937

The goodwill on consolidation at the end of the financial period mainly arose from the acquisition of Ariantec Sdn. Bhd. ("ASB"). The amount of goodwill initially recognised is dependent upon the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed.

The carrying amount of the goodwill is assessed for impairment on an annual basis. The recoverable amount of the goodwill is determined based on the assessment of the value in use. The recoverable amount is higher than the carrying amount of the investment in ASB, and accordingly, an allowance for impairment loss is not recognised.

The recoverable amount was determined based on value-in-use calculations using discounted cash flow forecast and projections based on financial budgets approved by the management. The future cash flows are based on the management's future plan, which is the best estimate of future performance. The ability to achieve the business plan target is a key assumption in determining the recoverable amount of ASB. These remain a risk that the ability to achieve management's business plan will be adversely affected due to unforeseen changes in the business plan and the respective economies in which ASB operates. The other key assumptions used in computing the value in use of ASB are as follows:

Gross profit margin	10% – 81%
Growth rate	0% - 500%
Pre-tax discount rate	4.5%
Capital injection from the proceeds of rights issue	Approximately RM20 million
Periods covered	5 to 9 years

With regards to the assessments of value-in-use, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying amount of the cash-generating unit to differ materially from its recoverable amount except for the sufficiency of the capital injection from the proceeds of rights issue as disclosed in Note 32.3 and the changes in prevailing operating environment which is not ascertainable.

9. DEVELOPMENT COSTS

	Group/Company	
	30.6.2014 RM	31.12.2012 RM
Cost		
At beginning of the financial period/year	5,844,624	5,844,624
Written off	(5,844,624)	-
At end of the financial period/year	-	5,844,624
Accumulated amortisation		
At beginning of the financial period/year	5,844,624	5,844,624
Written off	(5,844,624)	-
At end of the financial period/year	-	5,844,624
Carrying amount at end of the financial period/year	-	-

10. DEFERRED TAX ASSETS

	Group	
	30.6.2014 RM	31.12.2012 RM
At beginning of financial period/year	(2,402,913)	24,460
Recognised in profit or loss (Note 25)	(852,448)	(2,427,373)
Effect on change in income tax rate (Note 25)	96,105	-
At end of financial period/year	(3,159,256)	(2,402,913)

The deferred tax assets at the end of the financial period/year are made up of the following:

	Group	
	30.6.2014 RM	31.12.2012 RM
Excess of capital allowance over corresponding depreciation of property, plant and equipment	8,521	66,772
Unabsorbed capital allowances	(129,186)	(61,445)
Unutilised tax losses	(13,042,905)	(9,616,978)
	(13,163,570)	(9,611,651)
Deferred tax assets at 24% (31.12.2012: 25%)	(3,159,256)	(2,402,913)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	30.6.2014 RM	31.12.2012 RM	30.6.2014 RM	31.12.2012 RM
Unutilised tax losses	6,029,255	5,599,133	6,023,633	5,593,511
Unabsorbed capital allowances	1,274,922	1,091,166	520	520
	7,304,177	6,690,299	6,024,153	5,594,031
Deferred tax assets at 24% (31.12.2012: 25%)	1,753,002	1,672,575	1,445,797	1,398,508

The unabsorbed capital allowances and unutilised tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group and the Company can utilise the benefits. The unabsorbed capital allowances and unutilised tax losses are subject to the agreement of the tax authorities.

11. INVENTORIES

	Group	
	30.6.2014 RM	31.12.2012 RM
At net realisable value		
- Computer parts	1,342,029	3,951,495

12. TRADE RECEIVABLES

	Group	
	30.6.2014 RM	31.12.2012 RM
Trade receivables	1,739,686	9,940,257
Allowance for impairment losses	(503,686)	(8,616,024)
	1,236,000	1,324,233
Allowance for impairment losses:		
At 1 January	8,616,024	496,686
Addition during the financial period/year	7,000	8,119,338
Allowance written off during the financial period/year	(8,119,338)	-
At 30 June/31 December	503,686	8,616,024

Trade receivables of the Group are non-interest bearing and are generally on 30 to 60 days terms. Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	30.6.2014 RM	31.12.2012 RM	30.6.2014 RM	31.12.2012 RM
Other receivables	18,651	1,178,612	-	-
Deposits	12,772	-	-	-
Prepayments	214,888	8,523	213,728	8,523
	246,311	1,187,135	213,728	8,523

14. AMOUNT OWING BY/(TO) SUBSIDIARIES

	Company	
	30.6.2014 RM	31.12.2012 RM
Amount owing by subsidiaries		
Amount owing by subsidiaries	4,421,340	2,520,015
Allowance for impairment losses recognised during the financial period/year	(286,954)	-
	4,134,386	2,520,015
Amount owing to subsidiaries	(1,142,718)	(1,154,758)

The amount owing by/(to) subsidiaries represented non-trade transactions which are unsecured, non-interest bearing and repayable on demand.

15. DEPOSITS PLACED WITH LICENSED BANKS

Deposits were charged to licensed bank as security for banking facilities granted to the Group in last financial year. The effective interest rate of deposits was 3.05% per annual with maturities of 4 to 12 months.

16. SHARE CAPITAL

	Group/Company			
	30.6.2014		31.12.2012	
	No. of shares	RM	No. of shares	RM
Ordinary shares of RM0.10 each:				
Authorised				
At beginning and end of the financial period/year	700,000,000	70,000,000	700,000,000	70,000,000
Issued and fully paid				
At beginning of the financial period/year	568,753,033	56,875,303	568,753,033	56,875,303
Issuance of shares pursuant to the private placement	56,800,000	5,680,000	-	-
At the end of the financial period/year	625,553,033	62,555,303	568,753,033	56,875,303

During the financial period, the issued and paid-up share capital of the Company was increased from RM56,875,303 to RM62,555,303 by way of the issuance of 56,800,000 new ordinary shares of RM0.10 each through a private placement for cash, for additional working capital and future projects funding purposes.

The new ordinary shares ranked issued during the financial period pari passu in all respects with the then existing ordinary shares of the Company.

17. RESERVES

		Group		Company	
	Note	30.6.2014 RM	31.12.2012 RM	30.6.2014 RM	31.12.2012 RM
Non- distributable					
Share premium	17a	2,598,963	2,685,410	2,598,963	2,685,410
Exchange fluctuation reserve	17b	-	(390,459)	-	-
		2,598,963	2,294,951	2,598,963	2,685,410
Distributable					
Accumulated losses	17c	(34,658,469)	(28,818,179)	(38,156,531)	(37,022,890)
		(32,059,506)	(26,523,228)	(35,557,568)	(34,337,480)

Non-distributable reserves are not distributable by way of dividends.

Movements of the reserves are shown in the statements of changes in equity.

Notes

17a Share premium represents premium from allotment of shares by the Company, net of listing expenses.

17b The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operation whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

17c Under the single-tier tax system, tax on the Company's profits is the final tax and accordingly, any dividends to the shareholders are not subject to tax.

18. BORROWINGS

	Group	
	30.6.2014 RM	31.12.2012 RM
Repayable within 12 months		
Secured		
Bank overdrafts	-	97,199
Hire purchase payable (Note 19)	-	80,149
Term loan	264,474	244,539
	264,474	421,887
Repayable after 12 months		
Term loan - secured	3,391,856	3,777,447
Total borrowings	3,656,330	4,199,334

The interest rate of the term loan is 5.32% (2012: 5.18% to 5.32%) per annum.

The term loan of Group is secured by the following:

a. Joint and several guarantee by third parties;
b. 4 storey shop office measuring approximately 10,660 square feet bearing at Lot 1, Sunsuria Avenue, Kota Damansara, PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan.
c. A legal charge over the Company's fixed and floating charges over assets of the Company; and
d. Facilities Agreement.

Term loan is repayable in 168 monthly installments of RM37, 717, effective from 9 December 2010.

19. HIRE PURCHASE PAYABLE

	Group	
	30.6.2014 RM	31.12.2012 RM
Minimum payments		
- within 1 year	-	81,768
Less: Future interest charges	-	(1,619)
Present value of hire purchase	-	80,149
Repayable as follows:		
Current - within 1 year (Note 18)	-	80,149
Interest rate per annum (%)	-	3.57

20. TRADE PAYABLES

Trade payables of the Group are non-interest bearing and are generally on 60 to 150 (2012: 60) days terms.

21. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	30.6.2014 RM	31.12.2012 RM	30.6.2014 RM	31.12.2012 RM
Other payables	51,006	149,479	14,840	6,702
Accruals	109,830	56,345	46,050	37,700
	160,836	205,824	60,890	44,402

22. AMOUNT OWING TO DIRECTORS

The amount owing to Directors is unsecured, non-interest bearing and repayable on demand.

23. REVENUE

Revenue represents invoiced value of goods sold and services rendered less returns and trade discounts.

24. LOSS BEFORE TAX

	Group		Company	
Loss before tax is arrived at after charging:	18 months ended 30.6.2014 RM	12 months ended 31.12.2012 RM	18 months ended 30.6.2014 RM	12 months ended 31.12.2012 RM
Auditors' remuneration				
- current year	50,736	44,789	17,000	18,000
- under provision in prior year	-	3,000	-	3,000
Bad debts written off	502,038	-	-	-
Commitment/facilities fees	-	8,466	-	-
Deposits and prepayments written off	707,327	-	-	-
Depreciation of property, plant and Equipment	228,707	277,050	-	-
Impairment loss of:				
- trade receivables	7,000	8,119,338	-	-
- goodwill	281,103	6,655,000	-	-
- amount owing by subsidiaries	-	-	286,954	-
- investment in subsidiaries	-	-	-	18,112,429
Interest expense	332,104	221,595	-	-
- bank overdraft	-	(13,531)	-	-
- hire purchase liabilities	-	8,015	-	-
- term loan	332,104	227,111	-	-
Loss on disposal of property, plant and equipment	18,604	-	-	-
Loss on disposal of a subsidiary	378,290	-	-	-
Realised loss on foreign exchange	6,324	-	-	-
Plant and equipment written off	37,438	1,402	-	1,402
Rental of premises	21,964	14,800	-	-
Research and development cost	-	700,000	-	-
Staff and labour costs	1,478,674	1,035,940	439,768	284,460
Written down of inventories	1,143,209	-	-	-
Written off of inventories	262,998	-	-	-
and after crediting:				
Bad debts recovered	700,000	-	-	-
Fixed deposit interest income	8,147	56,454	-	-
Repo interest income	47,987	-	47,987	-
Rental income	20,090	8,000	-	-
Realised gain on foreign exchange	-	32,936	-	-

24. LOSS BEFORE TAX (cont'd)

	Group		Company	
	18 months ended 30.6.2014 RM	12 months ended 31.12.2012 RM	18 months ended 30.6.2014 RM	12 months ended 31.12.2012 RM
Staff and labour costs comprise:				
Directors' remuneration	888,301	1,035,940	269,813	284,460
Salaries, wages, allowance, overtime and bonus	526,554	-	150,398	-
EPF	60,067	-	18,337	-
Socso	3,752	-	1,220	-
	1,478,674	1,035,940	439,768	284,460
Directors' remuneration				
Fees	246,813	70,000	246,813	70,000
Salaries and other emoluments	579,260	965,940	23,000	214,460
EPF	60,367	-	-	-
Socso	1,861	-	-	-
	888,301	1,035,940	269,813	284,460

At the end of the financial period, the Group and the Company have 10 employees (31.12.2012: 12) and 7 (31.12.2012: 9) employees respectively.

The estimated monetary value of Directors' benefit-in-kind during the financial period is RM148,750 (2012: Nil).

25. TAX INCOME

	Group		Company	
	18 months ended 30.6.2014 RM	**12 months ended 31.12.2012 RM**	**18 months ended 30.6.2014 RM**	**12 months ended 31.12.2012 RM**
Current tax (income)/expenses				
- current financial period/year	-	3,467	-	-
- over provision in prior financial years	(32,298)	(9,397)	(31,778)	(5,162)
	(32,298)	(5,930)	(31,778)	(5,162)
Deferred tax assets (Note 10)				
- current financial period/year	(852,448)	(2,427,373)	-	-
- effect on change in income tax rate	96,105	-	-	-
	(756,343)	(2,427,373)	-	-
Tax income for the financial period/year	(788,641)	(2,433,303)	(31,778)	(5,162)

The Malaysian income tax is calculated at the statutory tax rate of 25% (2012: 25%) of the estimated taxable profit for the financial period.

25. TAX INCOME (cont'd)

In the Budget Speech 2014, the Government announced that the domestic corporate tax rate would be reduced to 24% from the current year's rate of 25% with effect from year of assessment 2016. The computation of deferred tax as at 30 June 2014 has reflected these changes.

The numerical reconciliation between loss before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	18 months ended 30.6.2014 RM	12 months ended 31.12.2012 RM	18 months ended 30.6.2014 RM	12 months ended 31.12.2012 RM
Loss before tax	(6,631,129)	(17,931,444)	(1,165,419)	(18,518,552)
Tax at statutory tax rate of 25% (2012: 25%)	(1,657,782)	(4,482,861)	(291,355)	(4,629,638)
Tax effects in respect of:				
Non-allowable expenses	651,493	1,939,587	183,824	4,556,128
Deferred tax assets not recognised during the financial period/ year	153,841	119,368	107,531	73,510
Effect of changes in tax rates on opening balance of deferred tax	96,105	-	-	-
Overprovision in prior years	(32,298)	(9,397)	(31,778)	(5,162)
Tax income for the financial period/year	(788,641)	(2,433,303)	(31,778)	(5,162)

26. LOSS PER SHARE

Basic Loss per Ordinary Share

The basic loss per ordinary share is calculated by dividing the Group's loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial period.

	Group	
	30.6.2014 RM	31.12.2012 RM
Loss attributable to ordinary shareholders of the Company	(5,840,290)	(15,496,188)
Issued ordinary shares at beginning of the financial period/year	568,753,033	568,753,033
Effect of ordinary shares issued via private placement	23,406,593	-
Weighted average number of ordinary shares	592,159,626	568,753,033
Basic loss per ordinary share (sen)	(0.99)	(2.72)

Diluted loss per ordinary share

The diluted loss per share of the Group has not been presented as there are no dilutive potential ordinary share during the financial period.

27. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Identities of related parties

In addition to the information detailed elsewhere in the financial statements, the Company has related party relationships with its Directors and entities within the same group of companies.

(b) Other than those disclosed elsewhere in the financial statements, the Company also carried out the following significant transactions with the related parties during the financial period:

	Group		Company	
	18 months ended 30.6.2014 RM	12 months ended 31.12.2012 RM	18 months ended 30.6.2014 RM	12 months ended 31.12.2012 RM
Sales to a subsidiary company	-	-	-	200,000
Professional charges paid to a firm in which a Director of the Company has interest	135,000	-	-	-

28. SEGMENTAL INFORMATION

a) Operating Segments

The operating segments reporting are not presented as the Group is principally involved in the information technology industry.

b) Geographical Information

In presenting the information on the basis of geographical segments, segment revenue is based on the geographical location of customers. The carrying value of segment assets are based on the geographical location of the assets.

	Revenue		Segment Assets	
	18 months ended 30.6.2014 RM	12 months ended 31.12.2012 RM	30.6.2014 RM	31.12.2012 RM
Group				
Malaysia	5,170,920	2,866,427	31,611,261	33,921,664
Hong Kong	-	-	-	-
	5,170,920	2,866,427	31,611,261	33,921,664

Major Customers

Revenue from two (2) major customers, with revenue equal to or more than 10% of the Group's revenue, amounted to RM5,017,593 (2012: RM1,372,381) arising from the information technology services.

28. SEGMENTAL INFORMATION (cont'd)

c) Other Information

Other material non-cash (income)/expense consist of the following items:

	Group	
	18 months ended 30.6.2014 RM	12 months ended 31.12.2012 RM
Bad debts written off	502,038	-
Deposits and prepayments written off	707,327	-
Depreciation of property, plant and equipment	228,707	277,050
Impairment loss of:		
- trade receivables	7,000	8,119,338
- goodwill	281,103	6,655,000
Loss on disposal of plant and equipment	18,604	-
Loss on disposal of a subsidiary	378,290	-
Plant and equipment written off	37,438	1,402
Written down of inventories	1,143,209	-
Written off of inventories	262,998	-

29. MATERIAL LITIGATION

a) On 4 December 2013, the Company's wholly owned subsidiary, Ariantec Sdn. Bhd. ("ASB") via its counsel, Messrs Lim Chong Phang & Amy filed a Writ of Summon (Kuala Lumpur High Court Civil Suit No. 22NCC-674-12/2013) with the Kuala Lumpur High Court against Microbial International Sdn Bhd ('MISB') (f.k.a Niagara Technologies International Sdn Bhd) claiming for an outstanding amount of RM8,555,793.05. The claim of RM8,555,793.05 representing the outstanding payment due from MISB for goods and services rendered under a Supply Agreement entered into between ASB and MISB on 6 September 2011.

On 27 February 2014, the Company announced that application is fixed for case management on 18 March 2014 where court will further give directions and the suit is fixed for trial from 21 to 24 July 2014.

On 24 March 2014, the Company has filed a 3rd party notice against Vincent Loy Ghee Yaw and Chen Kong Kheng on 20 March 2014 in Kuala Lumpur High Court.

On 14 April 2014, ASB had withdrawn its Summary Judgement Application with no order as to costs.

On 5 June 2014, the parties have reached an amicable out of court settlement in respect of the above suit whereby the parties entered into a Settlement Agreement ("Agreement") to formalise the terms of settlement of which ASB shall receive RM700,000.00 as full and final settlement of the Kuala Lumpur High Court Civil Suit No. 22NCC-674-12/2013 and all parties shall withdraw their respective claims with no liberty file afresh and no order as to costs.

ASB received the duly stamped copy of the Agreement dated 30 May 2014. Pursuant to the term of the Agreement, the respective parties have filed the Notice of Discontinuance on 5 June 2014 resulting in the above suit to be withdrawn by ASB with no liberty to file afresh on any matters under the Agreement and with no order as to cost.

b) On 20 February 2014, the Company and its wholly owned subsidiary, ASB via its counsel, Messrs Chew Chang Min filed a suit at the Kuala Lumpur High Court under Suit No. 22NCVC-72-02-2014 against Lee Wai Tuck and PT Pekanbaru Cybercity ("PCC"). The Company and ASB's suit is for, inter alia, breach of contract by Lee Wai Tuck and PCC in respect of the Letter Of Award ("LOA") ('Project') between PCC and ASB.

29. MATERIAL LITIGATION (cont'd)

b) The Company and ASB are asking for the following reliefs:

i) Against Lee Wai Tuck, a declaration that he is responsible to the Company and ASB by way of indemnity for all claims, damages, losses, costs, expenses and/or compensation that is made against and payable by ASB to PCC as a result of any action or proceeding brought by PCC against ASB that concerns the 2 "works orders" dated 14 and 22 November 2013 issued by PCC pursuant to the LOA or the Project or the LOA;
ii) Against Lee Wai Tuck, damages for breach of contract;
iii) Against PCC, a declaration that the LOA has been dissolved;
iv) Against PCC, a declaration that the LOA is unenforceable;
v) Against Lee Wai Tuck, USD 1,500,000.00 which is the Company and ASB estimated loss of profits from the Project.

On 28 March 2014, the defendants had served their defence and counterclaim on the Company and ASB.

Case management was fixed on 11 July 2014 for showing relevant cause paper to the court and a final case management on 5 August 2014 for parties to exchange witness statements. The suit was fixed for trail on 11 and 12 August 2014.

On 11 August 2014, the Company had entered into a Consent Judgement with Lee Wai Tuck ("LWT") and PCC under Suit No. 22NCVC-72-02-2014. Under the terms of the Consent Judgement, the Company and ASB agreed to withdrawn their claims against LWT and PCC and LWT and PCC agreed to withdraw their counterclaim against the Company and ASB. In addition, PCC agreed and undertook to withdraw and cease all proceedings against the Company in Indonesia that arises out of its Letter of Award dated 30 July 2013 to ASB and under the work orders dated 14 and 22 November 2013. PCC also agreed and undertook to withdraw all complaints made against the Company and ASB.

c) The Company had enquired with the then solicitors in regard of three (3) cases of Global Soft VS B.I.S Technologies Sdn Bhd (Kuala Lumpur High Court Civil Suite No.57-22-175-2005), Global Soft VS North West Enterprise Sdn Bhd (Shah Alam Session Court No.52-437-06) and Global Soft VS Phitomas Sdn Bhd as well as making enquiries to the respective Courts. Both the solicitors and courts are not able to locate the files and the Company has not been notified by the respective lawyers on these matters. Thus, the management has deemed that all these matters had been resolved/dissolved.

30. FINANCIAL INSTRUMENTS

30.1 Classification of Financial Instruments

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Loans and receivables			
	Group		Company	
	30.6.2014 RM	31.12.2012 RM	30.6.2014 RM	31.12.2012 RM
Financial assets				
Receivables and deposits (exclude prepayment)	1,267,423	2,502,845	-	-
Amount owing by subsidiaries	-	-	4,134,386	2,520,015
Deposits with licensed banks	-	1,223,626	-	-
Cash and cash equivalents	3,356,533	132,675	2,614,599	1,593
	4,623,956	3,859,146	6,748,985	2,521,608

	Finance liabilities at amortised cost			
	Group		Company	
	30.6.2014 RM	31.12.2012 RM	30.6.2014 RM	31.12.2012 RM
Financial liabilities				
Payables and accruals	581,412	1,676,884	60,890	44,402
Amount owing to a Director	-	21,863	-	-
Amount owing to subsidiaries	-	-	1,142,718	1,154,758
Borrowings	3,656,330	4,199,334	-	-
	4,237,742	5,898,081	1,203,608	1,199,160

30. FINANCIAL INSTRUMENTS (cont'd)

30.2 Financial Risk Management Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its market risks (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that were denominated in foreign currencies. The currencies gave rise to this risk were primarily United State Dollar ("USD") and Indonesia Rupiah ("IDR). Foreign currency risk was monitored closely and managed to an acceptable level.

	USD RM	IDR RM	Total RM
Group			
30.6.2014			
Financial Liability			
Trade payables	(224,174)	-	(224,174)
31.12.2012			
Financial Asset			
Trade receivables	-	46,122	46,122
Financial Liability			
Trade payables	(225,974)	-	(225,974)
Net currency exposure	(225,974)	46,122	(179,852)

Foreign currency risk sensitivity analysis

A 10% strengthening of the RM against the foreign currencies at the end of the reporting period would have decreased loss before tax by approximately RM22,417 (2012: RM17,985). A 10% weakening in the foreign currencies would have had an equal but opposite effect on the loss before tax. This assumes that all other variables remain constant.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from its interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rate available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in Note 30.2 (c) to the financial statements.

30. FINANCIAL INSTRUMENTS (cont'd)

30.2 Financial Risk Management Policies (cont'd)

(a) Market Risk (cont'd)

(ii) Interest Rate Risk (cont'd)

The interest rate risk profile of the Group's interest-bearing financial instruments based on the carrying amount as at the end of the reporting period is as follows:

	Note	30.6.2014 RM	31.12.2012 RM
Group			
Fixed rate instruments			
Deposits with licensed banks	15	-	1,223,626
Hire purchase payable	19	-	(80,149)
Floating rate instruments			
Bank overdrafts	18	-	(97,199)
Term loan	18	(3,656,330)	(4,021,986)

Interest rate risk sensitivity analysis

A 10 basis points strengthening in the interest rate as at the end of the reporting period would have increased loss before tax by RM36,563 (2012: RM29,757). A 10 basis points weakening would have had an equal but opposite effect on the loss before tax. This assumes that all other variables remain constant.

(b) Credit Risk

Credit risk is the risk of a financial loss to the Group that may arise if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's and the Company's exposure to credit risk arises principally from its loans and receivables. For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

(i) Receivables

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures.

Credit risk concentration profile

The Group's major concentration of credit risk relates to the amount owing by a customer which constituted 100% of its trade receivables as at the end of the reporting period.

30. FINANCIAL INSTRUMENTS (cont'd)

30.2 Financial Risk Management Policies (cont'd)

(b) Credit Risk (cont'd)

(i) Receivables (cont'd)

Exposure to credit risk

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

The Group does not have any exposure to international credit risk as its receivables are in Malaysia.

Ageing analysis

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

	Gross Amount RM	Individual Impairment RM	Carrying Value RM
Group			
30.6.2014			
Past due:			
- 3 to 6 months	1,236,000	-	1,236,000
- over 6 months	503,686	(503,686)	-
	1,739,686	(503,686)	1,236,000
31.12.2012			
Not past due	613,760	-	613,760
Past due:			
- less than 3 months	145,485	-	145,485
- over 6 months	9,181,012	(8,616,024)	564,988
	9,940,257	(8,616,024)	1,324,233

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

Trade Receivables that are Past Due but Not Impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

(ii) Inter-company Balances

The Company provides unsecured loans and advances to subsidiaries.

As at the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount in the statement of financial position. There was no indication that the loans and advances to subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to the subsidiaries. Nevertheless, these advances are repayable on demand.

30. FINANCIAL INSTRUMENTS (cont'd)

30.2 Financial Risk Management Policies (cont'd)

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Company practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain credit facilities.

Analysis of financial instruments by remaining contractual maturities

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

	Carrying Amount RM	Contractual Cash Flows RM	On Demand or within one year RM	One to five years RM	More than five years RM
Group					
Financial liabilities					
30.6.2014					
Trade payables	420,576	420,576	420,576	-	-
Other payables	160,836	160,836	160,836	-	-
Borrowings					
- Term loan	3,656,330	3,656,330	264,474	1,210,156	2,181,700
	4,237,742	4,237,742	845,886	1,210,156	2,181,700
31.12.2012					
Trade payables	1,471,060	1,471,060	1,471,060	-	-
Other payables	205,824	205,824	205,824	-	-
Amount owing to Directors	21,863	21,863	21,863	-	-
Borrowings					
- Hire purchase payable	80,149	88,164	88,164	-	-
- Bank overdrafts	97,199	97,199	97,199	-	-
- Term loan	4,021,986	4,021,986	244,539	1,222,695	2,554,752
	5,898,081	5,906,096	2,128,649	1,222,695	2,554,752
Company					
Financial liabilities					
30.6.2014					
Other payables	60,890	60,890	60,890	-	-
Amount owing to subsidiaries	1,142,718	1,142,718	1,142,718	-	-
	1,203,608	1,203,608	1,203,608	-	-
31.12.2012					
Other payables	44,402	44,402	44,402	-	-
Amount owing to subsidiaries	1,154,758	1,154,758	1,154,758		
	1,199,160	1,199,160	1,199,160	-	-

30. FINANCIAL INSTRUMENTS (cont'd)

30.3 Fair values of financial instruments

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

The following summarises the methods used to determine the fair values of the financial instruments:

(i) The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.

(ii) The carrying amount of the term loan approximated its fair value as this instrument bear interest at variable rate.

30.4 Fair Value Hierarchy

The fair values of the financial assets and liabilities are analysed into level 1 to 3 as follows:

Level 1: Fair value measurements derive from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements derive from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Fair value measurements derive from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at the end of the reporting period, there were no financial instruments carried at fair values.

31. CAPITAL MANAGEMENT

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

The Group and the Company manages its capital structure and makes adjustments to it, in light of changes in economic condition. To maintain or adjust capital structure, the Group & the Company may adjust the dividend payment, returning of capital to shareholders or issuing new shares.

There were no changes in the Group's and the Company's approach to capital management during the financial period and maintains the debt to net debt and equity ratio to an acceptable level.

	Group	
	30.6.2014 RM	31.12.2012 RM
Trade and other payables	581,412	1,698,747
Amount owing to Directors	-	21,863
Bank borrowings	3,656,330	4,199,334
Less: Cash and bank balances	(3,356,533)	(132,675)
Less: deposits placed with licensed banks	-	(1,223,626)
Net debt	881,209	4,563,643
Total equity	30,521,173	30,379,649
Total net debt and equity	31,402,382	34,943,292
Debt to net debt and equity ratio	3%	13%

32. SIGNIFICANT EVENTS AFTER THE FINANCIAL PERIOD

32.1 On 22 September 2014, a wholly owned subsidiary of the Company, Ariantec Sdn. Bhd. ("ASB") entered into a lease agreement with Springworks Mobile Payments Sdn. Bhd. ("SMP") as a lessor. ASB will lease to SMP the EFT-POS terminals and network equipment and peripherals for a period of 9 years, subject to the terms and conditions stipulated in the said agreement.

32.2 On 28 October 2014, NETX Holdings Berhad ("the Company") entered into a conditional Share Sale Agreement ("SSA") with Chen Chee Onn, Tan Chye Gay, Ooi Leng Chye and Chan Jet Ming (collectively referred to as "Vendors") to acquire from the Vendor 51,000 ordinary shares representing 51% of the issued and paid-up share capital of Springworks Sdn. Bhd. ("SSB") for a purchase consideration of RM16,000,000. SSB is also the only registered and beneficial owner of all the issued and paid-up share capital of Springworks Mobile Payments Sdn. Bhd. ("SMP") as at the date of the SSA.

The purchase consideration of RM16,000,000 is to be satisfied entirely via the issuance of the Company's 160,000,000 shares at an issue price of RM0.10 each.

Upon the execution of the SSA, the Vendors will be providing a profit guarantee to the Company for the fifteen (15) months period ending 30 June 2015 and financial year ending 30 June 2016 which shall not be less than RM7,000,000 on an accumulative basis.

The SSA is conditional upon the fulfilment of the conditions precedent as set out in the SSA within 180 days from the date of the SSA or such other date as may be mutually agreed between the Company and the Vendors.

Upon the completion of the acquisition, SSB will become a 51% owned subsidiary of the Company.

32.3 On behalf of the Board of Directors of NETX Holdings Berhad ("the Company"), TA Securities Holdings Berhad ("TA Securities") had on 28 October 2014 announced that the Company proposed to undertake the following:

(i) Proposed renounceable rights issue of up to 625,553,033 new ordinary shares of RM0.10 each in NETX ("NETX Shares" or "Shares") ("Rights Shares") on the basis of one (1) Rights Share for every one (1) existing NETX Share held, together with up to 625,553,033 free detachable warrants ("Warrants") on the basis of one (1) Warrant for every one (1) Rights Share subscribed at an entitlement date to be determined later ("Proposed Rights Issue of Shares with Warrants");

(ii) Proposed acquisition of 51% equity interest in Springworks Sdn Bhd ("Springworks") comprising 51,000 ordinary shares of RM1.00 each in Springworks, for a purchase consideration of RM16,000,000 to be satisfied via the issuance of 160,000,000 NETX Shares at an issue price RM0.10 per Share ("Proposed Acquisition");

(iii) Proposed establishment of a share issuance scheme of up to thirty percent (30%) of the Company's issued and paid-up share capital (excluding treasury shares, if any) at any one time during the duration of the scheme ("Proposed SIS"), for the Directors and employees of NETX and its subsidiaries ("NETX Group" or "Group") (excluding dormant subsidiaries) who fulfil the eligibility criteria as set out in the announcement; and

(iv) Proposed increase in the authorised share capital of NETX from RM70,000,000 comprising 700,000,000 NETX Shares to RM300,000,000 comprising 3,000,000,000 NETX Shares ("Proposed Increase in Authorised Share Capital").

(collectively, (i) to (iv) are referred to as the "Proposals")

32. SIGNIFICANT EVENTS AFTER THE FINANCIAL PERIOD (cont'd)

32.3 The Proposals are subject to and conditional upon approvals being obtained from the following:

(i) Bursa Malaysia Securities Berhad ("Bursa Securities") for the following:

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

(b) admission to the Official List and the listing of and quotation for the Warrants to be issued pursuant to the Proposed Rights Issue of Shares with Warrants;

(c) listing and quotation for the new NETX Shares to be issued pursuant to the exercise of the Warrants; and

(d) listing of and quotation for the Consideration Shares to be issued pursuant to the Proposed Acquisition;

(e) listing of and quotation for the new NETX Shares to be issued pursuant to the exercise of the SIS Options;

on the ACE Market of Bursa Securities;

(ii) the shareholders of NETX at an EGM to be convened; and

(iii) any other relevant authorities, if required.

The Proposed Rights Issue of Shares with Warrants are not inter-conditional with the Proposed Acquisition and/ or Proposed SIS.

The Proposed Increase in Authorised Share Capital are inter-conditional upon the Proposed Rights Issue of Shares with Warrants, Proposed Acquisition and Proposed SIS but not vice versa.

The Proposals are not conditional upon any other corporate proposal undertaken or to be undertaken by NETX.

33. COMPARATIVES

The financial statements cover a period of 18 months from 1 January 2013 to 30 June 2014 due to the change in financial year end. Accordingly, the comparatives for the statement of comprehensive income, statement of cash flows and the related notes are not comparable.

34. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the accumulated losses of the Group and of the Company at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:

	Group		Company	
	30.6.2014 RM	31.12.2012 RM	30.6.2014 RM	31.12.2012 RM
Total accumulated losses				
- realised	(37,817,725)	(31,221,092)	(38,156,531)	(37,022,890)
- unrealised	3,159,256	2,402,913	-	-
Accumulated losses as per financial statements	(34,658,469)	(28,818,179)	(38,156,531)	(37,022,890)

ANALYSIS OF SHAREHOLDINGS AS AT 31 OCTOBER 2014

Authorised Capital	RM70,000,000
Issued & Fully Paid up Capital	RM62,555,303.30
Class of Shares	Ordinary shares of RM0.10 each
Voting Rights	One vote per RM0.10 share

DISTRIBUTION SCHEDULE OF SHAREHOLDERS

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	65	1.95	3,152	0.00
100 - 1,000	166	4.99	89,117	0.01
1,001 - 10,000	852	25.61	5,750,064	0.92
10,001 - 100,000	1,679	50.47	80,117,400	12.81
100,001 to less than 5% of issued shares	564	16.95	440,730,950	70.46
5% and above of issued shares	1	0.03	98,862,350	15.80
Total	3,327	100.00	625,553,033	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 31 OCTOBER 2014

		Direct Interest		Indirect Interest	
No.	Shareholders	No. of Shares Held	%	No. of Shares Held	%
1	Metronic Global Berhad	98,862,350	15.80	-	-

DIRECTORS' SHAREHOLDINGS AS AT 31 OCTOBER 2014

		Direct Interest		Indirect Interest	
No.	Directors	No. of Shares Held	%	No. of Shares Held	%
1	Dato' Chang Lik Sean	-	-	-	-
2	Mr. Chong Loong Men	-	-	-	-
3	En. Yahya Bin Razali	-	-	-	-
4	Mr. Lai Pai Lan	-	-	-	-

ANALYSIS OF SHAREHOLDINGS
AS AT 31 OCTOBER 2014 (cont'd)

THIRTY LARGEST SHAREHOLDERS
(without aggregating securities from different securities accounts belonging to the same person)

	Name	No. of Shares	%
1	METRONIC GLOBAL BERHAD	98,862,350	15.80
2	ALLIANCE GROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR KONG KOK KEONG	31,000,000	4.96
3	RHB NOMINEES (ASING) SDN BHD - DMG & PARTNERS SECURITIES PTE LTD FOR NOBEL ELITE LIMITED	31,000,000	4.96
4	UOBM NOMINEES (ASING) SDN BHD - EXEMPT AN FOR AVESTRA ASSET MANAGEMENT LTD	31,000,000	4.96
5	CIMSEC NOMINEES (ASING) SDN BHD - EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD	17,500,200	2.80
6	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR LAI YEE VOON	15,200,000	2.43
7	RHB NOMINEES (ASING) SDN BHD - DMG & PARTNERS SECURITIES PTE LTD FOR ASIA INSIGHT HOLDINGS LIMITED	15,000,000	2.40
8	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR QUEK SOON TIANG	13,000,000	2.08
9	TAN HOCK HUAT	13,000,000	2.08
10	UOBM NOMINEES (ASING) SDN BHD - EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED	8,173,600	1.31
11	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR CHUNG KIN CHUAN	7,701,000	1.23
12	M & A NOMINEE (ASING) SDN BHD - SANSTON FINANCIAL GROUP LIMITED FOR AVESTRA ASSET MANAGEMENT LIMITED	7,080,300	1.13
13	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR LAI TZE JIN	6,600,000	1.05
14	CHONG SUI WEI	6,000,000	0.96
15	CHEW HUN SENG	5,000,000	0.80
16	UOB KAY HIAN NOMINEES (ASING) SDN BHD - EXEMPT AN FOR UOB KAY HIAN PTE LTD	4,415,000	0.70
17	CARTABAN NOMINEES (ASING) SDN BHD - EXEMPT AN FOR KGI ASIA LTD	4,072,900	0.65
18	CHOO KENG KIT	4,000,000	0.64
19	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR WEE KOK CHUAN	3,500,000	0.56
20	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR LAI YEE LING	3,500,000	0.56
21	CHING MEE NGUK	3,300,000	0.53
22	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR TAN KWEE ENG	3,000,000	0.48
23	LEE KIM SOON	2,785,600	0.44
24	CIMSEC NOMINEES (TEMPATAN) SDN BHD - EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD	2,701,000	0.43
25	LIM TZE WIN	2,500,000	0.40
26	TAN HONG HONG	2,457,300	0.39
27	LIM YONG HUA	2,260,000	0.36
28	PUBLIC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR TAN SOON HUI	2,171,600	0.35
29	PUBLIC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR LIM ENG CHUAN	2,160,000	0.34
30	ASIABIO CAPITAL SDN BHD	2,000,000	0.32
	TOTAL	**350,940,850**	**56.10**

NOTICE OF THE THIRTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirteenth Annual General Meeting of the Company will be held at Level 4, Menara Lien Hoe, No. 8, Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 18 December 2014 at 10.30 a.m. to transact the following businesses:

AGENDA	**Ordinary Resolution No.**
1. To receive the Audited Financial Statements of the Company for the financial period ended 30 June 2014 together with the Directors' and Auditors' Reports thereon.	
2. To re-elect the following Directors retiring in accordance to Article 110 of the Company's Articles of Association with Company's Articles of Association:	
(a) Encik Yahya Bin Razali	1
(b) Mr Lai Pai Lan	2
(c) Dato' Chang Lik Sean	3
3. To appoint Auditors and to authorise the Directors to fix their remuneration.	4
4. As Special Business to consider and if thought fit, to pass the following resolution, with or without modifications:	
ORDINARY RESOLUTION - AUTHORITY TO ISSUE SHARES	
"THAT subject always to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby authorised pursuant to Section 132D of the Companies Act, 1965 to issue shares in the Company at any time until the conclusion of the next Annual General Meeting upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10% of the issued share capital of the Company for the time being."	5
5. To transact any other business for which due notice shall have been given in accordance with the Companies Act, 1965.	

BY ORDER OF THE BOARD

SEOW FEI SAN
LAW MEE POO
Secretaries

Petaling Jaya
26 November 2014

Notes:-

(i) Only depositors whose names appear in the Record of Depositors as at 12 December 2014 shall be regarded as members and are entitled to attend, speak and vote at the Meeting.

(ii) Each member entitled to attend and vote in person may appoint up to two (2) proxies or attorneys or authorised representatives to attend and vote in its stead.

(iii) A proxy may but need not be a Member of the Company and need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies. The provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.

(iv) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of such Securities Account.

(v) Where a member of the Company is an Exempt Authorised Nominee which holds ordinary share in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect each omnibus account it holds.

(vi) The instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office of the Company at 802, 8th Floor, Block C, Kelana Square, 17, Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting.

Explanatory Note on Special Business

ORDINARY RESOLUTION 5

The proposed Ordinary Resolution 5, if passed, will empower the Directors of the Company to allot and issue not more than 10% of the issued share capital of the Company subject to the approvals of all the relevant governmental and/or other regulatory bodies and for such purposes as the Directors consider would be in the interest of the Company. This authorisation will, unless revoked or varied by the Company in a general meeting, expire at the next Annual General Meeting of the Company.

The authority, if granted by the shareholders, will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

As at the date of this Notice, 56,800,000 new share in the Company was issued pursuant to the authority granted to the Directors at the Twelfth Annual General Meeting held on 26 June 2013 via a private placement on 13 November 2013 and the said authority will lapse at the conclusion of the Thirteenth Annual General Meeting.

This page has been intentionally left blank.

NETX HOLDINGS BERHAD (533441-W)
(Incorporated in Malaysia)

FORM OF PROXY

No. of shares held

I/We,____(BLOCK LETTERS)

NRIC No./Company No. ____

____

being (a) Member(s) of NETX HOLDINGS BERHAD (533441-W) hereby appoint the following person(s):

Name of proxy & NRIC No.	No. of shares to be represented by proxy
1. ____________________	1. ____________________
2. ____________________	2. ____________________
or failing him/her,	
1. ____________________	1. ____________________
2. ____________________	2. ____________________

or failing him, THE CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Thirteenth Annual General Meeting of the Company to be held at Level 4, Menara Lien Hoe, No. 8, Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 18 December 2014 at 10.30 a.m. and at any adjournment thereof and to vote as indicated below:-

	For	Against
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		

Please indicate with an "X" in the space above on how you wish to cast your vote. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.

Signed this .... day of ...., 2014

____
Signature / Seal of Member

NOTES :

(i) Only depositors whose names appear in the Record of Depositors as at 12 December 2014 shall be regarded as members and are entitled to attend, speak and vote at the Meeting.

(ii) Each member entitled to attend and vote in person may appoint up to two (2) proxies or attorneys or authorised representatives to attend and vote in its stead.

(iii) A proxy may but need not be a Member of the Company and need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies. The provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.

(iv) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of such Securities Account.

(v) Where a member of the Company is an Exempt Authorised Nominee which holds ordinary share in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect each omnibus account it holds.

(vi) The instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office of the Company at 802, 8th Floor, Block C, Kelana Square, 17, Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting.

Please fold here

Affix Stamp

The Secretary
NETX HOLDINGS BERHAD
(Company No. 533441-W)
802, 8th Floor, Block C
Kelana Square
17, Jalan SS7/26
47301 Petaling Jaya
Selangor Darul Ehsan

Please fold here

NETX HOLDINGS BERHAD

Wisma Ariantec
1-3, Street Wing, Sunsuria Avenue,
Persiaran Mahogani,
Kota Damansara, PJU 5,
47810 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Tel: +603-61423198 I +603-61423196
Fax: +603-61423292

http://www.netx.com.my