

**INIX TECHNOLOGIES HOLDINGS BERHAD**(665797-D)

59-A&B, Jalan SS15/4C,  
47500 Subang Jaya,  
Selangor Darul Ehsan, Malaysia.

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**INIX TECHNOLOGIES HOLDINGS BERHAD**  
(665797-D)

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

Annual Report  
**2008**

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## **Corporate Information**

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### **Board of Directors**

**Dato' Megat Fairouz Junaidi  
bin Megat Junid**

*Independent Non-Executive Chairman*

**Jimmy Tok Soon Guan**

*Chief Executive Officer*

**Cheong Kok Yai**

*Executive Director*

**Chong Chen Fah**

*Executive Director*

**Madzlan bin Mohamed Nazri**

*Independent Non-Executive Director*

**Mok Chin Fan**

*Non-Independent Non-Executive Director  
(resigned on 1 August 2007 and  
reappointed on 20 September 2007)*

**Wong Yew Sen**

*Independent Non-Executive Director  
(appointed on 27 September 2007)*

**Mohd Qari bin Ahmad**

*Independent Non-Executive Director  
(appointed on 2 July 2007;  
retired on 7 November 2007)*

### **Audit Committee**

**Dato' Megat Fairouz Junaidi  
bin Megat Junid**

*Chairman*

**Madzlan bin Mohamed Nazri**

*Member*

**Wong Yew Sen**

*Member*

### **Group Head Office**

59-A&B Jalan SS15/4C  
47500 Subang Jaya  
Selangor Darul Ehsan  
Tel: (603) 5632 2222  
Fax: (603) 5632 1075  
Email: enquiry@inix.com.my  
Web: www.inix.com.my

### **Company Secretaries**

Chok Kwee Wah (MACS 00550)  
Leong Mee Lee (LS 0001836)

### **Registered Office**

Lot 10, The Highway Centre  
Jalan 51/205  
46050 Petaling Jaya  
Selangor Darul Ehsan  
Tel: (603) 7784 3922  
Fax: (603) 7784 1988  
Email: binawin@tm.net.my

### **Share Registrar**

**Bina Management (M) Sdn Bhd**

Lot 10, The Highway Centre  
Jalan 51/205  
46050 Petaling Jaya  
Selangor Darul Ehsan  
Tel: (603) 7784 3922  
Fax: (603) 7784 1988  
Email: binawin@tm.net.my

### **Auditors**

**Azman, Wong, Salleh & Co** (AF: 0012)  
12<sup>th</sup> Floor, Wisma Tun Sambanthan  
2, Jalan Sultan Sulaiman  
50000 Kuala Lumpur  
Tel: (603) 2273 2688  
Fax: (603) 2274 2688  
Email: folksdfk@tm.net.my

### **Sponsor**

**Kenanga Investment Bank Berhad**

801, 8th Floor, Kenanga International  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Tel: (603) 2164 6689  
Fax: (603) 2164 6690

### **Principal Bankers**

Public Bank Berhad  
CIMB Bank Berhad

### **Stock Exchange Listing**

The MESDAQ Market of  
Bursa Malaysia Securities Berhad  
Stock Name: INIX  
Stock Code: 0094

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## Chairman's Statement

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**C**on behalf of your Board of Directors, I am pleased to present the Annual Report of INIX Technologies Holdings Berhad (INIX), together with the audited financial statements of the Group and of the Company, for the financial year ended 31 July 2008.

### Corporate Developments

In August 2007, the Company completed implementation of a private placement exercise approved by the Securities Commission and the Foreign Investment Committee on 21 May 2007. This exercise involved the allotment and issue of 10,450,000 new INIX shares at an issue price of RM0.155, which represents a discount of approximately 8.4% from the five (5) days volume weighted average market price of INIX shares from 15 June 2007 to 21 June 2007 of RM0.1692.

The above private placement was approved at an extraordinary general meeting of the Company convened on 8 August 2007. The said placement shares, allotted and issued by the Company on 17 August 2007, were granted listing and quotation on 23 August 2007.

### Group Results

Group sales revenue moderated to RM1.9 million for the financial year ended 31 July 2008, compared to RM5.3 million for the preceding year. The INIX Group recorded an audited after tax loss of RM11.2 million compared to an audited after tax loss of RM11.2 million for the financial year ended 31 July 2007.

The adverse earnings outturn on a shrinking revenue base is reflective of a continually hostile operating environment brought to bear on the Group since the preceding financial year of dampened domestic, regional and global economic activity emanating from escalating world crude oil prices and rising interest rates as well as the effects of the ongoing global financial crisis.

Measures continued to be taken during the year under review not only to buttress the Group's existing limited resources, but also to re-group and to fortify our financial base into the future. As was the case in the preceding year, the Group's balance sheet was again brought under close scrutiny at the financial year-end. The carrying values of the Group's trade receivables as well as the Group's plant, property and equipment as at year-end were critically reviewed both individually as well as on collective basis. This to ensure they reliably measure their respective true and fair values vis-à-vis the associated future economic benefits reasonably expected to flow to the Group therefrom, particularly so within the presently depressed operating environment of dampened sales demand and high inelastic cost and expense pressures on the Group.

Guided by prudence, significant accounting adjustments and provisions were taken up in the books of the Group for the financial year ended 31 July 2008. These include provision for impairment loss on property, plant and equipment RM2.9 million (2007: RM1.6 million) and allowances for bad and doubtful debts RM1.8 million (2007: RM2.5 million).

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# **Chairman's Statement**

(continued)

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## **Research and Development**

The INIX Group continues to invest heavily on research and development (R&D) activities. This to ensure that we continually remain in the forefront of technological advancement for sustained success in the industry, in line with our vision to be a global leader in providing leading edge integrated intelligent home and building systems and solutions.

During the year under review, the Group's R&D efforts focussed on further enhancing the *Secure Smith* to incorporate new features and applications. These include adapting, modifying and improving the *Secure Smith* for the international markets in conformity with their respective local specifications and requirements.

The Group spent a total of RM2.7 million in R&D expenditure for its financial year ended 31 July 2008, compared to RM2.9 million for the preceding year.

## **Prospects**

Amidst the increased volatility in the global financial markets in recent past, signs have emerged of inevitable world economic slowdown. Nominally triggered in July 2007 by a then seemingly nondescript event involving a small German bank holding securitised assets backed by sub-prime real estate mortgages in the United States, the ongoing credit and liquidity crisis continues to deepen.

Indeed, the now financial tsunami has spread right across the globe, despite concerted interest rate cuts and massive liquidity injection by governments and central banks worldwide. There are heightened concerns too that the resultant global world economic slump could drag on for several years.

Closer to home, economists warn that conditions would worsen if the credit squeeze dries up funds for investment and householding spending – more so in a scenario of escalating fuel and food prices. And of the real risk of Malaysia slipping into recession from as early as 2009.

Pointing as it does to dwindling market demand for the Group's range of products and services, the foregoing does not at all bode well for INIX. In this regard, your Directors are cautious of the Group's prospects in the immediate term and are hopeful of reduced losses, at best, for the forthcoming financial year ending 31 July 2009.

## **Appreciation**

On behalf of your Board, I would like to express our heartfelt gratitude to all employees of the Group for their loyal dedication and contribution, and to our valued customers for their continued patronage. We wish also to thank our distributors, dealers, resellers and retailers, and not least, government agencies and regulatory authorities, for their guidance, counsel and support.

**Dato' Megat Fairouz Junaidi bin Megat Junid**

Chairman

1 December 2008



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## ***Directors' Profile***

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### **Dato' Megat Fairouz Junaidi bin Megat Junid**

#### ***Independent Non-Executive Chairman***

Malaysian, aged 43

Dato' Megat Fairouz Junaidi bin Megat Junid was appointed as Independent Non-Executive Chairman on 17 June 2005. He is also the Chairman of the Audit Committee, the Nomination Committee and the Remuneration Committee. He graduated from the Arkansas State University with a Bachelor of Science in Finance in 1987 and a Master in Business Administration in 1988.

He attended all five Board meetings held during the financial year ended 31 July 2008.

Dato' Megat Fairouz Junaidi does not have any family relationship with any director and/or substantial shareholder of INIX Technologies Holdings Berhad, nor any conflict of interest in any business arrangement involving the Company. He has had no convictions for any offences, other than traffic offences, within the past ten years.

### **Jimmy Tok Soon Guan**

#### ***Executive Director / Chief Executive Officer***

Malaysian, aged 38

Jimmy Tok Soon Guan was appointed as Executive Director and Chief Executive Officer (CEO) on 17 June 2005. Jimmy is the Chairman of the Employee Share Option Committee and is a member of the Remuneration Committee. He is also a director and CEO of Inix Technologies Sdn Bhd and Inix Industrial Sdn Bhd.

Jimmy has more than 16 years of experience in the ICT industry. His keen interest in computers, electronics and electro-mechanics started during his primary education years. Upon completing secondary school in 1987, he worked as a technical support staff with companies dealing in computers. After gaining wide exposure and hands-on experience in ICT, he ventured out to form Compustor, a sole-proprietorship business involved in repair and service of computer systems and in trading of computer parts and peripherals. In 1995, he co-founded PC Sentry Sdn Bhd and built it into a one-stop ICT solutions provider, including in system integration, networking, software development as well as in the design and development of intelligent security, automation and surveillance systems.

He attended all five Board meetings held during the financial year ended 31 July 2008.

Jimmy does not have any family relationship with any director and/or substantial shareholder of INIX Technologies Holdings Berhad, nor any conflict of interest in any business arrangement involving the Company. He has had no convictions for any offences, other than traffic offences, within the past ten years.

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## ***Directors' Profile***

*(continued)*

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### **Cheong Kok Yai**

***Executive Director / Chief Technical Officer***

Malaysian, aged 48

Cheong Kok Yai was appointed as Executive Director and Chief Technical Officer (CTO) on 17 June 2005. Cheong is a member of the Employee Share Option Scheme Committee. He is also a director and CTO of Inix Technologies Sdn Bhd and Inix Industrial Sdn Bhd. Cheong obtained a Full Technological Certificate in Electrical Engineering Practice, Advanced Electrical Technology, Control Systems Engineering, Electronic Systems and Telecommunication Technicians Course from the City and Guilds of London Institute in 1981. After a short employment stint as a technician for a semiconductor manufacturer, he started Micro Technology, his self-owned business enterprise which provided services in repair and maintenance of computers and electronic products. In 1995, he co-founded PC Sentry Sdn Bhd where he led the company's technical support and research and development operations, including the design and development of a number of advanced computerised applications.

He attended three Board meetings held during the financial year ended 31 July 2008.

Cheong does not have any family relationship with any director and/or substantial shareholder of INIX Technologies Holdings Berhad, nor any conflict of interest in any business arrangement involving the Company. He has had no convictions for any offences, other than traffic offences, within the past ten years.

### **Chong Chen Fah**

***Executive Director***

Malaysian, aged 50

Chong Chen Fah was appointed a Director on 13 September 2004 and was designated as Executive Director on 17 June 2005. Chong is a chartered accountant with more than 27 years' experience in both government and corporate sectors. He served in the Accountant General's Department of the Ministry of Finance for 11 years, including two years on secondment to the Ministry of Home Affairs and the Royal Malaysian Police. He was later group chief financial officer of a diversified public company with interests in merchandising of motorcars, trucks and buses, and industrial and commercial plant and equipment. Besides being a member of the Malaysian Institute of Accountants, he holds a B.Acc.(Hons.) from the University of Malaya and is a member of the Malaysian Institute of Management, the Institute of Internal Auditors Malaysia and the Malaysian Institute of Taxation.

He attended all five Board meetings held during the financial year ended 31 July 2008.

Chong does not have any family relationship with any director and/or substantial shareholder of INIX Technologies Holdings Berhad, nor any conflict of interest in any business arrangement involving the Company. He has had no convictions for any offences, other than traffic offences, within the past ten years.

### **Madzlan bin Mohamed Nazri**

#### ***Independent Non-Executive Director***

Malaysian, aged 43

Madzlan bin Mohamed Nazri was appointed as Independent Non-Executive Director on 17 June 2005. He is a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. Madzlan obtained a Diploma in Public Administration from Institut Teknologi Mara (ITM) in 1988. In 1986, while still in ITM's part time course, he joined Majlis Perbandaran Petaling Jaya as a prosecuting officer. From 1996 he was liaison officer of Tenggara Capital Berhad's property and business development department. He started his own business in 1999, establishing Urban Flame Sdn Bhd to provide private parking management services. He became a director of Behn Mas Sdn Bhd in 2000, and of Array Technology Sdn Bhd in 2003. Behn Mas is involved in construction procurement while Array Technology provides systems solutions to Suruhanjaya Syarikat Malaysia and to local authorities such as Majlis Perbandaran Petaling Jaya, Majlis Perbandaran Subang Jaya, Majlis Bandaraya Shah Alam, Majlis Perbandaran Klang and Majlis Perbandaran Ampang Jaya.

He attended all five Board meetings held during the financial year ended 31 July 2008.

Madzlan does not have any family relationship with any director and/or substantial shareholder of INIX Technologies Holdings Berhad, nor any conflict of interest in any business arrangement involving the Company. He has had no convictions for any offences, other than traffic offences, within the past ten years.

### **Mok Chin Fan**

#### ***Non-Independent Non-Executive Director***

Malaysian, aged 50

Mok Chin Fan first joined the Board on 17 June 2005. He resigned as a director on 1 August 2007 and was reappointed as Non-Independent Non-Executive Director on 20 September 2007. He is a member of the Nomination Committee and the Employee Share Option Committee. Mok is a self-made entrepreneur with business interests in automotive services, and more recently, in ICT. His long time passion for cars and early attraction to automotive mechanics saw him commence his career as a motor apprentice in 1970. He was later a freelance automotive mechanic and sub-contractor for franchised workshops for more than 12 years. In 1988, he incorporated an automotive maintenance and service company specialising in high-end performance and luxury automobiles. Mok joined PC Sentry Sdn Bhd as a director in 2003, bringing with him a rich blend of entrepreneurial savvy, technical expertise, hands-on operational and management experience, and sound customer-focussed business sense.

He attended five Board meetings held during the financial year ended 31 July 2008.

Mok does not have any family relationship with any director and/or substantial shareholder of INIX Technologies Holdings Berhad, nor any conflict of interest in any business arrangement involving the Company. He has had no convictions for any offences other than traffic offences within the past ten years.



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## ***Directors' Profile***

*(continued)*

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### **Wong Yew Sen**

***Independent Non-Executive Director***

Malaysian, aged 61

Wong Yew Sen was appointed as Independent Non-Executive Director and member of the Audit Committee on 27 September 2007. Wong has been a Senior Associate Member of the Institut Bank-Bank Malaysia since 1978. He graduated with a Bachelor of Economics from University of Malaya in 1971 and obtained a Diploma in Banking from Institute Bankers, London in 1973. He was involved in the supervision of banking institutions for 27 years since he joined Bank Negara Malaysia (BNM) in August 1971. He held various positions in BNM including Head of Internal Audit, Director of Banking Supervision 2, and Director of Insurance Supervision. From November 2003 to April 2006, he was Adviser (Supervision) of the Department of Co-Operative Development Malaysia, responsible for building up the supervisory functions of the department. He was a Governor of the Institute of Internal Auditors Malaysia from April 1993 to April 2006 and was elected as its President for two terms from April 1998 to April 2000. He is currently a director of Aturmaju Resources Berhad.

He attended four Board meetings held during the financial year ended 31 July 2008.

Wong does not have any family relationship with any director and/or substantial shareholder of INIX Technologies Holdings Berhad, nor any conflict of interest in any business arrangement involving the Company. He has had no convictions for any offences, other than traffic offences, within the past ten years.

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# Corporate Governance Statement

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The Board of Directors of INIX Technologies Holdings Berhad (INIX) totally supports the prescriptions and recommendations of the principles and best practices set out in the Malaysian Code on Corporate Governance. The Board views this as a fundamental part of its responsibility to protect and enhance shareholders' value. Accordingly, the Board has and will continue to play an active role in improving governance practices in the Group's operations, including timeliness in corporate disclosure and financial reporting.

## Directors

INIX is led and managed by an experienced Board of Directors comprising members with a wide range of business, information technology, financial and technical backgrounds. This brings depth and diversity in expertise and perspectives to the stewardship of a highly challenging information technology company. The profiles of the members of the Board, appearing on pages 5 to 8 of the Annual Report, illustrate a spectrum of experiences vital to the direction and management of INIX.

## Composition

The current Board consists of seven members, comprising three executive directors and four non-executive directors, three of whom are independent as defined by the Bursa Malaysia Securities Berhad (Bursa Securities) Listing Requirements for the Mesdaq Market.

The independent directors provide strong support towards the effective discharge of the duties and responsibilities of the Board and fulfill their role by the exercise of independent judgment and objective participation in the proceedings and decisions of the Board.

## Duties and Responsibilities

The Board's principal focus is the overall strategic direction, development and control of the Group. In support of this, the Board maps out and reviews the Group's medium and long term strategic plans on an annual basis, so as to align the Group's business directions and goals with the prevailing economic and market conditions.

The Board also reviews the action plans that are implemented by the Management to achieve business targets.

The Board's other main duties include regular oversight of the Group's business operations and performance, and ensuring that the internal controls and risk management processes of the Group are well in place and are implemented consistently.

## Board Meetings

Board meetings are held at least four times annually, with additional meetings convened as and when necessary. During the financial year from 1 August 2007 to 31 July 2008, five Board meetings were held. Details of each Director's meeting attendance are as follows:

<i>Name of Director</i>	<i>Attendance</i>
Dato' Megat Fairouz Junaidi bin Megat Junid	5 of 5
Jimmy Tok Soon Guan	5 of 5
Cheong Kok Yai	3 of 5
Chong Chen Fah	5 of 5
Madzlan bin Mohamed Nazri	5 of 5
Mok Chin Fan ( <i>resigned on 1 Aug 2007; reappointed on 20 Sep 2007</i> )	5 of 5
Wong Yew Sen ( <i>appointed on 27 Sep 2007</i> )	4 of 4
Mohd Qari bin Ahmad ( <i>appointed on 2 Jul 2007; retired on 7 Nov 2007</i> )	2 of 2

# Corporate Governance Statement

(continued)

## Access to Information

The Board and the Board committees are furnished with an agenda and relevant up-to-date information for review prior to each meeting to enable them to make informed decisions.

The Board members, whether as a full board or in their individual capacities, have full and timely access to all relevant information on the Group's businesses and affairs to discharge their duties effectively. Every member of the Board has ready and unrestricted access to the advice and services of the Company Secretaries. The Board is constantly advised and updated on statutory and regulatory requirements pertaining to their duties and responsibilities. Procedures are also in place for the Directors and Board committees to seek independent professional advice if so required by them.

## Appointment and Re-election of Directors

In accordance with the Articles of Association of the Company, all directors are subject to re-election by rotation at least once in every three years and a re-election of directors shall take place at each annual general meeting. Directors who are appointed to fill a casual vacancy are subject to election by shareholders at the next annual general meeting following their appointment.

## Directors' Training

All the Directors have attended and successfully completed the Mandatory Accreditation Programme (MAP) within the time frame stipulated in the Listing Requirements.

The Directors will continue to undergo other relevant training programmes to further enhance their skills and knowledge so as to keep abreast with developments in the market place and to assist them in the discharge of their duties as Directors. The Board will discuss and determine the training needs of the Directors and the Directors are encouraged to attend various training on their own and submit the certificate of attendance to the Company Secretary for record.

## Directors' Remuneration

The Remuneration Committee recommends to the Board the framework for the remuneration of the executive and non-executive directors. Directors' fees are subject to shareholders' approval.

Directors' remuneration for the financial year ended 31 July 2008 is as follows:

Remuneration Component	Group	
	Executive Directors RM'000	Non-Executive Directors RM'000
Directors' fees	-	172
Salaries	366	-
EPF and Socso	29	-
Medical	-	-
Employee options	300	-
Total	695	172

The numbers of Directors in each remuneration band for the financial year are as follows:

Range of Remuneration	Group	
	Executive Directors	Non-Executive Directors
RM50,000 & below	-	3
RM50,001 to RM100,000	-	2
RM150,001 to RM200,000	1	-
RM200,001 to RM250,000	1	-
RM250,001 to RM300,000	-	-
RM300,001 to RM350,000	1	-

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# Corporate Governance Statement

(continued)

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## Board Committees

The Board has delegated certain responsibilities to Board committees, namely, the Audit Committee, Nomination Committee, Remuneration Committee and Employee Share Option Scheme Committee, to support and assist the Board in discharging its fiduciary duties and responsibilities.

The functions and terms of reference of the Board committees, as well as the authority delegated by the Board to the respective committees have been clearly defined by the Board. The Chairman of the various committees report the outcome of the committee meetings to the Board and minutes of the meetings of Board Committees are tabled for the Board's perusal.

### Audit Committee

A full Audit Committee Report enumerating its membership, terms of reference and activities during the financial period under review is set out on pages 14 to 16 of this Annual Report.

### Nomination Committee

The Board's Nomination Committee currently comprises three non-executive directors, two of whom are independent, as follows:

*Chairman:* Dato' Megat Fairouz Junaidi bin Megat Junid (*Independent Non-Executive Chairman*)

*Members:* Madzlan bin Mohamed Nazri (*Independent Non-Executive Director*)

Mok Chin Fan (*Non-Independent Non-Executive Director*)

(*resigned on 01 August 2007 and reappointed on 9 October 2007*)

The Committee is responsible, inter-alia, to recommend candidates for directorship to the Board as well as membership to Board committees. The Committee assesses the Board collectively on an on-going basis, taking into account size and required mix of skills. In making its recommendations to the Board, the Committee takes into consideration the core competencies the directors individually and collectively possess in relation to the businesses of the Group and the business environment.

### Remuneration Committee

The Remuneration Committee comprises two non-executive directors, both of whom are independent, and one executive director. The present members are:

*Chairman:* Dato' Megat Fairouz Junaidi bin Megat Junid (*Independent Non-Executive Chairman*)

*Members:* Madzlan bin Mohamed Nazri (*Independent Non-Executive Director*)

Jimmy Tok Soon Guan (*Executive Director*)

The Committee's primary responsibility is to recommend to the Board, the remuneration of directors (executive and non-executive) in all its forms, drawing from outside advice as necessary. The determination of remuneration packages of Directors is a matter for the Board as a whole, and individuals are required to abstain from discussion of their own remuneration.

The Remuneration Committee meets at least once a year to recommend to the Board the remuneration of Directors, including fees. The Committee met twice during the financial year under review.

### Employee Share Option Scheme Committee

The members of the INIX Employee Share Option Scheme (ESOS) Committee are as follows:

*Chairman:* Jimmy Tok Soon Guan (*Executive Director*)

*Members:* Cheong Kok Yai (*Executive Director*)

Mok Chin Fan (*Non-Independent Non-Executive Director*)

(*resigned on 01 August 2007 and reappointed on 9 October 2007*)

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# **Corporate Governance Statement**

*(continued)*

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## **Employee Share Option Scheme Committee** *(continued)*

The principal duties and responsibilities of the Committee is to administer the INIX Employee Option Scheme (ESOS) in accordance with the ESOS By-Laws approved by the shareholders of the Company on 17 June 2005. The criteria for allocation of options pursuant to Scheme is disclosed in the ESOS By-Laws, copies of which had been circulated to all employees of the Group. Jimmy Tok Soon Guan and Cheong Kok Yai abstain from any discussion and/or decision on options of which they are the beneficiary.

The ESOS Committee only meets as and when required, and did not meet during the financial year under review.

## **Shareholders**

The Group is committed to regular and proactive communication with shareholders and investors. Formal channels are used to communicate to the shareholders and investors on all major developments of the Group on a timely basis.

In addition to quarterly financial reports and various disclosure and announcements made to Bursa Securities, the other key channel of communication with shareholders and investors is the annual report of the Group, where details on the financial results and activities of the Group are provided.

The Company's annual general meeting is an important forum for dialogue and interaction with shareholders. Shareholders have the liberty to raise questions on the proposed resolutions at the meeting as well as matters relating to the Group's businesses and affairs.

The Group also maintains a website at [www.inix.com.my](http://www.inix.com.my) to enable easy and convenient access to up-to-date information relating to the Group.

## **Accountability and Audit**

### **Financial Reporting**

The Board aims to present a balanced and comprehensive assessment of the Group's financial performance through the annual audited financial statements and quarterly financial reports to shareholders. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

### **Directors' Responsibility Statement**

The Directors are responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the accounting period, and of the results of their operations and cash flows for the period then ended.

In preparing the financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been applied. The Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgments and estimates.

The Directors also have a general responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Group to prevent and detect fraud and other irregularities.



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# ***Corporate Governance Statement***

*(continued)*

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## **Internal Control Statement**

The Board acknowledges its overall responsibility in maintaining an internal control system that provides reasonable assurance of effective and efficient operations, and compliance with laws and regulations as well as internal procedures and guidelines.

It is recognised that risks cannot be eliminated completely. Therefore, the internal controls are aimed at minimising and managing such risks. The Board considers that the system of internal controls instituted throughout the Group is sound and sufficient to safeguard shareholders' investments and the Company's assets. The Group is continuously looking into the adequacy and integrity of its system of internal controls to ensure the effectiveness of the system.

## **Audit Committee**

The Audit Committee conducts reviews of the Group's system of internal controls and its financial reports and statements. Minutes of its meetings are tabled to the Board for perusal and for action where appropriate. The terms of reference of the Audit Committee is in the Audit Committee Report set out on pages 14 to 16 of this Annual Report.

## **Auditors**

It is the policy of the Audit Committee to meet the external auditors at least once a year to discuss their audit plan, audit findings and the financial statements. The Audit Committee also meets the external auditors without the presence of the Management whenever deemed necessary.

This Statement is made in accordance with a resolution of the Board of Directors dated 25 November 2008.

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# Audit Committee Report

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## Members

The Audit Committee comprises:

		<i>Attendance</i>
<i>Chairman:</i>	<b>Dato' Megat Fairouz Junaidi bin Megat Junid</b> <i>Independent Non-Executive Chairman</i>	4 of 4
<i>Members:</i>	<b>Madzlan bin Mohamed Nazri</b> <i>Independent Non-Executive Director</i>	4 of 4
	<b>Wong Yew Sen</b> <i>Independent Non-Executive Director</i> <i>(appointed on 27 Sep 2007)</i>	3 of 3
	<b>Chong Chen Fah</b> <i>Executive Director</i> <i>(resigned on 27 Sep 2007)</i>	1 of 1

## Terms of Reference

### Membership

- Members of the Audit Committee shall be from amongst its directors which fulfills the following requirements:
  - the Audit Committee must be composed of no fewer than three (3) members;
  - all the Audit Committee members must be non-executive directors, with a majority of them being independent directors; and
  - at least one (1) member of the Audit Committee:
    - must be a member of the Malaysian Institute of Accountants; or
    - if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:
      - he must have passed the examinations specified in Part I of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or
      - he must be a member of one of the associations of accountants specified in Part II of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or
    - fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.
- No alternate director shall be appointed as a member of the Audit Committee.
- The members of the Audit Committee shall elect a chairman from among their number who shall be an independent director.
- In the event of any vacancy in the Audit Committee resulting in the non-compliance of the Listing Requirements, the vacancy must be filled within three (3) months.
- 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.

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# **Audit Committee Report**

*(continued)*

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## **Meetings**

1. The Audit Committee shall meet at least four (4) times in a year.
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.

## **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; and
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.

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# ***Audit Committee Report***

*(continued)*

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## **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;
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.

## **Internal Audit Function**

The Group does not presently maintain any internal audit function or activity as the Directors are of the view that the control mechanisms currently in place are adequate for the size of the Group's operations. The Audit Committee and Management will work closely with the external auditors to review accounting and internal control issues to ensure that significant issues are brought to the attention of the Board.

## **Summary of Activities**

The Audit Committee held four meetings during the year under review, which were attended by all members. The meetings were appropriately structured through the use of agendas which were distributed to members with sufficient notification. The external auditors, Azman, Wong, Salleh & Co. attended a meeting on the invitation of the Chairman of the Committee.

During the financial year ended 31 July 2008, the Committee carried out its duties in accordance with its terms of reference. Other main issues discussed by the Audit Committee are as follows:

- a. Reviewed the Annual Report and the audited financial statements of the Company prior to submission to the Board for their consideration and approval. The review was to ensure that audited financial statements were drawn up in accordance with the provisions of the Companies Act 1965 and applicable approved accounting standards set by the Malaysian Accounting Standards Board (MASB).
- b. Reviewed the Company's compliance in particular the quarterly and year-end financial statements with the Listing Requirements of Bursa Securities Malaysia Berhad, MASB and other relevant legal and statutory requirements.
- c. Reviewed the quarterly unaudited financial results announcements before recommending them for the Board's approval.

# ***Financial Statements***

*for the year ended 31 July 2008*

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# Directors' Report

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 July 2008.

## 1. PRINCIPAL ACTIVITIES

The Company operates as an investment holding company. The principal activities of the subsidiary companies are disclosed in Note 10 to the financial statements.

## 2. RESULTS

	<i>Group</i> RM	<i>Company</i> RM
Loss for the year	(11,244,173)	(12,091,959)

## 3. DIVIDENDS

No dividends have been paid or declared by the Company since the end of the last financial year.

The directors do not recommend the payment of any dividend in respect of the financial year ended 31 July 2008.

## 4. RESERVES AND PROVISIONS

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

## 5. ISSUE OF SHARES

During the year, the Company increased its issued and paid-up share capital from RM10,450,000 comprising 104,500,000 ordinary shares of RM0.10 each to RM11,490,000 comprising 114,550,000 ordinary shares of RM0.10 each by way of private placements in as follows: -

<i>Date of allotment</i>	<i>Number of ordinary shares</i>	<i>Issue price per share</i>
17 August 2007	10,450,000	RM 0.155

The cash proceeds from the above issuance have been utilised for expansion of production capacity and working capital as approved by the Securities Commission. These new shares rank pari passu in all respects with the existing shares of the Company and had been granted listing on the MESDAQ Market of Bursa Malaysia Securities Berhad.

## 6. DIRECTORS

The directors in office since the date of the last Directors' Report are:-

Dato' Megat Fairouz Junaidi bin Megat Junid	- <i>Chairman</i>
Jimmy Tok Soon Guan	- <i>Executive Director</i>
Cheong Kok Yai	- <i>Executive Director</i>
Chong Chen Fah	- <i>Executive Director</i>
Madzlan bin Mohamed Nazri	- <i>Non-Executive Director</i>
Mohd Qari bin Ahmad ( <i>retired on 7 November 2007</i> )	- <i>Non-Executive Director</i>
Mok Chin Fan	- <i>Non-Executive Director</i>
Wong Yew Sen	- <i>Non-Executive Director</i>

## 7. DIRECTORS' INTERESTS

The shareholdings in the Company and its related companies of those persons who were directors at the end of the year (as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965) are as follows:-

	<i>Number of ordinary shares of RM0.10 in the Company</i>			
	<i>As at 1.8.2007</i>	<i>Acquired</i>	<i>Disposed</i>	<i>As at 31.7.2008</i>
<b>Direct interests -</b>				
Chong Chen Fah	2,695,821	-	-	2,695,821
<b>Indirect interests -</b>				
(held through PC Sentry Sdn. Bhd.)				
Jimmy Tok Soon Guan	25,524,390	-	-	25,524,390
Cheong Kok Yai	25,524,390	-	-	25,524,390
Mok Chin Fan	25,524,390	-	-	25,524,390

In addition, the following directors are deemed to have interest in the shares of the Company by virtue of the options granted to them pursuant to the Employees' Share Option Scheme ("ESOS") of the Company to the extent as follows:-

	<i>ESOS expiring on 24 August 2010</i>			
	<i>Options over ordinary shares of RM0.10 each in the Company</i>			
	<i>As at 1.8.2007</i>	<i>Granted</i>	<i>Exercised</i>	<i>As at 31.7.2008</i>
Jimmy Tok Soon Guan	1,000,000	-	-	1,000,000
Cheong Kok Yai	1,000,000	-	-	1,000,000
Chong Chen Fah	1,035,000	-	-	1,035,000

Other than as disclosed above, none of the directors in office at the end of the financial year held shares or had beneficial interest in the shares of the Company or its related companies during the financial year.

# Directors' Report

(continued)

## 8. DIRECTORS' BENEFITS

Since the end of the last financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable, by the 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.

Other than the Employees' Share Option Scheme implemented by the Company, neither during nor at the end of the financial year was the Company a party to any other arrangements 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.

## 9. EMPLOYEES' SHARE OPTION SCHEME

The Company implemented an Employees' Share Option Scheme ("ESOS") on 25 August 2005 for a period of 5 years. The ESOS is governed by the By-Laws which were approved by the shareholders on 17 June 2005.

Details of the ESOS are set out in Note 28 to the financial statements.

## 10. OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made up, the directors took reasonable steps: -
- (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise in the ordinary course of business, their values as stated in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.
- (b) At the date of this report: -
- (i) the directors are not aware of any circumstances that 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;
  - (ii) the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading;
  - (iii) the directors are not aware of any circumstances which have arisen that would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate;

## 10. OTHER STATUTORY INFORMATION (continued)

- (b) At the date of this report: - (continued)
- (iv) the directors are not aware of any circumstances that would render any amount stated in the financial statements of the Group and of the Company misleading;
  - (v) there does not exist any charge on the assets of the Group and of the Company that has arisen since 31 July 2008 which secures the liabilities of any other person; and
  - (vi) there does not exist any contingent liability of the Group and of the Company that has arisen since 31 July 2008.
- (c) No contingent liability or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months from 31 July 2008 which, in the opinion of the directors, will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.
- (d) In the opinion of the directors: -
- (i) the results of the Group and of the Company for the year ended 31 July 2008 were not substantially affected by any item, transaction or event of a material and unusual nature other than the impairment loss on property, plant and equipment and allowance for doubtful debts (Note 9 and Note 12 to the financial statements); and
  - (ii) there has not arisen in the interval between 31 July 2008 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 Group and of the Company for the financial year in which this report is made.

## 11. AUDITORS

Azman, Wong, Salleh & Co. have expressed their willingness to accept reappointment.

*Signed in accordance with a resolution of the Board of Directors,*

**Dato' Megat Fairouz Junaidi bin Megat Junid**

**Jimmy Tok Soon Guan**

Petaling Jaya  
26 November 2008

## Balance Sheets

as at 31 July 2008

	<i>Note</i>	<i>Group</i>		<i>Company</i>	
		<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
		RM	RM	RM	RM
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Intangible assets	8	1,102,000	1,411,000	-	-
Property, plant and equipment	9	7,070,683	11,855,484	-	-
Investment in a subsidiary	10	-	-	-	8,360,168
Goodwill on consolidation		-	4,016	-	-
		<b>8,172,683</b>	<b>13,270,500</b>	<b>-</b>	<b>8,360,168</b>
<b>Current Assets</b>					
Inventories	11	832,410	1,211,930	-	-
Trade receivables	12	40,432	2,693,589	-	-
Other receivables, deposits and prepayments		209,965	272,423	1,140	1,140
Amount due from a subsidiary	13	-	-	8,062,403	9,655,003
Cash and bank balances		156,595	668,854	3,063	5,285
		<b>1,239,402</b>	<b>4,846,796</b>	<b>8,066,606</b>	<b>9,661,428</b>
<b>TOTAL ASSETS</b>		<b>9,412,085</b>	<b>18,117,296</b>	<b>8,066,606</b>	<b>18,021,596</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Attributable to Equity Holders of the Company</b>					
Share capital	14	11,495,000	10,450,000	11,495,000	10,450,000
Share premium	15	8,657,860	8,108,926	8,657,860	8,108,926
Share option reserve	16	1,477,932	1,061,469	1,477,932	1,061,469
Accumulated losses		(13,849,512)	(2,605,339)	(13,836,938)	(1,744,979)
		<b>7,781,280</b>	<b>17,015,056</b>	<b>7,793,854</b>	<b>17,875,416</b>
<b>Non-Current Liability</b>					
Hire purchase payable	17	1,701	21,562	-	-
<b>Current Liabilities</b>					
Trade payables	18	462,583	557,994	-	-
Other payables and accruals		1,141,087	439,428	272,752	146,180
Provision for warranty claims	19	7,151	66,819	-	-
Hire purchase payable	17	18,283	16,437	-	-
Amount due to a subsidiary	13	-	-	-	-
		<b>1,629,104</b>	<b>1,080,678</b>	<b>272,752</b>	<b>146,180</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,412,085</b>	<b>18,117,296</b>	<b>8,066,606</b>	<b>18,021,596</b>

The notes on pages 26 to 48 form part of these financial statements.



## Income Statements for the year ended 31 July 2008

	<i>Note</i>	<i>Group</i>		<i>Company</i>	
		<i>2008</i> RM	<i>2007</i> RM	<i>2008</i> RM	<i>2007</i> RM
<b>REVENUE</b>	20,29	<b>1,869,400</b>	5,326,100	-	-
COST OF SALES	21	<b>(1,798,158)</b>	(4,181,496)	-	-
<b>GROSS PROFIT</b>		<b>71,242</b>	1,144,604	-	-
SELLING AND MARKETING EXPENSES		<b>(597,719)</b>	(2,033,374)	-	-
ADMINISTRATIVE EXPENSES		<b>(1,483,603)</b>	(1,791,084)	<b>(498,801)</b>	(745,269)
RESEARCH AND DEVELOPMENT EXPENSES		<b>(2,669,583)</b>	(2,889,529)	-	-
OTHER EXPENSES		<b>(6,561,405)</b>	(5,639,401)	<b>(11,593,158)</b>	(546,050)
FINANCE COSTS		<b>(3,105)</b>	(4,769)	-	-
<b>LOSS BEFORE TAXATION</b>	24	<b>(11,244,173)</b>	(11,213,553)	<b>(12,091,959)</b>	(1,291,319)
TAXATION	25	-	-	-	-
<b>LOSS FOR THE YEAR</b>		<b>(11,244,173)</b>	(11,213,553)	<b>(12,091,959)</b>	(1,291,319)
<b>LOSS PER ORDINARY SHARE</b>					
- Basic	30	<b>(9.82)</b>	(11.10)	-	-
- Diluted	30	<b>(9.82)</b>	(11.10)	-	-

*The notes on pages 26 to 48 form part of these financial statements.*

## Statements of Changes in Equity

for the year ended 31 July 2008

	Note	Attributable to Equity Holders of the Company				Total RM
		Share Capital RM	Share Premium RM	Share option Reserve RM	(Acc.Losses)/ Retained profits RM	
<b>Group - 2008</b>						
Balance at 1 August 2007		10,450,000	8,108,926	1,061,469	(2,605,339)	17,015,056
Issue of shares during the year	14,15	1,045,000	580,968	-	-	1,625,968
Share issue expenses charged directly to equity	15	-	(32,034)	-	-	(32,034)
Loss for the year		-	-	-	(11,244,173)	(11,244,173)
Total recognised expense for the year		-	(32,034)	-	(11,244,173)	(11,276,207)
Compensation expense in respect of Employees' Share Option Scheme	16	-	-	416,463	-	416,463
Balance at 31 July 2008		11,495,000	8,657,860	1,477,932	(13,849,512)	7,781,280
<b>Group - 2007</b>						
Balance at 1 August 2006		9,500,000	6,783,916	573,527	8,608,214	25,465,657
Issue of shares during the year	14,15	950,000	1,360,960	-	-	2,310,960
Share issue expenses charged directly to equity	15	-	(35,950)	-	-	(35,950)
Loss for the year		-	-	-	(11,213,553)	(11,213,553)
Total recognised expense for the year		-	(35,950)	-	(11,213,553)	(11,249,503)
Compensation expense in respect of Employees' Share Option Scheme	16	-	-	487,942	-	487,942
Balance at 31 July 2007		10,450,000	8,108,926	1,061,469	(2,605,339)	17,015,056
<b>Company - 2008</b>						
Balance at 1 August 2007						
- As previously reported		10,450,000	8,108,926	206,249	(1,744,979)	17,020,196
- Prior year adjustment	31	-	-	855,220	-	855,220
- As restated		10,450,000	8,108,926	1,061,469	(1,744,979)	17,875,416
Issue of shares during the year	14,15	1,045,000	580,968	-	-	1,625,968
Share issue expenses charged directly to equity	15	-	(32,034)	-	-	(32,034)
Loss for the year		-	-	-	(12,091,959)	(12,091,959)
Total recognised expense for the year		-	(32,034)	-	(12,091,959)	(12,123,993)
Compensation expense in respect of Employees' Share Option Scheme	16	-	-	416,463	-	416,463
Balance at 31 July 2008		11,495,000	8,657,860	1,477,932	(13,836,938)	7,793,854
<b>Company - 2007</b>						
Balance at 1 August 2006						
- As previously reported	15	9,500,000	6,783,916	96,670	(453,660)	15,926,926
- Prior year adjustment	31	-	-	476,857	-	476,857
- As restated		9,500,000	6,783,916	573,527	(453,660)	16,403,783
Issue of shares during the year	14,15	950,000	1,360,960	-	-	2,310,960
Share issue expenses charged directly to equity	15	-	(35,950)	-	-	(35,950)
Loss for the year		-	-	-	(1,291,319)	(1,291,319)
Total recognised expense for the year		-	(35,950)	-	(1,291,319)	(1,327,269)
Compensation expense in respect of Employees' Share Option Scheme	16	-	-	487,942	-	487,942
Balance at 31 July 2007		10,450,000	8,108,926	1,061,469	(1,744,979)	17,875,416

The notes on pages 26 to 48 form part of these financial statements.

## Cashflow Statements for the year ended 31 July 2008

	<i>Group</i>		<i>Company</i>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	RM	RM	RM	RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Loss for the year</b>	(11,244,173)	(11,213,553)	(12,091,959)	(1,291,319)
<i>Adjustments:</i>				
Depreciation of property, plant and equipment	2,580,870	3,088,265	-	-
Impairment loss on property, plant and equipment	2,941,546	1,630,632	-	-
Goodwill written off	4,016	-	-	-
Loss on disposal of property, plant and equipment	-	8,713	-	-
Amortisation of intangible assets	309,000	309,000	-	-
Impairment loss on investment in a subsidiary	-	-	8,666,751	546,050
Net provision for warranty claims written back	(59,668)	(32,915)	-	-
Specific warranty expense	-	773,308	-	-
Allowance for obsolete and defective inventories	255,756	1,047,703	-	-
Allowance for doubtful debts	1,808,761	2,515,211	2,926,407	-
Bad debts written off	-	30,383	-	-
Interest expense on hire purchase financing	3,105	4,769	-	-
Share option expense	416,463	487,942	109,880	109,579
<b>Operating loss before working capital changes</b>	(2,984,324)	(1,350,542)	(388,921)	(635,690)
Decrease/(Increase) in inventories	123,764	(2,449,095)	-	-
Decrease in trade receivables	844,396	12,434,984	-	-
Decrease/(Increase) in other receivables, deposits and prepayments	62,458	(18,893)	-	(1,140)
Increase in amount due from a subsidiary	-	-	(1,333,807)	(1,963,981)
(Decrease)/Increase in trade payables	(95,411)	7,593	-	-
Increase in other payables and accruals	701,659	164,870	126,572	135,930
<b>Net cash (used in)/generated from operating activities</b>	(1,347,458)	8,788,917	(1,596,156)	(2,464,881)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(755,630)	(9,829,964)	-	-
Proceeds from disposal of property, plant and equipment	-	36,710	-	-
Certification costs paid	-	(1,045,000)	-	-
<b>Net cash used in investing activities</b>	(755,630)	(10,838,254)	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issue of shares (net)	1,593,934	2,275,010	1,593,934	2,275,010
Interest paid on hire purchase financing	(3,105)	(4,769)	-	-
<b>Net cash generated from financing activities</b>	1,590,829	2,270,241	1,593,934	2,275,010
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(512,259)	220,904	(2,222)	(189,871)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	668,854	447,950	5,285	195,156
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	156,595	668,854	3,063	5,285
<i>These comprise: -</i>				
Cash in hand	25,727	9,592	2	2
Bank balances	130,868	659,262	3,061	5,283
	156,595	668,854	3,063	5,285

*The notes on pages 26 to 48 form part of these financial statements.*

# Notes to the Financial Statements

## - 31 July 2008

### 1. BASIS OF PREPARATION

#### (a) Basis of Accounting

The financial statements of the Group and of the Company are prepared under the historical cost convention and comply with Financial Reporting Standards ("FRSs") issued by the Malaysian Accounting Standards Board ("MASB") and the provisions of the Companies Act, 1965.

The preparation of financial statements in conformity with FRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial period. It also requires directors to exercise their judgment in the process of applying the Group's accounting policies. Although these estimates and judgment are based on the directors' best knowledge of current events and actions, actual results may differ.

During the year ended 31 July 2008, the Group and the Company recorded after-tax losses of RM11,244,173 and RM12,091,959 respectively. This is the second year in succession that the Group and the Company have recorded after-tax losses following the after-tax losses of RM11,213,553 and RM1,291,319 respectively during the year ended 31 July 2007. The continuing losses have resulted in the accumulated losses of the Group and the Company increasing to RM13,849,512 and RM13,836,938 as at 31 July 2008. However, equity attributable to the shareholders of the Company as at 31 July 2008 remained positive at RM7,781,280 and RM7,597,620 for the Group and the Company respectively. On the same date, the Group's current liabilities exceeded its current assets by RM389,702. The Directors have continued to prepare the financial statements of the Group and the Company on a going concern basis on the following assumptions:

- (i) The Group will be able to generate sufficient cash flows from operations to meet their obligations as and when they fall due;
- (ii) the proposed fund raising exercise through the issuance of up to 11,495,000 new ordinary shares of RM0.10 each via a private placement will be completed. The proposed exercise is pending approval from the Securities Commission.

In the event that the above are not forthcoming, the going concern basis of accounting may not be appropriate and the Group and the Company may be unable to realise their assets and discharge their liabilities in the normal course of business. Consequently, adjustments may be required to reduce the values of assets to their recoverable amounts, to provide for any further liabilities which may arise and to reclassify non-current assets as current assets.

#### (b) FRSs and Interpretations that are effective

The new accounting standards, amendments to published standards and IC Interpretations to existing standards effective for the Group's and Company's financial year beginning on 1 July 2007 are as follows:

<i>Standard/Interpretation</i>	<i>Effective date</i>	
FRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2007
FRS 107	Cash Flow Statements	1 July 2007
FRS 111	Construction Contracts	1 July 2007
FRS 112	Income Taxes	1 July 2007
FRS 117	Leases	1 October 2006
FRS 118	Revenue	1 July 2007
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007

# Notes to the Financial Statements

(continued)

## 1. BASIS OF PREPARATION (continued)

- (b) Effects arising from adoption of revised FRSs (continued)

<b>Standard/Interpretation</b>		<b>Effective date</b>
FRS 124	Related Party Disclosures	1 October 2006
FRS 134	Interim Financial Reporting	1 July 2007
FRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7	Applying the Restatement Approach under FRS 1129 <sub>2004</sub> - Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8	Scope of FRS 2	1 July 2007

The Group and Company have adopted the new accounting standards, amendments to published standards and IC Interpretations that are relevant to the Group and Company. All changes in accounting policies have been made in accordance with the transition provisions in the respective standards, amendments to published standards and interpretations.

FRS 6, 111, 120, the amendment to FRS 121 and the IC Interpretation are not relevant to the Group's and the Company's operations. FRS 107, 112, 117, 118, 134 and 137 had no material effect on the Group's and Company's financial statements. FRS 124 only affects the disclosure of transactions with related parties.

- (c) FRSs and Interpretation issued but not yet effective:

The Group and the Company have not early adopted the following new and revised FRSs and Interpretations that have been issued by the MASB but are not yet effective:

<b>Standard/Interpretation</b>		<b>Effective date</b>
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010

FRS 4 is not relevant to the Group's and the Company's operations.

The Group and the Company will apply FRS 7, 8 and 139 and IC Interpretations 9 and 10 when they become effective. The impact of applying FRS 139 on these financial statements upon first adoption of this Standard is not disclosed by virtue of the exemption provided under paragraph 103AB of the Standard.

## 2. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are disclosed in Note 10 to the financial statements.



# Notes to the Financial Statements

(continued)

## 3. GENERAL INFORMATION

The financial statements of the Group and the Company were authorised for issue on 26 November 2008 by the Board of Directors.

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

The registered office of the Company is located at Lot 10, The Highway Centre, Jalan 51/205, 46050 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business of the Company is located at 59-A, Jalan SS15/4C, 47500 Subang Jaya, Selangor Darul Ehsan.

The Company is listed on the MESDAQ Market of Bursa Malaysia Securities Berhad.

## 4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The activities of the Group expose it to certain financial risks principally in the form of foreign currency risk, credit risk, technological risk and liquidity risk for which the Group has formulated a financial risk management framework with the principal objectives of minimising the Group's exposure to risks and/or costs associated with the operating, investing and financing activities of the Group.

### (a) Foreign Currency Risk

The Group is exposed to currency risks as a result of the foreign currency transactions entered into in currencies other than the functional currency of the Company and its subsidiaries. Currently, the Group does not enter into foreign exchange contracts to hedge its foreign exchange risk. However, the Group reviews its foreign currency exposure periodically to ensure that its net exposure is managed at an acceptable level.

### (b) Credit Risk

Credit risk arises when sales are made on deferred credit terms. The Group seeks to control credit risk by setting counterparty limits and ensuring that sales of products and services are made to customers with an appropriate credit history.

### (c) Technological and Market Risks

The Group is exposed to technological and market risks arising mainly from its product offerings. These risks are managed through constant investments in research and development, market evaluation and product innovation to ensure that the Group's range of products and services are market relevant and price competitive.

### (d) Liquidity and Cashflow Risks

The Group's exposure to liquidity and cashflow risks arises mainly from general funding and business activities. It practises prudent liquidity risk management by maintaining sufficient cash balances to support its daily operations.

### (e) Financial Assets

The Group's principal financial assets are trade receivables, other receivables, cash and bank balances.

### (f) Financial Liabilities and Equity Instruments

Debts and equity instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Significant financial liabilities include trade payables, other payables and accruals and hire purchase payable.

# Notes to the Financial Statements

(continued)

## 5. FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

## 6. ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the accounting policies of the Group/Company, the management is of the opinion that there are no instances of application of judgement, other than as set out below and in Note 28, which are expected to have a significant effect on the amounts recognised in the financial statements.

The management believes that there are no key assumptions made concerning the future and no key sources of estimation uncertainty at the balance sheet date, other than as set out below and in Note 28, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year.

Application of judgement and estimation uncertainties at the balance sheet date that may have a significant risk of causing adjustments to the carrying amount of assets in respect of certain assets and liabilities are as follows:

### Property, plant and equipment

The management has assessed the carrying amount of property, plant and equipment for any indication of impairment in accordance with the policy in Note 7(h) and has recognised impairment losses on research and development equipment. Significant judgement has been applied in estimating the realisable value or value-in-use of the assets by reviewing their expected useful lives, the reasonableness of the depreciation rate applied and their residual values, if any. The management has considered the remaining term of respective dealership agreement, sales records of the dealers and proposed extension/renewal of the agreements among other relevant factors in arriving at the estimated recoverable amount of each research and development equipment located at the premise of the respective dealer.

### Intangible assets

The management has assessed the carrying amount of intangible assets for any indication of impairment in accordance with the policy in Note 7(h). Significant judgement has been applied in estimating the value-in-use of these assets by reviewing the reasonableness of their current amortisation rate. The management has considered the contribution of these assets in generating revenue (potential sales in future plans) as well as the technological obsolescence among other relevant factors and does not expect their recoverable amounts to be lower than the carrying values at balance sheet date.

### Provision for warranty

The management has reviewed the amount that may be required to settle the potential warranty obligations at each balance sheet date. A key source of estimate is the level of defects that could probably arise based on past cases of defective items and technological obsolescence. Another estimate is the rising cost that may be incurred to repair or replace the items under warranty at the balance sheet date. The management has assessed the bases of 2% defective rate applied and the average unit cost of RM748 in arriving at the current best estimate as mentioned in Note 7(j).

# Notes to the Financial Statements

(continued)

## 6. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

### Investment in a subsidiary

The management has carried out an impairment test by comparing the net assets of the subsidiary to the cost of investment. Thus, the carrying amount of the investment as at 31 July 2008 has been reduced to nil (Note 10) based on this assessment.

### Deferred tax

Deferred tax assets/liabilities have not been recognised for temporary differences arising between the tax bases of assets/liabilities and their carrying amounts in the financial statements, tax losses and unutilised capital allowances as a subsidiary's statutory income is exempted from tax until 30 November 2008.

The management will assess any tax credit/charge arising from temporary differences, tax losses and unused capital allowances as stated in Note 25 that are not reversed on expiry of the tax exemption period. Any deferred tax asset/liability arising thereon will be recognised accordingly.

## 7. SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following significant accounting policies adopted by the Group and the Company have been applied consistently to all the years presented.

### (a) Basis of Consolidation

The financial statements of the Group include the financial statements of the Company and its subsidiaries made up to 31 July 2008. The results of subsidiaries purchased or disposed are consolidated in the income statement of the Group from the date of purchase or up to the date of disposal using the purchase method of accounting.

At the date of purchase, the fair value of identifiable assets, liabilities and contingent liabilities assumed in a business combination are measured. The excess of the cost of purchase over the fair value of the Group's share of the subsidiaries' identifiable net assets at the date of purchase is reflected as goodwill. If cost is less than the fair value of the subsidiaries' identifiable net assets, the difference is recognised directly in the income statement. Minority interest is measured at the minorities' share of fair value of the identifiable assets and liabilities of the purchasee.

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share in the fair value of the subsidiary's net assets at the date of disposal.

All intercompany transactions and balances are eliminated on consolidation.

### (b) Investment in Subsidiaries

A subsidiary is an enterprise in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from its activities.

Investment in subsidiaries are stated at cost in the Company's financial statements and are subject to review for impairment at each balance sheet date.

# Notes to the Financial Statements

(continued)

## 7. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Goodwill

Goodwill represents the excess of the cost of purchase over the fair value of the Group's share of a subsidiary's identifiable net assets at the date of acquisition. Goodwill is included in the balance sheet and is carried at cost less accumulated impairment losses, if any.

Goodwill is tested annually for impairment. Impairment losses on goodwill are not reversed.

### (d) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

Property, plant and equipment is depreciated on a straight line basis to write down the depreciable amount of the assets over their estimated useful lives. Depreciable amount is the cost of an asset less its residual value.

The principal annual rates used for this purpose are:-

Showroom	20%
Motor Vehicle	16%
Office, Research & Development ("R&D") and Technical Equipment	16%
Machinery, Renovation, Furniture and Fittings	10%

The residual value and the useful life of property, plant and equipment are reviewed at least at each financial year end. If the residual value and/or the useful life of the asset differ from the previous estimates, the revised depreciation charge will be adjusted immediately in the income statement in the year of the change.

### (e) Intangible Assets

Intangible assets are stated at cost less accumulated amortisation and impairment loss, if any. These comprise intellectual property assets and certification assets.

Intellectual property assets represent the power line carrier technology and supporting technologies applied in designing and integrating the security systems and appliance automation systems. Intellectual property assets are amortised over 10 years on a straight line basis.

Certification costs represent costs incurred in meeting regulatory certification requirements for the Company's products in various countries. These include costs to adapt, modify, test and improve the products in compliance with applicable technical standards and specifications. Certification costs are amortised over 5 years on a straight line basis.

### (f) Inventories

Inventories are valued at the lower of cost and net realisable value after making adequate allowance for deteriorated, damaged, obsolete or slow-moving items. Cost includes the actual cost of materials and incidental expenses incurred in bringing the inventories to their present location and condition, and is determined on a "first-in, first-out" basis.

# Notes to the Financial Statements

(continued)

## 7. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Receivables

Receivables are stated at anticipated recoverable value.

Bad debts are written off in the period in which they are identified. Specific allowance for certain receivables accounts is made when their recoverability is identified as doubtful.

### (h) Impairment of Assets

The carrying values of assets (other than inventories and financial assets) are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of net realisable value and value-in-use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if it is not possible, for the relevant cash generating units.

An impairment loss is charged to the income statement immediately. Any subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

### (i) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

### (j) Provision for Warranty Claims

The Group undertakes to repair or replace defective items under its product warranty scheme. A provision is recognised at the end of the financial period to cover the Group's warranty obligations based on an estimate level of possible defects. This provision is reviewed at each balance sheet date to reflect the current best estimate of the amount required to settle the potential warranty obligations.

### (k) Foreign Currencies

Transactions in currencies other than the functional currency of the Company and its subsidiaries are recorded in the functional currencies using the exchange rates prevailing at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are restated at the rates ruling as of that date.

### (l) Income Tax

Income tax for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantially enacted at the balance sheet date.

Deferred tax is provided for in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

# Notes to the Financial Statements

(continued)

## 7. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (l) Income Tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unutilised capital allowances and unused tax losses to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unutilised capital allowances and unused tax losses can be utilised.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill. Unrecognised deferred tax asset is reassessed at each balance sheet date and is recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantially at the balance sheet date.

### (m) Revenue Recognition

Sales revenue is recognised upon customers' acceptance of goods delivered and services rendered.

### (n) Research and Development Costs

Research expenditure is recognised as an expense when incurred. Costs incurred on development project (relating to the design and testing of new or improved products) are recognised as intangible asset when the following criteria are fulfilled:

- (a) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (b) management intends to complete the intangible asset and use or sell it;
- (c) there is an ability to use or sell the intangible asset;
- (d) it can be demonstrated how the intangible asset will generate probable future economic benefits;
- (e) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- (f) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are amortised when the asset is ready for use on a straight line basis over its estimated useful life. These costs recognised as intangible asset are subject to review for impairment in accordance with the policy as stated in Note 7(h).

# Notes to the Financial Statements

(continued)

## 7. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (o) Employee Benefits

#### *Short Term Benefits*

Salaries, allowances and bonuses are recognised as an expense in the period in which the associated services are rendered by employees of the Group.

#### *Defined Contribution Plan*

As required by law, the Group makes contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred. Once the contributions have been paid, the Group has no further payment obligations.

#### *Equity-based Compensation Benefits*

Directors and employees of the Group are entitled to equity-based compensation benefits in accordance with the Employees' Share Option Scheme of the Company. Such benefits are recognised as an expense in the income statement in accordance with the policy in Note 7(r).

### (p) Cash and Cash Equivalents

Cash equivalents are short term, highly liquid placements that are readily convertible to cash with insignificant risk of changes in value.

### (q) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised as liabilities when declared before the balance sheet date. A dividend proposed or declared after the balance sheet date but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date. Upon the approval of the proposed dividend, it will be accounted for as a liability.

### (r) Share-based Payment

The Group has a share option scheme for its directors and employees. The grant of the share options as consideration for the services rendered by directors and employees of the Group is recognised as an expense in the income statements of the respective companies in the Group. The total amount to be recognised over the vesting period is calculated by reference to the fair value of the options granted. At each balance sheet date, the Group revises the estimated number of options that are expected to vest and become exercisable.

The policy had been adopted in the previous year in compliance with the transitional provisions of *FRS 2 Share-based Payment* which is applicable to grants of shares, share options or other equity instruments that were granted after 31 December 2004 and had not yet vested at 1 January 2006. Details of the scheme are set out in Note 28.

# Notes to the Financial Statements

*(continued)*

## 7. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (s) Segment Information

Segment revenue and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories and property, plant and equipment (net of allowances, accumulated depreciation and accumulated amortisation). Most segment assets can be directly attributed to the segment on a reasonable basis. Segment assets and liabilities do not include income tax assets and liabilities respectively.

## 8. INTANGIBLE ASSETS

<b>Group</b>	<b><i>At</i></b>	<b><i>Additions</i></b>	<b><i>Amortisation</i></b>	<b><i>At</i></b>
<b>2008</b>	<b><i>1.8.2007</i></b>	<b></b>	<b><i>Charge</i></b>	<b><i>31.7.2008</i></b>
	RM	RM	RM	RM
Net Book Value				
Internally generated development expenditure	1,411,000	-	(309,000)	1,102,000
		<b><i>Cost</i></b>	<b><i>Accumulated</i></b>	<b><i>Net Book</i></b>
		RM	RM	Value
				RM
At 31 July 2008				
Intellectual property assets		1,000,000	(525,000)	475,000
Certification costs		1,045,000	(418,000)	627,000
		2,045,000	(943,000)	1,102,000
	<b><i>At</i></b>	<b><i>Additions</i></b>	<b><i>Amortisation</i></b>	<b><i>At</i></b>
	<b><i>1.8.2006</i></b>	<b></b>	<b><i>Charge</i></b>	<b><i>31.7.2007</i></b>
	RM	RM	RM	RM
Net Book Value				
Internally generated development expenditure	675,000	1,045,000	(309,000)	1,411,000
		<b><i>Cost</i></b>	<b><i>Accumulated</i></b>	<b><i>Net Book</i></b>
		RM	RM	Value
				RM
At 31 July 2007				
Intellectual property assets		1,000,000	(425,000)	575,000
Certification costs		1,045,000	(209,000)	836,000
		2,045,000	(634,000)	1,411,000



# Notes to the Financial Statements

(continued)

## 9. PROPERTY, PLANT AND EQUIPMENT

	<i>Machinery and Technical Equipment</i>	<i>Show-rooms</i>	<i>Renovation</i>	<i>Office Equipment</i>	<i>Furniture and Fittings</i>	<i>Motor Vehicles</i>	<i>R&amp;D Equipment</i>	<i>Total</i>
	RM	RM	RM	RM	RM	RM	RM	RM
<b>Group 2008</b>								
Cost:								
At 1 August 2007	2,445,406	3,983,620	243,882	927,267	94,031	75,519	10,461,016	18,230,741
Additions	212,500	-	-	735	580	-	523,800	737,615
At 31 July 2008	2,657,906	3,983,620	243,882	928,002	94,611	75,519	10,984,816	18,968,356
Accumulated Depreciation:								
At 1 August 2007	727,793	1,517,448	79,711	391,787	31,960	12,083	1,983,843	4,744,625
Charge for the year	411,569	253,180	21,771	116,490	8,206	12,083	1,757,571	2,580,870
At 31 July 2008	1,139,362	1,770,628	101,482	508,277	40,166	24,166	3,741,414	7,325,495
Accumulated Impairment:								
At 1 August 2007	-	1,630,632	-	-	-	-	-	1,630,632
Impairment loss for the year	-	-	-	-	-	-	2,941,546	2,941,546
At 31 July 2008	-	1,630,632	-	-	-	-	2,941,546	4,572,178
Net Book Value at 31 July 2008	1,518,544	582,360	142,400	419,725	54,445	51,353	4,301,856	7,070,683

The net book value of motor vehicles acquired under hire purchase financing at the balance sheet date amounted to RM51,353.

### Group 2007

Cost:								
At 1 August 2006	1,949,956	3,603,620	242,982	568,886	92,311	34,524	1,938,000	8,430,279
Additions	495,450	380,000	900	358,381	3,860	106,356	8,523,016	9,867,963
Disposal	-	-	-	-	(2,140)	(65,361)	-	(67,501)
At 31 July 2007	2,445,406	3,983,620	243,882	927,267	94,031	75,519	10,461,016	18,230,741
Accumulated Depreciation:								
At 1 August 2006	407,832	720,724	55,323	150,516	22,915	11,048	310,080	1,678,438
Charge for the year	319,961	796,724	24,388	241,271	9,617	22,541	1,673,763	3,088,265
Eliminated of disposal	-	-	-	-	(572)	(21,506)	-	(22,078)
At 31 July 2007	727,793	1,517,448	79,711	391,787	31,960	12,083	1,983,843	4,744,625
Accumulated Impairment:								
At 1 August 2006	-	-	-	-	-	-	-	-
Impairment loss for the year	-	1,630,632	-	-	-	-	-	1,630,632
At 31 July 2007	-	1,630,632	-	-	-	-	-	1,630,632
Net Book Value at 31 July 2007	1,717,613	835,540	164,171	535,480	62,071	63,436	8,477,173	11,855,484

The net book value of motor vehicles acquired under hire purchase financing at the balance sheet date amounted to RM63,436.

## Notes to the Financial Statements

*(continued)*

### 10. INVESTMENT IN SUBSIDIARIES

	<i>Company</i>	
	<b>2008</b>	<b>2007</b>
	RM	RM
Unquoted shares, at cost	8,050,998	8,050,998
Options granted to employees of subsidiaries	1,161,803	855,220
Unquoted shares, at cost	9,212,801	8,906,218
<i>Less: Accumulated impairment</i>	(9,212,801)	(546,050)
	-	8,360,168

Details of the subsidiaries, which are incorporated in Malaysia, are as follows:

<i>Name of Company</i>	<i>Effective Equity Interest</i>		<i>Principal Activities</i>
	<b>2008</b>	<b>2007</b>	
	%	%	
<b>Direct</b>			
Inix Technologies Sdn. Bhd.	100	100	Development and sales of integrated intelligent wireless security, automation and closed-circuit television surveillance systems.
<b>Indirect</b>			
Inix Industrial Sdn. Bhd.	100	100	Has not commenced operation.

### 11. INVENTORIES

	<i>Group</i>	
	<b>2008</b>	<b>2007</b>
	RM	RM
At cost:		
Finished goods	456,304	1,713,915
Work-in-progress	339,390	129,536
Raw materials	292,472	416,182
	1,088,166	2,259,633
<i>Less: Allowance for obsolete and defective inventories</i>	(255,756)	(1,047,703)
	832,410	1,211,930
At cost	631,862	545,718
At net realisable value	200,548	666,212
	832,410	1,211,930

## Notes to the Financial Statements

(continued)

### 12. TRADE RECEIVABLES

	<i>Group</i>	
	<i>2008</i>	<i>2007</i>
	RM	RM
Trade receivables	4,948,776	5,829,172
Less: Allowance for doubtful debts	(4,944,344)	(3,135,583)
	40,432	2,693,589
<b>Analysis by currency</b>		
US Dollar	3,666,503	936,477
Ringgit Malaysia	1,318,273	4,892,695
	4,948,776	5,829,172

Out of the gross balance of RM4,984,776 (2007: RM5,829,172), 2 accounts represent 63% (2007: 54%) of this amount.

**Credit terms:**

The Group's normal credit terms are 60 days to 180 days (2006: 60 days to 180 days). Other credit terms are assessed and approved on a case-by-case basis.

### 13. AMOUNT DUE FROM/(TO) A SUBSIDIARY

	<i>Company</i>	
	<i>2008</i>	<i>2007</i>
	RM	RM
Due from:		
Non-trade	11,789,392	10,314,391
Less: Allowance for non-recoverability of Amount due from a subsidiary	(2,926,407)	-
	8,862,985	10,314,391
Due to:		
Non-trade	(800,582)	(659,388)
	8,062,403	9,655,003

The amount due from comprises expenses paid on behalf by the Company and advances provided to the subsidiary. These are unsecured, interest-free and have no fixed terms of repayment.

The amount due to a subsidiary represent expenses paid on behalf of the Company by the subsidiary. These are unsecured, interest-free and have no fixed terms of repayment.

# Notes to the Financial Statements

(continued)

## 14. SHARE CAPITAL

	<i>Group/Company</i>			
	<i>2008</i>		<i>2007</i>	
	<i>Number of ordinary shares</i>	<i>RM</i>	<i>Number of ordinary shares</i>	<i>RM</i>
<b>Authorised:</b>				
Ordinary shares of RM0.10 each -				
At 31 July	250,000,000	25,000,000	250,000,000	25,000,000
<b>Issued and fully paid:</b>				
Ordinary shares of RM0.10 each -				
At 1 August	104,500,000	10,450,000	95,000,000	9,500,000
Issued during the year	10,450,000	1,045,000	9,500,000	950,000
At 31 July	114,950,000	11,495,000	104,500,000	10,450,000

During the year, the Company issued and allotted 10,450,000 new ordinary shares of RM0.10 each by way of private placement in 1 tranche as follows:

<i>Date of allotment</i>	<i>Number of shares</i>	<i>Issue price per share</i>
		RM
17 August 2007	10,450,000	0.155

The cash proceeds from the above issuance have been utilised for expansion of production capacity and working capital as approved by the Securities Commission. These new shares rank pari passu in all respects with the existing shares of the Company.

## 15. SHARE PREMIUM

	<i>Group/Company</i>	
	<i>2008</i>	<i>2007</i>
	<i>RM</i>	<i>RM</i>
At 1 August	8,108,926	6,783,916
Issue of 10,450,000 new ordinary shares at a premium of RM0.055 per share	580,968	-
Issue of 856,000 new ordinary shares at a premium of RM0.40 per share	-	342,400
Issue of 1,000,000 new ordinary shares at a premium of RM0.125 per share	-	125,000
Issue of 1,000,000 new ordinary shares at a premium of RM0.115 per share	-	115,000
Issue of 4,000,000 new ordinary shares at a premium of RM0.12 per share	-	480,000
Issue of 1,100,000 new ordinary shares at a premium of RM0.11 per share	-	121,000
Issue of 1,544,000 new ordinary shares at a premium of RM0.115 per share	-	177,560
Less: Share issue expenses	(32,034)	(35,950)
At 31 July	8,657,860	8,108,926

This balance is not distributable by way of cash dividends and may be utilised only in the manner set out in Section 60(3) of the Companies Act, 1965.

## Notes to the Financial Statements

(continued)

### 16. SHARE OPTION RESERVE

This arose as a result of share options granted to eligible directors and employees of the Company and its subsidiary, Inix Technologies Sdn. Bhd. under the Employees' Share Option Scheme of the Company. Details of the scheme are set out in Note 28.

This reserve is not distributable by way of cash dividends.

### 17. HIRE PURCHASE PAYABLE

	<i>Group</i>	
	<i>2008</i>	<i>2007</i>
	RM	RM
<i>Hire purchase payable:</i>		
Due within 1 year	21,120	21,120
Due between 1 to 2 years	1,715	21,120
Due between 2 to 5 years	-	1,715
	22,835	43,955
<i>Less: Prepayment</i>	(1,760)	(1,760)
	21,075	42,195
<i>Less: Future finance charges</i>	(1,091)	(4,196)
Principal outstanding	19,984	37,999
<b>Current</b>		
Repayable within 1 year	18,283	16,437
<b>Non-Current</b>		
Repayable between 1 to 2 years	1,701	19,861
Repayable between 2 to 5 years	1,701	1,701
	1,701	21,562

The interest rate applicable to the hire purchase payable at the balance sheet date is 5.75% (2007: 5.75%) per annum.

### 18. TRADE PAYABLES

The credit terms of trade payables average between 30 days to 60 days (2006: 30 days to 60 days).

### 19. PROVISION FOR WARRANTY CLAIMS

	<i>Group</i>	
	<i>2008</i>	<i>2007</i>
	RM	RM
At 1 August	66,819	99,734
Writeback on expiry and claims made during the year	(59,668)	(54,121)
Provision for the year	-	21,206
At 31 July	7,151	66,819

### 20. REVENUE

This represents the invoiced value of goods sold (less discounts and returns), including installation and related charges. The Group's revenue by geographical market is analysed in Note 29.

## Notes to the Financial Statements

*(continued)*

### 21. COST OF SALES

	<i>Group</i>	
	<b>2008</b>	<b>2007</b>
	RM	RM
Cost of inventories sold	1,293,070	2,084,400
Net provision for warranty claims (written back)/made	(59,668)	(32,915)
Specific warranty expense	-	773,308
Allowance for obsolete and defective inventories	255,756	1,047,703
Amortisation of intangible assets	309,000	309,000
	1,798,158	4,181,496

The Group undertook a product upgrade enhancement exercise during the year ended 31 July 2007 which involved the replacement of selected earlier versions of the Group's products sold with the latest version offering additional features not available in those earlier versions. As such, the Group incurred the above specific warranty expense on the latest version replacements and made an appropriate allowance for the earlier versions held as at the balance sheet date.

### 22. LOSS BEFORE TAXATION

	<i>Group</i>		<i>Company</i>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	RM	RM	RM	RM
<i>This is arrived at after charging: -</i>				
Audit fees	38,000	38,000	15,000	15,000
Allowance made for doubtful debts	2,515,211	2,515,211	-	-
Allowance for non-recoverability of amount due from a subsidiary	-		2,926,407	-
Bad debts written off	-	30,383	-	-
Depreciation of property, plant and equipment ( <i>excluding equipment and software for R&amp;D purposes</i> )	823,299	1,414,502	-	-
Directors' remuneration (Note 24)	867,792	898,191	342,380	319,579
Employee benefits expenses (Note 23)	1,083,387	1,531,578	-	-
Goodwill written off	4,016	-	-	-
Impairment loss on investment in subsidiary	-	-	8,666,751	546,050
Impairment loss on property, plant and equipment	-	1,630,632	-	-
Interest expense on hire purchase financing	3,105	4,769	-	-
Loss on disposal of property, plant and equipment	-	8,713	-	-
Rental of factory	28,800	28,600	-	-
Rental of office premises				
- current year	84,000	125,305	-	-
- underprovision in prior year	-	(2,700)	-	-
Research and Development ("R&D")				
- personnel costs and related expenses	595,479	1,212,048	-	-
- depreciation of equipment and software	1,757,571	1,673,763	-	-
- other expenses	1,066,427	3,718	-	-
- impairment loss on R&D equipment	2,941,546	-	-	-

## Notes to the Financial Statements

(continued)

### 23. EMPLOYEES BENEFITS EXPENSES

	<i>Group</i>	
	<b>2008</b>	<b>2007</b>
	RM	RM
<i>Short term benefits</i>		
Salaries and allowances	824,506	1,220,067
SOCSSO	10,738	16,522
Insurance, medical and other benefits	48,506	21,996
	883,750	1,258,585
<i>Defined contribution plan</i>		
Contributions to EPF	83,774	136,663
<i>Equity-based compensation benefits</i>		
Share options	115,863	136,330
<b>Total (excluding executive directors' remuneration)</b>	1,083,387	1,531,578
Employee benefits expenses are included in the income statement as follows:		
Selling and marketing expenses	212,651	303,224
Administrative expenses	257,150	231,796
Research and development expenses	576,064	961,204
Other expenses	37,522	35,354
	1,083,387	1,531,578

### 24. DIRECTORS' REMUNERATION

	<i>Group</i>		<i>Company</i>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	RM	RM	RM	RM
<b>Directors of the Company</b>				
<i>Executive:</i>				
Salaries and allowances	90,000	90,000	90,000	90,000
Share options	109,880	109,579	109,880	109,579
	199,880	199,579	199,880	199,579
<i>Non-Executive:</i>				
Fees	142,500	120,000	142,500	120,000
	342,380	319,579	342,380	319,579
<b>Directors of a subsidiary</b>				
<i>Executive:</i>				
Salaries and allowances	276,000	276,000	-	-
SOCSSO, income tax and other benefits	862	819	-	-
Contributions to EPF	27,830	29,760	-	-
Share options	190,720	242,033	-	-
	495,412	548,612	-	-
<i>Non-Executive:</i>				
Fees	30,000	30,000	-	-
	525,412	578,612	-	-
<b>Total</b>	867,792	898,191	342,380	319,579
Directors' remuneration are included in the income statement as follows:-				
Administrative expenses	658,432	650,285	342,380	319,579
Research and development expenses	209,360	247,906	-	-
	867,792	898,191	342,380	319,579

## Notes to the Financial Statements

(continued)

### 25. TAXATION

A reconciliation between tax applicable to (loss)/profit before taxation at the statutory tax rate and tax expense is as follows: -

	<i>Group</i>		<i>Company</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	RM	RM	RM	RM
Loss before taxation	(11,244,173)	(11,213,553)	(12,091,959)	(1,291,319)
Tax calculated at the statutory tax rate of 26% (2007: 27%)	(2,923,485)	(3,027,659)	(3,143,909)	(348,656)
Tax effect of:				
- expenses not deductible for tax purposes	1,617,008	1,661,233	3,041,065	249,449
- the first RM500,000 loss at 20%	30,000	35,274	-	-
- current year's loss not recognised	1,276,477	1,331,152	102,844	99,207
Tax expense	-	-	-	-

A subsidiary, Inix Technologies Sdn. Bhd. ("ITSB") was awarded the status of a Multimedia Super Corridor ("MSC") company on 28 November 2003. Amongst other incentives, ITSB was accorded Pioneer Status pursuant to the Promotion of Investments Act, 1986 ("PIA"). The MSC Status granted is subject to the compliance of certain conditions imposed by the Multimedia Development Corporation. The Pioneer Status is granted for a period of 5 years, commencing 1 December 2003. The tax exemption period also commenced on 1 December 2003. The Pioneer Status may be withdrawn upon the loss of the MSC Status or in the event of a breach of the provisions of the PIA.

Subject to the agreement of the Inland Revenue Board, the Group has estimated tax exempt income of approximately RM11,497,400 (2006: RM11,497,400) as at 31 July 2008 available for distribution as tax exempt dividends. In addition, the Group has unabsorbed tax losses of RM524,728 (2007: RM524,728) that are available for set-off against taxable income in future periods subsequent to the tax exemption period.

The amount of taxable/(deductible) temporary differences, tax losses and unutilised capital allowances for which deferred tax liability/(assets) have not been recognised in the balance sheet are as follows: -

	<i>Group</i>		<i>Company</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	RM	RM	RM	RM
Taxable/(deductible) temporary differences				
- property, plant and equipment	6,136,391	5,957,544	-	-
- provision for warranty claims	(7,151)	(66,819)	-	-
	6,129,240	5,890,725	-	-
Unabsorbed tax losses	(524,728)	(524,728)	-	-
Unutilised capital allowances	(11,380,032)	(6,655,577)	-	-
	(5,775,520)	(1,289,580)	-	-

The deferred tax asset will only be recognised upon expiry of the tax exemption period as there will not be any profits that are taxable during the period against which such benefits can be utilised or any losses incurred that can be carried forward to future periods subsequent to this tax exemption period.



# Notes to the Financial Statements

(continued)

## 26. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

Related party relationships exist between the Group/Company and the following entities:-

- (a) Inix Technologies Sdn. Bhd. ("ITSB") being a subsidiary;
- (b) Inix Industrial Sdn. Bhd. ("IISB") being a subsidiary of ITSB; and
- (c) Liew Woy Kee ("LWK") being a person connected to Cheong Kok Yai, a director of the Company and its subsidiary. ITSB has entered into a tenancy agreement with LWK for the rental of office premises. The existing agreement is effective from 1 October 2006 to 30 September 2008.

	<i>Group</i>		<i>Company</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	RM	RM	RM	RM
<b>Balances at year end included in the balance sheets are as follows:</b>				
<i>Other receivables, deposits and prepayments</i>				
Rental and utility deposits paid to LWK	8,000	8,000	-	-
Advances provided to ITSB for working capital purposes	-	-	8,200,000	8,200,000
Expenses paid on behalf of ITSB	-	-	3,589,392	2,114,391
Expenses paid on behalf by ITSB	-	-	(800,582)	(659,388)
	-	-	10,988,810	9,655,003

**Significant transactions between related parties and the Group/Company during the year are as follows:**

*Expenses*

Rental of office premises paid to LWK	32,400	32,400	-	-
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*Payments/(receipts)*

Expenses paid on behalf of ITSB	-	-	3,589,392	2,114,391
Expenses paid on behalf by ITSB	-	-	(800,582)	(150,410)

**Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel of the Group comprise Executive Directors of the Company and its subsidiary and their remuneration are disclosed in Note 24.

## 27. FINANCIAL INSTRUMENTS

The fair values of financial assets and liabilities of the Group and the Company approximate their carrying values at the balance sheet date due to the short term maturity of these instruments except for the following:

	<i>Carrying Amount</i>	<i>Fair Value</i>
	RM	RM
Hire purchase payable	19,984	20,118

The fair value of hire purchase payable is estimated by discounting the future contractual cash flows at the effective interest rate of 7.77% at the balance sheet date.

# Notes to the Financial Statements

*(continued)*

## 28. EMPLOYEES' SHARE OPTION SCHEME

The Employees' Share Option Scheme ("ESOS") grants options to eligible directors and employees of the Group to subscribe for shares up to 15% of the Company's issued and paid-up share capital. The ESOS is in force for a duration of 5 years commencing from 25 August 2005 being the date of full compliance with all relevant requirements.

On 12 September 2005, 6,000,000 share options were granted and accepted at an exercise price of RM0.40 per share pursuant to the ESOS. The estimated fair value of RM0.20 per option was calculated using the Black-Scholes option pricing model with inputs into the model as follows:

Weighted average share price	RM0.44
Exercise price	RM0.40
Expected volatility	60%
Expected life	3 years
Risk free rate	3.33%
Expected dividend yield	Nil

Expected volatility has been determined based on the historical volatility of the share prices of the Company and of other companies listed on the same exchange, board and sector.

Expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Details of the share options outstanding during the year under review are as follows:

	<i>No. of share options at exercise price of RM0.40 each</i>	
	<b>2008</b>	<b>2007</b>
Outstanding at 1 August	4,600,000	5,160,000
Forfeited during the year	(350,000)	(560,000)
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at 31 July	4,250,000	4,600,000
<b>Exercisable at 31 July:</b>		
Number of options expected to be exercised **	2,835,600	1,971,150
Number of options estimated that may be forfeited or expire	500,400	347,850
Number of options vested	3,336,000	2,319,000
<b>Exercisable within 12 months</b>	776,900	1,161,950
<b>Exercisable between 1 to 2 years</b>	-	776,900
Number of options expected to be exercised **	776,900	1,938,850
Number of options estimated that may be forfeited or expire	137,100	342,150
Number of options to vest	914,000	2,281,000
<b>Total number of options outstanding</b>	4,250,000	4,600,000

\*\* *Key estimate used in the computation of the share option expense.*

# Notes to the Financial Statements

(continued)

## 29. SEGMENT ANALYSIS

### Geographical segments - primary reporting

**Asia** - promotion, marketing, distribution, sales and related activities  
 - research and development (R&D) activities are engaged in Malaysia only  
**Australia, Africa and Europe** - promotion, marketing, distribution, sales and related activities

<b>2008</b>	<b>Australia</b> RM	<b>Africa</b> RM	<b>Asia</b> RM	<b>Europe</b> RM	<b>Consolidated</b> RM
<b>Segment Revenue</b>					
Total revenue	1,599	-	1,867,801	-	1,869,400
Inter-segment revenue	-	-	-	-	-
External revenue	1,599	-	1,867,801	-	1,869,400
<b>Segment Results</b>					
Unallocated expenses	(2,526,864)	-	(6,320,018)	-	(8,846,882)
- corporate					(535,194)
- R&D					(1,858,272)
Finance costs					(3,105)
Taxation					-
Profit for the year					(11,244,173)
<b>Segment Assets</b>					
Unallocated assets	879,000	-	7,334,175	-	8,213,175
Total assets					1,198,910
<b>Segment Liabilities</b>					
Unallocated liabilities	-	-	7,151	-	7,151
Total liabilities					1,623,654
<b>Other Information:</b>					
Capital expenditure	-	-	738,000	-	738,000
Depreciation	126,000	-	2,454,870	-	2,580,870
Amortisation	209,000	-	100,000	-	309,000
<b>2007</b>					
<b>Segment Revenue</b>					
Total revenue	3,240,000	-	2,086,100	-	5,326,100
Inter-segment revenue	-	-	-	-	-
External revenue	3,240,000	-	2,086,100	-	5,326,100
<b>Segment Results</b>					
Unallocated expenses	311,574	(856,700)	(6,706,323)	(910,525)	(8,161,974)
- corporate					(1,831,044)
- R&D					(1,215,766)
Finance costs					(4,769)
Taxation					-
Profit for the year					(11,213,553)
<b>Segment Assets</b>					
Unallocated assets	3,409,000	-	12,551,073	-	15,960,073
Total assets					2,157,223
<b>Segment Liabilities</b>					
Unallocated liabilities	26,928	-	39,891	-	66,819
Total liabilities					1,035,421
<b>Other Information:</b>					
Capital expenditure	1,045,000	-	9,867,963	-	10,912,963
Depreciation	126,000	114,000	2,752,265	96,000	3,088,265
Amortisation	209,000	-	100,000	-	309,000

# Notes to the Financial Statements

*(continued)*

## 29. SEGMENT ANALYSIS *(continued)*

### Business segments - secondary reporting

	<i>Investment holding</i>	<i>Development and sales of security, automation and surveillance systems</i>	<i>Elimination</i>	<i>Consolidated</i>
	RM	RM	RM	RM
<b>2008</b>				
Total revenue	-	1,869,400		1,869,400
Segment assets	8,066,606	10,214,317	(8,868,838)	9,412,085
Capital expenditure	-	738,000		738,000
<b>2007</b>				
Total revenue	-	5,326,100		5,326,100
Segment assets	17,825,764	18,772,096	(18,480,564)	18,117,296
Capital expenditure	-	10,912,963		10,912,963

## 30. LOSS PER ORDINARY SHARE

The basic/diluted loss per ordinary share are computed based on the loss before taxation and the weighted average / adjusted weighted average number of ordinary shares outstanding during the year as follows:

<i>Gross/Net</i>	<i>Group</i>	
	<b>2008</b>	<b>2007</b>
	RM	RM
<b>Basic:</b>		
Net loss attributable to ordinary shareholders	(11,244,173)	(11,213,553)
Weighted average number of ordinary shares in issue	114,463,288	101,015,912
Basic loss per ordinary share (sen)	(9.82)	(11.10)
<b>Diluted:</b>		
Net loss attributable to ordinary shareholders	(11,244,173)	(11,213,553)
Weighted average number of ordinary shares in issue	114,463,288	101,015,912
Number of shares issuable under ESOS	4,250,000	4,600,000
Number of shares that would have been issued at fair value	(4,250,000)	(4,600,000)
Adjusted weighted average number of ordinary shares in issue	114,463,288	101,015,912
Diluted earnings per ordinary share (sen)	(9.82)	(11.10)

## Notes to the Financial Statements

(continued)

### 31. PRIOR YEAR ADJUSTMENT

In the financial year ended 31 July 2007, compensation expenses resulting from share options granted were recognised for the employees of the Group. For options granted to employees of the subsidiaries, the expenses were recognised as Group compensation expenses with a corresponding increase in share option reserve of the Group. However, as the Company had granted rights to its equity instruments to the employees of the subsidiaries without receiving any payment for it, the cost of the options granted should be deemed to be an increase in the value of its investment in the subsidiaries. Accordingly, a prior year adjustment has been effected in the Company's financial statements in accordance with FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors to reflect this position.

	<i>As previously stated</i> RM	<i>Company Adjustment</i> RM	<i>As restated</i> RM
At 1 August 2006			
Share option reserve	96,670	476,857	573,527
Investment in subsidiaries	7,504,948	476,857	7,981,805
Year ended 31 July 2007			
Transfer to share option reserve recognised in statement of changes in equity	109,579	378,363	487,942
At 1 August 2006			
Share option reserve	206,249	855,220	1,061,469
Investment in subsidiaries	7,504,948	855,220	8,360,168

### 32. COMPARATIVE FIGURES

Certain comparative figures have been amended to conform with the current year's presentation as follows: -

	<i>As previously stated</i> RM	<i>Company Reclassification</i> RM	<i>As restated</i> RM
BALANCE SHEET			
<i>Current Assets</i>			
Amount due from a subsidiary	10,314,391	(659,388)	9,655,003
Amount due to a subsidiary	659,388	(659,388)	-
CASH FLOW STATEMENT			
<i>Cash flows from operating activities</i>			
Changes in working capital:			
Increase in amount due from a subsidiary	(2,114,391)	150,410	(1,963,981)
Increase in amount due to a subsidiary	150,410	(150,410)	-

## Statement by Directors

We, DATO' MEGAT FAIROUZ JUNAIDI BIN MEGAT JUNID and JIMMY TOK SOON GUAN, being two of the directors of INIX TECHNOLOGIES HOLDINGS BERHAD, state that in the opinion of the directors, the financial statements set out on pages 22 to 48 are drawn up in accordance with the Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 July 2008 and of their results and cash flows for the year ended on that date.

*Signed in accordance with a resolution of the Board of Directors,*

**Dato' Megat Fairouz Junaidi bin Megat Junid**

**Jimmy Tok Soon Guan**

Petaling Jaya  
26 November 2008

## Statutory Declaration

I, JIMMY TOK SOON GUAN, the director primarily responsible for the financial management of INIX TECHNOLOGIES HOLDINGS BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 22 to 48 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the )  
abovenamed JIMMY TOK SOON GUAN )  
at Petaling Jaya in Selangor Darul Ehsan )  
on 26 November 2008. )

**Jimmy Tok Soon Guan**

*Before me:*  
**Kok Poo Him**  
(No. W386)  
Commissioner for Oaths

# Independent Auditors' Report

## to the members of INIX Technologies Holdings Berhad

### Report on the Financial Statements

We have audited the financial statements of INIX TECHNOLOGIES HOLDINGS BERHAD which comprise the balance sheets as at 31 July 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 22 to 48.

#### *Directors' Responsibility for the Financial Statements*

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. 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 Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal 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 have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and Company as of 31 July 2008 and of their financial performance and cash flows for the year then ended.

#### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1(a) to the financial statements which discloses the premise upon which the Group and the Company have prepared their financial statements by applying the going concern assumption, notwithstanding that the Group and the Company recorded after-tax losses of RM11,244,173 and RM12,091,959 respectively resulting in the accumulated losses of the Group and the Company increasing to RM13,849,512 and RM13,836,938 as at 31 July 2008. On the same date, the Group's current liabilities exceeded its current assets by RM389,702. These conditions, along with the matters as set out in Note 1(a), indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as going concerns.

# Independent Auditors' Report

(continued)

## Report on Other Legal and Regulatory Requirements

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

- a) In our opinion, the accounting and other records and 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 accounts 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) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

## Other Matters

This report is made solely for 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.

### **Azman, Wong, Salleh & Co.**

AF: 0012

Chartered Accountants

### **Ng Eng Kiat**

1064/03/09(J/PH)

Partner of the Firm

Kuala Lumpur

26 November 2008



## Analysis of Shareholdings

as at 13 November 2008

Authorised Share Capital	:	RM25,000,000
Issued & Fully Paid-up Share Capital	:	RM11,495,000
Class of Shares	:	Ordinary shares of RM0.10 each fully paid
Voting Rights	:	One vote per ordinary share

### Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100 shares	5	0.61	144	0.00
100 to 1,000 shares	93	11.23	79,209	0.07
1,001 to 10,000 shares	388	46.86	2,322,100	2.02
10,001 to 100,000 shares	234	28.26	9,302,500	8.09
100,001 to less than 5% of issued shares	107	12.92	77,721,657	67.62
5% and above of issued shares	1	0.12	25,524,390	22.20
<i>Total</i>	828	100.00	114,950,000	100.00

### Substantial Shareholders

Name of Shareholder	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
PC Sentry Sdn Bhd	25,524,390	22.20	-	-
Jimmy Tok Soon Guan	-	-	25,524,390*	22.20
Cheong Kok Yai	-	-	25,524,390*	22.20
Mok Chin Fan	-	-	25,524,390*	22.20

\* Deemed interest via their shareholdings in PC Sentry Sdn Bhd.

### Directors' Interests

Name of Director	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Dato' Megat Fairouz Junaidi bin Megat Junid	-	-	-	-
Jimmy Tok Soon Guan	-	-	25,524,390*	22.20
Cheong Kok Yai	-	-	25,524,390*	22.20
Chong Chen Fah	2,695,821	2.35	-	-
Madzlan bin Mohamed Nazri	-	-	-	-
Mok Chin Fan <i>(resigned on 1 Aug 2007, re-appointed on 20 Sep 2007)</i>	-	-	25,524,390*	22.20
Wong Yew Sen <i>(appointed on 27 Sep 2007)</i>	-	-	-	-

\* Deemed interest via their shareholdings in PC Sentry Sdn Bhd.

# Analysis of Shareholdings

(continued)

## Top Thirty Shareholders

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

	<i>Name of Shareholder</i>	<i>No. of Shares</i>	<i>%</i>
1	PC Sentry Sdn Bhd	25,524,390	22.20
2	Pesat Cipta Sdn Bhd	5,127,694	4.46
3	Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB for Barkath Stores (Penang) Sdn Berhad (PB)</i>	5,000,000	4.35
4	Mayban Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for See Kok Eng</i>	3,780,300	3.29
5	Chew Ching Tong	3,500,000	3.04
6	Mayban Securities Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Loke Mei Ping (Rem 679-Margin)</i>	3,500,000	3.04
7	DB (Malaysia) Nominee (Asing) Sdn Bhd <i>Exempt An For Deutsche Bank Ag Singapore (Pwm Asing)</i>	3,085,000	2.68
8	Tan Chee Phin	2,883,000	2.51
9	Chong Chen Fah	2,695,821	2.35
10	Dahya Mohamed Raza	2,683,666	2.33
11	Amsec Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Vijiah Ranjini Rethna Boi</i>	2,329,500	2.03
12	Amsec Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Kong Kok Keong</i>	2,000,000	1.74
13	Wai Ho Mang	1,840,036	1.60
14	Tang Way Keong	1,602,000	1.39
15	Lim Boon Chai	1,459,095	1.27
16	Phoo Meng Khaw	1,401,946	1.22
17	Leong Mei Mei	1,279,400	1.11
18	Teoh Choo Kang	1,200,000	1.04
19	Hew Yoong Shiang	1,168,300	1.02
20	Mercsec Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Wong Kian Teck</i>	1,159,500	1.01
21	Mayban Securities Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Teoh Choo Kang (Rem 105)</i>	1,103,200	0.96
22	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chin Pui Kin (E -SS2)</i>	1,053,600	0.92
23	Chew Ching Chong	1,000,000	0.87
24	Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB for Low Han Chau (PB)</i>	1,000,000	0.87
25	Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB for Nur Yanty Binti Muhamad Radzi (PB)</i>	1,000,000	0.87
26	Chong Kok Wing	880,499	0.77
27	Amsec Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Kwee Chin</i>	815,700	0.71
28	Hamidah Binti Mohd Amin	767,800	0.67
29	Lim Gaik Hwa	700,000	0.61
30	Tan Lay Boey	673,600	0.59
	<i>Total</i>	82,214,047	71.52

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## ***Additional Compliance Information***

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The information set out below is disclosed in compliance with the Listing Requirements of Bursa Securities Malaysia Berhad for the Mesdaq Market.

### **1. Utilisation of Placement Proceeds**

As at 31 July 2008, the status of utilisation of the proceeds raised from the Company's private placement exercise approved by the Securities Commission (SC) on 21 May 2007 and completed on 23 August 2007 amounting to RM1.620 million is as follows :

	<b><i>Proposed private placement</i></b>	<b><i>Proceeds from placement shares</i></b>	<b><i>Utilised as at 31 July 2008</i></b>	<b><i>Balance</i></b>
	RM'000	RM'000	RM'000	RM'000
Expansion of production capacity	1,500	1,292	1,292	-
Working capital	281	242	283	(41)
Estimated expenses	100	86	45	41
<i>Total</i>	1,881	1,620	1,620	-

*The proceeds raised have been allocated proportionately based on the 10,450,000 ordinary shares issued over the number of ordinary shares under the Proposed Private Placement. Any excess/(deficit) in the gross proceeds raised, upon completion, will be utilised for/(adjusted from) working capital. The excess allocation for estimated expenses (compared to actual expenses of the exercise) has been utilised for working capital.*

### **2. Share Buy-Back**

The Company does not have a scheme to buy-back its own shares.

### **3. Options, Warrants or Convertible Securities**

The Company does not have any warrants or convertible securities in issue. On 12 September 2005, a total of 6,000,000 options were issued to eligible employees of the Group under the INIX Employee Share Option Scheme (ESOS). No options were issued to any non-executive director of the Company. As at 31 July 2008, none of the options had been exercised.

Details of the share options outstanding during the period under review are as follows:

	<b>No. of share options at exercise price of RM0.40 each</b>
Outstanding at the beginning of the year	4,600,000
Granted and accepted during the year	-
Forfeited during the year	(350,000)
Exercised during the year	-
Expired during the year	-
<b>Outstanding at the end of the year</b>	<b>4,250,000</b>
Exercisable at the end of the year	3,336,000

### **4. Depository Receipt Programme**

The Company did not sponsor any depository receipt programme for the financial year ended 31 July 2008.

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## ***Additional Compliance Information***

*(continued)*

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### **5. Sanctions and/or Penalties**

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant authorities during the financial year ended 31 July 2008.

### **6. Non-Audit Fees**

Non-audit fees incurred for services rendered to the Group by the Company's auditors for the financial year ended 31 July 2008 are as follows:

	<b><i>Group</i></b> RM	<b><i>Company</i></b> RM
Azman, Wong, Salleh & Co. from tax advisory	4,500	1,000

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### **7. Variation of Results**

The Company had not previously released any profit estimate, forecast or projection for the financial year ended 31 July 2008. There was no material variation between the audited results for the year and that of the unaudited results announced on 26 September 2008.

### **8. Profit Guarantee**

The Group and the Company had not issued any profit guarantee in respect of the financial year ended 31 July 2008.

### **9. Material Contracts**

During the financial year ended 31 July 2008, the Company and its subsidiaries did not enter into any material contract involving directors' and substantial shareholders' interests, nor was there any such material contract previously entered into that was still subsisting as at 31 July 2008.

### **10. Revaluation Policy**

The Company did not revalue any of its property, plant and equipment during the financial year ended 31 July 2008.

### **11. Material Properties**

The Company and the Group does not own any landed property.

### **12. Corporate Social Responsibility Activities**

The Company and the Group did not undertake any corporate social responsibility activities or practices during the financial year ended 31 July 2008.

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## ***Notice of Annual General Meeting***

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**NOTICE IS HEREBY GIVEN THAT** the Fourth Annual General Meeting of INIX Technologies Holdings Berhad ("INIX") will be held at Anggerik Suite, 2<sup>nd</sup> Floor, East Wing, Hilton Petaling Jaya, No. 2, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 23 December 2008 at 10.00 a.m. for the following purposes:

### **AS ORDINARY BUSINESS**

- |    |   |                     |
|----|---|---------------------|
| 1. | To receive and adopt the Audited Financial Statements for the financial year ended 31 July 2008 together with the Reports of the Directors and the Auditors thereon.        | <b>RESOLUTION 1</b> |
| 2. | To approve the payment of Directors' fees of RM142,500.00 for the financial year ended 31 July 2008.  | <b>RESOLUTION 2</b> |
| 3. | To re-elect the following Directors who retire in accordance with Article 85 of the Company's Articles of Association and being eligible, offer themselves for re-election: |                     |
|    | i) Dato' Megat Fairouz Junaidi bin Megat Junid  | <b>RESOLUTION 3</b> |
|    | ii) Jimmy Tok Soon Guan   | <b>RESOLUTION 4</b> |
|    | iii) Madzlan bin Mohamed Nazri  | <b>RESOLUTION 5</b> |
|    | iv) Wong Yew Sen  | <b>RESOLUTION 6</b> |
|    | v) Mok Chin Fan   | <b>RESOLUTION 7</b> |
| 4. | To re-appoint Messrs. Azman, Wong, Salleh & Co. as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.                   | <b>RESOLUTION 8</b> |

### **AS SPECIAL BUSINESS**

To consider and, if thought fit, pass the following Ordinary Resolutions:

- |    |  |                     |
|----|--|---------------------|
| 5. | <b>AUTHORITY TO DIRECTORS TO ISSUE SHARES</b>  |                     |
|    | "THAT subject to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental and/or regulatory authorities, the Directors of the Company be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965, to issue shares from the unissued capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares pursuant to this resolution does not exceed ten (10) per centum of the total issued capital of the Company and that such authority shall continue in force until the conclusion of the next Annual General Meeting." | <b>RESOLUTION 9</b> |

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## **Notice of Annual General Meeting**

*(continued)*

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6. **AUTHORITY TO ISSUE SHARES PURSUANT TO THE EMPLOYEE SHARE OPTION SCHEME**

"THAT pursuant to the Employee Share Option Scheme of INIX which was approved at the Extraordinary General Meeting of the Company held on 17 June 2005, approval be and is hereby given to the Directors pursuant to Section 132D of the Companies Act, 1965, to issue such number of new ordinary shares of RM0.10 each in the capital of the Company from time to time in accordance with the provisions of the By-Laws of the Scheme."

**RESOLUTION 10**

7. To transact any other ordinary business of which due notice shall have been given.

BY ORDER OF THE BOARD

**Chok Kwee Wah** (MACS 00550)  
**Leong Mee Lee** (LS 0001836)  
Secretaries

Petaling Jaya  
1 December 2008

**NOTES:**

1. *A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
2. *If the appointer is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or an attorney duly authorised.*
3. *A member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy in a poll and the proxy who shall be entitled to vote on a show of hands.*
4. *The instrument appointing a proxy must be deposited at the registered office of the Company at Bina Management (M) Sdn. Bhd., Lot 10, The Highway Centre, Jalan 51/205, 46050 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.*

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# ***Notice of Annual General Meeting***

*(continued)*

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## **Explanatory Notes on Special Business**

### **Ordinary Resolution 9**

#### **Authority to the Directors to issue shares**

The proposed Ordinary Resolution 9, if passed, will give the Directors of the Company the power to issue shares in the Company up to a maximum of ten percent (10%) of the issued and paid-up share capital of the Company for the time being, for such purposes as the Directors consider would be in the interest of the Company. This authority unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

### **Ordinary Resolution 10**

#### **Authority to issue shares pursuant to the Employee Share Option Scheme**

Ordinary Resolution 10, if passed, will empower the Directors to issue shares in the Company upon exercise of the options by eligible employees pursuant to the Scheme which was approved at the Extraordinary General Meeting held on 17 June 2005.

## **Statement Accompanying Notice of Annual General Meeting**

The Directors retiring at the Fourth Annual General Meeting and seeking for re-election in accordance with Article 85 of the Company's Articles of Association are as follows:

- i) Dato' Megat Fairouz Junaidi bin Megat Junid
- ii) Jimmy Tok Soon Guan
- iii) Madzlan bin Mohamed Nazri
- iv) Wong Yew Sen
- v) Mok Chin Fan

Details of the abovementioned Directors are set out in the Directors' Profile on pages 5 to 8 of the Annual Report. Their securities holdings in the Company are set out in page 52 of the Annual Report.

**INIX TECHNOLOGIES HOLDINGS BERHAD (665797-D)**  
(Incorporated in Malaysia)

No. of shares held	
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***Form of Proxy***

I/We,.....  
of .....  
being a member/members of INIX TECHNOLOGIES HOLDINGS BERHAD, hereby appoint the following persons: -

	<b>Name of proxy, NRIC No. &amp; Address</b>	<b>No. of Shares to be represented by proxy</b>
1.	_____	_____
2.	_____	_____

*(In case of a vote taken by show of hands, the first named proxy shall vote on \*my/our behalf.)*

or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us and on my/our behalf at the FOURTH ANNUAL GENERAL MEETING of the Company to be held at Anggerik Suite, 2<sup>nd</sup> Floor, East Wing, Hilton Petaling Jaya, No. 2 Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 23 December 2008 at 10.00 a.m. and at any adjournment thereof. The proxy is to vote on the business before the meeting as indicated below (if no indication is given, the proxy will vote as he thinks fit or abstain from voting): -

<b>No.</b>	<b>Resolution</b>	<b>For</b>	<b>Against</b>
1.	Adoption of the Audited Financial Statements for the financial year ended 31 July 2008 together with the Reports of the Directors and the Auditors thereon.		
2.	Approval of Directors' Fees.		
3.	Re-election of Dato' Megat Fairouz Junaidi bin Megat Junid as director.		
4.	Re-election of Jimmy Tok Soon Guan as director.		
5.	Re-election of Madzlan bin Mohamed Nazri as director.		
6.	Re-election of Wong Yew Sen as director.		
7.	Re-election of Mok Chin Fan as director.		
8.	Re-appointment of Auditors.		
9.	Authority to Directors to issue shares pursuant to Section 132D.		
10.	Authority to issue shares pursuant to the Employee Share Option Scheme.		

Dated this ..... day of ..... 2008

.....  
**Signature of Shareholder**

**Tel. No.:** .....

**NOTES:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. If the appointer is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or an attorney duly authorised.
3. A member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy in a poll and the proxy who shall be entitled to vote on a show of hands.
4. The instrument appointing a proxy must be deposited at the registered office of the Company at Bina Management (M) Sdn. Bhd., Lot 10, The Highway Centre, Jalan 51/205, 46050 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.



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AFFIX  
STAMP

**INIX TECHNOLOGIES HOLDINGS BERHAD**

(Company No. 665797-D)  
Lot 10, The Highway Centre  
Jalan 51/205  
46050 Petaling Jaya  
Selangor Darul Ehsan

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