

Voltage IP Ltd

ACN 057 884 876

Notice of Meeting and Explanatory Statement

For the extraordinary general meeting of Shareholders to be held at the offices of
Sanston Securities at Level 7, 564 St Kilda Road, Melbourne, Victoria at 4:00 pm
(AEDT) on Friday, 18 December 2015

This is an important document. Please read it carefully.

Shareholders should consult their stockbroker, solicitor, accountant or other independent professional adviser before deciding on how to vote on the Resolutions.

Voltage IP Limited

ACN 057 884 876

Notice of General Meeting

Notice is given that a general meeting of Voltage IP Limited (**Company**) will be held at:

Location	Sanston Securities, Level 7, 564 St Kilda Road, Melbourne, Victoria
Date	18 December 2015
Time	4:00 pm (AEDT)

The Notice and Explanatory Statement (together with the Independent Expert Report) should be read in their entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.

Voting eligibility

The persons eligible to vote at the General Meeting (or any adjournment of the General Meeting) are those who are registered Shareholders as at 7:00 pm (AEDT) on 16 December 2015.

Voting in person

To vote in person, attend the General Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return it to the Company by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

Shareholders are advised that under sections 250BB and 250BC of the Corporations Act:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these sections are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed);

- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands;
- if the proxy is the Chair of the Meeting, the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the Chair of the Meeting, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-Chair proxy to Chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at the Meeting;
- the appointed proxy is not the Chair of the Meeting;
- at the Meeting, a poll is duly demanded on that resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the Meeting; or
 - the proxy does not vote on the resolution,

then the Chair is taken, before voting on that resolution closes, to have been appointed as the proxy for the purposes of voting on that resolution at the Meeting.

Voting by corporate representative

A Shareholder that is a corporation may elect to appoint a representative, rather than appoint a proxy, under the Corporations Act, in which case the Company will require written proof of the representative's appointment (which must be lodged with or presented to the Company before the Meeting).

Business of the Meeting

Resolution 1 – Issue of Convertible Notes

To consider, and if in favour, to pass the following Resolution as an **ordinary resolution** under the Corporations Act:

That, subject to the passing of each of the Essential Resolutions, for the purpose of Listing Rule 7.1 and for all other purposes, the Company is authorised to issue the Convertible Notes under the Loan and Convertible Note Agreements (as described in the Explanatory Statement).

Voting Exclusion Statement:

The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if this Resolution is passed, together with any associates of those persons. However, the Company is not required to disregard a vote if it is cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the Proxy Form) or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote (in accordance with the directions on the Proxy Form to vote as the proxy decides).

Pok Seng Kong will abstain from voting in relation to this Resolution.

Resolution 2 – Conversion of Shares into a smaller number

To consider, and if in favour, to pass the following Resolution as an **ordinary resolution** under the Corporations Act:

That, subject to the passing of each of the Essential Resolutions, pursuant to section 254H of the Corporations Act and for all other purposes, the Shareholders approve the conversion of all Shares (on issue immediately before the Meeting) into a smaller number on the basis that every 25 Shares will be consolidated into 1 Share with effect immediately following the allotment of the Convertible Notes contemplated by Resolution 1 (as described in the Explanatory Statement).

Voting Exclusion Statement:

Pok Seng Kong will abstain from voting in relation to this Resolution.

Resolution 3 – Cancellation of Shares issued to Pok Seng Kong

To consider, and if in favour, to pass the following Resolution as a **special resolution** under the Corporations Act:

That, for the purpose of section 256C of the Corporations Act and for all other purposes, approval is given for the Company to make a selective reduction of its share capital and cancel (for no consideration) a total of 57,277,536 Shares (being 2,291,101 Shares following the consolidation contemplated by Resolution 2) held by Pok Seng Kong, with that cancellation taking effect 14 days after a copy of this Resolution is lodged with ASIC following the passing of this Resolution (as described in the Explanatory Statement).

Voting Exclusion Statement:

The Company will disregard any votes cast on this Resolution by a person who is to receive consideration as part of the reduction or whose liability to pay amounts unpaid on Shares is to be reduced, or by their associates. However, the Company is not required to disregard a vote if it is cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the Proxy Form) or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote (in accordance with the directions on the Proxy Form to vote as the proxy decides).

Pok Seng Kong will abstain from voting in relation to this Resolution. However, he will be required to vote at a separate class meeting to be held on or before the date of the Meeting for the purpose of authorising the cancellation of the Shares that he currently holds under section 256C(2) of the Corporations Act.

Resolution 4 – Change of nature and scale of activities

To consider, and if in favour, to pass the following Resolution as an **ordinary resolution** under the Corporations Act:

That, subject to the passing of each of the Essential Resolutions, for the purpose of Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to:

- (a) make a significant change in the nature and scale of its activities;*
- (b) issue the Consideration Options and the Sanston Options with an exercise price of \$0.10 per Option;*
- (c) issue Shares with an issue price of \$0.05 per Share under the Public Offer; and*
- (d) issue Shares with a deemed issue price of \$0.03 per Share under the Debt to Equity Offer and the Noteholder Offer,*

in each case, as described in the Explanatory Statement.

Voting Exclusion Statement:

The Company will disregard any votes cast on this Resolution by any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if this Resolution is passed, together with any associates of those persons. However, the Company is not required to disregard a vote if it is cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the Proxy Form) or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote (in accordance with the directions on the Proxy Form to vote as the proxy decides).

Pok Seng Kong will abstain from voting in relation to this Resolution.

Resolution 5 – Issue of Consideration Shares

To consider, and if in favour, to pass the following Resolution as an **ordinary resolution** under the Corporations Act:

That, subject to the passing of each of the Essential Resolutions, for the purpose of item 7 of section 611 of the Corporations Act, section 208 of the Corporations Act, Listing Rule 7.1, Listing Rule 10.11 and for all other purposes, the Shareholders approve the issue by the Company to the Vendors of 210,526,300 Consideration Shares (as described in the Explanatory Statement), with that allotment occurring at the same time as the allotment of all other Shares to be issued under

the Prospectus and which will result in Wee Min Chen, Chin Eng Khoo, Wee Onn Chen and Ei Ling Chong each increasing their Voting Power from 0% up to a maximum of 67.72%.

Voting Exclusion Statement:

The Company will disregard any votes cast on this Resolution by Wee Min Chen, Chin Eng Khoo, Wee Onn Chen, Ei Ling Chong and any other person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if this Resolution is passed, together with any associates of those persons. However, the Company is not required to disregard a vote if it is cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the Proxy Form) or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote (in accordance with the directions on the Proxy Form to vote as the proxy decides).

Pok Seng Kong will abstain from voting in relation to this Resolution.

Resolution 6 – Issue of Consideration Options

To consider, and if in favour, to pass the following Resolution as an **ordinary resolution** under the Corporations Act:

That, subject to the passing of each of the Essential Resolutions, for the purpose of item 7 of section 611 of the Corporations Act, section 208 of the Corporations Act, Listing Rule 7.1, Listing Rule 10.11 and for all other purposes, the Shareholders approve the issue by the Company to the Vendors of 20,000,000 Consideration Options (as described in the Explanatory Statement), with that allotment occurring at the same time as the allotment of all Shares to be issued under the Prospectus and which would have the potential to result in Wee Min Chen, Chin Eng Khoo, Wee Onn Chen and Ei Ling Chong each increasing their Voting Power from 67.72% (being the maximum Voting Power arising from the passing of Resolution 5) up to a maximum of 69.67%.

Voting Exclusion Statement:

The Company will disregard any votes cast on this Resolution by Wee Min Chen, Chin Eng Khoo, Wee Onn Chen, Ei Ling Chong, any other person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if this Resolution is passed, together with any associates of those persons. However, the Company is not required to disregard a vote if it is cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the Proxy Form) or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote (in accordance with the directions on the Proxy Form to vote as the proxy decides).

Pok Seng Kong will abstain from voting in relation to this Resolution.

Resolution 7 – Issue of Shares under the Public Offer, Debt to Equity Offer and Noteholder Offer

To consider, and if in favour, to pass the following Resolution as an **ordinary resolution** under the Corporations Act:

That, subject to the passing of each of the Essential Resolutions, for the purpose of section 208 of the Corporations Act, Listing Rule 7.1, Listing Rule 10.11 and for all other purposes, the Shareholders approve the issue by the Company of all Shares under the Public Offer, the Debt to Equity Offer and the Noteholder Offer (which may result in the allotment of up to 139,365,549 Shares, as described in the Explanatory Statement), with those allotments under the Prospectus all occurring at the same time.

Voting Exclusion Statement:

The Company will disregard any votes cast on this Resolution by Hock Ng, any person who may participate in the proposed issue and a person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if this Resolution is passed, together with any associates of those persons. However, the Company is not required to disregard a vote if it is cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the Proxy Form) or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote (in accordance with the directions on the Proxy Form to vote as the proxy decides).

Pok Seng Kong will abstain from voting in relation to this Resolution.

Resolution 8 – Escrow arrangements

To consider, and if in favour, to pass the following Resolution as an **ordinary resolution** under the Corporations Act:

That, subject to the passing of each of the Essential Resolutions, for the purpose of item 7 of section 611 of the Corporations Act and for all other purposes, the Shareholders approve the acquisition by the Company of a Relevant Interest in the 210,526,300 Consideration Shares to be issued to the Vendors (together with any Shares that are issued as a result of the exercise of the 20,000,000 Consideration Options that are to be issued to the Vendors), acquired as a result of the escrow restrictions described in section 6.7 of the Explanatory Statement.

Voting Exclusion Statement:

No votes may be cast in favour of this Resolution by Wee Min Chen, Chin Eng Khoo, Wee Onn Chen, Ei Ling Chong, any of their respective associates or any associates of the Company.

Pok Seng Kong will abstain from voting in relation to this Resolution.

Resolution 9 – Appointment of Wee Min Chen

To consider, and if in favour, to pass the following Resolution as an **ordinary resolution** under the Corporations Act:

That, subject to the passing of each of the Essential Resolutions, Wee Min Chin (having consented to act) be elected as a director of the Company with effect from completion of the Acquisition.

Voting Exclusion Statement:

Pok Seng Kong will abstain from voting in relation to this Resolution.

Resolution 10 – Appointment of Ai Ling Chong

To consider, and if in favour, to pass the following Resolution as an **ordinary resolution** under the Corporations Act:

That, subject to the passing of each of the Essential Resolutions, Ai Ling Chong (having consented to act) be elected as a director of the Company with effect from completion of the Acquisition.

Voting Exclusion Statement:

Pok Seng Kong will abstain from voting in relation to this Resolution.

Resolution 11 – Ratification of the appointment of Francesco (Frank) Licciardello

To consider, and if in favour, to pass the following Resolution as an **ordinary resolution** under the Corporations Act:

That the appointment of Francesco (Frank) Licciardello as a director of the Company be ratified and approved by Shareholders.

Voting Exclusion Statement:

Pok Seng Kong will abstain from voting in relation to this Resolution.

Resolution 12 – Appointment of Craig Sanford

To consider, and if in favour, to pass the following Resolution as an **ordinary resolution** under the Corporations Act:

That, subject to the passing of each of the Essential Resolutions, Craig Sanford (having consented to act) be elected as a director of the Company with effect from completion of the Acquisition.

Voting Exclusion Statement:

Pok Seng Kong will abstain from voting in relation to this Resolution.

Resolution 13 – Adoption of new Constitution

To consider, and if in favour, to pass the following Resolution as a **special resolution** under the Corporations Act:

That, for the purpose of section 136(2) of the Corporations Act and for all other purposes, the Company adopts a new Constitution in the form as signed by the Chair of the Meeting for identification purposes, in lieu of the existing Constitution of the Company.

Voting Exclusion Statement:

Pok Seng Kong will abstain from voting in relation to this Resolution.

Resolution 14 – Financial benefit to a company controlled by Frank Licciardello

To consider, and if in favour, to pass the following Resolution as an **ordinary resolution** under the Corporations Act:

That, for the purpose of Listing Rule 7.1, Listing Rule 10.11 and for all other purposes, the Shareholders approve the allotment of 3,500,000 Options to Sanston (a company controlled by Frank Licciardello) in accordance with the terms of the Sanston Mandate (as described in the Explanatory Statement), with that allotment occurring at the same time as the allotment of all Shares to be issued under the Prospectus.

Voting Exclusion Statement:

The Company will disregard any votes cast on this Resolution by Sanston and any associate of Sanston. However, the Company is not required to disregard a vote if it is cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the Proxy Form) or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote (in accordance with the directions on the Proxy Form to vote as the proxy decides).

Pok Seng Kong will abstain from voting in relation to this Resolution.

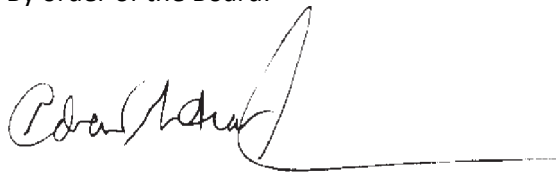
Independent Expert Report

The Independent Expert has prepared an Independent Expert Report on the Acquisition and the associated transactions (which is enclosed as an Annexure to this Notice). In the Independent Expert Report, the Independent Expert has opined that the terms of the Acquisition (together with the associated transactions contemplated by the Essential Resolutions) are fair and reasonable to the non-associated shareholders. The Independent Expert Report also includes a valuation for the Options to be issued to Sanston under the Sanston Mandate (subject to Shareholders approving Resolution 14).

Proxy Form

Attached is a Proxy Form relating to the General Meeting. All Shareholders wanting to appoint a proxy are requested to complete and return the form to the Company in accordance with the instructions set out in the Proxy Form.

By order of the Board:

A handwritten signature in black ink, appearing to read 'Andrew Metcalfe', followed by a long horizontal line extending to the right.

Andrew Metcalfe
Company Secretary

16 November 2015

Explanatory Statement

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions which are the subject of the business of the Meeting.

The Directors recommend that Shareholders read this Explanatory Statement and Notice of Meeting in full before making any decision in relation to the Resolutions.

Terms used in this Explanatory Statement are defined in the Glossary at the back of this document.

1. The Acquisition

1.1 Background to the Acquisition

The Company has historically operated as an investment company, with a particular focus on investments in the technology sector. The Company has not held any investments in active businesses since 2009 (and has been effectively dormant since then). The Company's Shares have been suspended from trading on the ASX since 2007.

On 26 June 2015, the Company announced to the ASX that it had entered into a term sheet with the shareholders of KLE (**Vendors**) to acquire all of the issued share capital in KLE. On 3 September 2015, the Company entered into the Share Sale Agreement (which replaced the term sheet).

Under the Share Sale Agreement, the Company will issue to the Vendors 210,526,300 Shares (**Consideration Shares**) and 20,000,000 Options (**Consideration Options**), in the following proportions:

Vendors	Consideration Shares	Consideration Options
Wee Min Chen	96,842,098	9,200,000
Chin Eng Khoo	8,421,052	800,000
Wee Onn Chen	8,421,052	800,000
Ei Ling Chong	96,842,098	9,200,000

The Consideration Options will be issued with the terms described in Annexure 2. Completion of the Acquisition under the Share Sale Agreement is subject to and conditional upon the conditions precedent described in section 1.7(a) of this Explanatory Statement.

1.2 About KLE

KLE was established in 2002 and is a Malaysian domiciled manufacturer of conveyor chain systems and components for the rubber glove manufacturing industry. KLE manufactures a range of roller conveyor chains and former holder sets, and holds a manufacturing licence issued by the Ministry of International Trade & Industry of Malaysia.

As at 1 August 2015, KLE employed a total of 134 staff, comprising 9 office staff and 125 production staff. Before 1 August 2015, the majority of staff were employed by Keng Lek (a company controlled by similar directors to KLE), with the employment costs on charged to KLE. All staff engaged in the KLE business have now been transferred to KLE, such that they are now employees of KLE. The majority of KLE's production employees are non-Malaysian citizens and require employment visas.

As at the date of this Notice, KLE's directors were Wee Min Chen and Kay Wen Chen. Following completion of the Acquisition it is intended that the directors of KLE will be Wee Min Chen, Kay Wen Chen and Frank Licciardello.

KLE operates out of a manufacturing facility in Beranang, Selangor, Malaysia. The manufacturing facility has a floor area of approximately 5,524 m² and is located on leasehold land occupied by KLE under a 99 year lease expiring on 9 October 2099. The total area of this land (including the manufacturing facility) is approximately 13,565 m². The most recent valuation of the land and buildings was carried out in 2013, attributing a value of approximately \$4 million. Keng Lek occupies part of the manufacturing facility under a 12 month lease (expiring at the end of September 2016), paying a monthly rental amount of RM 3,000.

At the manufacturing facility, KLE has equipment and resources available for:

- metal stamping
- CNC machining and turning
- mould and die serving
- robot welding
- surface finishing
- chemical rinsing
- wastewater treatment
- material handling

1.3 Merged Group

Following completion of the Acquisition, KLE will become a wholly owned subsidiary of the Company. As at the date of this Notice, neither the Company nor KLE have any other subsidiaries. As a result, immediately following completion of the Acquisition, the Company and KLE will be the only entities that form part of the corporate structure.

In section 9 of the Independent Expert Report, the Independent Expert has opined that the valuation of the Merged Group (following completion of the Acquisition and the Offers) is likely to be between \$6,650,395 and \$10,315,395, with the preferred value being \$8,454,770 and a value per Share of \$0.02.

1.4 Acquisition highlights

KLE has a 13 year history of manufacturing conveyor chain systems and parts and holder sets for rubber glove dipping lines. This need was identified as a result of the growing demand for rubber gloves and the solid growth of the industry in Malaysia that is serving the industry globally. It is anticipated that the Acquisition will bring to the Merged Group:

- Technical know-how relating to the design, fabrication, moulding and finishing of metal components used in the manufacture of rubber gloves
- High quality standards by having an established quality control department
- Well organised delivery and inventory control systems built over 13 years
- Longevity of operations and within a niche industry as a key supplier
- A strong asset base (as KLE owns the manufacturing facility and land and office facilities supporting the business)
- Strong revenue and earnings growth over the last 24 months
- A management team comprising personnel that have been in the industry for over 20 years
- Future plans to potentially expand the operations of the business to include the manufacturing of gloves in an industry it already understands and services (supported by strong demand for clinical rubber gloves)

1.5 Customers and sales

The majority of KLE's customers are Malaysian rubber glove manufacturing companies (with some customers also located in China). There are no long term contracts in place with any customers and sales primarily consist of individual orders as the relevant customer's demand requires.

The Company generates approximately 55% and 40% of revenue from the sale of former holders and roller conveyor chains, respectively, with the remaining 5% of sales from the sale of component parts associated with the maintenance, replacement and upkeep of the former holders and conveyor chains. In the 12 months to 30 June 2015, KLE's top 20 customers (by revenue) were:

- Hartalega NGC Sdn Bhd
- Shandong IntCo Medical Products Co. Ltd
- Top Glove Sdn Bhd
- Healthy Glove Company
- EKO Industry Trading
- Ansell N.P Sdn Bhd
- FFG Engineering Sdn Bhd
- Sama Kejuruteraan Sdn Bhd
- Professional Latex Sdn Bhd
- GMP Medicare Sdn Bhd
- Guangdong Enrui Medical
- Careplus (M) Sdn Bhd
- Siam Sempermed Corporation
- Central Medicare Sdn Bhd
- Ansell Lanka (Pvt) Ltd
- W.A. Rubbermate Co Ltd
- UG Global Resources Sdn Bhd
- HL Rubber Industries Sdn Bhd
- Koon Seng Sdn Bhd
- Qube Medical Sdn Bhd

Credit terms to customers are generally set at 60 to 80 days, but it is not uncommon for customers to delay payments beyond this point. At 30 June 2015, 53.1% of aged debtors were aged 3 months or less. 45.6% of total trade debtors were aged more than 7 months, and 46.9% of total trade debtors were aged 4 months or greater.

1.6 Objectives and strategies

Malaysia is the world's largest manufacturer of rubber gloves, with approximately 62% of global production. Many of the world's largest rubber glove manufacturers are also located in Malaysia. However, KLE is also planning to diversify downstream into the actual manufacture of rubber gloves itself, via the installation of a number of glove production lines.

KLE's current business of supplying conveyor systems and holder sets is likely to see growth as a result of the significant increase that is occurring in global glove manufacturing capacity. KLE supplies many of the major glove manufacturers in Malaysia and overseas. KLE estimates that it has approximately a 50% market share of sales of conveyor systems for glove manufacture in Malaysia.

For glove production, KLE is intending to initially install 2 glove production lines, ramping up to a total of ten within 2 years. Each line has an annual production capacity of approximately 262 million pieces, and hence on commissioning of ten lines, KLE's total capacity would be in excess of 2.6 billion

pieces per year. KLE intends to focus on the manufacture of nitrile gloves, as demand for nitrile is growing faster than for latex gloves. KLE plans to supply gloves on an original equipment manufacturer (OEM) basis.

Since KLE is already manufacturing components and supplying them to the rubber glove industry, an upstream expansion into actual glove manufacturing seems a natural development and growth strategy.

KLE has already identified a readymade distribution channel with existing market players to take up the estimated production capacity that is being built as part of the expansion plans. KLE intends to sell rubber gloves to its current customer base in addition to new customers both in Malaysia and internationally.

1.7 Key elements of the Acquisition

The key commercial terms for the Acquisition are set out below:

(a) Conditions precedent

Completion of the Acquisition is subject to a number of conditions precedent. These conditions must be waived or satisfied prior to 29 January 2016 (or such other date agreed between the parties). These conditions include:

- The results of any legal, commercial, financial and tax due diligence investigation carried out by (or on behalf of) the Vendors in relation to the Company being satisfactory to the Vendors.
- KLE and the Vendors obtaining all necessary approvals and consents in relation to the Acquisition, required to comply with Malaysian law.
- The results of any legal, commercial, financial and tax due diligence investigation carried out by (or on behalf of) the Company in relation to KLE and the Vendors being satisfactory to the Company.
- Certain prohibited events (e.g. winding up, insolvency, share capital reductions) (**Prescribed Occurrences**) not occurring in relation to KLE before completion of the Acquisition.
- No Prescribed Occurrence occurring in relation to the Company before completion of the Acquisition.
- The Company holding a general meeting of shareholders and obtaining the requisite shareholder approvals for the transaction contemplated by the Share Sale Agreement and to deal with any other related matters identified by the Company, including:
 - approval of the Share Consolidation;
 - approval under rule 11.1.2 of the Listing Rules;
 - approval for the Company to issue Shares at a price of less than \$0.20 per Share and to issue Options with an exercise price of less than \$0.20 per Option;
 - approval under item 7 of section 611 of the Corporations Act for the Vendors to obtain a Relevant Interest in the Consideration Shares;
 - to the extent permitted by law, approval under item 7 of section 611 of the Corporations Act for the Vendors to obtain a Relevant Interest in any Shares arising from the exercise of any of the Consideration Options;

- approval under item 7 of section 611 of the Corporations Act for the Company to obtain a Relevant Interest in the Consideration Shares by virtue of certain escrow restrictions contained in the Share Sale Agreement;
 - to the extent permitted by law, approval under item 7 of section 611 of the Corporations Act for the Company to obtain a Relevant Interest (by virtue of certain escrow restrictions contained in the Share Sale Agreement) in any Shares arising from the exercise of any of the Consideration Options;
 - approval under item 7 of section 611 of the Corporations Act for any third party to obtain a relevant interest in any Shares arising from the Noteholder Offer or the Debt to Equity Offer; and
 - all approvals required under chapter 7 of the Listing Rules to issue the Consideration Shares and Consideration Options (and any Shares arising from the exercise of any of the Consideration Options).
- The Company completing the Share Consolidation.
 - All necessary approvals and documents being obtained/signed for the Company to complete the debt-to-equity conversions under the Debt to Equity Offer.
 - KLE providing evidence to the Company's reasonable satisfaction that KLE has at least \$1,000,000 of working capital to commence the production and installation of new glove production lines producing nitrile or rubber examination gloves.
 - The Company issuing a Prospectus and raising at least \$3 million (but not more than \$5 million).
 - The Company receiving a letter from the ASX confirming that the ASX will remove the trading suspension that currently applies in relation to the Shares, with any conditions imposed by the ASX in that letter being reasonably acceptable to the Company.
 - The Company obtaining all necessary ASIC and ASX approvals in relation to the transactions contemplated by the Share Sale Agreement (including re-complying with Chapters 1 and 2 of the Listing Rules).

(b) Termination

The Share Sale Agreement may be terminated:

- by either the Company or the Vendors in the event that the conditions precedent to completion under the Share Sale Agreement are not satisfied or waived before 29 January 2016;
- on the occurrence of certain events of default, by notice from a non-defaulting party to the other parties at any time before completion of the Acquisition. These events of default include a breach of the Share Sale Agreement; a warranty being or becoming false, misleading or incorrect; a material adverse change occurring in relation to the business, assets or financial or trading position of KLE; and a material adverse change occurring in relation to the business, assets or financial or trading position of the Company; or
- by the Company by notice to the other parties if the Company has resolved to enter into a transaction that is similar in effect to the Acquisition, provided that the Company has complied with certain restrictions in negotiating with third parties in

relation to the similar transaction and certain conditions relating to the quality of the similar transaction.

(c) **Warranties and indemnities – the Vendors**

The Share Sale Agreement includes typical warranties from the Vendors and, until completion of the Acquisition, from KLE (together the **Warrantors**), in favour of the Company, including in relation to title to the KLE shares and capacity of the Vendors to enter into the Share Sale Agreement.

The Warrantors must indemnify the Company on demand from and against any claim or liability that the Company (and from completion of the Acquisition, the Company and KLE) pays, suffers, incurs or is liable for as a direct or indirect result of any of the warranties of the Vendors and/or Warrantors (as applicable) being untrue, inaccurate, misleading or deceptive.

(d) **Warranties and indemnities – the Company**

The Company has provided certain warranties for the benefit of the Vendors, including warranties relating to authority, capacity, solvency, capital structure, its compliance with obligations under the Listing Rules and the existence of any litigation or claims against it.

(e) **Completion**

Completion under the Share Sale Agreement is required to take place on the first date by which all the conditions precedent have been satisfied or waived. At completion, the Company must issue the Consideration Shares and the Consideration Options to the Vendors, and in exchange, the Vendors must take all action to effectively transfer to the Company 100% of the shares in KLE.

(f) **Exclusivity**

The parties have agreed to liaise exclusively with each other in connection with the Acquisition until 29 January 2016, subject to certain exceptions in favour of the Company as a result of its obligations as a listed public company.

(g) **Voluntary escrow**

For a period of 24 months from the date of completion of the Acquisition (**Escrow Period**), the Vendors must not sell, transfer, dispose of, encumber or create any security interest in, or do anything else that would have the effect of transferring effective ownership or control of the Consideration Shares, Consideration Options or any other Securities issued by the Company to the Vendors during the Escrow Period.

These voluntary escrow restrictions do not prevent the Vendors from voting in relation to the Consideration Shares or prevent the Vendors from accepting into a successful takeover bid or merger by way of scheme of arrangement.

(h) **Share Consolidation**

As noted above, it is a requirement under the Share Sale Agreement that all Shares on issue (as at the date of this Notice) are consolidated into a smaller number of Shares on a 25 to 1 basis (**Share Consolidation**). Subject to the Company obtaining the necessary approval from Shareholders at the Meeting, the Share Consolidation will take before the allotment of the Consideration Shares, the Consideration Options or the allotment of any Shares under the Public Offer, the Debt to Equity Offer or the Noteholder Offer. The Share Consolidation will also occur before the cancellation of the Shares contemplated by Resolution 3.

(i) **Public Offer**

Under the Share Sale Agreement, the Company is required to issue a prospectus inviting members of the public to apply for up to 100,000,000 Shares at an offer price of \$0.05 per Share to raise up to \$5 million (**Public Offer**). The Public Offer requires a minimum subscription of 60,000,000 Shares (raising \$3 million).

(j) **Debt to Equity Offer**

The Company is also required to convert the following debts owed by the Company into Shares at a rate of \$0.03 per Share:

- Loan from Hock Guan Ng (in the amount of \$358,166.83);
- Loan from May Thian (in the amount of \$304,116.40);
- Debt owed to Assosec Pty Ltd (in the amount of \$61,560.74); and
- Debt owed to Dropwar Investments Pty Ltd (in the amount of \$7,122.50).

The Company has entered into agreements with each of these creditors agreeing to convert these debts to equity. The Company has determined that the debt-to-equity conversion will be conducted as an offer under the Prospectus (**Debt to Equity Offer**) to ensure that the Shares to be issued on conversion of the relevant debts are issued with the disclosure required under Chapter 6D of the Corporations Act.

The Debt to Equity Offer will result in the allotment of 24,365,549 Shares.

(k) **Noteholder Offer**

The Share Sale Agreement permitted the Company to raise capital before completion of the Acquisition to assist the Company to fund the costs associated with the Acquisition and the conditions under the Share Sale Agreement.

In September 2015, the Company entered into Loan and Convertible Note Agreements with Soong Keng Tak (**SKT**) and Asenna Wealth Solutions Pty Ltd (**Asenna**). In November 2015, a further Loan and Convertible Note Agreement was entered into with Asenna. The total amount loaned to the Company under these agreements was \$450,000, with \$250,000 having been loaned by SKT and \$200,000 having been loaned by Asenna. The Loan and Convertible Note Agreement with SKT superseded and replaced the terms of the Convertible Notes announced by the Company in June 2015.

The Loan and Convertible Note Agreements provide that these moneys will initially constitute a simple loan to the Company. The loan moneys are to be applied as subscription moneys for Convertible Notes to be issued by the Company, subject to the Company obtaining Shareholder approval under Listing Rule 7.1 for the issue of those Convertible Notes. In other words, once the Convertible Notes have been issued, the loans will be taken to have been fully repaid.

The Convertible Notes will automatically convert into Shares if the Company receives conditional approval from the ASX for the Relisting Application. To the extent that the Noteholders are eligible to be issued Shares under the Prospectus, the Noteholder Offer will be included in the Prospectus to ensure that the Shares to be issued on conversion of the Convertible Notes are issued with the disclosure required under Chapter 6D of the Corporations Act.

(l) **Board and senior management**

As at the date of this Notice, the Board comprises:

- Pok Seng Kong (Non-Executive Chairman);
- Chin Hing How (Non-Executive Director); and
- Henry Hon Fai Choo (Non-Executive Director).

Andrew Metcalfe is the Company Secretary.

It is anticipated that, shortly following the date of this Notice, Pok Seng Kong will resign as a Director of the Company and Frank Licciardello will be appointed as a Director and become the Chairman of the Company (refer also to section 4 which discusses the reasons for Pok Seng Kong ceasing to be a director and shareholder of the Company).

It is proposed that upon completion of the Acquisition of KLE:

- Frank Licciardello will remain on the Board as the Non-Executive Chairman;
- Andrew Metcalfe will remain the Company Secretary;
- Wee Min Chen, Ai Ling Chong and Craig Sanford will be appointed as Directors; and
- Chin Hing How and Henry Choo will resign as Directors.

1.8 Share capital structure

Immediately following completion of the Acquisition and the Offers, the number of Shares on issue is expected to be as set out in the table below:

	Assuming \$3 million raised under the Public Offer	Assuming \$5 million raised under the Public Offer
Existing Shares (following 25 for 1 consolidation)	3,259,030 ¹	3,259,030 ²
Less Shares to be cancelled under Resolution 3	(2,291,101)	(2,291,101)
Shares to be issued to the Vendors	210,526,300	210,526,300
Shares to be issued under the Prospectus		
Public Offer	60,000,000	100,000,000
Debt to Equity Offer	24,365,549	24,365,549
Noteholder Offer	15,000,000	15,000,000
Shares following completion of Offers and Acquisition	310,859,778	350,859,778

The consideration for the acquisition of KLE will also result in the allotment of 20,000,000 Options. Subject to Shareholders approving Resolution 14, an additional 3,500,000 Options will also be issued to Sanston as part of its consideration under the Sanston Mandate.

¹ As noted in section 3.3, the actual number of Shares on issue after the Share Consolidation may vary slightly based on rounding of fractional entitlements.

² As above.

1.9 Funding and use of funds

KLE's current business generates revenue mainly from the sale of roller conveyor chains and former holder sets to the rubber glove manufacturing industry. KLE manufactures a wide range of conveyor chain systems with specialised designs and a variety of models for various applications. With the use of high technology equipment, KLE is able to customise conveyor chain systems according to the specific needs and requirements of its customers. KLE also sells the component parts associated with the conveyor chains and former holder sets.

The key production costs associated with the manufacture of conveyor chain systems are raw materials, direct labour and factory overhead costs. The main raw material components are high carbon steel and aluminium. The main cost components for direct labour and factory overheads are wages and maintenance costs (respectively).

KLE is planning to diversify into the manufacturing of gloves with the installation of new glove production lines. KLE intends to focus on the manufacture of nitrile gloves and the supply of those gloves on an OEM basis. As such, it is expected that a new stream of revenue will be generated through the sale of gloves which will be denominated mainly in USD.

The key production costs associated with the manufacture of nitrile gloves are with the raw material, i.e. nitrile. The other cost components are mainly direct labour, energy, chemicals, and factory overhead costs (which will be in Malaysian Ringgit).

KLE's operations currently rely on a number of financial facilities provided by United Overseas Bank (Malaysia) Bhd and a few other financiers in relation to equipment financed on hire purchase terms. KLE is in the process of refinancing facilities provided by United Overseas Bank (Malaysia) Bhd with new facilities for up to RM 15 million worth of credit through Hong Leong Bank Berhad.

The Company intends to apply the funds raised from the Public Offer (together with existing cash reserves of the Merged Group) during the 2 year period following completion of the Acquisition as follows:

Purpose	Minimum subscription (\$3,000,000)	Maximum subscription (\$5,000,000)
Cash reserves of the Merged Group ³	\$108,602	\$108,602
Funds raising under Public Offer	\$3,000,000	\$5,000,000
Total	\$3,108,602	\$5,108,602
Expenses of the Offers	\$310,000	\$450,000
ASX re-compliance costs	\$70,500	\$72,500
Purchase of Rubber Glove Manufacturing Line for KLE	\$2,000,000	\$4,000,000
Working capital	\$228,102	\$226,102
Sales and Marketing for KLE	\$500,000	\$360,000
Total funds applied	\$3,108,602	\$5,108,602

³ As at 30 September 2015

The estimates of expenditure set out in this section 1.9 are based on budgets set by the Directors. The actual level and break-up of expenditure may change on an ongoing basis depending on results obtained.

As with any budget, intervening events and new circumstances have the potential to impact the ultimate way funds will be applied. The Board reserves the right to alter the way funds are applied in these circumstances. It is also possible that future acquisitions may exceed the current or projected financial resources of the Merged Group and it is expected that these acquisitions would be funded by project finance and/or equity issues (subject to Shareholder approvals as required).

If the minimum amount is raised under the Public Offer, then it is intended that 1 new rubber glove manufacturing line will be purchased. If the maximum amount is raised, then it is intended that 2 lines will be purchased. The costs include the purchase, installation and basic maintenance costs for the first 12 months of operation. These lines will be in addition to the 2 new lines that are in the process of being acquired and installed at KLE's manufacturing facility (purchased using debt funding provided by a major bank in Malaysia). If the demand for rubber gloves increases at the rate currently anticipated by KLE, then KLE intends to leverage off this demand and has plans in place to install up to a further 6 lines in the next 24 months. It is expected that these additional lines will be funded from the Merged Group's own cash resources and further debt facilities, as required.

1.10 Timetable

The anticipated date for recommencement of trading of the Shares on the ASX as a result of the Relisting Application is subject to ASX approval. The dates shown in the table below are indicative only and may vary.

Activity	Indicative Timetable
Lodgement of Prospectus with ASIC	Monday, 14 Dec 2015
Opening Date for the Offers	Tuesday, 22 Dec 2015
General Meeting	Friday, 18 Dec 2015
Closing Date for the Offers	Tuesday, 12 Jan 2016
Completion of the Acquisition of KLE	Friday, 15 Jan 2016
Completion of the Offers (Shares to be issued to successful Applicants)	Friday, 15 Jan 2016
Expected date for Shares to re-commence trading on the ASX	Late Jan 2016
Dispatch of holding statements	Late Jan 2016

1.11 Risks to be considered by Shareholders

There are a number of risks associated with the Acquisition and the Offers, some specific to the Merged Group and some of a general nature, which may both individually or in combination materially and adversely affect the future operating and financial performance of the Company, its investment returns and the value of the Shares. Many of these risks are outside the control of the Company.

There can be no guarantee that the Company will achieve its objectives or that any forward-looking statements or forecasts will eventuate. This Section describes the areas which the Company believes are the major risks that should be considered by Shareholders when considering whether or not to approve the Resolutions.

This is not an exhaustive list and should be considered in conjunction with other information disclosed in this Notice. You should have regard to your own objectives and financial circumstances,

and seek professional guidance from your stockbroker, solicitor, accountant or other independent professional adviser before deciding on how to vote on the Resolutions.

The business activities of the Merged Group will be subject to risk factors of both a specific and general nature. If any of the risks associated with the Merged Group materialise, then the business, results of operations, financial condition and prospects of the Merged Group could be materially and adversely affected, which could result in the loss of all or part of your investment. The principal risk factors are described below. While some of these risks can be mitigated by the use of appropriate safeguards and systems, many are outside the control of the Company and cannot be mitigated.

Before deciding on how to vote on the Resolutions, Shareholders should carefully consider the risk factors described below, together with all other information contained in this Notice. If any of these risks and uncertainties, together with the possible additional risks and uncertainties of which the Directors are currently unaware or which they consider not to be material in relation to the Merged Group's business, actually occur, the Merged Group's business, financial position, the amount of work able to be performed with the funds raised from the Public Offer or operating results could be materially and adversely affected.

In addition, Shareholders should be aware that the value of the Company's Shares on the ASX might rise and fall depending on a range of factors that affect the market price of Shares. These include local, regional and global economic conditions and sentiment towards equity markets in general.

(a) Change in nature and scale of activities and conditionality of Offers

The acquisition of KLE constitutes a significant change in the nature and scale of the Company's activities and the Company needs to re-comply with Chapters 1 and 2 of the Listing Rules as if it were seeking admission to the Official List and official quotation of its Securities by the ASX.

There is a risk that the Company may not be able to meet the requirements of the ASX under Chapters 1 and 2 of the Listing Rules. Should this occur, the Shares would not be able to be traded on the ASX until such time as those requirements can be met, if at all. Shareholders may be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the Listing Rules.

(b) Removal from the Official List

The ASX has announced that the Company will be removed from the Official List if the trading of its Shares does not recommence on or before 31 December 2015. There is a risk that the Company will not be able to meet this deadline and will be removed from the Official List. The Company intends to apply to the ASX for an extension of this deadline in case there are any delays in finalising the Acquisition and the Offers.

No extension has been granted by the ASX as at the date of this Notice. Based on ASX Guidance Note 33, a short term extension will only be considered if the Company is able to demonstrate to the ASX's satisfaction that it is in the final stages of implementing a transaction that will lead to the resumption of trading of the Shares within a reasonable period. For these purposes, 'final stages' means:

- Having announced the transaction to the market;
- Having signed definitive legal agreements for the transaction (including for any financing required in respect of the transaction);
- If the transaction requires a prospectus or product disclosure statement to be lodged with ASIC, having lodged that document with ASIC; and
- If the transaction requires approval from Shareholders, having obtained that approval.

The Company believes that it has satisfied the first 2 of these requirements. The Company intends to lodge the Prospectus with ASIC on or around 14 December 2015 and will be seeking the required approvals from Shareholders at the General Meeting.

(c) **Completion risk**

Completion of the Acquisition under the Share Sale Agreement is conditional on the satisfaction of a number of conditions precedent by 29 January 2016. There is a risk that the Company may not be able to meet all the conditions precedent in the Share Sale Agreement. In the event that these conditions precedent are not met or waived, then the Company will not proceed with the Offers.

(d) **Risks associated with the capital structure**

As a consequence of the Share Consolidation and the proposed allotment of Shares under the Share Sale Agreement, the Public Offer, the Noteholder Offer and the Debt to Equity Offer, the interests of existing Shareholders will be substantially diluted.

The Vendors will hold approximately 68% of the Shares in the event that \$3 million is raised under the Public Offer (reducing to approximately 60% if \$5 million is raised under the Public Offer). The Vendors' interests in the Company may increase if any of the Vendors exercise any of the Consideration Options.

The Vendors' interests as controlling Shareholders of the Company may differ from the interests of minority Shareholders. In these circumstances, the Vendors may cause the Company's affairs to be conducted in a way that favours the Vendors' interests over minority Shareholders (where not prevented by law or the Listing Rules from doing so). The Vendors (as the majority Shareholders) are likely to be in a position to cast a majority of votes at a general meeting of the Company, which will enable the Vendors to influence the appointment of Directors and determine the Company's strategic direction.

The Vendors' interests in the Company are likely to significantly reduce the chance of a takeover bid being made for the Company and therefore the opportunity of realising a takeover premium for the Shares.

(e) **Liquidity risk**

The Vendors have agreed that their Shares will be the subject of voluntary escrow restrictions (expiring 24 months after completion of the Acquisition). With such a large portion of the Shares being restricted, this could impact on the liquidity associated with the Shares.

(f) **Regulatory risks**

A review of the Company's historical corporate activities and transactions has identified a number of instances where the Company has not complied with the requirements of the Corporations Act and other legislation. These instances include the following:

- failure to hold annual general meetings in recent years;
- breaches of Chapter 2M of the Corporations Act, which required VIP to (among other things) prepare and lodge with ASIC and the ASX various audited financial reports and directors' reports; and
- the late payment of unclaimed money to the Victorian State Revenue Office in relation to previously declared dividends.

Before the date of the Meeting, the Company expects that it will have held the annual general meetings for FY12, FY13, FY14 and FY15 (albeit that the majority of these meetings are being held late), lodged the current and historical audited financial reports and directors' reports required for

those financial years with ASIC and the ASX and paid all required unclaimed money to the Victorian State Revenue Office.

While the Board is taking steps to remedy the historical breaches that have been identified, there is still a risk that the Company may be liable to pay fines to relevant regulatory authorities.

Also refer to section 4 which discusses potential breaches of Part 6.1 of the Corporations Act and the reasons for the share cancellation proposed by Resolution 3.

(g) Late lodgement of tax returns

All outstanding income tax returns have been lodged by KLE. However, historically KLE has lodged income tax returns late and there may be a risk that further penalties may be imposed for the late lodgement of previous returns by the relevant tax authorities in Malaysia. The risk is considered low for income tax returns lodged late for the period 1 September 2002 to 31 August 2012 as KLE was granted full tax exemption under the pioneer status for the production of “materials handling equipment such as roller conveyor system and parts” so there will be no additional tax penalty or liability imposed for that period.

For the years ending 2013 and 2014, income tax returns were lodged late and if penalties were imposed by the Malaysian tax authorities for late lodgement, the total amount imposed may be up to \$60,000 and \$30,000 (respectively). KLE has never been the subject of a Tax Audit or investigation from the Malaysian tax authorities.

(h) Employment visas

The majority of KLE’s production employees are non-Malaysian citizens and require employment visas to be regularly issued and renewed. Delays in government approval of employment visas (or renewals of those visas) could result in labour shortages and reduce productivity and revenue. Production at KLE’s facility was interrupted during May to July 2014 as a result of labour shortages from visa related issues.

(i) Litigation

The Merged Group may be the subject of complaints or litigation by customers, suppliers, governmental agencies or other third parties. Such matters may have an adverse effect on the Merged Group’s reputation, divert its financial and management resources from other uses, or have a material adverse effect on the Merged Group’s future financial performance or position.

(j) Competitive position may deteriorate

KLE’s competitive position may deteriorate as a result of factors including actions by existing competitors, the entry of new competitors, a failure by KLE to position itself successfully to meet changing market conditions, customer demands and technology. Any deterioration in KLE’s competitive position may have an adverse effect on the Merged Group’s future financial performance and position.

(k) Relationships with key customers may deteriorate or customers may reduce their demand

KLE relies on various key customer relationships. KLE’s top 20 customers represented approximately 97% of sales revenue for the 12 months to 30 June 2015. KLE operates under short term (and short form) contracts with its customers, some of which can be terminated without cause. Customers of KLE may terminate those contracts or not renew those contracts, which may significantly affect the revenue generation of the Merged Group.

(l) **Relationships with key suppliers may deteriorate, raw materials and other items may be subject to cost increases or supply interruptions or industry consolidation may affect the supply of raw materials and other items**

KLE relies on various key procurement relationships for the supply of raw materials and services. The key risks associated with the Merged Group's key supplier relationships include:

- the availability and price of raw materials, plant and equipment and services required for the business of the Merged Group may be impacted by shortages in supply, interruptions in production by suppliers (including due to operational, industrial relations or transportation difficulties, accidents or natural disasters), worldwide pricing levels and new laws or regulations; and
- key supplier arrangements may be terminated or varied by the relevant supplier on short notice and KLE may not be able to find a replacement supplier in a timely manner.

Any of the above factors, either individually or in combination, could have an adverse effect on the Merged Group's financial performance and position.

(m) **Foreign exchange risks**

KLE's costs and expenses in Malaysia are in Malaysian ringgit. Accordingly, the depreciation and/or appreciation of the Malaysian currency relative to the Australian currency could result in a translation loss on consolidation which is taken directly to Shareholder equity. Any depreciation of the Malaysian currency relative to the Australian currency may also result in lower than anticipated revenue, profits and earnings. The Company will be affected on an ongoing basis by foreign exchange risks between the Australian dollar and Malaysian ringgit and will have to monitor this risk on an ongoing basis.

(n) **Workplace health and safety**

KLE currently employs around 134 staff in Malaysia. If an employee is injured in the course of their employment, then the Merged Group may be liable for penalties or damages. This risk has the potential to harm the reputation and future financial performance and position of the Merged Group.

(o) **The Merged Group may suffer reputational damage**

The reputation of the Merged Group could be adversely impacted by a number of factors including failure to provide customers with the quality of service they expect, product liability claims, disputes or litigation with third parties such as customers, landlords, employees or suppliers or adverse media coverage. This could have an adverse effect on the Merged Group's financial performance and position.

(p) **Interest rates may increase**

Following completion of the Offers and the Acquisition, KLE will be a party to a number of finance facilities. As a borrower of money, the Merged Group is exposed to increases in interest rates which would increase the cost of servicing the Merged Group's debt. Increases in interest rates may also affect the level of customer demand. The Merged Group does not currently hedge against increases in interest rates. Accordingly, an increase in interest rates may have an adverse effect on the Merged Group's future financial performance and position.

(q) Interruptions to operations may occur

KLE's operations may be exposed to short, medium or long-term interruptions arising from events including industrial disputes, electricity and gas interruptions, work stoppages, acts of terrorism, fires, floods, earthquakes, and other natural disasters.

Such disasters and events may lead to widespread destruction of property and could significantly impact the Merged Group's financial performance and position.

(r) Industrial action may occur

There is a risk that employees of the Merged Group or employees of the Merged Group's contractors could take industrial action. This could disrupt the Merged Group's operations and/or result in claims by those employees that could increase the Merged Group's operating expenses.

Sustained industrial action by employees would reduce the Merged Group's sales revenue and damage the reputation of the Merged Group. Any material reduction in sales revenue, increase in operating expenses or damage to the Merged Group's reputation as a result of industrial action may have an adverse effect on the Merged Group's future financial performance and position.

(s) The Merged Group may be exposed to risks related to insurance

The Merged Group's insurance coverage may also be inadequate to cover losses it sustains. In the event of an uninsured loss or a loss in excess of the Merged Group's insured limits, the Merged Group could suffer damage to its reputation and/or lose future sales revenues. Any material loss not covered by insurance could adversely affect the Merged Group's business, financial condition and results of operations.

(t) General investment risk

The price at which the Shares will be quoted on the ASX may increase or decrease due to a number of factors, including:

- general economic conditions, including business investment, interest rates, exchange rates, inflation and taxation;
- changes to government policy, legislation or regulation;
- variations in the Australian and overseas markets for listed stocks;
- the nature of the markets in which the Merged Group operates;
- general operational and business risks; and
- acts of terrorism or the outbreak or escalation of military conflicts.

It is the nature of equity markets that a company's share price is subject to wide fluctuations, which may not reflect the underlying value of the company.

(u) Future capital needs

There is no guarantee that acceptable resources or funds will be found in the future. The lack of capital could have a material adverse impact on the Merged Group and its prospects.

(v) General tax risks

A change to the current taxation regime in Australia or Malaysia may affect the Merged Group and the Shareholders. The Company will have a subsidiary that operates in Malaysia, and is subject to the taxation laws that apply to transactions with foreign entities and the interaction of tax laws and allocation of taxes between Australia and Malaysia.

(w) Geopolitical risks

The Company will be subject to the risks associated with operating in Malaysia. Such risks can include economic, social or political instability or change, hyperinflation, currency non-convertibility and instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, exchange control, repatriation of income or return of capital, environmental protection, and labour relations.

(x) Government

Changes in legislation and government policy in Malaysia, Australia and internationally (including taxation and monetary policies and corporation laws) could materially affect the operating results of the Merged Group.

(y) Laws and regulations

The laws and regulations in Malaysia differ to those that exist in Australia. Laws may unexpectedly change, and could have an impact on the operational activities of the Merged Group. While KLE has operated successfully within the Malaysian legal and regulatory environment, unforeseen changes could materially impact the operating results of the Merged Group.

(z) Application of and changes to accounting policies

Accounting standards and policies may change in the future especially in relation to the application of the International Financial Reporting Standards. Such changes may have an adverse impact on future reported financial results.

(aa) Risk of Shareholder dilution

In the future, the Company may elect to issue additional Securities to fund the operations of the Merged Group. While the Company will be subject to the constraints of the Listing Rules regarding the percentage of its capital it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of the allotment of additional Securities in the future.

(bb) No guarantee in respect of investment

The above list of risk factors should not be taken as an exhaustive list of the risks faced by the Merged Group or by investors in the Company. The above factors, and others not specifically referred to above, may materially affect the financial performance and position of the Merged Group and the value of the Shares following the Acquisition and the Offers. The Shares carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on the ASX. Furthermore, there is no guarantee that the Shares will remain continuously quoted on the ASX, which could impact the ability of Shareholders to sell their Shares.

Shareholders should consult their professional adviser before deciding on how to vote on the Resolutions.

1.12 Independent Expert Report

The Directors have commissioned the Independent Expert to prepare a report on the question of whether the terms of the Acquisition and associated transactions are fair and reasonable to the Shareholder not associated with the Acquisition, Noteholder Offer and Debt to Equity Offer. The Independent Expert Report is attached as an Annexure to this Notice.

The Independent Expert Report has concluded that the terms of the Acquisition and associated transactions are fair and reasonable to the non-associated Shareholders of the Company.

1.13 Requirement for Shareholder approval

A series of Shareholder approvals are required in relation to various aspects of the Acquisition (together with the associated transactions contemplated by the Share Sale Agreement). In summary, these include:

- (a) **Resolution 1** – Approval to issue Convertible Notes under the Loan and Convertible Note Agreements.
- (b) **Resolution 2** – Approval to consolidate the existing Shares into a smaller number on a 25 for 1 basis.
- (c) **Resolution 3** – Authorising the cancellation of Shares held by Pok Seng Kong.
- (d) **Resolution 4** - Approval under Listing Rule 11.1.2 for the Company to make a significant change in the nature and scale of its activities (together with approval to issue Shares with an issue price of less than \$0.20 and to issue Options with an exercise price of less than \$0.20).
- (e) **Resolution 5** - Approval to issue the Consideration Shares under the Share Sale Agreement.
- (f) **Resolution 6** - Approval to issue the Consideration Options under the Share Sale Agreement.
- (g) **Resolution 7** - Approval to issue Shares under the Public Offer, the Debt to Equity Offer and the Noteholder Offer.
- (h) **Resolution 8** - Approval of the 24 month voluntary escrow that will be imposed on the Restricted Securities to be held by the Vendors.
- (i) **Resolutions 9, 10, 11 and 12** - Approval of the appointment of Wee Min Chen, Ai Ling Chong, Frank Licciardello and Craig Sanford as directors of the Company.
- (j) **Resolution 13** - Approval to adopt a new Constitution for the Company.
- (k) **Resolution 14** - Approval of the financial benefit to be given to Sanston (a company controlled by Frank Licciardello) through the allotment of 3,500,000 Options under the Sanston Mandate.

Resolutions 1 to 8 are described as the “Essential Resolutions”. Each of the Essential Resolutions (other than Resolution 3) are inter-conditional on the passing of the other Essential Resolutions, and the Acquisition and the Offers will not be able to proceed unless all of the Essential Resolutions (including Resolution 3) are approved by Shareholders. Resolution 3 is not inter-conditional on the passing of the other Essential Resolutions. If Resolution 3 is approved (and the Share Cancellation is also approved by a separate special resolution passed by Pok Seng Kong), the Share Cancellation will occur regardless of whether the other Essential Resolutions are approved.

2. Issue of Convertible Notes (Resolution 1)

2.1 Loan and Convertible Note Agreements

In September 2015, the Company entered into Loan and Convertible Note Agreements with SKT and Asenna. In November 2015, a further Loan and Convertible Note Agreement was entered into with Asenna. The total amount loaned to the Company under these agreements was \$450,000, with \$250,000 having been loaned by SKT and \$200,000 having been loaned by Asenna.

The Loan and Convertible Note Agreements provide that these moneys will initially constitute a simple loan to the Company. The loan moneys are to be applied as subscription moneys for

Convertible Notes to be issued by the Company, subject to the Company obtaining Shareholder approval under Listing Rule 7.1 for the issue of those Convertible Notes. In other words, once the Convertible Notes have been issued, the loans will be taken to have been fully repaid.

Before consolidating the Company's Shares under Resolution 2, the Company proposes to issue a total of 375,000,000 Convertible Notes under the Loan and Convertible Note Agreements. The number of Convertible Notes may increase if the Company elects to capitalise any interest that would otherwise be payable under the terms of the Loan and Convertible Note Agreements. Following the proposed consolidation of the Company's Shares under Resolution 2, the Convertible Notes to be issued to SKT and Asenna will be convertible into a total of 15,000,000 Shares.

2.2 Requirements for Shareholder approval

Shareholder approval for the issue of Convertible Notes to SKT and Asenna is required under Listing Rule 7.1. Listing Rule 7.1 provides that a company must not, subject to specified exemptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period. Certain exemptions apply to this rule, including where the new allotment is approved by shareholders.

While the Convertible Notes do not carry any voting rights, they will still qualify as "equity securities" under the Listing Rules and (without approval from Shareholders) will cause the Company to exceed the 15% threshold imposed by Listing Rule 7.1.

2.3 Information required for approvals under Listing Rule 7.1

Listing Rule 7.3 details the information that needs to be given to Shareholders when approval is being sought under Listing Rule 7.1. This information is summarised below:

Information required	Details
The names of the persons that will be issued the Convertible Notes	The persons/entities to be issued the Convertible Notes are Soong Keng Tak (a resident of Malaysia) and Asenna Wealth Solutions Pty Ltd ACN 155 544 460.
The maximum number of Convertible Notes the Company will issue	208,333,333 Convertible Notes are to be issued to SKT and 166,666,667 Convertible Notes are to be issued to Asenna. As noted above, the debts owed under the Loan and Convertible Note Agreements also provide that interest accrues at a rate of 8% per annum. The Company has the ability to capitalise interest (rather than paying interest as cash), but has elected not to do so.
The date by which the Company will issue the Convertible Notes	Under the terms of the Loan and Convertible Note Agreements, the allotment of the Convertible Notes to SKT and Asenna is required to occur within 2 business days after the passing of this Resolution (but before the Share Consolidation takes effect). Accordingly, the allotment of the Convertible Notes will occur on or before 22 December 2015 (if this Resolution is passed by Shareholders).
The issue price of the Convertible Notes	The face value of each Convertible Note will be \$0.0012. Following the Share Consolidation, this will result in Shares being issued to the noteholders on conversion of the Convertible Notes at a rate of \$0.03 per Share.

The terms of the Convertible Notes	A summary of the Loan and Convertible Note Agreements is set out in Annexure 3.
The intended use of the funds raised	The funds raised under the Loan and Convertible Note Agreements are currently being used by the Company to fund the costs associated with the Acquisition, the Offers and the Company's re-compliance with Chapters 1 and 2 of the Listing Rules.

2.4 Directors' recommendation

The Directors (other than Pok Seng Kong) unanimously recommend that the Shareholders vote in favour of Resolution 1 for the following reasons:

- (a) the approval of Resolution 1 will allow for the allotment of the Convertible Notes and for the Company to make the Noteholder Offer under the Prospectus; and
- (b) the conversion of loans associated with the Convertible Notes under the Noteholder Offer will reduce the debts of the Company.

Pok Seng Kong abstains from making any recommendation in relation to Resolution 1 on the basis that it is anticipated that he will resign as a Director before the Meeting.

Resolution 1 is one of the Essential Resolutions. Accordingly, if you would like the Acquisition and the Offers to occur, you should vote in favour of Resolution 1 and all the other Essential Resolutions.

3. Conversion of Shares into a smaller number (Resolution 2)

3.1 General

Section 254H of the Corporations Act provides that a company may, by resolution passed at a general meeting, convert all or any of its shares into a larger or smaller number.

Resolution 2 seeks Shareholder approval to convert all of the Shares (on issue immediately before the Meeting) into a smaller number of Shares on a 25 for 1 basis (**Share Consolidation**). If approved by Shareholders, the Share Consolidation will take effect immediately following the allotment of the Convertible Notes contemplated by Resolution 1. The Share Consolidation will therefore take effect before the allotment of the Consideration Shares, the Consideration Options and any Shares under the Public Offer, the Noteholder Offer or the Debt to Equity Offer.

The Share Consolidation will also occur before the cancellation of the Shares contemplated by Resolution 3.

Assuming that all of the Essential Resolutions are passed by Shareholders, the Share Consolidation will result in the number of Shares on issue being decreased from 81,475,757 to approximately 3,259,030⁴ (with slight variations based on rounding) and the paid-up amount on each Share being increased by a factor of 25.

3.2 Reasons for the Share Consolidation

The purpose of the Share Consolidation is to implement a more appropriate share capital structure for the Company going forward and to seek to comply with relevant Listing Rules (and taking into account waivers received from the ASX) as part of the Relisting Application. The ratio of the Share

⁴ As noted in section 3.3, the actual number of Shares on issue after the Share Consolidation may vary slightly based on rounding of fractional entitlements.

Consolidation was negotiated with the Vendors when agreeing on the proposed terms of the Acquisition, and the implementation of the Share Consolidation is a condition precedent for completion of the Acquisition to occur under the Share Sale Agreement.

3.3 Fractional entitlements and taxation

Not all Shareholders will hold a number of Shares which can be evenly divided by 25. Where a fractional entitlement occurs, the Directors will round that fraction down to the nearest whole Share.

It is not considered that any taxation implications will exist for Shareholders arising from the Share Consolidation. However, Shareholders are advised to seek their own tax advice in respect of the Share Consolidation and neither the Company, the Directors nor the Company's advisers accept any responsibility for any adverse taxation implications arising from the Share Consolidation.

3.4 Holding statements

After the Share Consolidation becomes effective, the Company will arrange for new holding statements to be issued to Shareholders.

3.5 Directors' recommendation

The Directors (other than Pok Seng Kong) unanimously recommend that the Shareholders vote in favour of this Resolution 2 for the following reasons:

- (a) the approval of this Resolution 2 is one of the conditions precedent to completion under the Share Sale Agreement; and
- (b) the Directors consider that the Acquisition is in the best interests of the Company.

Pok Seng Kong abstains from making any recommendation in relation to Resolution 2 on the basis that it is anticipated that he will resign as a Director before the Meeting.

Resolution 2 is one of the Essential Resolutions. Accordingly, if you would like the Acquisition and the Offers to occur, you should vote in favour of Resolution 2 and all the other Essential Resolutions.

4. Cancellation of Shares held by Pok Seng Kong (Resolution 3)

4.1 General

Pok Seng Kong is currently the holder of 57,277,536 Shares. The allotment of these Shares was approved by Shareholders at the general meeting held on 14 October 2009 (**2009 EGM**).

Pok Seng Kong was (and still is) an adviser to a number of Malaysian based investors and businesses. At the time of the 2009 EGM, a number of his clients were interested in acquiring a controlling interest in publicly listed shell companies so that they could use those shells for future ASX backdoor listings. In the days following the 2009 EGM, Pok Seng Kong entered into an informal arrangement to transfer his Shares in the Company to Inner Ivory Investments, Inc (**Inner Ivory**) (being a company incorporated in the British Virgin Islands and controlled by one of Pok Seng Kong's clients, Han Bee Tung). Pok Seng Kong's Shares were sold to Inner Ivory for approximately \$150,000. These Shares were subsequently transferred by Inner Ivory to Hock Guan Ng.

It appears that, because of a misunderstanding of the requirements of Part 6.1 of the Corporations Act, administrative shortcuts were taken and the 57,277,536 Shares were issued directly to Inner Ivory (rather than being issued to Pok Seng Kong). In addition, no approval from Shareholders was obtained before Inner Ivory transferred the 57,277,536 Shares to Hock Guan Ng. Consequentially,

contraventions of the Corporations Act takeover provisions may have occurred both in relation to the initial allotment and subsequent transfers of those Shares.

After becoming aware of this issue, arrangements were made for Hock Guan Ng to transfer the 57,277,536 Shares back to Pok Seng Kong. The practical effect of (and intention behind) this transfer was to effectively rescind the past Share allotment and transfers, so that 57,277,536 Shares would be registered to Pok Seng Kong (being the party originally approved by Shareholders to hold this controlling stake in the Company).

However, following recent discussions between ASIC and the Company relating to these past possible contraventions, the Company proposes to address these concerns through the cancellation of the Shares held by Pok Seng Kong for no consideration. Pok Seng Kong has also indicated that he intends to resign as a Director before the Meeting.

4.2 Corporations Act requirements

The cancellation of Shares held by Pok Seng Kong is to occur by way of a selective capital reduction for no consideration. Section 256C(2) of the Corporations Act requires this Resolution to be passed as a special resolution. A special resolution is a resolution that is passed by at least 75% of the votes cast by Shareholders entitled to vote on the resolution, either in person or by proxy.

The cancellation of the Shares must also be approved by a special resolution passed at a meeting of the Shareholder whose Shares are to be cancelled. The Company will hold a separate meeting on or before the date of the Meeting where Pok Seng Kong will be required to authorise the cancellation of the Shares through the passing of another special resolution.

Section 256B of the Corporations Act provides that the Company may reduce its share capital by cancelling Shares for no consideration if the reduction:

- (a) is fair and reasonable to the Company's Shareholders as a whole; and
- (b) is approved under section 256C of the Corporations Act.

The Directors consider that the proposed capital reduction is fair and reasonable to the Shareholders as a whole because the 57,277,536 Shares held by the Pok Seng Kong may have been issued in contravention of the takeover provisions of the Corporations Act.

It is intended that the Share Cancellation will occur after the Share Consolidation. Accordingly, after the Share Consolidation, the number of Shares to be cancelled will reduce to 2,291,101 Shares. Under the Corporations Act, the Company may cancel the Shares 14 days after a copy of this Resolution is lodged with ASIC following the passing of this Resolution.

Even if the Share Cancellation is approved, ASIC may still decide to take further action against the Company and others that have been involved in these possible contraventions of the Corporations Act.

There is no information known to the Company that is material to the decision on how to vote on this Resolution (other than has been disclosed in this Notice).

4.3 Directors' recommendation

The Directors (other than Pok Seng Kong) unanimously recommend that the Shareholders vote in favour of this Resolution 3 as the Share Cancellation is considered to be appropriate in the circumstances and is necessary in order for the Meeting (and therefore the Acquisition and the Offers) to proceed.

Pok Seng Kong abstains from making any recommendation in relation to Resolution 3 as he has a material personal interest in the outcome of the decision and it is anticipated that he will resign as a Director before the Meeting.

Resolution 3 is one of the Essential Resolutions. Accordingly, if you would like the Acquisition and the Offers to occur, you should vote in favour of Resolution 3 and all the other Essential Resolutions.

5. Change of nature and scale of activities (Resolution 4)

5.1 General

Resolution 4 seeks the approval of Shareholders for the change in the nature and scale of the Company's activities that will occur as a result of the Acquisition. As outlined in section 1 of this Explanatory Statement, the Company is currently effectively dormant and does not carry on any business. By acquiring KLE, the Company's operations will become focused on the business currently carried on by KLE and its potential growth and development.

5.2 Listing Rule 11.1

Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to the ASX as soon as practicable and comply with the following:

- (a) provide to the ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if the ASX requires, the entity must obtain the approval of shareholders and comply with any requirements of the ASX in relation to the notice of meeting; and
- (c) if the ASX requires, the entity must meet the requirements of Chapters 1 and 2 of the Listing Rules, as if the entity were applying for admission to the official list of ASX.

The ASX has confirmed to the Company that, given the significant change in the nature and scale of the activities upon completion of the Acquisition, the ASX will require the Company to obtain the approval of its Shareholders and re-comply with the admission and share quotation requirements set out in Chapters 1 and 2 of the Listing Rules.

5.3 Information required for the purpose of Listing Rule 11.1

The table below sets out where in this Explanatory Statement and the Independent Expert Report you can find the key information that is relevant to your decision on how to vote on this Resolution.

The material terms of the Acquisition and the associated Offers	Refer to section 1.7 of this Explanatory Statement.
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The financial effect of the Acquisition and the associated Offers on the Company and on the interests of Shareholders	The Independent Expert has prepared an Independent Expert Report on the Acquisition and the Offers (which is attached as an Annexure to this Notice). The Independent Expert Report shows that the Company had net assets of negative \$908,571 as at 30 June 2015 and the value of each Share held by the Shareholders was \$Nil. The Independent Expert has opined that immediately following completion of the Acquisition and the associated Offers, the value of the Merged Group will increase to a preferred value of \$8,454,770 and the value of each Share will increase to a preferred value of \$0.02.
Changes to the Company's business model	<p>The Company has historically operated as an investment company, with a particular focus on investments in the technology sector. The Company has not held any investments in active businesses since 2009 (and has been effectively dormant since then).</p> <p>Details of the objectives and strategies of the Merged Group following completion of the Acquisition are discussed in section 1.6 of this Explanatory Statement.</p>
Funding requirements	Refer to section 1.9 of this Explanatory Statement.
Changes to the Board and Senior Management	Refer to section 1.7(l) of this Explanatory Statement.
Timetable for the Acquisition and Offers	Refer to section 1.10 of this Explanatory Statement.

5.4 Waivers granted by the ASX

As part of the Acquisition, the Company will also be required to:

- (a) issue the Consideration Options and the Sanston Options with an exercise price of \$0.10 per Option;
- (b) issue Shares with an issue price of \$0.05 per Share under the Public Offer; and
- (c) issue Shares with a deemed issue price of \$0.03 per Share under the Debt to Equity Offer and the Noteholder Offer.

Ordinarily, Listing Rule 2.1 (Condition 2) would require that the Shares under the Public Offer, the Debt to Equity Offer and the Noteholder Offer be issued with an issue price (or deemed issue price) of at least \$0.20 per Share. Listing Rule 1.1 (Condition 11) would also ordinarily require that the Consideration Options and Sanston Options be issued with an exercise price of at least \$0.20 per Option. The ASX has granted waivers of these requirements on the condition that:

- (a) the issue price for all Shares (and the exercise price for all Options) will be no less than \$0.02 each;
- (b) the terms and conditions of the Shares and the Options are clearly disclosed in this Notice and the Prospectus; and
- (c) Shareholders approve the allotment of these Securities in conjunction with this Resolution.

The terms and conditions of the Shares are governed by the Company's Constitution. Under Resolution 13, it is proposed that the Company will adopt a new Constitution. A summary of the key

provisions contained within the proposed new Constitution are set out in section 10 and Annexure 5 of this Explanatory Statement.

The key terms and conditions of the Consideration Options have been summarised in Annexure 2. The Sanston Options are to be issued on substantially the same terms as the Consideration Options (however, they will not be subject to any voluntary escrow period).

5.5 Directors' recommendation

The Directors (other than Pok Seng Kong) unanimously recommend that the Shareholders vote in favour of Resolution 4 for the following reasons:

- (a) the approval of Resolution 4 is a critical requirement of the ASX in connection with the Relisting Application, as well as being a condition for the Acquisition to proceed; and
- (b) the Directors considers that the Acquisition is in the best interests of the Company.

Pok Seng Kong abstains from making any recommendation in relation to Resolution 4 on the basis that it is anticipated that he will resign as a Director before the Meeting.

Resolution 4 is one of the Essential Resolutions. Accordingly, if you would like the Acquisition and the Offers to occur, you should vote in favour of Resolution 4 and all the other Essential Resolutions.

6. Takeover issues associated with issuing the Consideration Shares and the Consideration Options (Resolutions 5, 6 and 8)

6.1 Background

As noted in section 1.1 of this Explanatory Statement, Shareholders are being asked to approve the allotment of the Consideration Shares and the Consideration Options to the Vendors as part of the consideration for the acquisition of KLE.

6.2 Impact on capital structure from issuing the Consideration Shares

Subject to the requisite approvals from Shareholders being obtained, the Company intends to issue the Consideration Shares and the Consideration Options to the Vendors after the Share Consolidation and Share Cancellation take effect (and simultaneously with the allotment of any Shares under the Public Offer, the Noteholder Offer and the Debt to Equity Offer). As result, immediately following completion of the Acquisition and the Offers, the Voting Power of the Vendors is expected to be as set out in the table below:

	Assuming \$3 million raised under the Public Offer	Percentage of Shares on issue	Assuming \$5 million raised under the Public Offer	Percentage of Shares on issue
Existing Shares (following Share Consolidation and Share Cancellation)	967,929 ⁵	0.31%	967,929 ⁶	0.28%
Shares to be issued to the Vendors				
Wee Min Chen	96,842,098	31.15%	96,842,098	27.60%
Chin Eng Khoo	8,421,052	2.71%	8,421,052	2.40%
Wee Onn Chen	8,421,052	2.71%	8,421,052	2.40%
Ei Ling Chong	96,842,098	31.15%	96,842,098	27.60%
Shares to be issued under the Prospectus				
Public Offer	60,000,000	19.30%	100,000,000	28.50%
Debt to Equity Offer	24,365,549	7.84%	24,365,549	6.94%
Noteholder Offer	15,000,000	4.83%	15,000,000	4.28%
Shares following completion of Acquisition and Offers	310,859,778		350,859,778	

6.3 Impact on capital structure from exercising the Consideration Options

The terms of issue of the Consideration Options have been summarised in Annexure 2. Each Consideration Option will be exercisable at any time within 3 years after completion of the Acquisition (with the exercise price being \$0.10 for each Consideration Option). In the event that the Consideration Options were to be exercised by the Vendors before the allotment of any additional Shares after the Offers, the number of Shares on issue would change so that the capital structure of the Company would be in accordance with the table below.

⁵ As noted in section 3.3, the actual number of Shares on issue after the Share Consolidation may vary slightly based on rounding of fractional entitlements.

⁶ As above.

	Assuming \$3 million raised under the Public Offer	Percentage of Shares on issue	Assuming \$5 million raised under the Public Offer	Percentage of Shares on issue
Existing Shares (following Share Consolidation and Share Cancellation)	967,929 ⁷	0.29 %	967,929 ⁸	0.26 %
Shares held by the Vendors				
Wee Min Chen	106,042,098	32.05 %	106,042,098	28.59 %
Chin Eng Khoo	9,221,052	2.79 %	9,221,052	2.49 %
Wee Onn Chen	9,221,052	2.79 %	9,221,052	2.49 %
Ei Ling Chong	106,042,098	32.05 %	106,042,098	28.59 %
Shares issued under the Prospectus				
Public Offer	60,000,000	18.13 %	100,000,000	26.96 %
Debt to Equity Offer	24,365,549	7.36 %	24,365,549	6.57 %
Noteholder Offer	15,000,000	4.53 %	15,000,000	4.04 %
Total Shares on issue	330,859,778		370,859,778	

6.4 Corporations Act requirements – Chapter 6 (takeover prohibitions)

Section 606(1) of the Corporations Act prohibits a person from acquiring a Relevant Interest in issued voting shares in a listed public company (or unlisted company with more than 50 shareholders) if, as a result of the acquisition, any person's Voting Power in the company would increase from below 20% to above 20%.

Generally, under section 608 of the Corporations Act, a person has a Relevant Interest in Securities if they:

- (a) are the holder of the Securities;
- (b) have power to exercise, or control the exercise of, a right to vote attached to the Securities; or
- (c) have power to dispose of, or control the exercise of a power to dispose of, the Securities.

Such an interest may be held remotely (e.g. through another body corporate, or one's capacity to make decisions about a body corporate's financial and operating policies) and may be held jointly (in which case each joint holder is taken to have that power).

Voting Power is determined under section 610 of the Corporations Act and involves calculating the number of voting shares held by the relevant shareholder and its associates divided by the total number of voting shares in the company, expressed as a percentage.

For the purpose of section 610 of the Corporation Act, a person (**second person**) will be an "associate" of the other person (**first person**) if, and only if, one or more of the following paragraphs apply:

- (a) the first person is a body corporate and the second person is:

⁷ As noted in section 3.3, the actual number of Shares on issue after the Share Consolidation may vary slightly based on rounding of fractional entitlements.

⁸ As above.

- (i) a body corporate the first person controls;
 - (ii) a body corporate that controls the first person; or
 - (iii) a body corporate that is controlled by an entity that controls the first person;
- (b) the second person has entered or proposes to enter into a relevant agreement with the first person for the purposes of controlling or influencing the composition of the company's board or the conduct of the company's affairs; or
 - (c) the second person is a person with whom the first person is acting, or proposing to act, in concert in relation to the company's affairs.

6.5 Exception to takeovers prohibition

Section 611 of the Corporations Act sets out various exceptions to the general prohibition under section 606.

The exception on which the Company seeks to rely in respect of Resolutions 5, 6 and 8 is item 7 of section 611, which provides that an acquisition of a Relevant Interest is exempted from the prohibition if the acquisition is approved by a resolution of the Shareholders of the Company (with no votes being cast on the Resolution by the person proposing to make the acquisition or its associates).

6.6 Purpose of Resolutions 5 and 6

Given the close business relationship that exists between the Vendors (and the family relationship that exist between Wee Min Chen and Wee Onn Chen as brothers), each of the Vendors may be considered as “associates” of each other on the basis that they may from time to time act in concert with each other in relation to the affairs of the Company. The purpose of Resolution 5 is to approve the increase in the Voting Power that each of the Vendors will obtain as a result of the allotment of the Consideration Shares (which without approval from Shareholders, would conflict with the requirements of section 606 of the Corporations Act).

If after being issued the Consideration Shares, any of the Vendors exercise any of the Consideration Options, the allotment of Shares as a result of that exercise would also have the potential to increase the Voting Power of those individuals. Accordingly, the purpose of Resolution 6 is for Shareholders to approve that potential increase in Voting Power so that each Vendor will have the ability to exercise the Consideration Options.

6.7 Purpose of Resolution 8

Under the Share Sale Agreement, the Vendors have agreed that, during the 24 month period after completion of the Acquisition, they will not:

- (a) sell, transfer, or otherwise dispose of, or agree to offer to sell, transfer or otherwise dispose of, any Restricted Securities;
- (b) create, or agree or offer to create, any security interest or other encumbrance in any of the Restricted Security; or
- (c) do, or omit to do, any act if that act or omission would have the effect of transferring effective ownership or control of any of the Restricted Securities.

The “Restricted Securities” are defined to mean all of the Consideration Shares and Consideration Options, together with any Securities that may be issued by the Company to the Vendors during that

24 month period as a consequence of any consolidation, subdivision or similar reconstruction of the Company's Securities or as a result of any of the Consideration Options being exercised.

Although the Company will not have any ownership of any of the Restricted Securities held by the Vendors (or any ability to control how any Restricted Securities are voted), the Company will technically be considered to have acquired a Relevant Interest in all of the Restricted Securities as a result of the negative control rights that have been agreed in the Share Sale Agreement (and this acquisition by the Company also requires approval from Shareholders under item 7 of section 611 of the Corporations Act).

6.8 Information required by item 7 of section 611 of the Corporations Act

Set out below is the information required to be provided to Shareholders under item 7 of section 611 of the Corporations Act for the purpose of Resolutions 5, 6 and 8.

Identity of the persons proposing to make the acquisition and their associates	<p>The persons proposing to make the acquisition (that would otherwise infringe the general prohibition under section 606 of the Corporations Act) are each of the Vendors (being Wee Min Chen, Chin Eng Khoo, Wee Onn Chen and Ei Ling Chong).</p> <p>Wee Min Chen</p> <p>Mr. Wee Min Chen (aged 56) is a current director and shareholder of KLE. He is described as being a dedicated, organised and methodical individual and an excellent team leader.</p> <p>He completed his secondary education at Tsun Jin High School, Kuala Lumpur, Malaysia. In 1976, he started working as an apprentice toolmaker and also has experience in metal stamping for auto parts and electrical appliances.</p> <p>Wee Min Chen is also a director of Keng Lek.</p> <p>Chin Eng Khoo</p> <p>Mr. Chin Eng Khoo (aged 59) is a shareholder of KLE and its marketing director. He heads the marketing team at KLE and has over 30 years of experience in sales and marketing.</p> <p>He completed his secondary education in Kuang Hua High School, Klang. He started working in sales and marketing in 1975 with the automotive and engineering industries. In 1992, he joined Keng Lek before he was recruited by KLE in 2002 to focus on the sales and marketing of the rubber glove dipping equipment.</p> <p>Wee Onn Chen</p> <p>Mr. Wee Onn Chen (aged 53) is a shareholder of KLE and its factory manager. He is also the brother of Wee Min Chen.</p> <p>In 1976, he started working as an apprentice tool maker with Wee Min Chen and has more than 20 years of experience in manufacturing of steel related products. Over these years, he has gained extensive knowledge relating to the operation of CNC and automated machines.</p> <p>He will also be responsible for managing the set up and building of</p>
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	<p>the proposed new rubber glove manufacturing lines for KLE.</p> <p>Ei Ling Chong</p> <p>Ms. Ei Ling Chong (aged 32) is a current shareholder of KLE.</p> <p>She completed secondary education at Hin Hua High School, Klang, Malaysia and further studies in hospitality management at Taylor's College.</p> <p>Ei Ling Chong has previously worked as a Product Manager for Amazing Era Sdn Bhd (working with clients such as Colgate-Palmolive, Amway, Avon and Southern Lion) and as a Sales Manager for Transurest Shipping Sdn Bhd.</p> <p>Associates</p> <p>There are no other associates of the Vendors requiring approval for the purposes of Resolution 5 or 6.</p> <p>Company</p> <p>As noted in section 6.7 of this Explanatory Statement, the Company itself will also be acquiring a Relevant Interest in its own Shares that requires approval from Shareholders as a result of the voluntary escrow arrangements that have been agreed with the Vendors.</p>
<p>The Voting Power those persons would have as a result of the acquisition</p>	<p>As noted above, given the close business relationship that exists between the Vendors (and the family relationship that exist between Wee Min Chen and Wee Onn Chen, being brothers), each of the Vendors may be considered as "associates" of each other on the basis that they may from time to time act in concert with each other in relation to the affairs of the Company. Accordingly, it is appropriate to calculate the Voting Power of each Vendor as if they were to hold an interest in all of the Consideration Shares to be issued to the Vendors (in aggregate), together with any other Shares that may be issued as a result of any Vendor exercising any of the Consideration Options.</p> <p>As a result, approval is being sought from Shareholders for each of the Vendors to increase their Voting Power from 0% to up to 69.67%. This Voting Power figure has been calculated as the potential maximum Voting Power which would arise if all of the Consideration Options were to be exercised (and assuming that only \$3 million is raised under the Public Offer).</p> <p>As a result of the voluntary escrow arrangements that have been agreed with the Vendors, the Company will not obtain any power to vote in respect of any of the Shares. However, the Voting Power associated with the Shares in which the Company will have a Relevant Interest will also be up to 69.67%.</p>

The maximum extent of the increase in the Voting Power of each of that person's associates that would result from the acquisition	As above.
The Voting Power that each of that person's associates would have as a result of the acquisition	Other than being associates of each other, the Vendors have no other associates that need to be considered for the purpose of Resolution 5 and 6.

6.9 Information required by ASIC Regulatory Guide 74

ASIC Regulatory Guide 74 sets out ASIC's guidance on the takeovers exception for acquisitions approved by shareholders contained in item 7 of section 611 of the Corporations Act, including guidance on the disclosure required.

Set out below is the information to be provided to Shareholders under ASIC Regulatory Guide 74.

The reasons for the proposed acquisition	The Consideration Shares and the Consideration Options are being issued to the Vendors as consideration for the Acquisition. Additional information regarding the terms of the Acquisition is set out in section 1 of this Explanatory Statement.
When the proposed acquisition is to occur	<p>The allotment of the Consideration Shares to the Vendors will occur when completion of the Acquisition takes place. The Share Sale Agreement requires that completion occur on or before 29 January 2016 (unless the parties agree to extend that deadline).</p> <p>The allotment of the Consideration Options to the Vendors will occur at the same time. However, as the Consideration Options are not voting shares, the Voting Power of the Vendors (and the Company as a result of the voluntary escrow arrangements) will not increase as a result of the allotment of the Consideration Options. As noted above, the Consideration Options will be exercisable by the Vendors at any time within 3 years after completion of the Acquisition occurring (with the exercise price for each Consideration Option being \$0.10). By approving Resolutions 6 and 8, you are approving the increase in the Voting Power of each of the Vendors if any of them elect to exercise any of the Consideration Options (and the increase in Voting Power of the Company if any of the Consideration Options are exercised).</p>
Material terms of the proposed acquisition	The material terms of the Acquisition are set out in section 1 of the Explanatory Statement.
Details of the terms of any other relevant agreement that is conditional on the Shareholders' approval of the proposed acquisitions	There are no other agreements between the Vendors and the Company that are conditional on (or directly or indirectly depend on) Shareholders approving Resolutions 5 and 6. However, the allotment of Shares under the Public Offer, the Debt to Equity Offer and the Noteholder Offer are conditional on Shareholders approving these Resolutions and will not proceed unless Resolutions 5 and 6 (and all other Essential Resolutions) are

	approved by Shareholders.
Intentions of the Vendors regarding the future of the Merged Group	<p>Other than as disclosed elsewhere in this Explanatory Statement, the Vendors and the Company:</p> <ul style="list-style-type: none"> • have no intention to make any significant changes to the business of KLE or the Company; • have no present intention to inject further capital into the Company; • have no present intention to terminate, or otherwise change, the employment arrangements of any of the current employees of the Company or KLE as a result of the Acquisition; • do not intend to redeploy any fixed assets of the Company or KLE; • do not intend to transfer any property between the Company (or KLE) or any of the Vendors; and • have no intention to change the Company's existing policies in relation to financial matters or dividends. <p>These present intentions may change as new information becomes available or as circumstances change.</p>
The interests that any Director has in the acquisition or any relevant agreement disclosed above	<p>The only current Director that has any interest in the outcome of the Acquisition is Henry Choo. Henry Choo is a representative of Sanston. Sanston has been appointed as the lead manager in relation to the Public Offer and the corporate adviser to the Company in relation to the Acquisition.</p> <p>It is expected that Frank Licciardello will also become a director of the Company before the Meeting. Frank is a director and shareholder of Sanston.</p> <p>Further information relating to the terms of the Sanston Mandate are discussed in section 7.4 of this Explanatory Statement.</p>
Details about any person who is intended to become a director of the Company	<p>As part of the Acquisition, it is intended that Wee Min Chen, Ai Ling Chong (the sister of Ei Ling Chong) and Craig Sanford will be appointed as directors of the Company. Additional information relating to each of these individuals is set out in section 9 of this Explanatory Statement.</p>

6.10 Directors' recommendation

The Directors (other than Pok Seng Kong) unanimously recommend that the Shareholders vote in favour of Resolutions 5, 6 and 8 for the following reasons:

- (a) the approval of these Resolutions are conditions precedent to completion of the Acquisition; and
- (b) the Directors considers that the Acquisition is in the best interests of the Company.

Pok Seng Kong abstains from making any recommendation in relation to Resolutions 5, 6 and 8 on the basis that it is anticipated that he will resign as a Director before the Meeting.

Resolutions 5, 6 and 8 are Essential Resolutions. Accordingly, if you would like the Acquisition and the Offers to occur, you should vote in favour of Resolutions 5, 6, 8 and all the other Essential Resolutions.

7. Related party approvals (Resolutions 5, 6, 7 and 14)

7.1 General

Section 208(1) (contained in Chapter 2E) of the Corporations Act provides that for a public company to give a financial benefit to a related party, it must obtain its shareholders' prior approval or the giving of the financial benefit must fall within one of the prescribed exceptions in Chapter 2E.

The allotment of Securities to related parties also requires approval from shareholders under Listing Rule 10.11.

7.2 Allotment of the Consideration Shares and Consideration Options

The allotment of the Consideration Shares and Consideration Options to Wee Min Chen and Ei Ling Chong may constitute the giving of a financial benefit to related parties of the Company on the basis that the Share Sale Agreement contemplates that Wee Min Chen and Ai Ling Chong (the sister of Ei Ling Chong) will be appointed as directors of the Company as part of the Acquisition.

While approval is being sought from Shareholders for the purpose of section 208 of the Corporations Act, the Directors have resolved that they consider that the terms of the Acquisition have been negotiated on an arm's length basis.

7.3 Offer of Shares to Hock Guan Ng under the Debt to Equity Offer

The Company also considers that the allotment of Shares under the Debt to Equity Offer to Hock Guan Ng may also constitute the giving of a financial benefit to a related party, on the basis that Hock Guan Ng was the registered holder of a controlling interest in the Company during the 6 months before the expected date for the allotment of Shares under the Debt to Equity Offer. On 12 October 2015, the Shares previously held by Hock Guan Ng were transferred to Pok Seng Kong (on the basis that Pok Seng Kong was actually the party that received approval from Shareholders under item 7 of section 611 of the Corporations Act to be the holder of these Shares, as approved in the general meeting held on 14 October 2009). The Shares held by Pok Seng Kong are now intended to be cancelled as part of the Share Cancellation.

While approval is being sought from Shareholders for the purpose of section 208 of the Corporations Act, the Directors have resolved that they consider that the terms of the Debt to Equity Offer to be made to Hock Guan Ng is on arm's length terms on the basis that the same terms are being offered to other non-related creditors of the Company.

7.4 Issuing Options to Sanston under the Sanston Mandate

Sanston has been appointed as the lead manager in relation to the Public Offer and the corporate adviser to the Company in relation to the Acquisition. Sanston is a company controlled by Frank Licciardello. Frank Licciardello is expected to become a Director of the Company before the Meeting (with his appointment to be ratified by Shareholders through Resolution 11, if approved).

A summary of the key provisions contained within the Sanston Mandate can be found in Annexure 4 of this Explanatory Statement.

Shareholder approval is not being sought under section 208 of the Corporations Act in relation to the fees that Sanston will receive under the Sanston Mandate or in relation to the allotment of

3,500,000 Options to Sanston under the Sanston Mandate. The Directors consider that the terms of the Sanston Mandate were negotiated on an arm's length basis, particularly because they were negotiated and agreed before it was ever contemplated that Frank Licciardello would become a director of the Company.

However, approval from Shareholders is still being sought by the Company under Listing Rule 10.11 in relation to the potential allotment of 3,500,000 Options to Sanston (on the basis that arm's length transactions relating to the allotment of Securities to related parties still require Shareholder approval under the Listing Rules).

7.5 Information required by Chapter 2E, Regulatory Guide 76 and Listing Rule 10.13

The information required to be given to Shareholders in order to consider the related party transactions contemplated by Resolutions 5, 6, 7 and 14 are listed in the table below:

The identity of the related parties that will receive the financial benefits	The related parties that will receive the financial benefits contemplated by Resolutions 5, 6, 7 and 14 are Wee Min Chen, Ei Ling Chong, Hock Guan Ng and Sanston.
Nature of the financial benefit being given to the related parties	<p>Wee Min Chen and Ei Ling Chong will each be issued Consideration Shares and Consideration Options.</p> <p>It is proposed that Hock Guan Ng will be issued Shares under the Debt to Equity Offer (in order to convert \$358,166.83 worth of debt owed by the Company to Hock Guan Ng) at a rate of \$0.03 per Share.</p> <p>Sanston is to be issued 3,500,000 Options (with an exercise price of \$0.10 per Option) under the Sanston Mandate.</p>
The reason for giving the financial benefit to the related parties	<p>The Consideration Shares and the Consideration Options are to be issued as part of the negotiated consideration for the acquisition of KLE.</p> <p>The Debt to Equity Offer (and the conversion of the debt owed to Hock Guan Ng) is also a requirement under the Share Sale Agreement.</p> <p>The Options to be issued under the Sanston Mandate are part of the consideration for the services being provided by Sanston in connection with the Acquisition and the Offers.</p>
The maximum number of Securities to be issued to each of the related parties	<p>Wee Min Chen and Ei Ling Chong will each be issued a total of 96,842,098 Consideration Shares and 9,200,000 Consideration Options.</p> <p>It is proposed that 11,938,894 Shares will be issued by the Company to Hock Guan Ng under the Debt to Equity Offer.</p> <p>3,500,000 is the maximum number of Options to be issued under the Sanston Mandate.</p>
The issue price of the Securities to be issued to the related parties and the terms of the issue	No cash issue price will be paid by Wee Min Chen or Ei Ling Chong in relation to the allotment of the Consideration Shares or the Consideration Options. However, the Consideration Shares will have a deemed issue price of \$0.05 per Share and each Consideration Option will have an exercise price of \$0.10

	<p>per Option.</p> <p>As noted above, the Shares to be issued to Hock Guan Ng will have a deemed issue price of \$0.03 per Share.</p> <p>Like the Consideration Options, no cash issue price will be paid by Sanston in relation to the Options to be issued under the Sanston Mandate. However, the Options issued under the Sanston Mandate will have an exercise price of \$0.10 per Option.</p> <p>The terms and conditions of all Shares to be issued to the related parties are governed by the Company's Constitution. Under Resolution 13, it is proposed that the Company will adopt a new Constitution. A summary of the key provisions contained within the proposed new Constitution are set out in section 10 and Annexure 5 of this Explanatory Statement.</p> <p>The key terms and conditions of the Consideration Options have been summarised in Annexure 2. The Sanston Options are to be issued on substantially the same terms as the Consideration Options (however, they will not be subject to any voluntary escrow period).</p>
<p>The valuation of the financial benefit that is to be given to related parties</p>	<p>The Independent Expert has opined that the preferred value of the Shares following completion of the Acquisition and the Offers is \$0.02 per Share.</p> <p>The Independent Expert has also considered the valuation of the Options to be issued to Sanston under the Sanston Mandate and opined that they currently have a value of \$0.0076 per Option. The Consideration Options, and the Sanston Options, are to be issued with substantially the same terms and will therefore have the same (or similar) value.</p> <p>Based on the preferred values for the Shares and Options set out in the Independent Expert Report, the value of the Securities to be issued to the related parties are set out below:</p> <p>Wee Min Chen: Shares (\$1,936,842), Options (\$69,920)</p> <p>Ei Ling Chong: Shares (\$1,936,842), Options (\$69,920)</p> <p>Hock Guan Ng: Shares (\$238,777.88)</p> <p>Sanston: Options (\$26,600)</p> <p>Applying this valuation methodology, it is arguable that Hock Guan Ng is not receiving any financial benefit since he will have converted approximately \$358,000 worth of debt into approximately \$239,000 worth of Shares.</p> <p>However, applying the \$0.05 offer price under the planned Public Offer (together with the valuation for the Options given by the Independent Expert), the Securities to be issued to the related parties could also reasonably be given the values below:</p>

	<p>Wee Min Chen: Shares (\$4,842,104.90), Options (\$69,920)</p> <p>Ei Ling Chong: Shares (\$4,842,104.90), Options (\$69,920)</p> <p>Hock Guan Ng: Shares (\$596,944.70)</p> <p>Sanston: Options (\$26,600)</p>
Existing arrangements between the Company and the related parties	<p>Other than the Share Sale Agreement and associated contracts relating to the Acquisition, there are no existing arrangements between the Company and Wee Min Chen (on the one hand) or the Company and Ei Ling Chong (on the other hand). Both are simply being treated as related parties as result of the negotiated terms of the Acquisition.</p> <p>There are also no existing arrangements between the Company and Hock Guan Ng, other than the agreed terms under the Debt to Equity Offer. He is being treated as a related party because, as noted above in section 7.3, he was previously the registered holder of a controlling interest in the Company.</p> <p>The Sanston Mandate is the only existing arrangement between the Company and Sanston.</p>
The date by which the Company will issue the Securities (which must not be more than 3 month after the date of the Meeting)	<p>The ASX has granted a waiver in favour of the Company of the requirements of Listing Rule 10.13.3. Ordinarily, Listing Rule 10.13.3 would require this Notice to specify a date by which Securities to related parties will be issued, with that date being no more than 1 month after the date of the Meeting. However, based on the conditions of the waiver granted by the ASX, the allotment of the Consideration Shares and Consideration Options to Wee Min Chen and Ei Ling Chong, the allotment of Shares to Hock Guan Ng and the allotment of Options to Sanston will be required to occur simultaneously with the allotment of all other Shares under the Public Offer, the Noteholder Offer and the Debt to Equity Offer (and with all allotments occurring within 3 months after the date of the Meeting).</p>
Intended use of the funds raised	<p>No funds will be raised for the Company as a result of the allotment of the Consideration Shares or the Shares under the Debt to Equity Offer. If the Company receives any funds as a result of the exercise of any of the Consideration Options (or Sanston Options), the use of those funds will need to be determined based on the circumstances and needs of the Company at the relevant time.</p>
Interests of the current Directors in the Acquisition and the Offers	<p>Henry Choo is the only current Director that has any interest in the outcome of the related party transactions contemplated by Resolutions 5, 6, 7 or 14. Henry Choo is a representative of Sanston.</p> <p>It is expected that Frank Licciardello will also become a director of the Company before the Meeting. Frank is a director and shareholder of Sanston.</p>

	A summary of the key terms of the Sanston Mandate are set out in Annexure 4 of this Explanatory Statement.
Existing interests of the related parties in the Company	As at the date of this Notice, none of Wee Min Chen, Ei Ling Chong, Hock Guan Ng or Sanston has any interest in Securities issued by the Company.
Dilution effect of the related party transactions	The related party transactions contemplated by Resolutions 5, 6, 7 and 14 form part of a larger transaction relating to the Acquisition. Following completion of the Acquisition and the Offers, the existing Shareholders of the Company are likely to hold less than 1% of the Shares.

7.6 Directors' recommendation

The Directors (other than Pok Seng Kong) unanimously recommend that the Shareholders vote in favour of Resolutions 5, 6, 7 and 14 for the following reasons:

- (a) the approval of Resolutions 5, 6 and 7 are conditions precedent to completion of the Acquisition;
- (b) the Directors considers that the Acquisition and the Debt to Equity Offer are in the best interests of the Company; and
- (c) the terms of the Acquisition, the Sanston Mandate and the Debt to Equity Offer to be made to Hock Guan Ng have been negotiated on an arm's length basis.

Pok Seng Kong abstains from making any recommendation in relation to Resolutions 5, 6, 7 and 14 on the basis that it is anticipated that he will resign as a Director before the Meeting.

Resolutions 5, 6 and 7 are Essential Resolutions. Accordingly, if you would like the Acquisition and the Offers to occur, you should vote in favour of Resolutions 5, 6, 7 and all the other Essential Resolutions.

8. Listing Rule 7.1 (Resolutions 5, 6, 7 and 14)

8.1 General

The negotiated terms of the Acquisition contemplate that the following Securities will be issued by the Company:

	Assuming \$3 million raised under the Public Offer	Assuming \$5 million raised under the Public Offer
Shares to be issued to the Vendors	210,526,300	210,526,300
Shares to be issued under the Prospectus		
Public Offer	60,000,000	100,000,000
Debt to Equity Offer	24,365,549	24,365,549
Noteholder Offer	15,000,000	15,000,000
Shares to be issued under the Offers and Acquisition	309,891,849	349,891,849

The consideration for the acquisition of KLE will also result in the allotment of 20,000,000 Options. Subject to Shareholders approving Resolution 14, an additional 3,500,000 Options will also be issued to Sanston as part of the consideration payable under the Sanston Mandate.

8.2 Requirements for Shareholder approval

As mentioned in section 2 of this Explanatory Statement, Listing Rule 7.1 provides that a company must not, subject to specified exemptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period. Certain exemptions apply to this rule, including where the new allotment is approved by shareholders.

While the Consideration Options and Sanston Options will not carry any voting rights, they will still qualify as “equity securities” under the Listing Rules.

Without approval from Shareholders, the proposed allotment of Securities under the Offers (and in conjunction with the Acquisition and the Sanston Mandate) would cause the Company to exceed the 15% threshold imposed by Listing Rule 7.1.

8.3 Information required for approvals under Listing Rule 7.1

Listing Rule 7.3 details the information that needs to be given to Shareholders when approval is being sought under Listing Rule 7.1. This information is summarised below:

Information required	Details
The names of the persons that will be issued the Securities	Acquisition The Consideration Shares and Consideration Options to be issued as part of the Acquisition will be issued to the Vendors (being Wee Min Chen, Chin Eng Khoo, Wee Onn Chen and Ei Ling Chong). Public Offer The Public Offer will be open to members of the general public (resident in Australia), with the acceptance of applications being determined by

	<p>the Directors.</p> <p>Noteholder Offer</p> <p>The Noteholder Offer will only be open to holders of Convertible Notes (which subject to the passing of Resolution 1, will be Soong Keng Tak and Asenna).</p> <p>Under the terms of the Loan and Convertible Note Agreements, the holders of the Convertible Notes have the ability to appoint a nominee to receive any Shares that are to be issued on conversion of the Convertible Notes.</p> <p>Debt to Equity Offer</p> <p>The Debt to Equity Offer will only be open to certain creditors of the Company (being Hock Guan Ng, May Thian, Assosec Pty Ltd and Dropwar Investments Pty Ltd).</p> <p>Sanston Mandate</p> <p>The Options to be issued under the Sanston Mandate will be issued to Sanston (or a nominee elected by Sanston).</p>
The maximum number of Securities the Company will issue	<p>If \$5 million is raised under the Public Offer, it is expected that the maximum number of Securities to be issued by the Company in conjunction with the Acquisition, the Offers and the Sanston Mandate will be:</p> <ul style="list-style-type: none"> • 349,891,849 Shares; and • 23,500,000 Options. <p>As noted above, the debts owed under the Loan and Convertible Note Agreements also provide that interest accrues at a rate of 8% per annum. The Company has the ability to capitalise interest (rather than paying interest as cash), but has elected not to do so.</p>
The date by which the Company will issue the Securities	<p>As noted in section 7.5 of this Explanatory Statement, some of the Securities to be issued in connection with the Acquisition, under the Offers and under the Sanston Mandate will be issued to related parties of the Company.</p> <p>The ASX has granted a waiver in favour of the Company of the requirements of Listing Rule 10.13.3. Ordinarily, Listing Rule 10.13.3 would require this Notice to specify a date by which Securities to related parties will be issued, with that date being no more than 1 month after the date of the Meeting. However, based on the conditions of the waiver granted by the ASX, the allotment of the Consideration Shares and the Consideration Options, the allotment of all Shares under the Public Offer, the Noteholder Offer and the Debt to Equity Offer and the allotment of Options to Sanston are to occur simultaneously (and with all allotments occurring within 3 months after the date of the Meeting).</p>
The issue price of the Securities	<p>Acquisition</p> <p>No cash issue price will be paid by the Vendors in relation to the allotment of the Consideration Shares or the Consideration Options.</p>

	<p>However, the Consideration Shares will have a deemed issue price of \$0.05 per Share and each Consideration Option will have an exercise price of \$0.10 per Option.</p> <p>Public Offer</p> <p>The issue price for Shares under the Public Offer will be \$0.05 per Share.</p> <p>Debt to Equity Offer and Noteholder Offer</p> <p>No cash issue price will be payable for Shares to be issued under the Debt to Equity Offer or the Noteholder Offer. However, both of those Offers will convert debts owed by the Company into Shares at a rate of \$0.03 per Share.</p> <p>Sanston Mandate</p> <p>No cash issue price will be paid by Sanston in relation to the allotment of Options under the Sanston Mandate. However, those Options will have an exercise price of \$0.10 per Option.</p>
The terms of the Securities	<p>The terms and conditions of the Shares are governed by the Company's Constitution. Under Resolution 13, it is proposed that the Company will adopt a new Constitution. A summary of the key provisions contained within the proposed new Constitution are set out in section 10 and Annexure 5 of this Explanatory Statement.</p> <p>The key terms and conditions of the Consideration Options have been summarised in Annexure 2. The Sanston Options will have substantially the same terms of issue as the Consideration Options, but will not be subjected to a 24 month voluntary escrow period.</p>
The intended use of the funds raised	Refer to section 1.9 of this Explanatory Statement.

8.4 Directors' recommendation

The Directors (other than Pok Seng Kong) unanimously recommend that the Shareholders vote in favour of Resolutions 5, 6, 7 and 14 for the following reasons:

- (a) the approval of Resolutions 5, 6 and 7 are conditions precedent to completion of the Acquisition; and
- (b) the Directors considers that the Acquisition, the Offers and the Sanston Mandate are in the best interests of the Company.

Pok Seng Kong abstains from making any recommendation in relation to Resolutions 5, 6, 7 and 14 on the basis that it is anticipated that he will resign as a Director before the Meeting.

Resolutions 5, 6 and 7 are Essential Resolutions. Accordingly, if you would like the Acquisition and the Offers to occur, you should vote in favour of Resolutions 5, 6, 7 and all the other Essential Resolutions.

9. Appointment of Wee Min Chen, Ai Ling Chong, Frank Licciardello and Craig Sanford (Resolutions 9, 10, 11 and 12)

9.1 General

It is proposed that:

- (a) Pok Seng Kong will resign as a Director and Non-Executive Chairman before the Meeting;
- (b) before the Meeting, Frank Licciardello will be appointed as a Director and the Non-Executive Chairman (with Shareholders being asked to confirm and ratify that appointment at the Meeting);
- (c) Andrew Metcalfe will remain the Company Secretary;
- (d) Wee Min Chen, Ai Ling Chong and Craig Sanford will be appointed as Directors with effect from completion of the Acquisition; and
- (e) Chin Hing How and Henry Choo will resign as Directors.

9.2 Wee Min Chen

Mr. Wee Min Chen is a current director and shareholder of KLE. He is described as being a dedicated, organised and methodical individual and an excellent team leader.

He completed his secondary education at Tsun Jin High School, Kuala Lumpur, Malaysia. In 1976, he started working as an apprentice toolmaker and also has experience in metal stamping for auto parts and electrical appliances.

Wee Min Chen is one of the Vendors and will hold 96,842,098 Shares and 9,200,000 Options following completion of the Acquisition.

Wee Min Chen is also a director of Keng Lek.

9.3 Ai Ling Chong

Ms. Ai Ling Chong has a broad range of experience in roles relating to marketing, business administration and procurement within ALG Group and Hill-Rom Singapore. She graduated with a Bachelor of Business – Major in Marketing, Finance and Management from University of Technology, Sydney.

Ai Ling Chong is the sister of one of the Vendors (Ei Ling Chong), who will hold 96,842,098 Shares and 9,200,000 Options following completion of the Acquisition.

9.4 Francesco (Frank) Licciardello

Mr. Frank Licciardello has extensive experience in the information technology and finance sectors. It is proposed that, before the Meeting, he will be appointed as a Non-Executive Director and the Chairman of the Company. He also serves as a Director of Rio Perdido Gold Limited, Elk Orthobiologics Limited and Antares Mining Limited. He is currently an Executive Director and Co-owner of Sanston and several other private entities. Previously, Frank was Group CEO and Managing Director of Sirius Corporation Ltd from 2006 to 2011 and has held many CFO positions for public and private companies globally within the last 18 years. He graduated with a Bachelor of Business – Major in Accounting, Minor in Law from Victoria University of Technology. He is a Member of the Australian Institute of Company Directors and Australian Society of Certified Practising Accountants.

Frank Licciardello does not hold any Securities issued by the Company. However, if Resolutions 14 is approved by Shareholders, Sanston (a company controlled by Frank) will be issued 3,500,000 Options.

9.5 Craig Sanford

Mr. Craig Sanford is a practising corporate lawyer with over 23 years of legal, corporate and commercial experience. He was previously a lawyer with the commercial law firm Middletons (now known as K&L Gates) for 19 years (with 10 years as a partner).

He is now the managing director of Sierra Legal Pty Ltd (a national legal firm in Australia specialising in corporate and commercial law), an executive director of Hawksburn Capital & Advisory Pty Ltd (a corporate advisory firm with AFSL no. 343749), a non-executive director of Simoco Australasia Pty Ltd (a manufacturer, supplier and integrator of public mobile radio communications equipment and systems) and a director of Innoveren Pty Ltd (a company which works with early-stage businesses in their strategy, marketing, growth and development).

Craig holds a Bachelor of Laws and Bachelor of Science from Monash University. He does not hold any Securities issued by the Company.

9.6 Directors' recommendation

The Directors (other than Pok Seng Kong) unanimously recommend that the Shareholders vote in favour of Resolutions 9, 10, 11 and 12.

Pok Seng Kong abstains from making any recommendation in relation to Resolutions 9, 10, 11 and 12 on the basis that it is anticipated that he will resign as a Director before the Meeting.

10. Adoption of new Constitution (Resolution 13)

10.1 General

Resolution 13 is a special resolution which will enable the Company to repeal its existing Constitution and adopt a new constitution (**Proposed New Constitution**). The Directors have recommended the adoption of the Proposed New Constitution to ensure that the Company is operating under constituent documents that reflect the current provisions of the Corporations Act and the Listing Rules.

The provisions of the Proposed New Constitution are broadly consistent with the provisions of the existing Constitution. However, the Proposed New Constitution incorporates amendments to the Corporations Act and the Listing Rules that have occurred since the adoption of the current Constitution in 2003.

10.2 Summary of the Proposed New Constitution

A summary of the key rights and liabilities attaching to the Shares under the Proposed New Constitution have been set out in Annexure 5 for consideration by the Shareholders.

10.3 Proportional takeovers

The Directors consider that it would not be practicable to identify all of the differences between the existing Constitution and the Proposed New Constitution. However, the Directors would like to draw Shareholders' attention to the proposed new requirements relating to "proportional takeovers".

A proportional takeover bid is a takeover bid where the offer made to each shareholder is only for a proportion of that shareholder's shares. Under section 648G of the Corporations Act, the Proposed New Constitution includes restrictions preventing proportional takeover bids unless the bid has been approved by a meeting of the Shareholders.

The proportional takeover provisions in the Proposed New Constitution will cease to have effect on the third anniversary of the date of the adoption of the Proposed New Constitution (or the last renewal of the relevant provisions by the Shareholders).

Information required under section 648G of the Corporations Act

Information required	Details
The effect of the proportional takeover provisions in the Proposed New Constitution	If a proportional takeover bid is made in respect of any class of Securities issued by the Company, the registration of a transfer giving effect to an offer made under that bid will be prohibited until a resolution to approve that bid has been passed by the Shareholders.
Reasons for the proportional takeover provisions in the New Constitution	<p>A proportional takeover bid may result in control of the Company changing without Shareholders having the opportunity to dispose of all of their Shares. By making a partial bid, a bidder could potentially obtain control of the Company by acquiring less than a majority interest. In many cases, it will be undesirable for Shareholders to be left with a minority interest in the Company without having been paid an adequate control premium.</p> <p>The proportional takeover provisions in the Proposed New Constitution will allow Shareholders decide whether a proportional takeover bid is acceptable.</p>
Knowledge of acquisition proposals	Other than in relation to the Acquisition and the Offers, as at the date of this Notice, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.
Potential advantages and disadvantages of the proportional takeover provisions in the Proposed New Constitution for the Directors	The proportional takeover provisions in the Proposed New Constitution will enable the Directors to formally ascertain the views of Shareholders in respect of a proportional takeover bid. Other than this advantage, the Directors consider that the new provisions will have no other potential advantages or disadvantages for the Directors as they remain free to make a recommendation on whether or not a proportional takeover bid should be accepted by Shareholders.
Potential advantages and disadvantages of the proportional takeover provisions in the Proposed New Constitution for the Shareholders	<p>Benefits</p> <p>The new provisions are likely to:</p> <ul style="list-style-type: none"> • assist in preventing the Shareholders from being locked in as a minority; • increase the bargaining power of Shareholders and the Board in the event that a proportional takeover bid is to be made; and • allow Shareholders to better assess the likely outcome of a proportional takeover bid by knowing the views of the other Shareholders by attending the meeting called to specifically vote on the proposal. <p>Disadvantages</p>

	<p>The proportional takeover provisions in the Proposed New Constitution may:</p> <ul style="list-style-type: none"> discourage proportional takeover bids from being made (reducing the potential for opportunities for Shareholders to sell a portion of their Shares at a premium); and reduce the chances of a proportional takeover bid from being successful.
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10.4 Obtaining a copy

A copy of the Proposed New Constitution will be available for review by Shareholders at the offices of the Company. A copy of the Proposed New Constitution can also be sent to Shareholders upon request to the Company Secretary by calling (03) 9867 7199.

10.5 Directors' recommendation

The Directors (other than Pok Seng Kong) unanimously recommend that the Shareholders vote in favour of Resolution 13.

Pok Seng Kong abstains from making any recommendation in relation to Resolution 13 on the basis that it is anticipated that he will resign as a Director before the Meeting.

Glossary

Term	Meaning
Acquisition	The acquisition by the Company from the Vendors of all of the issued shares in KLE.
AEDT	Australian Eastern Daylight Time.
Asenna	Asenna Wealth Solutions Pty Ltd ACN 155 544 460.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited ACN 008 624 691 or the market for trading in Securities operated in Australia by that company (as the context requires).
ASX Settlement Operating Rules	The operating rules of ASX Settlement Pty Limited ABN 49 008 504 532 and, to the extent they are applicable, the operating rules of each of the ASX and ASX Clear Pty Limited ABN 48 001 314 503.
Board	The board of directors of the Company from time to time.
Chair	The chairperson of the General Meeting.
Company	Voltage IP Limited ACN 057 884 876.
Consideration Options	20,000,000 unlisted Options over Shares to be issued to the Vendors under the Share Sale Agreement.
Consideration Shares	210,526,300 Shares to be issued to the Vendors under the Share Sale Agreement.
Constitution	The constitution of the Company from time to time.
Convertible Notes	The convertible notes issued (or to be issued) by the Company to the Noteholders under the Loan and Convertible Note Agreements.
Corporations Act	Corporations Act 2001 (Cth).
Creditors	Hock Guan Ng, May Thian, Accosec Pty Ltd and Dropwar Investments Pty Ltd.
Debt to Equity Offer	An offer to the Creditors to subscribe for 24,365,549

Term	Meaning
	Shares to convert \$730,966.47 of debt owed by the Company into Shares at a rate of \$0.03 per Share.
Directors	Each of the directors of the Company from time to time.
Essential Resolutions	Resolutions 1 to 8.
Explanatory Statement	The explanatory statement accompanying this Notice.
General Meeting or Meeting	The meeting convened by this Notice.
Independent Expert	RSM Financial Services Australia Pty Ltd ACN 009 176 354.
Independent Expert Report	The report set out in Annexure 1 prepared by the Independent Expert on the fairness and reasonableness of the Acquisition and associated transactions.
Keng Lek	Keng Lek Engineering Sdn Bhd (Company No. 130926-P).
KLE	KLE Products Sdn Bhd (company number 568510-M).
Loan and Convertible Note Agreements	The agreements described in section 2.1 of the Explanatory Statement.
Listing Rules	The official listing rules of the ASX as amended or replaced from time to time.
Merged Group	The Company, and following completion of the Acquisition, the Company and KLE.
Noteholders	Asenna and SKT.
Noteholder Offer	An offer to the Noteholders to subscribe for approximately 15,000,000 Shares on conversion of the Convertible Notes issued (or to be issued) under the Loan and Convertible Note Agreements.
Notice	This notice of general meeting including the Explanatory Statement, the Proxy Form and the Annexures.
Offers	The Public Offer, the Debt to Equity Offer and the Noteholder Offer.
Official List	The official list of the ASX.

Term	Meaning
Options	Options to be issued fully paid Shares.
Prospectus	The disclosure document to be issued by the Company in relation to the Public Offer, the Noteholder Offer and the Debt to Equity Offer.
Proxy Form	The proxy form accompanying this Notice.
Public Offer	An offer of a minimum of 60,000,000 Shares and a maximum of 100,000,000 Shares at \$0.05 per Share pursuant to the Prospectus.
Relevant Interest	Has the meaning given to that term under sections 608 and 609 of the Corporations Act.
Relisting Application	The Company's application to the ASX under Chapters 1 and 2 of the Listing Rules (relating to admission of an entity to the Official List and official quotation by the ASX of that entity's Securities) as result of the proposed change in nature and scale of the Company's activities associated with the Acquisition, and with the objective of the ASX lifting the current trading suspension that applies to the Shares.
Resolutions	The Resolutions set out in this Notice.
Restricted Securities	Has the meaning given in section 6.7 of the Explanatory Statement.
Sanston	Sanston Securities Australia Pty Ltd ACN 156 057 064.
Sanston Mandate	The letter of engagement between Sanston and the Company dated 15 June 2015 and with the key terms summarised in Annexure 4.
Sanston Options	The 3,500,000 Options to be issued to Sanston under the Sanston Mandate.
Securities	Has the same meaning in section 92 of the Corporations Act.
Share	A fully paid ordinary share in the capital of the Company.
Share Cancellation	The selective capital reduction for no consideration contemplated by Resolution 3.
Share Consolidation	The proposed share consolidation under section 254H of the Corporations Act so that every 25 Shares is consolidated into 1 Share (to be considered as part of

Term	Meaning
	Resolution 2).
Share Sale Agreement	The share sale agreement dated 3 September 2015 between the Company, the Vendors and KLE for the acquisition by the Company of all of the issued share capital of KLE.
Shareholder	A holder of Shares.
SKT	Soong Keng Tak.
Vendors	Wee Min Chen, Chin Eng Khoo, Wee Onn Chen and Ei Ling Chong (being the shareholders of KLE before completion of the Acquisition).
Voting Power	Has the meaning given to that term under section 610 of the Corporations Act.

Annexure 1 – Independent Expert Report

Annexure 2 – Summary of key terms of the Consideration Options

Entitlement	Each Consideration Option entitles the holder (Option Holder) to subscribe for 1 Share (Option Share) upon exercise of the Consideration Option.
Exercise price	\$0.10 for each Consideration Option.
Exercise period	The Consideration Options are exercisable at any time within 3 years after being issued.
Expiry date	Any Consideration Option not exercised before the end of the exercise period will automatically lapse.
Exercise notice	The Consideration Options may be exercised during the exercise period by notice in writing to the Company.
Shares issued on exercise	Shares issued on exercise of the Consideration Options will rank equally with the then issued shares of the Company.
Quotation of Consideration Options	Consideration Options will be unlisted options, however the Company reserves the right to apply for quotation of the Consideration Options in its absolute discretion.
Transferability of Consideration Options	During the 24 month period after completion of the Acquisition, the Consideration Options will not be transferable as a result of the voluntary escrow arrangements agreed in the Share Sale Agreement. After the expiry of that period, the Consideration Options will be transferable provided that the proposed transferee is not a person that would need to receive a disclosure document from the Company under Chapter 6D of the Corporations Act in order for the Option Shares to be issued to that transferee on exercising the Consideration Options.
Bonus issues	If after the date of the Share Sale Agreement, the Company makes a bonus issue of Shares (Bonus Issue) before some or all of the Consideration Options have been exercised, then the number of Option Shares to be issued on exercising those Consideration Options will be increased by the number of additional Option Shares to which the Option Holder would have been entitled had the Consideration Options held by the Option Holder at the record time for the Bonus Issue been exercised before the record time for the Bonus Issue.
Adjustment for rights issue	If after the date of the Share Sale Agreement, the Company makes a pro rata issue of Shares (other than a Bonus Issue) to Shareholders, then the exercise price of each unexercised Consideration Option will be reduced according to the following formula:

	$O - \frac{E[P - (S + D)]}{N + 1}$	
	New exercise price =	
O	=	the old exercise price of the Consideration Option;
E	=	the number of underlying Shares to which 1 Consideration Option is exercisable;
P	=	the average market price per Share (weighted by reference to the volume) of the underlying Shares during the 5 trading days ending on the day before the ex-rights date or ex-entitlements date;
S	=	the subscription price of a Share under the pro rata issue;
D	=	any dividend per Share due but not yet paid on the existing Shares (except those to be issued under the pro rata issue); and
N	=	the number of Shares with rights or entitlements that must be held to receive a right to one new Share under the pro rata issue.

Annexure 3 – Summary of key terms of Loan and Convertible Note Agreements

Number of Convertible Notes to be issued	SKT and Asenna have agreed to subscribe for the number of Convertible Notes that is equal to the relevant loan amount divided by the face value (in each case, as at the date the Convertible Notes are issued), which in the absence of any capitalised interest accrued on the loan, would amount to 208,333,333 Convertible Notes being issued to SKT and 166,666,667 Convertible Notes being issued to Asenna. Pending the issue of these Convertible Notes, the amounts advanced by SKT and Asenna are taken to be simple loans to the Company.
Conditions	The issuance of any Convertible Notes under the Loan and Convertible Note Agreements is subject to and conditional on Shareholder approval being obtained under Listing Rule 7.1 for the allotment of the Convertible Notes.
Face value	Each Convertible Note will have a face value of \$0.0012 per note (plus any additional amount that reflects capitalised interest).
Interest	Interest is payable by the Company on each of the loans and the Convertible Notes at a rate of 8% per annum, accruing daily and payable on the last business day of each month (except where the Company elects for interest to be capitalised, in which case the relevant interest will instead be added to the loan amount or the face value of the Convertible Notes, as applicable).
Conversion	<p>If Convertible Notes are issued to SKT or Asenna, then the relevant investor may elect to convert those Convertible Notes into Shares by giving the Company a conversion notice at any time before those Convertible Notes are cancelled or redeemed. The Convertible Notes will also automatically convert into Shares if the Company receives conditional approval from the ASX in respect of the Relisting Application.</p> <p>On conversion, the Company will issue to the relevant noteholder (or an appropriate nominee) that number of Shares equal to the number of Convertible Notes being converted multiplied by the face value, and then divided by \$0.0012 per note. This will result in approximately 8,333,333 Shares being issued to SKT and 6,666,667 Shares being issued to Asenna (in each case, following the Share Consolidation).</p>
Repayment or redemption	The Company must repay the loans to SKT and Asenna or if Convertible Notes are issued to those investors and they have not been converted into Shares, the Company must redeem those Convertible Notes, on the earlier of the date that is 12 months after the date of the relevant Loan and Convertible Note Agreement or the date that is 10 business days after the relevant investor gives the Company an event of default notice.

Annexure 4 – Summary of key terms of Sanston Mandate

<p>Payment and consideration</p>	<p>The Company has agreed to pay to Sanston the following:</p> <ul style="list-style-type: none"> • Corporate Advisory Fee - monthly retainer fee of \$15,000 plus GST; • IPO Success Fee - comprising a cash fee of \$80,000 plus GST (less any amount paid as part of the Corporate Advisory Fee) and the issue of 3,500,000 Options (with an exercise price of \$0.10 per Option exercisable at any time within 36 months after the Options are issued); • Management Fee - a management fee of 2% plus GST of the funds raised under the Public Offer (irrespective of whether funds were raised from investors introduced by Sanston or not), plus GST; and • Selling Fee - selling fee of 5% plus GST of the gross amount raised under the Public Offer from investors introduced by Sanston or any of its related entities or employees, plus GST. <p>In addition to the fees described above, the Company has agreed to reimburse Sanston for certain agreed costs and expenses incurred by Sanston in relation to the Offers.</p> <p>It has been agreed that the Options to be issued as part of the IPO Success Fee will be issued on substantially the same terms as the Consideration Options (other than in relation to the 24 month voluntary escrow that will attach to the Consideration Options). A summary of those terms are set out in Annexure 2.</p>
<p>Termination events</p>	<p>Sanston may terminate its obligations under the Sanston Mandate by notice to the Company if in Sanston's sole and absolute opinion any of the following events occur before the allotment of Shares under the Public Offer or such other time specified below:</p> <ul style="list-style-type: none"> • the Australian equity capital market conditions and/or ASX trading conditions are such that they are not conducive to the successful completion of the Sanston Mandate, or other events beyond the control of Sanston are so material and adverse as to make it impracticable or inadvisable to proceed with the new equity issue on the terms and in the manner contemplated in the Sanston Mandate; • there is a material adverse effect (including any adverse change in the assets, liabilities, financial position or prospects of the Company as disclosed publicly and/or to Sanston), other than in relation to costs incurred by the Company in relation to the Offers; • there is a false or misleading statement or a material omission in the material or information supplied by the Company to Sanston or included in the material presented to Sanston; • any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or the international financial markets, or any material adverse change occurs in national or international political,

	<p>financial or economic conditions, in each case the effect of which is that it is impracticable to market the new issue or enforce any contract to issue and allot the new shares or that the success of the new issue is likely to be adversely affected;</p> <ul style="list-style-type: none"> • there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State of Australia a new law, or the Reserve Bank of Australia or any Federal or State authority of Australia adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Sanston Mandate), which does or is likely to prohibit or regulate financial institutions or credit providers, capital issues or stock markets; • the ASX gives formal or informal notice that the Securities of the Company will not be admitted to trading on the Official List; • default by the Company of any term of the Sanston Mandate; • any of the warranties or representations by the Company in the Sanston Mandate are or become materially untrue; • a Director or proposed director of the Company is charged with an indictable offence or is disqualified from managing a corporation under the Corporations Act; • ASIC issues, or threatens to issue, a proceeding, hearing or investigation in relation to the Offers; or • any government agency (including ASIC) commences or announces its intention to commence any public action, hearing or investigation against the Company or any of its Directors in their capacity as a director of the Company. <p>If the Sanston Mandate is terminated by Sanston for cause or by the Company for any reason, then the Company has agreed to pay to Sanston a termination fee of \$40,000 plus GST, together with reimbursement of any costs and expenses already incurred.</p>
Undertakings and other terms	<p>The Company has given an undertaking that, during the 12 month period after the closing date of the Public Offer, it will not offer, sell or market, directly or indirectly, any Shares in the Company or any Securities that are otherwise convertible into Shares in the Company without the prior written consent of Sanston.</p>
Indemnity	<p>Except where any losses are directly and solely resulting from the wilful default, fraud or gross negligence of the indemnified parties, the Company has agreed to indemnify Sanston, its associates, related companies, directors, agents and staff against any loss arising directly or indirectly from or in relation to the Offers, the Sanston Mandate (including a breach of the Sanston Mandate), any advertising, publicity, statements and reports in relation to the Offers made by or with the agreement of the Company, the Prospectus or any document accompanying the Prospectus, any material non-compliance by the Company, its officers or employees with any applicable law, regulation or rule in relation to the Offers, and any review or investigation by ASIC, the ASX or any other governmental authority or agency.</p>
Future capital raising	<p>The Company has agreed to offer Sanston the lead role in any further</p>

	equity capital raising that is undertaken in connection with the Company within 12 months of completion of the Public Offer, subject to competitive terms in respect of pricing, fees and timing relative to market practices at the time.
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Annexure 5 – Summary of key provisions in new Constitution

Voting at a General Meeting	At a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Share held. On a poll, partly paid shares confer a fraction of a vote in proportion to the amount paid up on the share.
Meetings of members	Each Shareholder is entitled to receive notice of, attend and vote at meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the Listing Rules. At least 28 days' notice of a meeting must be given to Shareholders.
Dividends	<p>Subject to the Constitution, the Corporations Act and the Listing Rules, the Board may:</p> <ul style="list-style-type: none"> • resolve to pay dividends to Shareholders; • fix the amount of the dividend; • determine whether the dividend is franked, the franking percentage and the franking class; and • fix the time for determining entitlements to the dividend and the timing and method of payment. <p>The person entitled to a dividend on a Share is entitled to the entire dividend if the Share is fully paid or a proportionate amount if the Share is partly paid. A dividend may only be paid in accordance with the Corporations Act.</p>
Transfer of Shares	<p>Subject to the Constitution and the Corporations Act, Shares may be transferred by a proper transfer effected in accordance with the ASX Settlement Operating Rules, by a written instrument of transfer which complies with the Constitution or by any other method permitted by the Corporations Act, the Listing Rules or the ASX Settlement Operating Rules.</p> <p>The Board may refuse to register a transfer of shares where permitted to do so under the Corporations Act, the Listing Rules or the ASX Settlement Operating Rules. The Board must refuse to register a transfer of shares when required by the Corporations Act, the Listing Rules or the ASX Settlement Operating Rules.</p>
Issue of further Shares	Subject to the Constitution, the Corporations Act, the Listing Rules and the ASX Settlement Operating Rules and any rights and restrictions attached to a class of shares, the Company may issue, or grant options in respect of, further shares on such terms and conditions (including preferential, deferred or special rights, privileges or conditions, or restrictions) as the Directors resolve.
Winding up	If the Company is wound up, then subject to the Constitution and any special resolution or preferential rights or restrictions attached to a

	<p>class of shares, any surplus must be divided among the Company's members in the proportions which the amount paid (including amounts credited) on the shares of a member bears to the total amount paid and payable (including amounts credited) on the shares of all members of the Company.</p>
Variation of class rights	<p>At present, the Company's only class of shares on issue are ordinary shares. Subject to the Corporations Act and the terms of issue of a class of shares, the rights attaching to any class of shares may be varied or cancelled:</p> <ul style="list-style-type: none"> • with the consent in writing of the holders of three quarters of the issued shares included in that class; or • by a special resolution passed at a separate meeting of the holders of those shares. <p>In either case, in accordance with the Corporations Act, the holders of not less than 10% of the votes in that class of shares, the rights of which have been varied or cancelled, may apply to a court of competent jurisdiction to exercise its discretion to set aside such a variation or cancellation.</p>
Dividend reinvestment plan, dividend selection plan and bonus share plan	<p>The Constitution authorises the Directors, on any terms and at their discretion, to establish a dividend reinvestment plan (under which any member may elect that the dividends payable by the Company be reinvested by subscription for Securities) and a dividend selection plan and bonus share plan (whereby any member may elect to receive a dividend paid in whole or in part out of a particular fund or reserve or out of profits derived from a particular source, or to forego any dividends and to receive instead some other entitlement, including shares).</p>
Directors – number	<p>The minimum number of Directors is 3 and the maximum is fixed by the Directors but may not be more than 7 unless the Shareholders pass a resolution varying that number. Directors are elected at annual general meetings of the Company.</p>
Alteration of Constitution	<p>The Constitution can only be amended by special resolution passed by at least three quarters of Shareholders present (whether in person or by proxy) and entitled to vote at a general meeting of the Company. The Company must give at least 28 days' written notice of a general meeting of the Company.</p>



VOLTAGE IP LIMITED

Financial Services Guide and Independent Expert's Report

10 November 2015



FINANCIAL SERVICES GUIDE

RSM Financial Services Australia Pty Ltd ABN 22 009 176 354 AFSL 238 282 ("RSM Financial Services Australia Pty Ltd" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of an independent expert's report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No 238282;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we will provide

For the purpose of our report and this FSG, the financial service which we will be providing to you is the provision of general financial product advice in relation to securities.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge various fees for providing various different financial services. However in respect of the financial services being provided to you by us, fees will be agreed with, and paid by, the person who engages us to provide the report and such fees will be agreed on either a fixed fee or time cost basis. You will not pay to us any fees for our services; the Company will pay our fees. These fees are disclosed in the Report.

Of the fee we receive RSM Financial Services Australia Pty Ltd will retain 5% for the provision of licensing services and transfer 95% to RSM Australia Pty Ltd. For example if RSM Financial Services Australia Pty Ltd were to be paid \$50,000, we would retain \$2,500 and pay \$47,500 to RSM Australia.

Except for the fees referred to above, neither RSM Financial Services Australia Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.



Remuneration or other benefits received by our employees

All of our employees who provide or provided services in relation to the financial services being provided to you receive a salary. However, other employees of RSM Financial Services Australia Pty Ltd may be remunerated in other ways, such as salaries with the entitlement to earn a bonus, depending on meeting revenue, compliance and marketing targets throughout any given financial year. Such other remuneration structures are not relevant to the financial services being provided to you.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Financial Services Australia Pty Ltd is wholly owned by the partners of RSM Australia, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Australia Partners.

From time to time, RSM Financial Services Australia Pty Ltd, RSM Australia Partners, RSM Australia and / or RSM related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints Resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, RSM Financial Services Australia Pty Ltd, PO Box R1253, Perth, WA, 6844, +61 (0) 8 9261 9100.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact Details

You may contact us using the details set out at the top of our letterhead on page 1 of the Independent Expert's Report.

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Direct Line: (03) 9286 8167
Email: glyn.yates@rsm.com.au

10 November 2015

The Directors
Voltage IP Limited
Level 2, 470 Collins Street
Melbourne VIC 3000

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

- 1.1 On 26 June 2015, the Directors of Voltage IP Limited ("VIP" or "the Company") announced that VIP had executed a Term Sheet with the shareholders of KLE Products Sdn Bhd ("KLE") to acquire 100% of the issued shares in KLE ("the Proposed Transaction").
- 1.2 The proposed consideration ("Consideration") is the issue of 210,526,300 fully paid ordinary shares at \$0.05 per share in VIP to the shareholders of KLE ("the Vendors"), with 20,000,000 attaching share options exercisable at \$0.10 per share within three years of the date of issue. The Proposed Transaction, together with a number of other resolutions relating to the acquisition of KLE, is conditional on shareholder approval.
- 1.3 KLE is a private Malaysian company that manufactures conveyor chain systems and components, and former holder sets for rubber glove dipping lines. The majority of KLE's customers comprise Malaysian rubber glove manufacturing companies with a number of customers based in China.
- 1.4 Conditions precedent to the Proposed Transaction include VIP successfully completing a capital raising via the issue of a prospectus, to raise a minimum of \$3,000,000 and a maximum of \$5,000,000 through the issue of a minimum of 60,000,000 fully paid ordinary shares, and a maximum of 100,000,000 fully paid ordinary shares, priced at \$0.05 per share.
- 1.5 This Independent Expert's Report (the "Report" or "IER") has been prepared to accompany the Notice of Meeting and Explanatory Statement to shareholders for the General Meeting of VIP to be held on or about 18 December 2015 at which shareholder approval will be sought for a number of resolutions relating to the acquisition of KLE.

Resolution 1 – Issue of Convertible Notes

To consider and, if in favour, to pass the following Resolution as an ordinary resolution under the Corporations Act:

That, subject to the passing of each of the Essential Resolutions, for the purpose of Listing Rule 7.1 and for all other purposes, the Company is authorised to issue the Convertible Notes under the Loan and Convertible Note Agreements (as described in the Explanatory Statement).

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RSM Financial Services Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

1. Introduction (Cont.)

Resolution 2 – Conversion of Shares into a smaller number

To consider, and if in favour, to pass the following Resolution as an ordinary resolution under the Corporations Act:

That, subject to the passing of each of the Essential Resolutions, pursuant to section 254H of the Corporations Act and for all other purposes, the Shareholders approve the conversion of all Shares (on issue immediately before the Meeting) into a smaller number on the basis that every 25 Shares will be consolidated into 1 Share with effect immediately following the allotment of the Convertible Notes contemplated by Resolution 1 (as described in the Explanatory Statement).

Resolution 3 – Cancellation of Shares issued to Pok Seng Kong

To consider, and if in favour, to pass the following Resolution as a special resolution under the Corporations Act:

That, for the purposes of section 256C of the Corporations Act and for all other purposes, approval is given for the Company to make a selective reduction of its share capital and cancel (for no consideration) a total of 57,277,536 Shares (being 2,291,101 Shares following the consolidation contemplated by Resolution 2) held by Pok Seng Kong, with that cancellation taking effect 14 days after a copy of this Resolution is lodged with ASIC following the passing of this Resolution (as described in the Explanatory Statement).

Resolution 4 – Change of nature and scale of activities

To consider, and if in favour, to pass the following Resolution as an ordinary resolution under the Corporations Act:

That, subject to the passing of each of the Essential Resolutions, for the purpose of Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to:

- (a) make a significant change in the nature and scale of its activities;*
- (b) issue the Consideration Options with an exercise price of \$0.10 per Option;*
- (c) issue Shares with an issue price of \$0.05 per Share under the Public Offer; and*
- (d) issue Shares with a deemed issue price of \$0.03 per Share under the Debt to Equity Offer and the Noteholder Offer,*

in each case, as described in the Explanatory Statement.

Resolution 5 – Issue of Consideration Shares

To consider, and if in favour, to pass the following Resolution as an ordinary resolution under the Corporations Act:

That, subject to the passing of each of the Essential Resolutions, for the purpose of item 7 of section 611 of the Corporations Act, section 208 of the Corporations Act, Listing Rule 7.1, Listing Rule 10.11 and for all other purposes, the Shareholders approve the issue by the Company to the Vendors of 210,526,300 Consideration Shares (as described in the Explanatory Statement), with that allotment occurring at the same time as the allotment of all other Shares to be issued under the Prospectus and which will result in Wee Min Chen, Chin Eng Khoo, Wee Onn Chen and Ei Ling Chong each increasing their Voting Power from 0% up to a maximum of 67.72%.

Resolution 6 – Issue of Consideration Options

To consider, and if in favour, to pass the following Resolution as an ordinary resolution under the Corporations Act:

That, subject to the passing of each of the Essential Resolutions, for the purpose of item 7 of section 611 of the Corporations Act, section 208 of the Corporations Act, Listing Rule 7.1, Listing Rule 10.11 and for all other purposes, the Shareholders approve the issue by the Company to the Vendors of 20,000,000 Consideration Options (as described in the Explanatory Statement), with that allotment occurring at the same time as the allotment of the Shares to be issued under the Prospectus and which would have the potential to result in Wee Min Chen, Ching Eng Khoo, Wee Onn Chen and Ei Ling Chong each increasing their Voting Power from 67.72% (being the maximum Voting Power arising from the passing of Resolution 5) up to a maximum of 69.67%..

1. Introduction (Cont.)

Resolution 7 – Issue of Shares under the Public Offer, Debt to Equity Offer and Noteholder Offer

To consider, and if in favour, to pass the following Resolution as an ordinary resolution under the Corporations Act:

That, subject to the passing of each of the Essential Resolutions, for the purpose of section 208 of the Corporations Act, Listing Rule 7.1, Listing Rule 10.11 and for all other purposes, the Shareholders approve the issue by the Company of all Shares under the Public Offer, the Debt to Equity Offer and the Noteholder Offer (which may result in the allotment of up to 139,365,549 Shares, as described in the Explanatory Statement) with those allotments under the Prospectus all occurring at the same time.

Resolution 8 – Escrow arrangements

To consider, and if in favour, to pass the following Resolution as an ordinary resolution under the Corporations Act:

That, subject to the passing of each of the Essential Resolutions, for the purpose of item 7 of section 611 of the Corporations Act and for all other purposes, the Shareholders approve the acquisition by the Company of a Relevant Interest in the 210,526,300 Consideration Shares to be issued to the Vendors (together with any Shares that are issued as a result of the exercise of the 20,000,000 Consideration Options that are to be issued to the Vendors), acquired as a result of the escrow restrictions described in section 5.7 of the Explanatory Statement.

Resolution 9 – Appointment of Wee Min Chen

To consider, and if in favour, to pass the following Resolution as an ordinary resolution under the Corporations Act:

That, subject to the passing of each of the Essential Resolutions, Wee Min Chin (having consented to act) be elected as a director of the Company with effect from completion of the Acquisition.

Resolution 10 – Appointment of Ai Ling Chong

To consider, and if in favour, to pass the following Resolution as an ordinary resolution under the Corporations Act:

That, subject to the passing of each of the Essential Resolutions, Ai Ling Chong (having consented to act) be elected as a director of the Company with effect from completion of the Acquisition.

Resolution 11 – Ratification of the appointment of Francesco (Frank) Licciardello

To consider, and if in favour, to pass the following Resolution as an ordinary resolution under the Corporations Act:

That the appointment of Francesco (Frank) Licciardello as a director of the Company be ratified and approved by Shareholders.

Resolution 12 – Appointment of Craig Sanford

To consider, and if in favour, to pass the following Resolution as an ordinary resolution under the Corporations Act:

That, subject to the passing of each of the Essential Resolutions, Craig Sanford (having consented to act) be elected as a director of the Company with effect from completion of the Acquisition.

Resolution 13 – Adoption of new Constitution

To consider, and if in favour, to pass the following Resolution as a special resolution under the Corporations Act:

That, for the purpose of section 136(2) of the Corporations Act and for all other purposes, the Company adopts a new Constitution in the form as signed by the Chairman of the Meeting for identification purposes, in lieu of the existing Constitution of the Company.

1. Introduction (Cont.)

Resolution 14 – Financial benefit to a company controlled by Frank Licciardello

To consider, and if in favour, to pass the following Resolution as an ordinary resolution under the Corporations Act:

That, for the purpose of Listing Rule 10.11 and for all other purposes, the Shareholders approve the allotment of 3,500,000 Options to Sanston (a company controlled by Frank Licciardello) in accordance with the terms of the Sanston Mandate, with that allotment occurring at the same time as the allotment of all Shares to be issued under the Prospectus (as described in the Explanatory Statement), with that allotment occurring at the same time as the allotment of all Shares to be issued under the Prospectus.

- 1.6 Resolutions 1 to 8 are described as the "Essential Resolutions". Each of the Essential Resolutions are inter-conditional on the passing of the other Essential Resolutions, and the acquisition of KLE and the Offers (comprising the Public Offer, the Debt to Equity Offer and the Noteholder Offer) will not proceed unless all of the Essential Resolutions are approved by Shareholders.
- 1.7 The Directors of VIP have requested RSM Financial Services Pty Ltd ("RSMFS"), being independent and qualified for the purpose, to express an opinion as to whether Resolutions 5 and 6, together with the offer of Shares to Hock Guan Ng under the Debt to Equity Offer under Resolution 7 (the Proposed Transaction) are fair and reasonable to VIP shareholders not associated with the Proposed Transaction ("the Non-Associated Shareholders" or "Shareholders").
- 1.8 As set out above, if Resolutions 1 to 8 are not passed, the Proposed Transaction will not proceed as Resolutions 1 to 8 are effectively inter-conditional on the successful completion of the acquisition of KLE.
- 1.9 Having regard to Regulatory Guide 111 Content of Expert Reports ("RG 111"), we have therefore assessed whether Resolutions 1 to 8 are fair and reasonable to Non-Associated Shareholders through evaluating whether the Proposed Transaction is, as a whole, fair and reasonable to Non-Associated Shareholders.
- 1.10 The ultimate decision whether to approve the Proposed Transaction should be based on each Shareholder's assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Proposed Transaction, or matters dealt with in this Report, Shareholders should seek independent professional advice.
- 1.11 Under Resolution 14, Shareholder approval is also being sought for the issue of options to Sanston, on the basis that Sanston is a related party within the meaning of ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act.
- 1.12 We have been requested to provide our assessment of the fair value of the options provided to Sanston under Resolution 14.

2. Summary and Conclusion

- 2.1 In our opinion, and for the reasons set out in Sections 10 and 11 of this Report, for the purposes of Section 611, Item 7 of the Corporations Act 2001 and ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act, the Proposed Transaction is **fair and reasonable** for the Non-Associated Shareholders of VIP.

Fairness

- 2.2 In assessing the fairness of the Proposed Transaction, we have valued a share in VIP prior to and immediately after the Proposed Transaction as set out in the table below.

Valuation summary	Low \$	High \$	Preferred \$
Fair Value per share prior to the Proposed Transaction	\$Nil	\$Nil	\$Nil
Fair Value per share immediately after the Proposed Transaction	\$0.017	\$0.024	\$0.020

Table 1 – Valuation Summary

- 2.3 In our opinion, as the Fair Value of a VIP share immediately after the Proposed Transaction, is greater than the Fair Value of a VIP share prior to the Proposed Transaction, we consider the Proposed Transaction to be fair to the Non-Associated Shareholders of VIP.

2. Summary and Conclusion (Cont.)

Reasonableness

- 2.4 RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for the security holders to accept the offer in the absence of any higher bid.
- 2.5 Given that we have concluded that the Proposed Transaction is fair to the Non-Associated Shareholders of VIP, the Proposed Transaction is **reasonable**.
- 2.6 Notwithstanding the above discussion, we have given consideration, in section 11 of the Report, to the future prospects of VIP if the Proposed Transaction does not proceed, alternative offers, and the advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.
- 2.7 In our opinion, the key advantages of the Proposed Transaction are:
- the Proposed Transaction is fair;
 - the Company will seek approval for reinstatement to the Official List of the ASX. In the event that VIP's shares are successfully reinstated, this may provide Non-Associated Shareholders with some liquidity to crystallise the value of their shares;
 - there may be possible improvement in the liquidity of VIP shares if the Proposed Transaction creates increased interest in the Company and hence a more efficient market for shareholders to dispose of their shareholdings;
 - the proposed acquisition of KLE will provide shareholders with the opportunity to participate in the future development of an operating and profitable business;
 - as set out in paragraph 2.10 below, the Independent Auditor's Report for the year ended 30 June 2015 included an emphasis of matter that drew notice to the existence of a material uncertainty that may cast doubt over VIP's ability to continue as a going concern. In the event that the Company is able to raise a minimum of \$3 million (before deducting the costs of capital raising), its prospects of continuing as a going concern will be significantly improved;
 - notwithstanding further dilution in Non-Associated Shareholders' interests if KLE elects to exercise its options held in the event the Proposed Transaction is approved, the cash position of the Company will be improved accordingly.
- 2.8 The key disadvantages of the Proposed Transaction are:
- dilution of Non-Associated Shareholders' interests from 29.7% to between 0.28% to 0.31% (immediately after the Proposed Transaction); and
 - the dilution of Non-Associated Shareholders' interests reduces the ability of existing shareholders to influence the strategic direction of the Company, including acceptance or rejection of takeover or merger proposals.
- 2.9 If the Proposed Transaction is not successful and the loan amounts issued under Loan and Convertible Note agreements in relation to the proposed acquisition of KLE are not converted to shares, VIP will be required to repay these loans, on the earlier of the date that is 12 months after the date of the Loan and Convertible Note agreements issued in September 2015 and November 2015, or the date that is 10 days after the investor gives VIP an event of default notice. VIP will be required to raise funds in the short term to repay the loans and to pursue alternative investment proposals.
- 2.10 VIP's shares have remained suspended from trading since May 2007. At 30 June 2015, the Company disclosed a net debt position of \$702,000 and a net liability position of \$909,000. Included in the Independent Auditor's Report as set out in VIP's audited financial statements for the year ended 30 June 2015, was an emphasis of matter that, without modifying the auditor's unqualified opinion, drew notice to the existence of a material uncertainty that may cast doubt over VIP's ability to continue as a going concern. In the event that VIP is unable to raise sufficient funds in the short term, the Company may not be able to continue as a going concern.
- 2.11 We are not aware of any alternative proposals which may provide a greater benefit to the Non-Associated Shareholders of VIP at the date of this Report.
- 2.12 In the absence of any other relevant information and/or a superior offer, for the purposes of Section 611, Item 7 of the Corporations Act 2001 and ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of VIP.

2. Summary and Conclusion (Cont.)

Fair Value of Options proposed to be provided to Sanston under Resolution 14

- 2.13 We have valued the options proposed to be issued to Sanston using the hull-white Binomial Option pricing model at \$26,600 (\$0.076 per option).

3. Summary of the Proposed Transaction

- 3.1 On 26 June 2015, the Directors KLE announced that the Company had signed a non-binding Term Sheet for the purpose of acquiring 100% of the issued share capital of KLE.
- 3.2 The proposed Consideration is the issue of 210,526,300 fully paid ordinary shares ("Consideration Shares") in VIP to the Vendors, with 20,000,000 attaching Consideration Options exercisable at \$0.10 per share within three years of the date of issue. The Proposed Transaction is conditional on Shareholder approval.
- 3.3 The allotment of the Consideration Shares and Consideration Options to the Vendors are summarised in the table below.

Vendor	Consideration Shares	Consideration Options	%
Wee Min Chen	96,842,098	9,200,000	46.0%
Ei Ling Chong	96,842,098	9,200,000	46.0%
Chin Eng Khoo	8,421,052	800,000	4.0%
Wee Onn Chen	8,421,052	800,000	4.0%
Total	210,526,300	20,000,000	100.0%

Table 2 – Allotment of Consideration Shares and Consideration Options

Conditions Precedent

- 3.4 Conditions precedent to the Proposed Transaction include VIP successfully completing a capital raising via the issue of a prospectus, to raise a minimum of \$3,000,000 and a maximum of \$5,000,000 through the issue of a minimum of 60,000,000 fully paid ordinary shares, and a maximum of 100,000,000 fully paid ordinary shares, priced at \$0.05 per share.
- 3.5 Conditions precedent also include the following:
- at the date of this Report, VIP has 81,475,757 fully paid ordinary shares on issue. A condition precedent to the Proposed Transaction requires VIP to undertake a share consolidation where every 25 fully paid ordinary shares will be consolidated to 1 fully paid ordinary share in VIP ("Share Consolidation");
 - VIP converting certain loans and trade payables to equity by issuing fully paid ordinary shares in VIP at a price of \$0.03 per share ("Debt-to-Equity Conversions") under the Debt to Equity Offer (Resolution 7). The loans and trade payables to be converted as a condition precedent to the Proposed Transaction comprise the following:
 - related party loan from Hock Guan Ng totalling \$358,166.83;
 - third party loan from May Thian totalling \$304,116.40;
 - trade payables due to Assosec Pty Ltd ("Assosec") totalling \$61,560.74;
 - trade payables due to Dropwar Investments Pty Ltd ("Dropwar") totalling \$7,122.50; and
 - based on the total Debt-to-Equity Conversions of \$730,966.47 as set out above, VIP will issue an additional 24,365,549 fully paid ordinary shares on a post consolidation basis.

Convertible Notes

- 3.6 On 26 June 2015, the same date that the Proposed Transaction was announced, VIP also announced that it had raised \$250,000 by issuing convertible notes to professional and sophisticated investors at \$0.03 per note (on a post consolidation basis) with conversion to 1 fully paid ordinary share per note. The funds were to be applied to working capital and costs associated with the completion of the Proposed Transaction.
- 3.7 On 29 September 2015, VIP announced that it had raised further funds of \$150,000 by entering into a Loan and Convertible Note Agreement with Asenna Wealth Solutions Pty Ltd ("Asenna"), at \$0.03 per note (on a post consolidation basis).

3. Summary of the Proposed Transaction (Cont.)

Convertible Notes (Cont.)

- 3.8 On 29 September 2015, the Company also announced that the \$250,000 convertible note agreement with Soong Keng Tak ("SKT"), signed in June 2015 (and announced on 26 June 2015 as set out above), had been cancelled, with the agreement being replaced with a new Loan and Convertible Note Agreement with SKT, on terms substantially the same as the Loan and Convertible Note Agreement with Asenna.
- 3.9 A further Loan and Convertible Note Agreement was entered into with Asenna on 5 November 2015 for an additional \$50,000 at \$0.03 per note (on a post consolidation basis).
- 3.10 The total amounts loaned to VIP under the above Loan and Convertible Note Agreements, were \$450,000, with \$250,000 being loaned by SKT, and \$200,000 having been loaned by Asenna.
- 3.11 The Loan and Convertible Note Agreements provided that the moneys will initially constitute a simple loan to VIP. The loan moneys are to be applied as subscription moneys for convertible notes ("Convertible Notes") to be issued by the Company, subject to the Company obtaining Shareholder approval under Listing Rule 7.1 (Resolution 1) for the issue of these Convertible Notes.
- 3.12 All Convertible Notes will also automatically convert into fully paid ordinary shares in VIP if the Company receives notice of conditional approval from the ASX lifting the current suspension on VIP's shares.
- 3.13 SKT and Asenna have agreed to subscribe for the number of Convertible Notes that is equal to the relevant loan amount divided by the face value. Each Convertible Note will have a face value of \$0.0012 per note (plus any additional amounts that reflect capitalised interest), or \$0.03 per note on a post consolidation basis (plus any additional amounts that reflect capitalised interest).
- 3.14 Interest is payable by the Company on each of the Loan and Convertible Notes at a rate of 8% per annum, accruing daily and payable on the last business day of each month (except where the Company elects for interest to be capitalised, in which case the relevant interest will instead be added to the loan amount or the face value of the Convertible Note, as applicable).
- 3.15 If Convertible Notes are issued to SKT and/or Asenna (as applicable), then the relevant investor may elect to convert those Convertible Notes into shares by giving the Company a conversion notice at any time before those Convertible Notes are cancelled or redeemed (subject to the Company first obtaining any necessary Shareholder approval). As set out above, the Convertible Notes will also automatically convert into shares if the Company receives conditional approval from the ASX lifting the current suspension on VIP's shares. Accordingly, any Convertible Notes that are issued as a result of obtaining the necessary Shareholder approval under Listing Rule 7.1 at the General Meeting, will automatically convert into shares in conjunction with the capital raising.
- 3.16 Based on the above, and in the absence of any capitalised interest accrued on the loans, the \$450,000 in loans is expected to convert to the issue of 8,333,333 and 6,666,667 fully paid ordinary shares in the Company to SKT and Asenna, respectively (totalling 15,000,000 fully paid ordinary shares).

Terms of the Proposed Transaction

- 3.17 A summary of the key terms of the Proposed Transaction, together with transactions that are inter-conditional on the acquisition of KLE, are set out below:
 - (i) the issue of Convertible Notes to SKT and Asenna (Resolution 1);
 - (ii) the Share Consolidation where every 25 fully paid ordinary shares will be consolidated to 1 fully paid ordinary share in VIP (Resolution 2);
 - (iii) the cancellation of 57,277,536 fully paid ordinary shares (2,291,101 fully paid ordinary shares on a post consolidation basis) held by Pok Seng Kong (Resolution 3);
 - (iv) the Debt-to-Equity Conversions of \$730,966.47 to 24,365,549 fully paid ordinary shares on a post consolidation basis (Resolution 7) including related party approvals associated with the allotment of shares to Hock Ng;
 - (v) the issue of the 210,526,300 Consideration Shares at \$0.05 per share in VIP to the Vendors, with 20,000,000 attaching Consideration Options, exercisable at \$0.10 per share within three years of the date of issue (Resolutions 5 and 6);

3. Summary of the Proposed Transaction (Cont.)

Terms of the Proposed Transaction (Cont.)

- (vi) the acquisition of the Company of a Relevant Interest in the 210,526,300 Consideration Shares to be issued to the Vendors (together with any Shares that are issued as a result of the exercise of the 20,000,000 Consideration Options that are to be issued to the Vendors), as a result of the 24 month voluntary escrow conditions attached to the Consideration Shares and Consideration Options;
- (vii) a capital raising ("Capital Raising" or "the Public Offer") to comply with Chapters 1 and 2 of the ASX Listing Rules (relating to admission of an entity to the Official List and official quotation by the ASX of that entity's securities) as a result of the proposed change in the nature and scale of VIP's activities. Shareholder approval will be sought to raise a minimum of \$3,000,000 and a maximum of \$5,000,000 through the issue of a minimum of 60,000,000 fully paid ordinary shares, and a maximum of 100,000,000 fully paid ordinary shares, priced at \$0.05 per share;
- (viii) in the event the Proposed Transaction is approved, the Company will change the nature and scale of its activities (Resolution 4);
- (ix) the completion of the Capital Raising is a condition precedent of the Proposed Transaction. The Convertible Notes will automatically convert to shares in the event that Shareholder approval is obtained for the issue of the Convertible Notes, and subsequently, the Company receives conditional approval from the ASX lifting the current suspension on VIP's shares (Resolution 7); and
- (x) based on the above, and having regard to RG 111, we have therefore assessed whether Resolutions 1 to 8 (referred to as the Essential Resolutions in the Explanatory Statement) are fair and reasonable to Non-Associated Shareholders through evaluating whether the Proposed Transaction is, as a whole, fair and reasonable to Non-Associated Shareholders.

Effect of the Proposed Transaction on the capital structure of the Company

3.18 The table below summarises the capital structure of the Company prior to, and immediately following the Proposed Transaction.

	Minimum Raise		Maximum Raise	
	Number of shares	%	Number of shares	%
Prior to the Proposed Transaction				
Shares currently held by Non-Associated Shareholders	24,198,221	29.70%	24,198,221	29.70%
Shares currently held by Mr Pok Seng Kong	57,277,536	70.30%	57,277,536	70.30%
Total shares on issue prior to the Proposed Transaction	81,475,757	100.00%	81,475,757	100.00%
Effects of the Proposed Transaction				
Shares held by Non-Associated Shareholders after the Share Consolidation and the cancellation of shares held by Pok Seng Kong	967,929	0.31%	967,929	0.28%
Debt-to-Equity Conversions	24,365,549	7.84%	24,365,549	6.94%
Issue of Consideration Shares to Vendors	210,526,300	67.72%	210,526,300	60.00%
Capital Raising	60,000,000	19.30%	100,000,000	28.50%
Conversion of Convertible Notes to shares	15,000,000	4.83%	15,000,000	4.28%
Total shares on issue immediately after the Proposed Transaction	310,859,778	100.00%	350,859,778	100.00%

Table 3 – VIP share structure prior to and immediately after completion of the Proposed Transaction

- 3.19 The approval of the Proposed Transaction will result in the dilution of Non-Associated Shareholders' interest in VIP from 29.7% to between 0.28% (assuming a maximum of \$5 million is raised during the Capital Raising) to 0.31% (assuming a minimum of \$3 million is raised).
- 3.20 The approval of the Proposed Transaction will result in the Vendors collectively owning an interest of between 60.0% to 67.7% in the Company.

3. Summary of the Proposed Transaction (Cont.)

Effect of the Proposed Transaction on the capital structure of the Company (Cont.)

- 3.21 The Consideration to acquire KLE includes the issue of 20,000,000 attaching Consideration Options to the Consideration Shares, exercisable at \$0.10 per share, within three years of the date of issue.
- 3.22 As the Consideration Options are out of the money at the date of this Report, and therefore, have no impact on our assessment of fairness and reasonableness, we have excluded them from our analysis.

4. Purpose of this Report

Corporations Act

- 4.1 Section 606(1) of the Corporations Act provides that, subject to limited specified exemptions, a person must not acquire a "relevant interest" in issued voting shares in a public company, if as a result of the acquisition, any person's voting power in the company would increase from 20% or below to more than 20%, or, from a starting point that is above 20% and below 90%. In broad terms, a person has a "relevant interest" if that person holds shares or has the power to control the right to vote or dispose of shares. A person's voting power in a company is the number of voting shares in which the person (and its associates) holds, compared with the total number of voting shares in the company.
- 4.2 Completion of the Proposed Transaction will result in the Vendors increasing their relevant interests in the Company to between 60.0% to 67.7% (this interest may increase further should some or all of the Vendors exercise their Consideration Options).
- 4.3 Therefore the Company will be in breach of Section 606(1) of the Act in the absence of an applicable exemption.
- 4.4 Section 611, Item 7 of the Corporations Act provides an exemption to the rule noted in paragraph 4.1 above. Section 611, Item 7 allows a party (and its affiliates) to acquire a relevant interest in shares that would otherwise be prohibited under Section 606(1) of the Act if the proposed acquisition is approved in advance by a resolution passed at a general meeting of the Company; and:
 - 1. no votes are cast in favour of the resolution by the proposed acquirers or respective associates; and
 - 2. there was full disclosure of all information that was known to the persons proposed to make the acquisition or their associates or known to the Company that was material to a decision on how to vote on the resolution.
- 4.5 Section 611 states that shareholders must be given all information that is material to the decision on how to vote at the meeting. RG 111 advises the commissioning of an IER in such circumstances and provides guidance on the content.

Corporations Act and Listing Rule 10.11

- 4.6 Section 208(1) (contained in Chapter 2E) of the Corporations Act provides that for a public company to give a financial benefit to a related party, it must obtain its shareholders' prior approval or the giving of the financial benefit must fall within one of the prescribed exceptions in Chapter 2E.
- 4.7 Listing Rule 10.11 provides that, subject to exemptions specified in Listing Rule 10.12, an entity must not issue or agree to issue equity securities to a related party or a person whose relationship with the entity or a related party is, in the ASX's opinion, such that approval should be obtained, without the approval of holders of ordinary securities in the entity.
- 4.8 In accordance with Chapter 19 of the Listing Rules, a director of a public company is a related party of the public company. Spouses, parents and children of a director of a public company are also related parties of the public company.
- 4.9 If the Proposed Transaction is approved, the Company intends to appoint Wee Min Chen and Ai Ling Chong as Directors of the Company, subject to Shareholder approval (Resolutions 9 and 10). The issue of Consideration Shares and Consideration Options to Wee Min Chen and Ai Ling Chong may constitute the issue of shares and options to related parties and the giving of financial benefits to related parties on the basis that Wee Min Chen and Ai Ling Chong (the sister of Ei Ling Chong) will be appointed Directors of the Company as part of the acquisition of KLE.

4. Purpose of this Report (Cont.)

Corporations Act and Listing Rule 10.11 (Cont.)

- 4.10 The allotment of Shares under the Debt to Equity Offer to Hock Guan Ng may also constitute the giving of a financial benefit to a related party, on the basis that Hock Guan Ng was the registered holder of a controlling interest in the Company during the 6 months before the expected date for the allotment of Shares under the Debt to Equity Offer.
- 4.11 The allotment of options to Sanston may constitute the issue of options to related parties on the basis that Sanston is controlled by Frank Licciardello who will be appointed as a Director of the Company as part of the acquisition of KLE and associated transactions.
- 4.12 Whilst there is no formal requirement to obtain an independent expert's report in relation to the approval of related party transactions, ASIC advises that, to ensure that members are provided with sufficient information to assess a proposed related party transaction and decide how to vote, it may be necessary for entities to include a valuation from an independent expert with a notice of meeting for member approval under Chapter 2E where:
- the financial benefit is difficult to value;
 - the transaction is significant from the point of view of the entity; or
 - the non-interested directors do not have the expertise or resources to provide independent advice to members about the value of the financial benefit.
- 4.13 Our assessment of fairness and reasonableness of the Proposed Transaction under Section 611 of the Corporations Act contemplates issue of Consideration Shares and Consideration Options to Wee Min Chen and Ai Ling Chong and the allotment of Shares under the Debt to Equity Offer to Hock Guan Ng.
- 4.14 We have therefore also been requested to provide our assessment of the fair value of the Options proposed to be provided to Sanston under Resolution 14.

Basis of Evaluation

- 4.15 In determining whether the Proposed Transaction is "fair and reasonable" we have given regard to the views expressed by ASIC in RG 111.
- 4.16 RG 111 provides ASIC's views on how an expert can help security holders make informed decisions about transactions. Specifically it gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.
- 4.17 RG 111 states that the expert report should focus on:
- the issues facing the security holders for whom the report is being prepared; and
 - the substance of the transaction rather than the legal mechanism used to achieve it.
- 4.18 Where an issue of shares by a company otherwise prohibited under section 606 is approved under item 7 of section 611 and the effect on the company's shareholding is comparable to a takeover bid, RG 111 states that the transaction should be analysed as if it was a takeover bid.
- 4.19 RG 111 applies the "fair and reasonable" test as two distinct criteria in the circumstance of a takeover bid, stating:
- a takeover offer is considered "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer; and
 - a takeover offer is considered "reasonable" if it is fair or, where the offer is "not fair", it may still be "reasonable" if the expert believes that there are sufficient reasons for security holders to accept the offer.
- 4.20 Consistent with the guidelines in RG 111, in determining whether the Proposed Transaction is "fair and reasonable" to the Non-Associated Shareholders, the analysis undertaken is as follows:
- a comparison of the fair value of an ordinary share in VIP prior to and immediately following the Proposed Transaction, being the 'consideration' for Non-Associated Shareholders in the assessment of fairness; and
 - a review of other significant factors which Non-Associated Shareholders might consider prior to approving the Proposed Transaction in the assessment of reasonableness.

4. Purpose of this Report (Cont.)

Basis of Evaluation (Cont.)

- 4.21 In particular, we have considered the advantages and disadvantages of the Proposed Transaction in the event that the Proposed Transaction proceeds or does not proceed including:
- the future prospects of the Company if the Proposed Transaction does not proceed; and
 - any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.
- 4.22 Our assessment of the Proposed Transaction is based on economic, market and other conditions prevailing at the date of this Report.

5. Profile of VIP

- 5.1 VIP has historically operated as an investment holding company, with a focus on investments in the technology sector. However, the Company has not held investments in operating businesses since 2009 and has remained effectively dormant since 2009. The Company's shares last traded on 30 April 2007.
- 5.2 On 26 June 2015, the Company announced the Proposed Transaction.
- 5.3 The current Directors of VIP are set out below:
- Mr Pok Seng Kong (Non-Executive Chairman);
 - Mr Chin Hing How (Non-Executive Director); and
 - Mr Henry Choo (Non-Executive Director).
- 5.4 If the Proposed Transaction is approved, Mr How and Mr Choo will resign as directors. It is also anticipated that, shortly following the date of the Notice of Meeting, Mr Kong will resign as a director of the Company and Mr Frank Licciardello will be appointed as Director and Non-Executive Chairman.
- 5.5 The Company also intends to appoint the following persons as Directors of the Company:
- Mr Wee Min Chen (Executive Director) – Mr Chen is the Managing Director of KLE;
 - Ms Ai Ling Chong (Executive Director); and
 - Mr Craig Sanford (Non-Executive Director).
- 5.6 The appointment of the proposed new Directors is subject to approval of Shareholders (Resolutions 9, 10, 11 and 12).

5. Profile of VIP (Cont.)

Financial Performance

5.7 The table below sets out a summary of the financial performance of VIP for the three years ended 30 June 2015.

Voltage IP Limited Financial Performance	Ref	Year ended 30-Jun-15 <i>Audited</i> \$	Year ended 30-Jun-14 <i>Audited</i> \$	Year ended 30-Jun-13 <i>Audited</i> \$
Revenue	5.8	245	-	17
Expenses				
Employee benefits expense	5.9	-	-	136,355
Lodgement fees		(28,975)	(25,519)	(19,693)
Secretarial and share registry fees		(27,212)	(16,230)	(25,242)
Legal and professional fees		(39,000)	(11,780)	(21,180)
General and administrative expense		(1,477)	(1,869)	(1,792)
Loss from operations		(96,419)	(55,398)	68,465
Finance costs	5.10	(30,937)	(28,804)	37,589
Profit/(loss) before income tax expense		(127,356)	(84,202)	106,054
Income tax expense		-	-	-
Profit/(loss) after income tax expense for the year attributable to the owners of Voltage IP Limited	5.11	(127,356)	(84,202)	106,054
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss</i>		-	-	-
Other comprehensive income for the year, net of tax		-	-	-
Total comprehensive income for the year attributable to the owners of Voltage IP Limited	5.11	(127,356)	(84,202)	106,054

Table 4 – VIP Financial Performance

- 5.8 Revenue disclosed for the years ended 30 June 2015 and 30 June 2013 comprised interest income. VIP has not generated any operating revenue during the last three financial years.
- 5.9 Employee benefits expenses comprise total compensation paid to Directors and other key members of key Management personnel. The Directors made the decision to forgo all outstanding accrued fees from previous periods, resulting in a write back to employee benefits expense of \$136,000 recognised during the year ended 30 June 2013. During the 2013 financial year, the Directors also made the decision to suspend all key Management personnel payments while the Company's securities remained suspended.
- 5.10 Finance costs disclosed by the Company for the period under review comprised borrowing costs. The negative finance cost of \$38,000 disclosed for the 2013 financial year was due to Management's decision to recalculate interest accrued on loans made to the Company at 6% per annum, replacing the previous 1% compounding interest per month.
- 5.11 The Company disclosed net losses after tax of \$127,000 and \$84,000 for the years ended 30 June 2015 and 30 June 2014, respectively. The Company disclosed net profits after tax of \$106,000 for the year ended 30 June 2013 due primarily to the write back of employee benefits expense and the change in the method adopted for calculating accrued interest on loans made to VIP, as set out above.

5. Profile of VIP (Cont.)

Financial Position

5.12 The table below sets out the financial position of VIP as at 30 June 2015 and 30 June 2014.

Voltage IP Limited Financial Position	Ref	As at 30-Jun-15 <i>Audited</i> \$	As at 30-Jun-14 <i>Audited</i> \$
ASSETS			
Current assets			
Cash and cash equivalents	5.14	210,312	2,284
Trade and other receivables		2,943	312
Total current assets		<u>213,255</u>	<u>2,596</u>
Total assets		<u>213,255</u>	<u>2,596</u>
LIABILITIES			
Current liabilities			
Trade and other payables	5.17 - 5.19	209,543	188,465
Borrowings	5.14 - 5.16	912,283	595,346
Total current liabilities		<u>1,121,826</u>	<u>783,811</u>
Total liabilities		<u>1,121,826</u>	<u>783,811</u>
NET LIABILITIES	5.13	<u>(908,571)</u>	<u>(781,215)</u>
EQUITY			
Issued capital		46,485,796	46,485,796
Accumulated losses		(47,394,367)	(47,267,011)
TOTAL EQUITY	5.13	<u>(908,571)</u>	<u>(781,215)</u>

Table 5 – VIP Financial Position

5.13 VIP disclosed net liabilities of \$909,000 and \$781,000 at 30 June 2015 and 30 June 2014, respectively.

5.14 At 30 June 2015, the Company disclosed cash and cash equivalents of \$210,000. The increase in cash compared to \$2,000 at 30 June 2014 is due primarily to funds received as a result of the Loan and Convertible Note Agreement with SKT (refer paragraphs 3.6 to 3.16). The \$250,000 Loan amount has been recognised in current borrowings at 30 June 2015 as set out below.

5.15 Total current borrowings of \$912,000 at 30 June 2015 comprised the following:

- a related party loan due to Hock Guan Ng of \$358,000;
- a third party loan due to May Thian of \$304,000; and
- the Loan amount due to SKT of \$250,000.

5.16 The total loan amounts set out above will comprise part of the Debt-to-Equity Conversions and conversion of Convertible Notes as set out in paragraphs 3.5, 3.17(iv) and 3.17(ix), and summarised in Table 3.

5.17 At 30 June 2015, VIP disclosed trade and other payables of \$210,000 comprising the following amounts:

- trade payables of \$131,000;
- amounts owing to shareholders of \$46,000; and
- other payables and accruals of \$32,000.

5.18 Trade payables of \$131,000 included the following:

- amounts due to Assosec of \$62,000; and
- amounts due to Dropwar of \$7,000.

5. Profile of VIP (Cont.)

Financial Position (Cont.)

5.19 The amounts due to Assosec and Dropwar as set out above will comprise part of the Debt-to-Equity Conversions as set out in paragraphs 3.5 and 3.17(iv), and summarised in Table 3.

Capital Structure

5.20 As at the date of this Report, VIP has 81,475,757 ordinary shares on issue, of which 95.6% were held by the top 20 shareholders. The top 20 shareholders in VIP as at the date of this Report are set out in the table below.

5.21 Shareholder approval for the cancellation of 57,277,536 shares held by Pok Seng Kong (2,291,101 shares on a post consolidated basis) will be sought under Resolution 3.

	Number of shares	%
Mr Pok Seng Kong	57,277,536	70.3%
Amadeus Consulting Pty Ltd	2,427,420	3.0%
Mr Andrew Fox	2,427,420	3.0%
Mr James Donald Hanson	2,142,768	2.6%
Skydawn Pty Ltd <A/C Skydawn Super>	2,000,000	2.5%
Ms Diane Currie	1,826,613	2.2%
Mr Oscar Hauptman	1,798,386	2.2%
Info Investments Pty Ltd	1,276,300	1.6%
Baile Capital Corporation Ltd	1,155,194	1.4%
Mr Dave Helman	825,005	1.0%
HSBC Custody Nominees (Australia) Limited	681,838	0.8%
Accadia Limited	592,833	0.7%
Mr Robert Klein	585,094	0.7%
Network Box Pty Ltd	500,000	0.6%
Skydawn Pty Ltd	500,000	0.6%
Mr Paul Zambon	467,277	0.6%
Deko Corporation Pty Ltd	438,000	0.5%
Byrne Trust Company Limited <Uniful Worldwide S/F A/C>	367,388	0.5%
Mr John Brian Pitcher	307,232	0.4%
Mr Achal Kapila	293,864	0.4%
	77,890,168	95.6%
Other Shareholders	3,585,589	4.4%
Total	81,475,757	100.0%

Table 6 – VIP Shareholder Summary

6. Profile of KLE

Overview

- 6.1 KLE was established in 2002 and is a Malaysian domiciled manufacturer of conveyor chain systems and components ("the Business") primarily to support the rubber glove manufacturing industry.
- 6.2 The Business manufactures a range of roller conveyor chain systems and former holder sets according to customer specifications. KLE also sells the component parts associated with the conveyor chains and former holder sets.
- 6.3 The majority of KLE's customers comprise Malaysian rubber glove manufacturing companies with a number of customers based in China.

6. Profile of KLE (Cont.)

Overview (Cont.)

- 6.4 KLE operates out of its manufacturing facility and office premises located in Beranang, Selangor, Malaysia. The premises are owned by KLE.
- 6.5 The management team of KLE comprises the following:
- Mr Wee Min Chen (Managing Director);
 - Mr Ricky Chong (Head of Production); and
 - Mr Chin Eng Khoo (Marketing Director).
- 6.6 The company has two directors, Mr Wee Min Chen and Ms Kay Wen Chen. Ms Chen works full time in the Business in the accounting and finance department.
- 6.7 KLE has 2,500,000 ordinary shares on issue. The KLE shareholders (the Vendors) comprise the following:
- Mr Wee Min Chen – 1,150,000 shares;
 - Ms Ei Ling Chong – 1,150,000 shares;
 - Mr Wee Onn Chen – 100,000 shares; and
 - Mr Chin Eng Khoo – 100,000 shares.
- 6.8 KLE currently employs 134 employees, comprising 9 accounting, administrative and marketing employees, 22 production office employees (comprising technical and engineering managers and supervisors), and 103 production employees.

Financial Performance of KLE

- 6.9 The table below sets out a summary of the audited financial performance of KLE for the 10 months ended 30 June 2015 and the two years ended 30 June 2014.

KLE Products Sdn Bhd Financial Performance	Ref	10 Mths ended 30-Jun-15 Audited \$	10 Mths ended 30-Jun-15 Audited RM	Year ended 31-Aug-14 Audited \$	Year ended 31-Aug-14 Audited RM	Year ended 31-Aug-13 Audited \$	Year ended 31-Aug-13 Audited RM
Revenue	6.11	9,134,476	26,162,053	7,911,247	23,618,238	8,762,711	27,252,906
Cost of sales	6.15	(7,212,822)	(20,658,243)	(6,482,208)	(19,351,985)	(7,160,354)	(22,269,416)
Gross profit	6.16	1,921,654	5,503,810	1,429,039	4,266,253	1,602,357	4,983,490
<i>Gross profit margin</i>	6.19	21.0%	21.0%	18.1%	18.1%	18.3%	18.3%
Other income		20,519	58,769	4,553	13,594	24,499	76,195
Other operating expenses	6.17	(376,674)	(1,078,833)	(370,913)	(1,107,325)	(455,346)	(1,416,173)
EBITDA	6.18	1,565,499	4,483,746	1,062,679	3,172,522	1,171,510	3,643,512
<i>EBITDA margin</i>	6.19	17.1%	17.1%	13.4%	13.4%	13.4%	13.4%
Depreciation		(148,031)	(423,977)	(170,274)	(508,336)	(143,139)	(445,178)
EBIT		1,417,468	4,059,769	892,405	2,664,186	1,028,370	3,198,334
<i>EBIT margin</i>		15.5%	15.5%	11.3%	11.3%	11.7%	11.7%
Interest income		201	575	21,852	65,236	14,546	45,241
Finance costs		(201,116)	(576,016)	(300,370)	(896,726)	(255,954)	(796,041)
Profit before tax		1,216,552	3,484,328	613,886	1,832,696	786,963	2,447,534
Income tax expense		(342,865)	(982,000)	(231,125)	(690,000)	(287,691)	(894,749)
Profit for the year	6.20	873,687	2,502,328	382,761	1,142,696	499,272	1,552,785
<i>Net profit margin</i>		9.6%	9.6%	4.8%	4.8%	5.7%	5.7%

Table 7 – KLE Financial Performance

6. Profile of KLE (Cont.)

Financial Performance of KLE (Cont.)

Foreign currency translation

- 6.10 KLE's financial statements are presented in Ringgit Malaysia ("RM"). KLE's financial performance as set out in the table above has been translated into Australian dollars (\$ or A\$) at the average exchange rates for the 10 month period ended 30 June 2015, and the years ended 31 August 2014 and 31 August 2013, respectively (source: RBA) as follows:
- period ended 30 June 2015 – \$1 : RM2.8641;
 - year ended 31 August 2014 – \$1 : RM2.9854; and
 - year ended 31 August 2013 – \$1 : RM3.1101.
- 6.11 KLE disclosed total revenue of \$9.1 million (RM26.2 million) for the 10 months ended 30 June 2015 ("PE 15"), compared to \$7.9 million (RM23.6 million) and \$8.8 million (RM27.3 million) for the years ended 31 August 2014 ("FY 14") and 31 August 2013 ("FY 13"), respectively.
- 6.12 Total revenue decreased by 13.3% to RM23.6 million for FY 14 compared to RM27.3 million in FY 13. KLE recognises revenue on the date that goods are shipped to its customers. The decrease in revenue was attributed primarily to the timing of customer orders in accordance with completion dates for customer-built factories.
- 6.13 In addition to the timing of product shipments, production was also briefly interrupted during the period of May to July 2014. The majority of KLE's production employees are non-Malaysian citizens and require employment visas. Delays in government approval of a number of employment visas resulted in labour shortages during this period.
- 6.14 KLE disclosed total revenue of RM26.2 million for PE 15. The growth in revenue of 10.8% for PE 15 compared to FY 14, has been attributed primarily to increased demand from the rubber glove manufacturing industry, as well as the partial backlog of orders as a result of the interruption to production in mid-2014.
- 6.15 Cost of sales includes direct labour costs (primarily comprising production employee salaries and wages), and factory overheads including factory utilities and costs attributable to the utilisation and upkeep of factory plant and equipment.
- 6.16 KLE disclosed gross profit of \$1.9 million (RM5.5 million) for PE 15, compared to \$1.4 million (RM4.3 million) and \$1.6 million (RM5.0 million) for FY 14 and FY 13, respectively.
- 6.17 Other operating expenses comprised administrative, selling and other general expenses. Other operating expenses remained relatively consistent for the period under review, averaging circa \$430,000 per annum.
- 6.18 KLE disclosed earnings before interest, tax, depreciation and amortisation ("EBITDA") of \$1.6 million (RM 4.5 million) for PE 15, compared to \$1.1 million (RM3.2 million) and \$1.2 million (\$3.6 million) in FY 14 and FY 13, respectively.
- 6.19 Prior to adjustments to directors' remuneration and employee costs (discussed in further detail below), KLE disclosed an increase in gross profit margin from 18.1% in FY 14 to 21.0% for PE 15, and an increase in EBIT margin from 11.3% in FY 14 to 15.5% for PE 15.
- 6.20 Prior to adjustments discussed in further detail below, KLE disclosed net profits of \$874,000 (RM2.5 million) for PE 15, compared to \$383,000 (RM1.1 million) and \$499,000 (\$1.6 million) for FY 14 and FY 13, respectively.

6. Profile of KLE (Cont.)

Financial Performance of KLE (Cont.)

Adjustments for additional directors' remuneration and employee costs

6.21 The table below sets out a summary of total employee benefits expense and directors' remuneration disclosed by KLE for the periods under review.

KLE Products Sdn Bhd Employee benefits expense and directors' remuneration	PE 15 \$	PE 15 RM	FY 14 \$	FY 14 RM	FY 13 \$	FY 13 RM
Directors' remuneration (included in other operating expenses)	20,632	59,091	23,296	69,548	29,324	91,200
Employee benefits expense						
Direct labour costs included in cost of sales (comprising salaries, wages, contract wages and oncosts)	373,284	1,069,123	422,822	1,262,292	472,274	1,468,819
Other employee costs (included in other operating expenses)	17,709	50,720	83,414	249,024	140,250	436,192
Total employee benefits expense	390,993	1,119,843	506,236	1,511,316	612,524	1,905,011

Table 8 – KLE employee benefits expenses and directors' remuneration

Adjustments for directors' remuneration

- 6.22 As set out in the table above, directors' remuneration comprised \$21,000 (RM59,000), \$23,000 (RM70,000) and \$29,000 (RM91,000) for PE 15, FY 14 and FY 13, respectively.
- 6.23 KLE currently has two Directors, Mr Wee Min Chen and his daughter, Ms Kay Wen Chen. Prior to the appointment of Ms Chen as a Director in January 2014, the Company's two directors comprised Mr Chen and his brother, Mr Wi Kiong Chen. Mr Wi Kiong Chen does not work in the Business.
- 6.24 Ms Chen works full time in the accounts and finance department of KLE. Directors' remuneration recognised for the periods under review comprised the following:
- PE 15 – \$21,000 (RM59,000) comprising Ms Chen's total remuneration for the period, classified as director's remuneration;
 - FY 14 – \$14,000 (RM43,000) for both Mr Wee Min Chen and Mr Wi Kiong Chen, and \$9,000 (RM27,000) for Ms Kay Wen Chen. The latter comprised a reclassification to directors' remuneration from employee costs for Ms Chen from the date Ms Chen was appointed a director in KLE; and
 - FY 13 – \$29,000 (RM91,000) for both Mr Wee Min Chen and Mr Wi Kiong Chen.
- 6.25 A related company to KLE, Keng Lek Engineering Sdn Bhd ("Keng Lek") is owned by common directors and was established in 1986. Keng Lek primarily provides metal stamping of hardware mechanical parts. The metal stamping business primarily produces components for video/audio, electrical, telecommunications and automotive purposes. Keng Lek also expanded into the design and manufacture of precision mould and die and CNC turning parts.
- 6.26 To cater to growing demand from the rubber glove manufacturing industry, KLE was established in 2002 to focus on the manufacturing of conveyor chain systems and parts, and former holder sets for rubber glove dipping lines.
- 6.27 Keng Lek does not form part of the Proposed Transaction.
- 6.28 Prior to July 2015, Mr Wee Min Chen's remuneration was paid primarily through Keng Lek. A number of other employees were also employed by Keng Lek.
- 6.29 As part of the Proposed Transaction with VIP, KLE began transferring all relevant KLE employee contracts from Keng Lek to KLE during the months of July and August 2015.
- 6.30 Mr Wee Min Chen's current remuneration is RM448,800 per annum (circa \$150,000 per annum). We consider Mr Chen's current remuneration to be not unreasonable for his role as Managing Director of KLE.

6. Profile of KLE (Cont.)

Financial Performance of KLE (Cont.)

Adjustments for directors' remuneration (Cont.)

6.31 Based on the above, the table below sets out a summary of adjustments in relation to director's remuneration for Mr Chen.

Adjustments to earnings Director's remuneration	Ref	PE 15 \$	PE 15 RM	FY 14 \$	FY 14 RM	FY 13 \$	FY 13 RM
Assessed market value of Mr Wee Min Chen's remuneration	6.30	130,582	374,000	150,332	448,800	144,304	448,800
Director's remuneration paid to Mr Chen	6.24	20,632	59,091	14,415	43,035	29,324	91,200
Adjustment to earnings		109,950	314,909	135,916	405,765	114,980	357,600

Table 9 – Adjustments for director's remuneration

Adjustments for Marketing Director's remuneration

6.32 Mr Chin Eng Khoo is the Marketing Director of the Business. Prior to July 2015, Mr Khoo's remuneration was also paid through Keng Lek.

6.33 Mr Khoo's current remuneration is RM134,400 per annum (circa \$46,000 per annum). We consider Mr Khoo's remuneration to not be unreasonable and have therefore adjusted earnings for the periods under review for Mr Khoo's total remuneration of \$46,000 per annum.

Adjustments for other employee benefits expenses

6.34 We have been provided with monthly payroll listings for the period under review.

6.35 For FY 13, KLE disclosed circa 60 employees comprising 6 office staff members (accounting, administrative and marketing), 5 production office staff members (comprising technical and engineering managers and supervisors), with the remaining employees comprising production employees.

6.36 In addition to full-time employees, KLE also employs contractors on an as needed basis. KLE disclosed \$206,000 (RM640,000) in contract wages, in FY 13, compared to \$114,000 (RM341,000) and \$700 (RM2,000) in FY 14 and PE 15, respectively.

6.37 Contract wages have decreased over the period under review broadly in line with the increase in overtime wages paid to production employees.

6.38 We have reviewed monthly detailed payroll costs and consider that, with the exception of adjustments for Mr Chen and Mr Khoo's remuneration, total employee costs disclosed for FY 13 and FY 14 are not unreasonable.

6.39 Whilst employment costs have been shared between Keng Lek and KLE, we have not made further adjustments to employee costs for FY 13 and FY 14 on the basis that KLE incurred charges from Keng Lek for employee costs incurred by Keng Lek on behalf of KLE.

6.40 Based on detailed payroll costs for July and August 2015, we consider total employee costs (excluding director's remuneration) to be circa RM253,000 per month, totalling RM3.0 million per annum (circa \$1.0 million) for FY 15 or RM2.5 million (circa \$873,000) for PE 15.

6.41 Based on the above, the table below sets out a summary of adjustments to earnings in relation to employee benefits expenses.

6. Profile of KLE (Cont.)

Financial Performance of KLE (Cont.)

Adjustments for other employee benefits expenses (Cont.)

Adjustments to earnings Employee benefits expense	Ref	PE 15 \$	PE 15 RM	FY 14 \$	FY 14 RM	FY 13 \$	FY 13 RM
Assessed employee costs before Marketing Director's remuneration (rounded)	6.40	833,770	2,388,000	-	-	-	-
Adjustment for Marketing Director's remuneration	6.33	39,105	112,000	45,019	134,400	43,214	134,400
Less total employee benefits expense recognised	Table 8, 6.21	390,993	1,119,843	-	-	-	-
Adjustment to earnings for other employee benefits expense		481,882	1,380,157	45,019	134,400	43,214	134,400

Table 10 – Adjustments for employee benefits expense

6.42 The total adjustment for employee benefits expense of \$482,000 (RM1.4 million) as set out above has been attributed to the following:

- direct labour costs of \$324,000 (RM928,000) (with an impact to adjusted gross profit); and
- \$158,000 (RM452,000) in other operating employee benefits expense.

Adjusted Historical Financial Performance

6.43 The table below sets out a summary of KLE's adjusted earnings after the adjustments for director's remuneration and employee benefits expense.

KLE Products Sdn Bhd Adjusted Financial Performance	Ref	10 Mths ended 30-Jun-15 Adjusted \$	10 Mths ended 30-Jun-15 Adjusted RM	Year ended 31-Aug-14 Adjusted \$	Year ended 31-Aug-14 Adjusted RM	Year ended 31-Aug-13 Adjusted \$	Year ended 31-Aug-13 Adjusted RM
Revenue		9,134,476	26,162,053	7,911,247	23,618,238	8,762,711	27,252,906
Cost of sales		(7,212,822)	(20,658,243)	(6,482,208)	(19,351,985)	(7,160,354)	(22,269,416)
Adjustment to direct labour costs	6.41 - 6.42	(324,066)	(928,157)	-	-	-	-
Gross profit	6.44	1,597,588	4,575,653	1,429,039	4,266,253	1,602,357	4,983,490
<i>Gross profit margin</i>	6.44	17.5%	17.5%	18.1%	18.1%	18.3%	18.3%
Other income		20,519	58,769	4,553	13,594	24,499	76,195
Other operating expenses		(376,674)	(1,078,833)	(370,913)	(1,107,325)	(455,346)	(1,416,173)
Adjustment for directors' remuneration	6.31	(109,950)	(314,909)	(135,916)	(405,765)	(114,980)	(357,600)
Adjustment for Marketing Director's remuneration	6.41 - 6.42	(39,105)	(112,000)	(45,019)	(134,400)	(43,214)	(134,400)
Adjustment for other employee benefits expense	6.41 - 6.42	(118,711)	(340,000)	-	-	-	-
Adjusted EBITDA	6.45	973,667	2,788,680	881,743	2,632,357	1,013,315	3,151,512
<i>EBITDA margin</i>	6.46	10.7%	10.7%	11.1%	11.1%	11.6%	11.6%

Table 11 – KLE Adjusted Financial Performance

6.44 As set out in the table above, after adjustments for direct labour employee benefits expense, KLE disclosed gross profits of \$1.6 million, \$1.4 million and \$1.6 million for PE 15, FY 14 and FY 13. Net of adjustments for direct labour costs, adjusted gross profit margin was 17.5% for PE 15, relatively consistent with gross profit margins of 18.1% and 18.3% disclosed for FY 14 and FY 13, respectively.

6. Profile of KLE (Cont.)

Adjusted Historical Financial Performance (Cont.)

- 6.45 After adjustments for directors' remuneration, and other employee benefits expenses, KLE disclosed EBITDA of \$974,000 (RM2.8 million), \$882,000 (RM2.6 million) and \$1.0 million (RM3.2 million) for PE 15, FY 14 and FY 13, respectively.
- 6.46 Net of adjustments to earnings, adjusted EBITDA margin was 10.7% for PE 15, relatively consistent with EBITDA margins of 11.1% and 11.6% for FY 14 and FY 13, respectively.

Financial Position of KLE

- 6.47 The table below sets out a summary of KLE's financial position at 30 June 2015, 31 August 2014 and 31 August 2013.

KLE Products Sdn Bhd Financial Position	Ref	As at 30-Jun-15 Audited \$	As at 30-Jun-15 Audited RM	As at 31-Aug-14 Audited \$	As at 31-Aug-14 Audited RM	As at 31-Aug-13 Audited \$	As at 31-Aug-13 Audited RM
CURRENT ASSETS							
Inventories		2,170,539	6,304,549	2,426,034	7,159,227	2,270,438	6,684,169
Trade receivables		5,469,491	15,886,683	4,086,829	12,060,232	4,984,244	14,673,614
Other receivables, deposits and prepayments		47,441	137,798	138,088	407,498	78,382	230,758
Amounts due from related companies		15,453	44,884	15,210	44,884	-	-
Amounts due from directors		-	-	-	-	1,275,136	3,754,000
Fixed deposits with licensed bank		293,446	852,343	560,367	1,653,643	848,099	2,496,802
Cash and bank balances		15,469	44,930	34,214	100,966	6,388	18,806
Total current assets		8,011,839	23,271,187	7,260,742	21,426,450	9,462,686	27,858,149
NON-CURRENT ASSETS							
Property, plant and equipment		3,943,891	11,455,426	3,907,177	11,530,078	3,831,785	11,280,774
Total non-current assets		3,943,891	11,455,426	3,907,177	11,530,078	3,831,785	11,280,774
Total assets		11,955,730	34,726,613	11,167,919	32,956,528	13,294,471	39,138,923
CURRENT LIABILITIES							
Trade payables		2,762,748	8,024,678	2,214,581	6,535,229	2,284,996	6,727,028
Other payables and accruals		198,557	576,729	16,306	48,120	111,024	326,854
Amounts due to related companies		1,720,924	4,998,595	2,226,898	6,571,577	2,062,010	6,070,556
Amount due to directors		667,421	1,938,591	102,422	302,246	-	-
Provision for income tax		551,425	1,601,668	293,037	864,752	164,780	485,112
Bank overdraft		501,430	1,456,454	873,885	2,578,836	522,257	1,537,526
Other borrowings		1,118,247	3,248,059	1,337,012	3,945,523	1,906,609	5,613,058
Total current liabilities		7,520,751	21,844,774	7,064,142	20,846,283	7,051,676	20,760,134
NON-CURRENT LIABILITIES							
Other borrowings		1,099,360	3,193,201	1,329,697	3,923,935	1,472,546	4,335,175
Deferred tax liabilities		29,997	87,129	29,525	87,129	29,595	87,129
Total non-current liabilities		1,129,357	3,280,330	1,359,222	4,011,064	1,502,141	4,422,304
Total liabilities		8,650,108	25,125,104	8,423,364	24,857,347	8,553,817	25,182,438
NET ASSETS	6.49	3,305,622	9,601,509	2,744,555	8,099,181	4,740,654	13,956,485
EQUITY							
Share capital		860,704	2,500,000	847,170	2,500,000	849,185	2,500,000
Retained earnings		2,444,918	7,101,509	1,897,384	5,599,181	3,891,469	11,456,485
TOTAL EQUITY	6.49	3,305,622	9,601,509	2,744,555	8,099,181	4,740,654	13,956,485

Table 12 – KLE Financial Position

6. Profile of KLE (Cont.)

Financial Position of KLE (Cont.)

Foreign currency translation

- 6.48 KLE's financial position as set out in the table above has been translated into \$ at the spot exchange rates as at 30 June 2015, 31 August 2014 and 31 August 2013, respectively (source: RBA) as follows:
- 30 June 2015 – \$1 : RM2.9046;
 - 31 August 2014 – \$1 : RM2.9510; and
 - 31 August 2013 – \$1: RM2.9440.
- 6.49 Prior to the adjustments to earnings as set out in Table 11, KLE disclosed net assets of \$3.3 million and \$2.7 million at 30 June 2015 and 31 August 2014, respectively, as set out in Table 12 above.
- 6.50 During the year ended 31 August 2014, the directors declared and paid a dividend of circa \$2.3 million (RM7,000,000) in January 2014 in respect of FY 14.
- 6.51 During the 10 month period ended 30 June 2015, the directors declared and paid a dividend of circa \$349,000 (RM1,000,000) in March 2015 in respect of PE 15.

6. Profile of KLE (Cont.)

Financial Position of KLE (Cont.)

6.52 The table below sets out a summary of KLE's adjusted financial position on the basis that all adjustments to earnings are cumulatively recognised in retained earnings in PE 15, FY 14 and FY 13, respectively.

KLE Products Sdn Bhd Financial Position	Ref	As at 30-Jun-15 Adjusted \$	As at 30-Jun-15 Adjusted RM	As at 31-Aug-14 Adjusted \$	As at 31-Aug-14 Adjusted RM	As at 31-Aug-13 Adjusted \$	As at 31-Aug-13 Adjusted RM
CURRENT ASSETS							
Inventories	6.54	2,170,539	6,304,549	2,426,034	7,159,227	2,270,438	6,684,169
Trade receivables	6.54	5,469,491	15,886,683	4,086,829	12,060,232	4,984,244	14,673,614
Other receivables, deposits and prepayments	6.54	47,441	137,798	138,088	407,498	78,382	230,758
Amounts due from related companies	6.57	15,453	44,884	15,210	44,884	-	-
Amounts due from directors	6.57	-	-	-	-	1,275,136	3,754,000
Fixed deposits with licensed bank	6.56	293,446	852,343	560,367	1,653,643	848,099	2,496,802
Cash and bank balances		15,469	44,930	34,214	100,966	6,388	18,806
Total current assets		8,011,839	23,271,187	7,260,742	21,426,450	9,462,686	27,858,149
NON-CURRENT ASSETS							
Property, plant and equipment		3,943,891	11,455,426	3,907,177	11,530,078	3,831,785	11,280,774
Total non-current assets		3,943,891	11,455,426	3,907,177	11,530,078	3,831,785	11,280,774
Total assets		11,955,730	34,726,613	11,167,919	32,956,528	13,294,471	39,138,923
CURRENT LIABILITIES							
Trade payables	6.54	2,762,748	8,024,678	2,214,581	6,535,229	2,284,996	6,727,028
<i>Accrued adjusted directors' remuneration and employee benefits expenses</i>	6.53	938,935	2,727,231	349,768	1,032,165	167,120	492,000
Other payables and accruals	6.54	198,557	576,729	16,306	48,120	111,024	326,854
Amounts due to related companies	6.57	1,720,924	4,998,595	2,226,898	6,571,577	2,062,010	6,070,556
Amount due to directors	6.57	667,421	1,938,591	102,422	302,246	-	-
Provision for income tax	6.54	551,425	1,601,668	293,037	864,752	164,780	485,112
Bank overdraft	6.55	501,430	1,456,454	873,885	2,578,836	522,257	1,537,526
Other borrowings	6.55	1,118,247	3,248,059	1,337,012	3,945,523	1,906,609	5,613,058
Total current liabilities		8,459,686	24,572,005	7,413,910	21,878,448	7,218,796	21,252,134
NON-CURRENT LIABILITIES							
Other borrowings	6.55	1,099,360	3,193,201	1,329,697	3,923,935	1,472,546	4,335,175
Deferred tax liabilities		29,997	87,129	29,525	87,129	29,595	87,129
Total non-current liabilities		1,129,357	3,280,330	1,359,222	4,011,064	1,502,141	4,422,304
Total liabilities		9,589,043	27,852,335	8,773,132	25,889,512	8,720,937	25,674,438
NET ASSETS	6.53	2,366,687	6,874,278	2,394,787	7,067,016	4,573,534	13,464,485
EQUITY							
Share capital		860,704	2,500,000	847,170	2,500,000	849,185	2,500,000
Retained earnings		2,444,918	7,101,509	1,897,384	5,599,181	3,891,469	11,456,485
<i>Adjustment to retained earnings</i>	6.53	(938,935)	(2,727,231)	(349,768)	(1,032,165)	(167,120)	(492,000)
TOTAL EQUITY	6.53	2,366,687	6,874,278	2,394,787	7,067,016	4,573,534	13,464,485

Table 13 – KLE Adjusted Financial Position

6.53 Net of cumulative adjustments to earnings for the period ended 30 June 2015 and the two years ended 31 August 2014, KLE disclosed net assets of \$2.37 million and \$2.39 million at 30 June 2015 and 31 August 2014, respectively.

Working capital levels

6.54 At 30 June 2015, KLE disclosed working capital (calculated as inventories, trade receivables, other receivables, deposits and prepayments, less trade payables, other payables and accruals and provision for income tax), of \$4.17 million (RM12.13 million), compared to \$4.13 million (RM12.18 million) at 31 August 2014.

6. Profile of KLE (Cont.)

Financial Position of KLE (Cont.)

Net debt

- 6.55 At 30 June 2015, KLE disclosed total third party borrowings of \$2.7 million (RM7.9 million) compared to \$3.5 million (RM10.4 million) at 31 August 2014. At 30 June 2015, third party borrowings comprised the following:
- bank overdraft of \$501,000;
 - other current borrowings totalling \$1.12 million, comprising the following:
 - current hire purchase liabilities of \$84,000;
 - trust receipts of \$841,000; and
 - current term loan liabilities of \$193,000;
 - other non-current borrowings totalling \$1.10 million, comprising the following:
 - non-current hire purchase liabilities of \$40,000; and
 - non-current term loan liabilities of \$1.06 million.
- 6.56 Fixed deposits disclosed by KLE for the periods under review have been pledged to KLE's banker as security for the banking facilities of KLE.
- 6.57 At 30 June 2015, KLE also disclosed net amounts due to related companies and directors of \$2.4 million (RM6.9 million), compared to \$2.3 million (RM6.8 million) at 31 August 2014. At 30 June 2015, amounts due from/to related companies and amounts due to directors comprised the following:
- amounts due from related companies, KLE Industries Sdn Bhd and KLE Technologies Sdn Bhd, totalling \$15,000;
 - amounts due to related company, CKM Industries Sdn Bhd of \$38,000;
 - amounts due to Keng Lek of \$1.7 million;
 - CKM Industries Sdn Bhd, KLE Industries Sdn Bhd and KLE Technologies Sdn Bhd have minimum operations; and
 - amounts due to Mr Wee Min Chen of \$667,000.
- 6.58 At 30 June 2015, KLE disclosed net debt (calculated as cash and cash equivalents and fixed deposits, less total third party and related party borrowings) of \$4.8 million (RM13.9 million), compared to \$5.3 million (RM15.5 million) at 31 August 2014.
- 6.59 Hire purchase liabilities comprised plant and equipment acquired under hire purchase plans in relation to the Business.
- 6.60 The term loan was entered into in relation to the acquisition of land and buildings (comprising KLE's office premises and manufacturing facility) located in Beranang, Selangor, Malaysia. The land and buildings were acquired in December 2011 for circa \$3.0 million (RM8,771,000), including associated legal and stamp duty costs.
- 6.61 Land and buildings has been recognised in the balance sheet at cost. The most recent market valuation of the land and buildings was undertaken in December 2013 by Konsortium Perunding Hartanah Sdn Bhd on behalf of the United Overseas Bank (Malaysia) Berhad ("UOB"), for bank financing purposes. The market value of the land with vacant possession and good title was assessed at circa \$4.0 million (RM12,000,000).

7. Valuation Methodologies

- 7.1 In assessing the value of VIP prior to and immediately following the Proposed Transaction, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:
- the discounted cash flow ("DCF") method and the estimated realisable value of any surplus assets;
 - the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
 - the amount which would be available for distribution on an orderly realisation of assets;
 - the quoted price for listed securities; and
 - any recent genuine offers received.

7. Valuation Methodologies (Cont.)

7.2 We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows:

- Market Based Methods;
- Income Based Methods; and
- Asset Based Methods.

Market Based Methods

7.3 Market based methods estimate Fair Value by considering the market value of a company's securities or the market value of comparable companies. Market based methods include:

- the quoted price for listed securities; and
- industry specific methods.

7.4 The recent quoted price for listed securities method provides evidence of the Fair Value of a company's securities where they are publicly traded in an informed and liquid market.

7.5 Industry specific methods usually involve the use of industry rules of thumb to estimate the Fair Value of a company and its securities. Generally rules of thumb provide less persuasive evidence of the Fair Value of a company than other market based valuation methods because they may not account for company specific risks and factors.

Income Based Methods

7.6 Income based methods estimate value by calculating the present value of a company's estimated future stream of earnings or cash flows. Income based methods include:

- discounted cash flow methods; and
- capitalisation of future maintainable earnings.

7.7 The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company's cash flows at the end of the forecast period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.

7.8 The capitalisation of maintainable earnings methodology estimates the Fair Value of a business as being the product of a company's Future Maintainable Earnings ("FME") multiplied by an appropriate earnings multiple. The methodology is commonly applied where earnings are stable and a FME stream can be established with a degree of confidence. Capitalisation multiples can be applied to either estimates of future maintainable operating cash flows, EBITDA, EBIT or net profit after tax. The earnings from any non-trading surplus assets are excluded from the estimate of FME and the value of such assets is separately added to the value of the business in order to derive the total value of the company. The appropriate multiple to be applied is usually derived from an analysis of stock market trading multiples of comparable companies (which do not include a control premium) and the implied multiples paid in comparable transactions (which include a control premium).

Asset based methods

7.9 Asset based methodologies estimate the Fair Value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method;
- liquidation of assets method; and
- net assets on a going concern basis.

7.10 The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.

7. Valuation Methodologies (Cont.)

Asset based methods (Cont.)

- 7.11 The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame, reflecting a distressed liquidation value. The liquidation of assets method will result in a value that is lower than the orderly realisation of assets method, and is appropriate for companies in financial distress or when a company is not valued on a going concern basis.
- 7.12 The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding companies.

Selection of Valuation Methodologies

Valuation of VIP prior to the Proposed Transaction

- 7.13 In valuing a share in VIP prior to the Proposed Transaction, we have utilised the net assets on a going concern methodology and relied upon the net book value of assets and liabilities as set out in VIP's audited financial statements for the year ended 30 June 2015.
- 7.14 The Company's shares have remained suspended from trading since May 2007. We have therefore not utilised the quoted price of listed securities in our valuation of the shares in VIP.

Valuation of VIP immediately after the Proposed Transaction

- 7.15 In order to assess the Fair Value of a VIP share immediately after the Proposed Transaction, it is necessary to assess the Fair Value of the 100% equity interest in KLE.

Valuation of KLE

- 7.16 The capitalisation of FME is appropriate where earnings of the business are regular, maintainable, and sufficient to justify a value exceeding the value of the underlying assets.
- 7.17 We have, therefore, selected the capitalisation of FME methodology to value KLE.

Valuation of the Merged Group

- 7.18 To assess the fairness of the Proposed Transaction, we have estimated the Fair Value of VIP, and a share in VIP, immediately after the Proposed Transaction ("the Merged Group"). The Fair Value of the Merged Group is based on the combined Fair Values of VIP and KLE immediately following the Proposed Transaction, adjusted for a minority discount to reflect the fact that approval of the Proposed Transaction will result in the shareholders of KLE obtaining a controlling interest of between 60.0% to 67.7% in the equity of VIP.

8. Valuation of VIP

- 8.1 The basis of our evaluation of "fairness" is to compare the Fair Value of a VIP share prior to, and immediately after the Proposed Transaction.

Valuation of a VIP Share Prior to the Proposed Transaction (on a controlling basis)

- 8.2 Our assessment of the value of a VIP share using the net assets on a going concern basis is based on the audited net liabilities position of the Company at 30 June 2015, and adjusted for the value of an ASX listed company with no operations or trading business ("Listed Shell").
- 8.3 A Listed Shell may attract value as a vehicle by which another business can be vended into as an alternative to an initial public offering. In our experience, and having regard to the costs associated with conducting a compliance listing and having regard to existing shareholder spread, we consider that the value of the Listed Shell to be in the range of \$400,000 to \$600,000.
- 8.4 Our assessment of the Fair Value of a VIP share prior to the Proposed Transaction (on a controlling basis) is set out in the table below.

Voltage IP Limited Financial Position	As at 30-Jun-15 Audited \$	Ref	Prior to the Proposed Transaction Assessed Value		
			Low \$	High \$	Preferred \$
ASSETS					
Current assets					
Cash and cash equivalents	210,312	8.5	210,312	210,312	210,312
Trade and other receivables	2,943		2,943	2,943	2,943
Total current assets	213,255		213,255	213,255	213,255
Total assets	213,255		213,255	213,255	213,255
LIABILITIES					
Current liabilities					
Trade and other payables	209,543		209,543	209,543	209,543
Borrowings	912,283	8.5	912,283	912,283	912,283
Total current liabilities	1,121,826		1,121,826	1,121,826	1,121,826
Total liabilities	1,121,826		1,121,826	1,121,826	1,121,826
NET ASSETS	(908,571)		(908,571)	(908,571)	(908,571)
Add market value of the Listed Shell		8.3	400,000	600,000	500,000
Pro forma net liabilities			(508,571)	(308,571)	(408,571)
Number of shares on issue		3.18	81,475,757	81,475,757	81,475,757
Assessed Value per Share (controlling basis)			\$Nil	\$Nil	\$Nil

Table 14 – Assessed Fair Value of VIP prior to the Proposed Transaction

- 8.5 As set out in paragraphs 5.14 to 5.16, cash and cash equivalents and borrowings disclosed at 30 June 2015 included the recognition of \$250,000 in relation to the Loan and Convertible Note Agreement with SKT.
- 8.6 Based on the above, we consider the value of a VIP share prior to the Proposed Transaction to be \$Nil.
- 8.7 The methodologies applied represent the value of a controlling shareholding. Accordingly, we consider the value generated under the net assets on a going concern basis to incorporate a premium for control and a premium is not considered necessary to assess the value of VIP.

9. Valuation of the Merged Group

Valuation of KLE (on a controlling basis)

- 9.1 Future maintainable earnings represent the future earnings that existing operations could reasonably be expected to generate. An estimation of the FME of KLE has been capitalised based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies.

Assessment of Future Maintainable Earnings

- 9.2 As set out in Table 11 and paragraph 6.45, KLE disclosed an adjusted EBITDA of \$974,000 for PE 15 (\$1.2 million on an annualised basis), and \$882,000 and \$1.0 million for the years ended 31 August 2014 and 31 August 2013, respectively.
- 9.3 The growth in EBITDA for the periods under review has been attributed to the increase in demand from the rubber glove manufacturing industry.
- 9.4 Based on the above, we consider an appropriate assessment of future maintainable earnings at the EBITDA level to range between \$1.1 million to \$1.2 million.

EBITDA multiple

- 9.5 The earnings multiple used in FME valuations must reflect, as a minimum, the risks of the business, the future growth prospects of the business and the time value of money. Different multiples are used for application to different measures of earnings, for example:
- Profit after tax ("PAT"), also referred to as the Price Earnings multiple (or PE multiple);
 - Earnings before interest and tax ("EBIT"); or
 - Earnings before interest, tax, depreciation and amortisation (EBITDA).
- 9.6 The choice of earnings measure, and therefore the choice of the multiple, to be used in a valuation should reflect the purpose of the valuation.
- 9.7 We are valuing the Fair Value of the 100% equity interest in KLE. The valuation should therefore reflect the value of the underlying business and its capital and financing structure. We have selected the EBITDA earnings measure and multiple that excludes the impact of the debt structure of the entity, to generate an Enterprise Value of the Business. The net debt of KLE is therefore deducted from the Enterprise Value to arrive at the Fair Value of the equity of KLE.
- 9.8 The details of the comparable listed companies and the respective EBITDA multiples that we have used as a basis for determining the EBITDA multiple to be applied to KLE's FME are set out in Appendix 5.
- 9.9 The comparable listed company historical EBITDA multiples selected (excluding assessed outliers) ranged from a low of 4.8 times and a high of 13.1 times, with a mean and median of 8.8 and 8.1 times, respectively.
- 9.10 Based on the 10 comparable listed companies considered, only three companies disclosed forecast EBITDA multiples comprising 10.8 times, 13.6 times and 17.5 times, respectively.
- 9.11 For the purposes of this valuation, we have assessed an appropriate comparable company forecast EBITDA multiple of 9.0 to 10.0 times. A summary of adjustments applied to the EBITDA multiple is set out below.

KLE Products Sdn Bhd Assessed EBITDA multiple	Low	High
Comparable listed companies EBITDA multiple	9.0	10.0
Discount for size and business risk factors	(60.0%)	(55.0%)
Assessed EBITDA multiple on a minority interest basis	3.6	4.5

Source: Capital IQ and RSMFS analysis

Table 15 – Assessed EBITDA multiple (Minority Interest)

9. Valuation of the Merged Group (Cont.)

Valuation of KLE (on a controlling basis) (Cont.)

EBITDA multiple (Cont.)

9.12 In selecting the appropriate EBITDA multiple to apply to KLE's FME, we have considered the following:

- KLE is much smaller than the majority of the listed comparable companies selected (with the exception of Somi Conveyor Beltings Limited and ES Ceramics Technology Berhad), with less diversified revenue streams, lack of economies of scale, and limited access to debt and equity markets. The earnings multiples of these companies would therefore attract a significant premium over the earnings multiples of smaller entities such as KLE;
- the lack of long term contracts with customers; and
- KLE's operations are, in part, dependent on the current directors' and key management personnel's active roles in the management of the Business.

9.13 On the basis of the above, we have assessed the discount for size and other factors to be 55% to 60%.

9.14 We consider the EBITDA multiple to be applied to FME is in the range of 3.6 to 4.5 times (on a Minority Interest basis).

Control Premium

9.15 In the absence of a takeover premium, multiples of listed companies generally reflect the buying and selling of small parcels of shares, which therefore do not attract a control premium. The valuation of KLE is on a 100% basis.

9.16 Premiums for control are considered to range from 25% to 35%¹ applied at the equity value level.

9.17 Control premiums are typically assessed as a premium over the equity value of an entity. In determining the Fair Value of KLE, we have applied a control premium to the Enterprise Value of KLE. Consequently, we have selected a control premium of 25% at the Enterprise Value level (after allowing for an appropriate gearing level).

Assessment of working capital levels

9.18 As set out in paragraph 6.54, KLE disclosed a working capital position of \$4.17 million (RM12.13 million) at 30 June 2015, compared to \$4.13 million (RM12.18 million) at 31 August 2014.

9.19 Based on our review of historical working capital, we consider that KLE's working capital at 30 June 2015 is materially consistent with the likely ongoing working capital requirements of KLE.

Assessment of surplus assets

9.20 When using earnings or cash flow based valuation methodologies, if a company or business has assets that do not contribute to the operating cash flows of the core business, then the value of these "surplus assets", net of any realisation costs and tax payable on realisation, should be added to the value of the company or business determined using the earnings or cash flow methodology.

9.21 In assessing surplus assets, we have also considered the normal level of working capital required by the Company to assess the level of any surplus or deficiency in working capital at the valuation date.

9.22 As set out in paragraphs 6.60 and 6.61, KLE owns the land and buildings used as its office premises and manufacturing facility located in Beranang, Selangor, Malaysia. We consider the land and buildings purchased for circa \$3.0 million (RM8,771,000) in December 2011 to be an asset surplus to KLE's operations.

9.23 We have therefore added back the value of the land and buildings, net of assessed costs to sell assumed at 2% of market value, and deferred tax payable at the Malaysian statutory tax rate of 25% in our assessment of the valuation of a 100% equity interest in KLE. We have assumed the market value of the land and buildings to be RM12.0 million (\$4 million), consistent with the most recent market valuation undertaken for bank financing purposes.

¹ RSM Australia Control Premium Study 2013

9. Valuation of the Merged Group (Cont.)

Valuation of KLE (on a controlling basis) (Cont.)

Assessment of surplus assets (Cont.)

9.24 In the event that KLE sold its land and buildings, the Business would be required to incur rental expenses in relation to its office premises and manufacturing facility. We have therefore adjusted the assessed FME to include a rental expense of RM360,000 per annum (\$120,000 per annum) based on an assessed rental yield of 3% on the market value of the land and buildings of RM12.0 million.

Net Debt

9.25 As set out in paragraph 6.58, KLE disclosed net debt of \$4.8 million at 30 June 2015, compared to \$5.3 million at 31 August 2014.

9.26 Accordingly, we have deducted net debt of \$4.8 million from the Enterprise Value to arrive at the Equity Value of KLE.

Valuation of KLE under the FME methodology

9.27 The table below sets out our assessment of the Fair Value of the 100% equity interest in KLE.

KLE Products Sdn Bhd Capitalisation of FME methodology	Ref	RM	Low \$	High \$	Preferred \$
KLE FME (EBITDA level)	9.4		1,100,000	1,200,000	1,150,000
Less imputed rent (assuming 3% rental yield of market value)	9.24	(360,000)	(120,000)	(120,000)	(120,000)
Assessed KLE FME			980,000	1,080,000	1,030,000
Assessed EBITDA multiple	9.14		3.6	4.5	4.1
Enterprise Value (minority interest)			3,528,000	4,860,000	4,171,500
Control premium	9.17		25.0%	25.0%	25.0%
Enterprise Value (100% interest)			4,410,000	6,075,000	5,214,375
Less net debt (rounded)	9.26		(4,783,000)	(4,783,000)	(4,783,000)
Add surplus asset					
Value of land and buildings		12,000,000			
Less: costs to sell at 2%		(240,000)			
		11,760,000			
Less: deferred tax at 25%		(807,250)			
Value of land and buildings surplus asset (rounded in A\$)	9.23	10,952,750	3,651,000	3,651,000	3,651,000
Equity Value (100% interest)			3,278,000	4,943,000	4,082,375

Table 16 – Fair Value of the 100% equity interest in KLE

9.28 Based on the above, we have assessed the value of a 100% equity interest in KLE to be in the range of \$3.3 million to \$4.9 million, with a preferred value of \$4.1 million.

Valuation of VIP immediately after the Proposed Transaction

9.29 As required by RG 111, in order to provide an indication of the value of the Company immediately after the Proposed Transaction, we have calculated the theoretical value of a share in VIP immediately after the Proposed Transaction (the Merged Group).

9. Valuation of the Merged Group (Cont.)

Valuation of VIP immediately after the Proposed Transaction (Cont.)

9.30 The table below sets our assessment of the value per share of the Merged Group (on a controlling basis).

	Ref	Low \$	High \$	Preferred \$
Net liabilities prior to Proposed Transaction	Table 14	(508,571)	(308,571)	(408,571)
Debt-to-Equity Conversions	9.31	730,966	730,966	730,966
		222,395	422,395	322,395
Valuation of KLE (100% equity interest)	9.28	3,278,000	4,943,000	4,082,375
Capital raising	9.32	3,000,000	5,000,000	4,000,000
Less costs of capital raising	9.32	(300,000)	(500,000)	(400,000)
Conversion of Convertible Notes	9.33	450,000	450,000	450,000
Value of the Merged Group immediately after the Proposed Transaction (a)		6,650,395	10,315,395	8,454,770
Number of shares prior to the Proposed Transaction		81,475,757	81,475,757	81,475,757
Share Consolidation and cancellation of shares held by Pok Seng Kong	9.31	967,929	967,929	967,929
Debt-to-Equity Conversions	9.31	24,365,549	24,365,549	24,365,549
Issue of Consideration Shares to Vendors	9.31	210,526,300	210,526,300	210,526,300
Capital raising	9.32	60,000,000	100,000,000	80,000,000
Conversion of Convertible Notes (excluding capitalised interest)	9.33	15,000,000	15,000,000	15,000,000
Number of shares immediately after the Proposed Transaction (b)		310,859,778	350,859,778	330,859,778
Assessed value per share (on a controlling basis) (a) / (b)		\$0.021	\$0.029	\$0.026

Table 17 – Assessed Value of the Merged Group (on a controlling basis)

9.31 In the event the Proposed Transaction is approved, VIP will undertake the following:

- the Share Consolidation where existing shares will be consolidated to 1 share for every 25 shares on issue;
- the cancellation of ordinary shares currently held by Pok Seng Kong;
- the Debt-to-Equity Conversions where \$730,966 in amounts payable by the Company will be converted to 24,365,549 ordinary shares on a post consolidation basis at \$0.03 per share; and
- the issue of 210,536,300 Consideration Options and 20,000,000 Consideration Options to the Vendors. As set out in paragraph 3.22, as the Consideration Options are out of the money as at the date of this Report, and therefore, have no impact on our assessment of fairness and reasonableness, we have excluded them from our analysis.

9.32 The Company will also undertake the Capital Raising to raise between \$3,000,000 and \$5,000,000, less costs of the Capital Raising through the issue of between 60,000,000 and 100,000,000 shares at \$0.05 per share.

9.33 The Convertible Notes will automatically convert to shares in the event that Shareholder approval is obtained for the issue of the Convertible Notes, and subsequently, the Company receives conditional approval from the ASX lifting the current suspension on VIP's shares.

9.34 The value of the Merged Group as set out in the table above is the value of a VIP share on a controlling basis. Therefore, in our assessment of the Fair Value of a VIP share immediately after the Proposed Transaction on a non-controlling basis, we have reflected a discount for lack of control.

9. Valuation of the Merged Group (Cont.)

Valuation of VIP immediately after the Proposed Transaction (Cont.)

- 9.35 In the event the Proposed Transaction is approved, the Vendors will acquire a controlling interest of between 60.0% to 67.7% in VIP. The controlling interest will enable KLE to control the strategic direction of the Company, block general resolutions and accept takeover or merger proposals.
- 9.36 A discount for a minority interest (non-controlling interest) is the inverse of a premium for control. A premium for control is the amount or a percentage by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest in a business enterprise, to reflect the premium a buyer will pay to acquire control in a business enterprise.
- 9.37 RSM Australia Pty Ltd has conducted a study of 345 takeovers and schemes of arrangements involving companies listed on the ASX over the 7 years ended 30 June 2012 ("RSM Australia Control Premium Study 2013"). In determining the control premium, we compared the offer price to the closing trading price of the target company 20, 5 and 2 trading days pre the date of the announcement of the offer. Where the consideration included shares in the acquiring company, we used the closing share price of the acquiring company on the day prior to the date of the offer.
- 9.38 The findings are summarised below, showing the average control premium 20 days, 10 days and 2 days pre the date of the announcement of the offer.

	Number of Transactions	20 days pre	10 days pre	2 days pre
Average control premium - all industries	345	35.3%	29.3%	26.5%
Median control premium - all industries	345	29.0%	29.3%	26.5%

Source: RSM Control Premium Study 2013

Table 18 – Control Premium Study

- 9.39 We have applied the inverse of the control premium of 25% applied in our valuation of KLE in our assessment of a discount for lack of control. We have therefore applied a discount of 20.0% when assessing the value of a VIP share on a minority interest (non-controlling) basis.
- 9.40 The table below sets out our assessment of the value of a VIP share on a minority interest basis, immediately after the Proposed Transaction.

	Ref	Low \$	High \$	Preferred \$
Value of the Merged Group immediately after the Proposed Transaction (controlling basis)	Table 17	6,650,395	10,315,395	8,454,770
Number of shares	Table 17	310,859,778	350,859,778	330,859,778
Assessed value per share (controlling basis)		\$0.021	\$0.029	\$0.026
Discount for lack of control	9.39	(20.0%)	(20.0%)	(20.0%)
Assessed value per share (non-controlling basis)		\$0.017	\$0.024	\$0.020

Table 19 – Assessed Fair Value of a VIP share immediately after the Proposed Transaction (non-controlling basis)

- 9.41 Based on the above, we consider the Fair Value of a VIP share immediately after the Proposed Transaction to be in the range of \$0.017 to \$0.024, with a preferred value of \$0.020.

10. Is the Proposed Transaction Fair

10.1 In assessing whether we consider the Proposed Transaction to be fair to the Non-Associated Shareholders, we have valued a share in VIP prior to and immediately after the Proposed Transaction to determine whether a Non-Associated Shareholder would be better or worse off should the Proposed Transaction be approved. Our assessed values are summarised in the table below.

Valuation summary	Low \$	High \$	Preferred \$
Fair Value per share prior to the Proposed Transaction	\$Nil	\$Nil	\$Nil
Fair Value per share immediately after the Proposed Transaction	\$0.017	\$0.024	\$0.020

Table 20 – Valuation Summary

10.2 As the Fair Value of a VIP share immediately after the Proposed Transaction is greater than the Fair Value prior to the Proposed Transaction, and in the absence of any other relevant information, in our opinion, the Proposed Transaction is fair to the Non-Associated Shareholders of VIP.

11. Other Factors taken into Consideration in Forming our Opinion

11.1 As the Proposed Transaction is fair, it is therefore considered to be reasonable in accordance with the guidance provided by the ASIC. However, we have also considered the following:

- the future prospects of VIP if the Proposed Transaction does not proceed; and
- other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

Future Prospects of VIP if the Proposed Transaction does not proceed

11.2 If the Proposed Transaction is not successful and the loan amounts issued under Loan and Convertible Note agreements in relation to the proposed acquisition of KLE are not converted to shares, VIP will be required to repay these loans, on the earlier of the date that is 12 months after the date of the Loan and Convertible Note agreements issued in September 2015 and November 2015, or the date that is 10 days after the investor gives VIP an event of default notice. VIP will be required to raise funds in the short term to repay the loans and to pursue alternative investment proposals.

11.3 VIP's shares have remained suspended from trading since May 2007. At 30 June 2015, the Company disclosed a net debt position of \$702,000 and a net liability position of \$909,000. Included in the Independent Auditor's Report as set out in VIP's audited financial statements for the year ended 30 June 2015, was an emphasis of matter that, without modifying the auditor's unqualified opinion, drew notice to the existence of a material uncertainty that may cast doubt over VIP's ability to continue as a going concern. In the event that VIP is unable to raise sufficient funds in the short term, the Company may not be able to continue as a going concern.

Advantages and Disadvantages

11.4 In assessing whether the Non-Associated Shareholders are likely to be better off if the Proposed Transaction proceeds than if it does not, we have compared various advantages and disadvantages that are likely to accrue to the Non-Associated Shareholders.

Advantages

11.5 The Proposed Transaction is fair.

11.6 The Company will seek approval for re-quotation on the Official List of the ASX. In the event that VIP's shares are successfully reinstated, this may provide Non-Associated Shareholders with some liquidity to crystallise the value of their shares;

11.7 There may be possible improvement in the liquidity of VIP shares if the Proposed Transaction creates increased interest in the Company and hence a more efficient market for shareholders to dispose of their shareholdings.

11.8 The proposed acquisition of KLE will provide shareholders with the opportunity to participate in the future development of an operating and profitable business.

11. Other Factors taken into Consideration in Forming Our Opinion (Cont.)

Advantages and Disadvantages (Cont.)

Advantages (Cont.)

- 11.9 In the event that the Company is able to raise a minimum of \$3 million (before deducting the costs of capital raising), its prospects of continuing as a going concern will be significantly improved.
- 11.10 Notwithstanding further dilution in Non-Associated Shareholders' interests if KLE elects to exercise its options held in the event the Proposed Transaction is approved, the cash position of the Company will be improved accordingly.

Disadvantages

- 11.11 Non-Associated Shareholders' interest in VIP will be diluted from 29.7% to between 0.28% to 0.31% (immediately after the Proposed Transaction).
- 11.12 The dilution of Non-Associated Shareholders' interests reduces the ability of existing shareholders to influence the strategic direction of the Company, including acceptance or rejection of takeover or merger proposals.

Alternative Proposals

- 11.13 We are not aware of any alternative proposal at this time that would offer the Non-Associated Shareholders a premium over the terms offered by the Proposed Transaction.

Conclusion on Reasonableness

- 11.14 In our opinion, the position of the Non-Associated Shareholders if the Proposed Transaction is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is Reasonable for the Non-Associated Shareholders of VIP.
- 11.15 An individual shareholder's decision in relation to the Proposed Transaction may be influenced by his or her individual circumstances. If in doubt, shareholders should consult an independent advisor.

12. Fair Value of Options proposed to be provided to Sanston under Resolution 14

- 12.1 To assess the Fair Value of the options proposed to be provided to Sanston under Resolution 14, we have assessed the Fair Value of the options using the Hull-White Binomial option valuation model.
- 12.2 The key assumptions in our valuation and the basis of our assumptions are summarised below

Input	Assumption	Basis
Current Share Price	\$0.05	Based on price of shares being issued under the Public Offer
Exercise Price	\$0.10	Based on the terms of the options
Option Life	3 years	Based on the terms of the options
Expected share price volatility	50%	Based on the average historical 3 year volatility of the comparable listed companies as set out in Appendix 4
Risk Free Rate	2.04%	Based on the 3 year commonwealth government bond rate
Dividend Yield	0%	Based on the expectation that there will be no dividends issued over the life of the option
Early Exercise Multiple	2.5	Based on empirical studies of the average multiple of the exercise price that holders of options will generally opt to exercise the options prior to the option expiry date

12. Fair Value of Options proposed to be provided to Sanston under Resolution 14 (Cont.)

12.3 Based on the above, we have assessed a Fair Value of \$0.0076 per option and, therefore, the total Fair Value of the options proposed to be issued to Sanston has been assessed at \$26,600 ($3,500,000 \times \0.0076).

Yours faithfully

RSM FINANCIAL SERVICES AUSTRALIA PTY LTD



G YATES
Director



A GILMOUR
Director



Appendix 1 – Declarations and Disclosures

Declarations and Disclosures

RSM Financial Services Australia Pty Ltd holds Australian Financial Services Licence 238282 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

Our Report has been prepared in accordance with professional standard APES 225 “Valuation Services” issued by the Accounting Professional & Ethical Standards Board.

RSM Financial Services Australia Pty Ltd is beneficially owned by the partners of RSM Australia Pty Ltd (RSM Australia) a large national firm of chartered accountants and business advisors.

Mr Glyn Yates and Mr Andrew Gilmour are directors of RSM Financial Services Australia Pty Ltd. Mr Yates and Mr Gilmour are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert’s reports for transactions involving publicly listed and unlisted companies in Australia.

Reliance on this Report

This report has been prepared solely for the purpose of assisting the Non-Associated Shareholders of Voltage IP Limited in considering the Proposed Transaction. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

Reliance on Information

Statements and opinions contained in this Report are given in good faith. In the preparation of this Report, we have relied upon information provided by the Directors and Management of VIP and KLE and we have no reason to believe that this information was inaccurate, misleading or incomplete. However, we have not endeavoured to seek any independent confirmation in relation to its accuracy, reliability or completeness. RSM Financial Services Australia Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Financial Services Australia Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

Disclosure of Interest

At the date of this Report, none of RSM Financial Services Australia Pty Ltd, RSM, Glyn Yates, Andrew Gilmour nor any other member, director, partner or employee of RSM Financial Services Australia Pty Ltd and RSM Australia has any interest in the outcome of the Proposed Transaction, except that RSM Financial Services Australia Pty Ltd are expected to receive a fee of \$21,000 based on time occupied at normal professional rates for the preparation of this Report. The fees are payable regardless of whether Voltage IP Limited receives Shareholder approval for the Proposed Transaction, or otherwise.



Consents

RSM Financial Services Australia Pty Ltd consents to the inclusion of this Report in the form and context in which it is included with the Explanatory Memorandum to be issued to Shareholders. Other than this Report, none of RSM Financial Services Australia Pty Ltd, RSM Australia and RSM Australia Partners has been involved in the preparation of the Notice of General Meeting and Explanatory Statement. Accordingly, we take no responsibility for the content of the Notice of General Meeting and Explanatory Statement as a whole.

Appendix 2 – Sources of Information

In preparing this Report we have relied upon the following principal sources of information:

- Drafts and final copies of the Notice of Meeting for VIP;
- Drafts and final copies of the Share Sale Agreement between VIP and the shareholders of KLE;
- VIP audited financial statements for the three years ended 30 June 2015;
- KLE audited financial statements for the 10 months ended 30 June 2015 and the two years ended 31 August 2014;
- ASX announcements of VIP;
- Discussions with management of VIP;
- Discussions with management of KLE; and
- Capital IQ.



Appendix 3 – Glossary of Terms and Abbreviations

Term or Abbreviation	Definition
Act or Corporations Act	Corporations Act 2001
Asenna	Asenna Wealth Solutions Pty Ltd
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
Capital Raising or Public Offer	The proposed capital raising to comply with Chapters 1 and 2 of the ASX Listing Rules with Shareholder approval sought to raise a minimum of \$3,000,000 and a maximum of \$5,000,000 through the issue of a minimum of 60,000,000 fully paid ordinary shares, and a maximum of 100,000,000 fully paid ordinary shares, priced at \$0.05 per share (Resolution 7)
Cash flow	Cash that is generated over a period of time by an asset, group of assets, or business enterprise. It may be used in a general sense to encompass various levels of specifically defined cash flows. When the term is used, it should be supplemented by a qualifier (for example, "discretionary" or "operating") and a specific definition in the given valuation context
Convertible Notes	Refer to Loan and Convertible Note Agreements below.
Company or VIP	Voltage IP Limited
Cost of Capital	The expected rate of return that the market requires in order to attract funds to a particular investment
Debt-to-Equity Conversions	The proposed conversion of \$730,966 in amounts owing by the Company to 24,365,549 fully paid ordinary shares on a post consolidation basis under the Debt to Equity Offer (Resolution 7)
Discount Rate	A rate of return used to convert a future monetary sum into present value
Directors	The directors of VIP
Discounted Cash Flow Method (DCF)	A method within the income approach whereby the present value of future expected net cash flows is calculated using a discount rate
Enterprise Value	Fair market value of a business on a cash free, debt free basis
Equity	The owner's interest in property after deduction of all liabilities
Fair Value or Fair Market Value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction
Going concern	An ongoing operating business enterprise
Keng Lek	Keng Lek Engineering Services Sdn Bhd
KLE	KLE Products Sdn Bhd



Term or Abbreviation	Definition
Management	Management of VIP
Merged Group	KLE and VIP immediately following the Proposed Transaction
Loan and Convertible Note Agreements	Loan and Convertible Note Agreements issued between VIP and SKT and Asenna for amounts of \$250,000 and \$200,000, respectively in connection with the Proposed Transaction. The Loans will be converted into Convertible Notes if approval is obtained by Shareholders pursuant to Resolution 1 as set out in this Report. The Convertible Notes will automatically convert to 15,000,000 fully paid ordinary shares in the Company on a post consolidation basis (plus any additional shares attributable to capitalised interest) in the event that Resolution 1 is approved, and subsequently, the Company receives conditional approval from the ASX lifting the current suspension on VIP's shares (Resolution 7)
Non-Associated Shareholders or Shareholders	Shareholders not associated with the Proposed Transaction
Proposed Transaction	Resolutions 5 and 6, together with the offer of Shares to Hock Guan Ng under the Debt to Equity Offer under Resolution 7.
Report or IER	This Independent Expert's Report
RG 111	ASIC Regulatory Guide 111 Content of expert Reports
RG 112	ASIC Regulatory Guide 112 Independence of Experts
RM	Ringgit Malaysia or Malaysian Ringgit
RSMFS	RSM Financial Services Australia Pty Ltd
Sanston	Sanston Securities Australia Pty Ltd
Share Consolidation	The proposed conversion of all shares on issue prior to the Proposed Transaction on the basis of every 25 shares will be consolidated into 1 share (Resolution 2)
Shares	Fully paid ordinary shares in VIP
SKT	Soong Keng Tak
\$ or A\$	Australian Dollars

Appendix 4 – Comparable Listed Companies

KLE Products Sdn Bhd Comparable Companies	Company description
Somi Conveyor Beltings Limited	Somi Conveyor Beltings Limited manufactures and sells industrial conveyor belts in India. It offers general purpose, heat resistant, fire resistant, and oil resistant conveyor belts; and special purpose conveyor belts, such as bullet proof, chevron, rough top, pipe conveyor, and fusion belts, as well as rubber sheets and mattings, maintenances conveyor belts, and steel cord beltings. Somi Conveyor Beltings Limited was incorporated in 2000 and is headquartered in Jodhpur, India.
Careplus Group Berhad	Careplus Group Berhad, an investment holding company, is engaged in the manufacture, processing, and trade of gloves in Central and South America, North America, Malaysia, and the Asia Pacific. The company offers latex examination gloves for use in medical examinations and procedures, diagnostic procedures by dentists, laboratory practices, and food handling practices. It also processes and packs synthetic gloves, including nitrile gloves, which are used in medical examinations and procedures, laboratory practices, and the automotive industry, as well as vinyl gloves for short-term procedures and minimal risk protection. In addition, the company provides surgical gloves for precise medical and surgical applications; cleanroom gloves for use in semiconductor, electronic, aerospace, pharmaceutical, and biotechnology industries; and medical disposable products, such as facemasks, respirators, and latex dental dams, as well as trades gowns, caps, and shoe covers for other third party labels. Further, it provides quality control services for outsourced gloves; and acts as a commission agent, representative, processor, distributor, importer, and exporter of various types of hand-gloves. The company offers its products under the Rubbercare, Guardian, Careplus, MasterClean Comfort, MasterClean Protection, Sunshine, and other third party labels. Careplus Group Berhad was founded in 1988 and is based in Seremban, Malaysia.
ES Ceramics Technology Berhad	ES Ceramics Technology Berhad, an investment holding company, designs, develops, manufactures, and distributes ceramic hand formers in Malaysia and Thailand. The company's ceramic formers include examination, surgical, household, industrial, balloon, and specialty dipping formers. It is also involved in marketing and distributing ceramic hand formers for the rubber gloves industry. The company is based in Ipoh, Malaysia.
Karex Berhad	Karex Berhad, an investment holding company, manufactures and sells condoms under the Carex and INNO brand names. It offers lubricating jellies; latex probe covers; foley balloon catheters for transurethral drainage of the urinary bladder; and rubber finger gloves, hand gloves, and products from rubber, as well as latex sleeves. The company operates in Africa, Asia, the Americas, and Europe. It serves brand owners, government, and non-government agencies. The company was founded in 1988 and is based in Pontian, Malaysia.
Kossan Rubber Industries Berhad	Kossan Rubber Industries Berhad, an investment holding company, manufactures and sells rubber products in Malaysia and internationally. It operates through four segments: Technical Rubber Products, Gloves, Cleanroom Products, and Others. The company offers moulded and extruded rubber products for use in automotive, industrial, pipe seals and gaskets, and construction and civil engineering applications; engineered rubber products, including marine dock fenders, bridge expansion joint systems, rubber bearing pads, rubber waterstops, and compression seals; and colored EPDM chips and granules for athletic running tracks, playgrounds, walkways, and commercial surfaces. It also offers rubber rolls for paper and printing industries, steel rolling mills, textiles industry, plywood factories, etc.; EVA sheets; and PU products comprising PU rollers, precision PU articles, and PU tubing sleeves and robs. In addition, the company is involved in the manufacture of rubber latex examination gloves, nitrile examination gloves, rubber latex surgical, and procedure and examination gloves. Further, it engages in the fabrication and installation of machinery; and trading of latex examination gloves and cleanroom products. The company was founded in 1979 and is based in Klang, Malaysia. Kossan Rubber Industries Berhad is a subsidiary of Kossan Holdings (M) Sdn Bhd.
Rubberex Corporation (M) Berhad	Rubberex Corporation (M) Berhad, an investment holding company, manufactures and sells household and industrial rubber gloves. It offers natural rubber, synthetic rubber, and vinyl gloves for household, industrial, professional, and food handling applications, as well as reusable synthetic gloves and disposable vinyl gloves. The company is also involved in trading of gloves and other latex products, household items, kitchen items, and personal protective products. It operates in Malaysia, the People's Republic of China, and Europe. Rubberex Corporation (M) Berhad was founded in 1987 and is based in Ipoh, Malaysia.
Top Glove Corporation Berhad	Top Glove Corporation Berhad, an investment holding company, manufactures and trades rubber gloves primarily in Malaysia, Thailand, China, and internationally. Its products include latex, nitrile, vinyl, surgical, household, cleanroom, cast polyethylene, thermoplastic elastomer, thermoformed film packaged, and industrial/long length high risk gloves. The company is also involved in the production and sale of concentrate latex, property investment, trading of machinery, and plantation of rubber trees. Top Glove Corporation Berhad was founded in 1991 and is headquartered in Klang, Malaysia.
Nitta Corporation	Nitta Corporation manufactures and sells belt, rubber, hose, and tube products in Japan and internationally. The company operates in six segments: Belt and Rubber Products Operations, Hose and Tube Products Operations, Other Industrial Products Operations, Management Consulting Operations, Real Estate Operations, and Other Operations. It offers power transmission belts, including PolySprint, Polybelt, New Light Grip, and Super Endless belts; and conveyor units, such as curve, spiral, non-snaking, and junction conveyor systems. The company also provides tubing and fittings primarily for pneumatic equipment, semiconductor manufacturing equipment, and industrial robots; industrial wipers and molded rubber products; mechatronics sensor products; thermal sensitive adhesive tapes; and RFID magnetic sheets. In addition, the company is involved in real estate rental; driving school; and forestry business activities. Further, it provides management consulting services. The company was formerly known as Nitta Belting Co., Ltd. and changed its name to Nitta Corporation in 1982. Nitta Corporation was founded in 1885 and is headquartered in Osaka, Japan.

Appendix Table 1 – Comparable companies



KLE Products Sdn Bhd Comparable Companies	Company description
Oriental Chain Mfg. Co., Ltd.	Oriental Chain Mfg. Co., Ltd. manufactures and sells roller chains, conveyor chains, and sprockets in Japan and internationally. Its products include stainless and nickel plated, extra heavy duty, and top roller chains, as well as roller chains with outboard rollers; plastic, hollow pin, selube, mini pitch, super shield, leaf, circular, attachment, bai speed, low temperature, deep link and straight link plate, and economical series chains, as well as wide chains with cross rods and chain couplings; and double pitch conveyor chains. The company was founded in 1947 and is based in Hakusan, Japan.
Hsin Yung Chien Co., Ltd.	Hsin Yung Chien Co., Ltd. manufactures and sells rubber conveyor belts, rubber sheets, and industrial fabrics under KING brand name in Taiwan. Its product portfolio includes straight warp conveyor belts; light duty conveyor belt; chevron conveyor belts; steel cord conveyor belts; and Kevlar conveyor belt. The company also offers specialty conveyor belts, including heat, oil, flame, abrasion, cold, and chemical resistant belts; and pipe, rip stop, side wall, and EP/NN conveyor belts, as well as seal belts and bucket elevator belts. Its products are used in various applications comprising industry, aviation, mining, gravel, cement, iron and steel, power plant, construction, animal husbandry, agriculture, logistic, food, wharf, coal, papermaking, etc. The company was formerly known as Hsin Yung Chien Industrial Co., Ltd. and changed its name to Hsin Yung Chien Co., Ltd. in 2003. Hsin Yung Chien Co., Ltd. was founded in 1968 and is based in Nantou, Taiwan.

Source: Capital IQ

Appendix Table 1 – Comparable companies



Appendix 5 – Comparable Listed Company EBITDA Multiples

KLE Products Sdn Bhd Comparable Company Multiples	Country	Net Assets	Net Tangible Assets	Revenue	Historical EBITDA	Forecast EBITDA	Market Cap.	Net Debt	Enterprise Value (EV)	Ratios	
										Historical EV EBITDA	Forecast EV EBITDA
		\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m		
Somi Conveyor Beltings Limited	India	-	-	13.4	2.1	-	11.7	4.1	15.8	7.6	n/a
Careplus Group Berhad	Malaysia	25.7	25.6	58.3	9.4	-	56.8	24.5	81.3	8.6	n/a
ES Ceramics Technology Berhad	Malaysia	11.8	11.3	8.9	2.7	-	24.0	(4.8)	19.2	7.2	n/a
Karex Berhad	Malaysia	148.9	140.3	102.4	27.3	37.0	712.4	(63.8)	648.6	23.7	17.5
Kossan Rubber Industries Berhad	Malaysia	317.9	316.2	497.9	86.7	127.1	1,679.0	48.2	1,727.2	19.9	13.6
Rubberex Corporation (M) Berhad	Malaysia	77.9	77.0	102.4	14.2	-	55.1	13.2	68.3	4.8	n/a
Top Glove Corporation Berhad	Malaysia	527.0	505.1	849.1	121.7	147.0	1,673.2	(78.9)	1,594.3	13.1	10.8
Nitta Corporation	Japan	882.2	877.8	658.4	62.8	-	984.8	(238.9)	745.8	11.9	n/a
Oriental Chain Mfg. Co., Ltd.	Japan	12.4	12.1	36.6	2.8	-	22.0	7.4	29.4	10.4	n/a
Hsin Yung Chien Co., Ltd.	Taiwan	82.9	82.9	90.4	28.0	-	228.1	(41.8)	186.4	6.7	n/a
Mean (all)										11.4	14.0
Median (all)										9.5	13.6
Min (all)										4.8	10.8
Max (all)										23.7	17.5
Mean (excl. Karex and Kossan Rubber)										8.8	10.8
Median (excl. Karex and Kossan Rubber)										8.1	10.8
Min (excl. Karex and Kossan Rubber)										4.8	10.8
Max (excl. Karex and Kossan Rubber)										13.1	10.8

Source: Capital IQ and RSMFS analysis

Appendix Table 2 – Comparable listed company EBITDA multiples

VOLTAGE IP LIMITED

ABN 83 057 884 876

All Correspondence to:

 **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia

 **By Fax:** +61 2 9290 9655

 **Online:** www.boardroomlimited.com.au

 **By Phone:** (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 4:00pm (AEDT) on Wednesday, 16 December 2015.**

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders should sign.


Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.


Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**


STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore **by 4:00pm (AEDT) on Wednesday, 16 December 2015.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

 **By Fax** + 61 2 9290 9655

 **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia

 **In Person** Level 12, 225 George Street,
Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

☐**Your Address**

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

PROXY FORM**STEP 1 APPOINT A PROXY**

I/We being a member/s of **Voltage IP Limited** (Company) and entitled to attend and vote hereby appoint:

☐

the **Chair of the Meeting (mark box)**

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the General Meeting of the Company to be held at the **Sanston Securities Australia, Level 7, 564 St Kilda Road, Melbourne, Victoria on Friday, 18 December, 2015 at 4:00pm (AEDT)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

The Chair of the Meeting intends to vote undirected proxies in favour of each of the items of business.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		FOR	AGAINST	ABSTAIN*			FOR	AGAINST	ABSTAIN*
Res 1	Issue of Convertible Notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 8	Escrow Arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 2	Conversion of Shares into a smaller number	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 9	Appointment of Wee Min Chen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 3	Cancellation of shares issued to Pok Seng Kong	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 10	Appointment of Ai Ling Chong	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 4	Change of nature and scale of activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 11	Ratification of the appointment of Francesco (Frank) Licciardello	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 5	Issue of Consideration Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 12	Appointment of Craig Sanford	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 6	Issue of Consideration Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 13	Adoption of new Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 7	Issue of Shares under the Public Offer, Debt to Equity Offer and Noteholder Offer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 14	Final benefit to a company controlled by Frank Licciardello	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3 SIGNATURE OF SHAREHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2015