



Prospectus

Lead Manager

Sanston Securities Australia Pty Ltd



VOLTAGE IP

Voltage IP Limited

ACN 057 884 876

PUBLIC OFFER

This Prospectus contains an offer of between 60,000,000 and 100,000,000 Shares at an issue price of \$0.05 per Share to raise between \$3 million and \$5 million (**Public Offer**).

SECONDARY OFFERS

This Prospectus also contains offers of Shares to:

- certain creditors of the Company that have agreed to convert certain debts to Shares (**Debt to Equity Offer**); and
- investors that hold (or will hold) Convertible Notes issued by the Company in order to convert those Convertible Notes into Shares (**Noteholder Offer**).

Important information

This is an important document. Investors should read this document in full and are advised to consult with their professional advisers before deciding whether to apply for Shares under this Prospectus. Any investment in the Company under this Prospectus should be considered speculative in nature and prospective investors should be aware that they may lose some or all of their investment.

GENERAL

This Prospectus is dated 14 December 2015 and was lodged with ASIC on that date. ASIC, the ASX and their respective officers take no responsibility for the content of this Prospectus or the merits of the investment to which this Prospectus relates.

This Prospectus is a re-compliance prospectus for the purpose of satisfying 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 a proposed change in the nature and scale of the Company's activities. Accordingly, the Company will submit a Relisting Application with the ASX within 7 days after the Prospectus Date.

This Prospectus expires on the date that is 13 months after the Prospectus Date (**Expiry Date**) and no Shares will be issued pursuant to this Prospectus after the Expiry Date.

THE OFFERS ARE SUBJECT TO CONDITIONS

The Offers are conditional on certain events occurring. Please refer to Section 10.5 of this Prospectus for further details.

OFFER PERIOD

The Offers are scheduled to close at 5.00pm (AEDT) on 16 February 2016 unless extended or withdrawn. Applications must be received before that time to be valid.

NOTE TO APPLICANTS

The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation, or particular needs.

It is important that you read this Prospectus carefully and in full before deciding whether to invest in the Company. Some of the key risk factors that should be considered by prospective investors are set out in Section 6 of this Prospectus. There may be risk factors in addition to these that should be considered in light of your own personal circumstances. Investors should seek professional advice from an accountant, stockbroker, lawyer and/or other professional adviser before deciding to invest in any of the Offers.

No person named in this Prospectus, nor any other person, guarantees the performance of the Company, the repayment of capital or any return on investment.

NO OFFERING WHERE OFFERING WOULD BE ILLEGAL

The Offers are being made to Australian residents. The Offers are not made to persons or in places to which, or in which, it would not be lawful to make such offers for Securities. No action has been taken to register or qualify the Offers or Shares, or otherwise permit an offer of Shares, in any jurisdiction outside Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate applicable securities laws.

In particular, this Prospectus may not be distributed to, or relied on by, persons in the United States or to or for the account or benefit of US Persons (as defined in Rule 902(k) of Regulation S made under the US Securities Act of 1933). The Shares have not been and will not be registered under the US Securities Act or any state securities law in the United States and may not be offered or sold in the United States except in a transaction exempt from, or not subject to, registration under the US Securities Act and applicable state securities laws in the United States.

DISCLAIMER AND FORWARD LOOKING STATEMENTS

No person is authorised to give any information or to make any representation in relation to the Offers that is not contained in this Prospectus. Any information or representation not so contained in this Prospectus may not be relied on as having been authorised by the Company or the Directors.

This Prospectus contains forward-looking statements, which may be identified by words such as “may”, “could”, “believes”, “estimates”, “expects”, “intends”, “projects”, “plans”, “predicts”, “will”, “anticipates” and other similar words that involve risks and uncertainties.

These forward-looking statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, at the Prospectus Date, are expected to take place.

Such statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and management. Each of the Company, the Directors, any persons named in this Prospectus with their consent or any person involved in the preparation of this Prospectus does not make any representation, assurance or guarantee as to the accuracy or likelihood of fulfilment of any forward looking statement or any outcomes express or implied in any forward looking statement.

Except to the extent required by law, the Company has no intention to update or revise forward looking statements, or to publish prospective financial information in the future, regardless of whether new information or future events affect the information contained in this Prospectus.

These forward looking statements are subject to various risk factors that could cause the Company’s actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 6. Investors are cautioned not to place undue reliance on these forward looking statements.

STATEMENTS OF PAST PERFORMANCE

This Prospectus includes information regarding the past performance of the Company and KLE. Investors should be aware that past performance is not indicative of future performance.

FINANCIAL INFORMATION PRESENTATION

All references to FY13, FY14 and FY15 appearing in this Prospectus are to the financial years ending on 30 June of the relevant year, unless otherwise indicated.

The basis of preparation and presentation of the financial information in this Prospectus is set out in Section 4. The financial information should be read in conjunction with, and is qualified by reference to, the information contained in Section 4, the Investigating Accountant’s Report in Section 5 and the risk factors in Section 6.

OBTAINING A COPY OF THIS PROSPECTUS

A paper copy of this Prospectus may be obtained free of charge from the Company by any person in Australia by calling +61 3 8530 3400 between 9.00am and 5.00pm (AEDT), Monday to Friday during the Offer Period.

This Prospectus is also available to Australian resident investors in electronic format on the website, www.voltageip.com.au. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

Applications may only be made using the Application Form attached to a hard copy of this Prospectus or on a printed copy of the electronic version downloaded in its entirety.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus. Refer to Section 10 for further information.

EXPOSURE PERIOD

The Corporations Act prohibits the Company from accepting or processing Applications in the 7 day period after the date of lodgement of this Prospectus with ASIC (**Exposure Period**). This period may be extended by ASIC for a further period of 7 days. The purpose of this Exposure Period is to enable this Prospectus to be examined by market participants before the raising of the funds. This examination may result in the identification of deficiencies in this Prospectus. If this Prospectus is found to be deficient, Applications received during the Exposure Period will be dealt with in accordance with section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of Exposure Period. No preference will be given to Applications received during the Exposure Period.

NO COOLING-OFF

Cooling off rights do not apply to an investment in Shares issued under this Prospectus. This means that in most circumstances you cannot withdraw your Application once it has been accepted.

PHOTOGRAPHS AND DIAGRAMS

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are for illustration only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

COMPANY WEBSITE

Any references to documents included on the Company's website are provided for convenience only, and none of the documents or other information on the Company's website, or any other website referred to in this Prospectus, is incorporated in this Prospectus by reference.

PRIVACY

By filling out the Application Form, you will be providing personal information to the Company and the Share Registry. The Company, and the Share Registry (on behalf of the Company), may collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide services and facilities that you request and carry out appropriate administration.

Once you have become a Shareholder, the Corporations Act requires the Company to include information about you (including your name, address and details of Shares you hold) in its public register of members. The information contained in the Company's register of members must remain there even if you cease to be a shareholder. The information contained in the Company's register of members is also used to facilitate any dividend payments, corporate communications and compliance with legal and regulatory requirements. If you do not provide the information requested in the Application Form, the Company and the Share Registry may not be able to process or accept your Application. An Applicant has a right to gain

access to the information that the Company and the Share Registry hold about that person, subject to certain exemptions under law. A fee may be charged for access.

Your personal information may also be used from time to time to inform you about other products and services offered by the Company, which it considers may be of interest to you. Your personal information may also be provided to the Company's agents and service providers. The agents and service providers of the Company may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the register of members;
- printers and other companies for the purpose of preparation and distribution of documents and for handling mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering and advising on the Shares and for related actions.

DEFINED TERMS AND ABBREVIATIONS

A number of terms and abbreviations used in this Prospectus have defined meanings which appear in Section 13 of this Prospectus. All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated.

QUESTIONS

If you have any question about whether to invest in the Company or how to apply for Shares, please call your stockbroker, solicitor, accountant, tax adviser or other professional adviser. Instructions on how to apply for Shares are set out in Section 10.9 and on the back of the Application Form that applies to each Offer. Alternatively, please call +61 3 8530 3400 between 9.00am and 5.00pm (AEDT), Monday to Friday during the Offer Period.

Contents

	Chairman's Letter	7
	Key Offer Information	9
Section 1	Investment Overview	12
Section 2	Company Overview	25
Section 3	Independent market report	32
Section 4	Financial information	48
Section 5	Investigating Accountant's Report	79
Section 6	Key Risks	84
Section 7	Key people, interests and benefits	91
Section 8	Corporate Governance	98
Section 9	Material Contracts	110
Section 10	Details of the Offers	121
Section 11	Additional Information	129
Section 12	Directors' Authorisation	137
Section 13	Glossary	138
Section 14	Application Forms	142
	Corporate Directory	Back page

Chairman's letter

Dear Investor,

On behalf of the Board, it is my pleasure to invite you to become a Shareholder of the Company.

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. After a number of years of evaluating potential acquisition opportunities, the Company intends to acquire 100% of the share capital of KLE (subject to a number of conditions precedent first being satisfied).

KLE is a Malaysian manufacturer of conveyor chain systems and components that service the rubber glove manufacturing industry. KLE manufactures a range of roller conveyor chains and former holder sets according to customer specifications.

The business is expecting further growth as a result of the significant increase occurring in global glove manufacturing capacity. KLE currently supplies to many of the major glove manufacturers in Malaysia and overseas with its current product set.

Given KLE is already an established supplier to rubber glove manufacturers, KLE plans to diversify into a glove manufacturing business (which is seen as a natural progression and is expected to enhance the potential growth prospects of the Company).

Once KLE commences its operations as a rubber glove manufacturer, KLE will have exposure both to the expected growth of rubber glove manufacturing capacity in Malaysia and elsewhere, as well as to the expected growth in demand for rubber gloves.

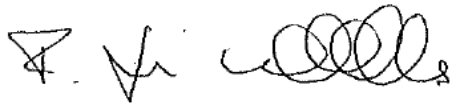
Malaysia is the world's largest location for rubber glove production, with around 62% of rubber gloves currently manufactured in Malaysia. Malaysia is home to a number of global multi-national rubber glove suppliers, as well as large local specialist rubber glove manufacturers. KLE's sales of conveyor chain systems and components are also expected to benefit from the additional manufacturing capacity currently being installed by most of the major glove manufacturers in Malaysia, who are expanding production capacity to meet current global demand and anticipated growth.

The Offers under this Prospectus include the Public Offer, the Debt to Equity Offer and the Noteholder Offer. The purpose of the Public Offer is to raise between \$3 million and \$5 million to (among other things) fund the expansion of the KLE business and to assist the Company with its Relisting Application. The Debt to Equity Offer and the Noteholder Offer are intended to reduce the Company's debt levels by converting existing debts and loans into Shares.

The acquisition of KLE and the proposed allotment of Shares under this Prospectus will be considered and voted on by the Company's Shareholders at a General Meeting to be held on 18 December 2015.

I encourage all potential investors to read this Prospectus carefully and in full before making a decision to invest. Should you view this opportunity favourably, we look forward to welcoming you as a Shareholder of the Company.

Yours faithfully,

A handwritten signature in black ink, consisting of a stylized 'F' followed by a series of loops and a final flourish.

Francesco (Frank) Licciardello
Chairman

Key offer information

Important dates

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. The Company reserves the right to vary the Opening Date and the Closing Date for the Offers without prior notice, which may have a consequential effect on the other dates.

The Company also reserves the right to cancel some or all of the Offers at any time before the allotment of Shares under the Offers.

Activity	Indicative Timetable
Lodgement of Prospectus with ASIC	Monday, 14 December 2015
General Meeting	Friday, 18 December 2015
Opening Date for the Offers ¹	Monday, 21 December 2015
Closing Date for the Offers ²	Tuesday, 16 February 2016
Completion of the Acquisition of KLE ²	Friday, 19 February 2016
Completion of the Offers (Shares to be issued to successful Applicants) ²	Friday, 19 February 2016
Expected date for Shares to re-commence trading on the ASX ²	Late February 2016
Dispatch of holding statements ²	Late February 2016

Share Consolidation

As at the Prospectus Date, the Company had 81,475,757 Shares on issue. The Offers are conditional on (among other things) the Shareholders approving a consolidation of the existing Shares on a 25 for 1 basis at the General Meeting. Following the completion of the proposed Share Consolidation, the number of Shares held by existing Shareholders will reduce to approximately 3,259,030 (with small variations possible based on rounding of fractional entitlements). The resolution at the General Meeting to effect the proposed Share Consolidation will not have any impact on the number of Shares to be issued under any of the Offers or as consideration for the Acquisition.

Share Cancellation

At the General Meeting, the Company is also seeking approval from Shareholders to cancel 57,277,536 Shares currently held by Pok Seng Kong (the former chairman of the Company). The Company has determined to proceed with the Share Cancellation on the basis that the Shares held by Pok Seng Kong may have been issued in possible contravention of the Corporations Act takeover provisions.

¹ Unless ASIC elects to extend the Exposure Period

² Unless the Offer Period is varied by the Company (including in circumstances where the Offers are closed early)

The Share Cancellation is to occur by way of a selective capital reduction for no consideration. 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.

After the Share Consolidation and the Share Cancellation, the number of Shares held by the existing Shareholders will reduce to 967,929 Shares.

Key statistics of the Offers

	Based on minimum subscription	Based on maximum subscription
Offer Price per Share under the Public Offer	\$0.05	\$0.05
Gross proceeds of the Public Offer	\$3,000,000	\$5,000,000
Existing Shares (following proposed Share Consolidation and Share Cancellation) ³	967,929	967,929
Shares to be issued to Vendors in respect of Acquisition	210,526,300	210,526,300
Shares to be issued under this Prospectus		
Public Offer	60,000,000	100,000,000
Debt to Equity Offer	24,365,549	24,365,549
Noteholder Offer ⁴	15,000,000	15,000,000
Shares on issue following completion of Offers and Acquisition	310,859,778	350,859,778
Indicative market capitalisation of the Company following completion of Offers and Acquisition ⁵	\$15,542,989	\$17,542,989

ASX relisting

The ASX requires the Company to re-comply with Chapters 1 and 2 of the Listing Rules. This Prospectus is issued to (among other things) assist the Company to re-comply with these requirements. The Company's Shares will remain suspended from trading on the ASX until satisfaction of the Conditions of the Offers (including the ASX approving the Company's re-compliance with the admission requirements of Chapters 1 and 2 of the Listing Rules).

The Acquisition will result in the 'backdoor listing' of the KLE business on the ASX. In recent years, a number of overseas enterprises have submitted applications and have listed on the ASX as a result of recent promotion by the Australian government and the ASX marketing the ASX as one of the best destinations for listed companies.

The Company, KLE and the Vendors are of the view that the listing of the KLE business on the ASX will:

- allow capital to be raised from a wider market in order to, among other things, expand the KLE business, acquire or establish new businesses and fund acquisitions;

³ The actual number of Shares on issue after the Share Consolidation and Share Cancellation may vary slightly based on rounding of fractional entitlements.

⁴ The number of Shares to be issued under the Noteholder Offer may increase in the event that any interest payable to the Noteholders is capitalised in accordance with the terms of the Loan and Convertible Note Agreements. As at the Prospectus Date, it is expected that no interest will be capitalised under any of the Loan and Convertible Note Agreements.

⁵ Market capitalisation is usually determined by multiplying the number of Shares on issue by the price at which the Shares trade on the ASX from time to time. For indicative purposes only, the above market capitalisation calculations assume that Shares will be traded at the Offer Price. Shares may not trade at the Offer Price after trading on the ASX re-commences. If Shares trade below the Offer Price, the market capitalisation will be lower than the amount shown above.

- raise the profile of the KLE business to institutional and professional investors;
- provide a means of increasing the number and diversity of investors; and
- improve the public recognition and commercial standing of the KLE business outside Malaysia.

1. Investment overview

The information in this Section is a selective overview only and is not intended to be a comprehensive summary of this Prospectus. Prospective investors should read this Prospectus carefully and in full before deciding to invest.

1.1 Introduction

Topic	Summary	Further information
Who is the issuer of this Prospectus?	Voltage IP Limited ACN 057 884 876	N/A
What are the Offers?	<p>By this Prospectus, the Company is making the following 3 conditional offers of Shares:</p> <ul style="list-style-type: none">• Public Offer – an offer to Australia residents of 60,000,000 to 100,000,000 Shares at an Offer Price of \$0.05 per Share to raise a minimum of \$3 million and a maximum of \$5 million.• Debt to Equity Offer – an offer to the Creditors to convert \$730,966.47 of debt owed by the Company into Shares at a rate of \$0.03 per Share, resulting in the allotment of up to 24,365,549 Shares.• Noteholder Offer – an offer to the Noteholders for the allotment of approximately 15,000,000 Shares on conversion of the Convertible Notes issued (or to be issued) under the Loan and Convertible Note Agreements.	Section 10
What is the Offer Price?	<p>The Offer Price under the Public Offer is \$0.05 per Share. Under the Debt to Equity Offer and the Noteholder Offer, the Creditors and the Noteholders will effectively be converting debts owed by the Company into Shares at a rate of \$0.03 per Share.</p> <p>On 5 November 2015, the ASX granted the Company a waiver from Listing Rule 2.1 condition 2 to permit the issue price for Shares under the Offers to be less than \$0.20 per Share (subject to the Company obtaining approval from Shareholders at a General Meeting).</p>	Section 10
What are the Conditions of the Offers?	<p>The Offers are conditional on:</p> <ul style="list-style-type: none">• Shareholders approving the Essential Resolutions required to complete the Acquisition;	Section 10.5

Topic	Summary	Further information
	<ul style="list-style-type: none"> • completion of the Acquisition occurring; • the Company raising at least \$3 million under the Public Offer; and • the ASX giving conditional approval for the Relisting Application. <p>Accordingly, the Offers under this Prospectus are effectively inter-conditional on the successful completion of the Acquisition and the Company re-complying with Chapters 1 and 2 of the Listing Rules.</p>	
Why are the Offers being conducted?	<p>The Public Offer is being conducted to:</p> <ul style="list-style-type: none"> • fund the immediate working capital needs of the Company and the KLE business; • assist the Company to meet the requirements of the ASX and satisfy Chapters 1 and 2 of the Listing Rules; and • provide funds to pursue identified and potential growth opportunities. <p>On completion of the minimum raising of \$3 million under the Public Offer, the Board believes that the Company will have sufficient working capital to achieve the objectives stated in this Prospectus.</p> <p>The Debt to Equity Offer and the Noteholder Offer are being conducted to reduce the Company's debts and to maximise the portion of the Public Offer proceeds that can be applied to the development and growth of the KLE business.</p>	Section 10.6
What is the minimum investment under the Public Offer?	Applications under the Public Offer must be for a minimum of \$2,000 worth of Shares (40,000 Shares) and thereafter, in multiples of \$200 worth of Shares (4,000 Shares).	Section 10.2

1.2 Key features of the Company and KLE

Topic	Summary	Further information
What does the Company do?	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.	Section 2

Topic	Summary	Further information
	The Company intends to acquire 100% of the share capital of KLE. The Acquisition will result in a significant change in the nature and scale of the Company's activities. This requires Shareholder approval under Chapter 11 of the Listing Rules and the Company will need to re-comply with Chapters 1 and 2 of the Listing Rules. Shareholder approval under Chapter 11 of the Listing Rules will be sought at the General Meeting.	
Who will have a controlling interest in the Company?	Following completion of the Offers and the Acquisition, the Vendors (being the existing shareholders of KLE) will hold between 60% and 68% of the Shares (depending on the amount raised under the Public Offer).	Section 7.3
What is the Company's strategy?	<p>KLE is in the business of designing and manufacturing conveyors and holders for rubber dipping line systems, which systems are intended for use by KLE's customers to manufacture rubber gloves. Following completion of the Acquisition, the Company will focus on growing KLE's existing business.</p> <p>KLE's existing business is expected to grow as a result of the significant increase occurring in global rubber glove manufacturing capacity. KLE currently supplies to many of the major glove manufacturers in Malaysia with its current product set.</p> <p>KLE is also planning to diversify its operations and start manufacturing rubber gloves itself. It is intended that this will initially occur through the installation of 2 rubber glove production lines at KLE's factory in Malaysia. KLE's current plans contemplate the expansion of operations over the next 2 years so that it will have up to 10 production lines. Each line is expected to have an annual production capacity of approximately 262 million pieces, and on commissioning of ten lines, KLE would have the potential capacity to produce 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 produce gloves on an original equipment manufacturer (OEM) basis for other large rubber glove suppliers.</p>	Section 2
How will the Company generate income and what will be its key costs?	KLE's current business generates revenue mainly from the sale of roller conveyor chains and former holder sets to rubber glove manufacturers. The key production costs for these products are the raw materials, direct labour and factory overhead costs.	Sections 2.7 and 2.9

Topic	Summary	Further information
	As mentioned above, KLE is also planning to become a rubber glove manufacturer itself. KLE intends to focus on the manufacture of nitrile gloves and producing those gloves on an OEM basis. As such, new potential revenue streams are expected to be generated through the sale of the rubber gloves that KLE will be producing (which will be denominated mainly in USD). The key production costs for producing these gloves will be the raw material (i.e. nitrile), direct labour, energy, chemicals and factory overhead costs.	
Who are KLE's customers?	The majority of KLE's customers are Malaysian rubber glove manufacturing companies, with some customers also based in China. Over 90% of KLE's revenue during recent financial years has been generated from its top 20 customers.	Section 2.7

1.3 Key strengths of the KLE business

Topic	Summary	Further information
Frost & Sullivan Report	<p>This Prospectus includes an independent market report on the rubber glove manufacturing sector prepared by Frost & Sullivan. Frost & Sullivan has stated that:</p> <ul style="list-style-type: none"> As a participant in the rubber gloves industry, KLE is exposed to an industry that is growing at 6-7% annually and which is expected to continue growth at this rate for the foreseeable future. There are a number of factors that will continue to stimulate demand for rubber gloves, particularly in medical applications. Growth in developing countries, where rubber glove consumption is currently well below developed markets, is likely to be particularly strong. Nitrile gloves are increasingly likely to be preferred to vinyl gloves as healthcare professionals become more aware of their performance and comfort advantages. These factors are likely to drive growth in sales of rubber gloves from 181 billion pieces in 2014 to 233 billion pieces in 2018. Synthetic rubber gloves, especially manufactured from nitrile, are increasing their share of global rubber glove sales, and in developed markets nitrile now accounts for a major share of gloves sold. However, sales of nitrile gloves still have significant growth potential as nitrile has a relatively small share of sales 	Section 3

Topic	Summary	Further information
	<p>in developing markets. However, growing awareness of latex allergies and advances in nitrile glove technology are likely to drive increased sales of nitrile gloves in developing markets also.</p> <ul style="list-style-type: none"> • As a company involved in both supply of rubber glove manufacturing equipment and in actual rubber glove production, KLE will have exposure to the growth of glove manufacturing capacity in Malaysia and elsewhere, as well as to growth in demand for rubber gloves. • Malaysia is the world's largest location for rubber glove production, with around 62% of gloves currently produced in Malaysia. Malaysia is home to several large rubber glove producers, as well as being a manufacturing location for a number of multi-national rubber glove suppliers. • KLE is likely to benefit from the current additional capacity being installed by most of the major rubber glove manufacturers in Malaysia, who are planning to expand production capacity to meet current global demand and growth. 	

1.4 Key risks

Topic	Summary	Further information
What are the key risks of investing in Shares in the Company?	<p>The list below is a summary of some of the key risks associated with investing in the Company. A more comprehensive list of risks is set out in Section 6.</p> <p>Change in nature and scale of activities</p> <p>There is a risk that the Company may not be able to meet the requirements of the ASX for re-complying with Chapters 1 and 2 of the Listing Rules. Should this occur, the Shares will 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 remain suspended until such time as it does re-comply with Chapters 1 and 2 of the Listing Rules.</p>	Section 6

Removal from the Official List

The ASX has notified the Company that it 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 Prospectus. 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 3 of these requirements. The Company will be seeking the required approvals from Shareholders at the General Meeting.

Completion risk

Completion of the Acquisition is conditional on the satisfaction of a number of conditions precedent. There is a risk that the Company may not be able to meet all of these conditions precedent. In the event that these conditions precedent are not satisfied or waived in accordance with the requirements of the Share Sale Agreement, then the Company will not proceed with the Offers and will refund all Application Moneys received.

Risks associated with capital structure

The Vendors will hold between 60% and 68% of the Shares (depending on the amount that is raised under the Public Offer). The Vendors' interests as controlling Shareholders of the Company may differ from the interests of minority Shareholders.

Topic	Summary	Further information
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Risks associated with key customers

KLE provides services under short term (and short form) contractual arrangements, 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 business.

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 the Company 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 General 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) and lodged the current and historical audited financial reports and directors' reports required for those financial years with ASIC and the ASX. The Company is currently in the process of arranging for all required unclaimed money to be paid 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 7.3 which discusses potential breaches of Part 6.1 of the Corporations Act and the reasons for the proposed Share Cancellation.

Risks associated with employment visas

The majority of KLE's production employees are non-Malaysian citizens and require employment visas that need to be

Topic	Summary	Further information
	regularly issued and renewed. Delays in government approval of employment visas (or renewal of those visas) could result in labour shortages and reduce productivity and revenue.	
	Market conditions	
	The market price of the Shares can fall (as well as rise) and may be subject to varied and unpredictable influences both globally and domestically.	
	Economic conditions	
	General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's activities, as well as on its ability to fund those activities.	

1.5 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 proposed 25 for 1 consolidation) ⁶	3,259,030	3,259,030
Less Shares to be cancelled under the Share Cancellation	(2,291,101)	(2,291,101)
Shares to be issued to the Vendors	210,526,300	210,526,300
Shares to be issued under this Prospectus		
Public Offer	60,000,000	100,000,000
Debt to Equity Offer	24,365,549	24,365,549
Noteholder Offer ⁷	15,000,000	15,000,000
Shares on issue 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, with the terms described in Section 9.2. Subject to obtaining the necessary approvals from Shareholders, an additional 3,500,000 Options will also be issued to Sanston as part of its consideration under the Sanston Mandate.

Shortly after the Prospectus Date, the Company expects to issue a total of 375,000,000 Convertible Notes under the Loan and Convertible Note Agreements described in Section 9.3. It is expected that all Convertible Notes will be converted into Shares under the Noteholder Offer.

⁶ The actual number of Shares on issue after the Share Consolidation may vary slightly based on rounding of fractional entitlements.

⁷ The number of Shares to be issued under the Noteholder Offer may increase in the event that any interest payable to the Noteholders is capitalised in accordance with the terms of the Loan and Convertible Note Agreements. As at the Prospectus Date, it is expected that no interest will be capitalised under any of the Loan and Convertible Note Agreements.

It is anticipated that the Vendors will be the only Shareholders that will have voting power of 20% or more after completion of the Acquisition and the Offers.

1.6 Key financial metrics and dividends

Topic	Summary	Further information
What is the key financial information?	The financial position of the Company as at 30 June 2015 and the pro forma financial position of the Merged Group as at the same date (assuming completion of the Offers and the acquisition of KLE and prepared as if they had completed by 30 June 2015) are set out below:	Section 4

	Company - Before the Offers or the Acquisition	Merged Group Pro forma - Assuming \$3 million raised under the Public Offer	Merged Group Pro forma - Assuming \$5 million raised under the Public Offer
Current Assets	\$213,255	\$11,103,073	\$12,963,073
Non-Current Assets	-	\$3,943,891	\$3,943,891
Total Assets	\$213,255	\$15,046,964	\$16,906,964
Current Liabilities	\$1,121,826	\$8,783,328	\$8,783,328
Non-current Liabilities	-	\$1,129,357	\$1,129,357
Total Liabilities	\$1,121,826	\$9,912,685	\$9,912,685
Net Assets	(\$908,571)	\$5,134,279	\$6,994,279

Set out below is a summary of the historical consolidated pro forma statement of profit or loss and other comprehensive income for the years ended 30 June 2015, 30 June 2014 and 30 June 2013. The consolidated pro forma statement of profit or loss and other comprehensive income has been prepared to illustrate the combined results of the Company and KLE for the years ended 30 June 2015, 30 June 2014 and 30 June 2013, and assuming the completion of the transactions summarised in Note 2 in Section 4.13.

Topic	Summary	Further information
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	Pro Forma Year ended 30-Jun-15	Pro Forma Year ended 30-Jun-14	Pro Forma Year ended 30-Jun-13
Revenue	\$10,453,262	\$8,053,158	\$8,549,601
Other operating income	\$25,121	\$28,512	\$42,720
Expenses			
Employee benefits expense	(\$964,750)	(\$568,669)	(\$545,553)
Directors' remuneration	(\$157,117)	(\$156,728)	(\$143,647)
Operating expenses	(\$8,504,878)	(\$6,653,117)	(\$6,977,330)
Profit from operations	\$851,638	\$703,157	\$925,791
Finance income/(costs)	(\$282,115)	(\$321,772)	(\$216,065)
Profit/(loss) before income tax expense	\$569,523	\$381,385	\$709,725
Income tax expense	(\$381,386)	(\$240,553)	(\$240,066)
Profit/(loss) after income tax expense for the year attributable to the owners of the consolidated entity	\$188,137	\$140,832	\$469,659

How will the funds raised under the Public Offer be used?

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:

Section 10.7

Purpose	Minimum subscription (\$3,000,000)	Maximum subscription (\$5,000,000)
Cash reserves of the Merged Group ⁸	\$108,602	\$108,602
Funds raised under Public Offer	\$3,000,000	\$5,000,000
Total	\$3,108,602	\$5,108,602
Expenses of the Offers	\$322,021	\$462,021
ASX re-compliance costs	\$70,543	\$72,543
Purchase of Rubber Glover Manufacturing Line for KLE	\$2,000,000	\$4,000,000
Working capital	\$366,038	\$224,038
Sales and Marketing for KLE	\$350,000	\$350,000
Total funds applied	\$3,108,602	\$5,108,602

The estimates of expenditure set out above are based on budgets set by the Directors. The actual level and breakup of expenditure may change on an ongoing basis depending on results obtained.

⁸ As at 30 September 2015

Topic	Summary	Further information
Prospects of the Merged Group	<p>KLE has a history of operating profitably in its business of manufacturing and supplying components and parts to the rubber glove manufacturing sector in Malaysia. If the growth in that section increases at the rate forecast by Frost & Sullivan (as set out in the Independent Market Report), the Directors are confident in the future revenue earning potential of the Merged Group.</p> <p>However, as the Merged Group will be commencing operations in new business activities (together with the other risks identified in section 6), the Directors believe that they are not in a position to provide prospective financial information in relation to the Company or the Merged Group (or make any other definitive statements regarding the prospects of the Merged Group).</p> <p>There can be no certainty that the Merged Group will achieve (or sustain) any level of revenue, profitability or cash flow in the future.</p>	N/A
What is the Company's dividend policy?	The payment of a dividend by the Company is at the discretion of the Board and will be a function of a number of factors. There is no guarantee that the dividends will be paid on the Shares.	Section 2.11
When will the first dividend be paid?	The Company does not expect to pay dividends in the short term.	Section 2.11

1.7 Experience and background of directors and management

Topic	Summary	Further information
Who are the Directors?	<p>The existing Directors of the Company are:</p> <ul style="list-style-type: none"> • Frank Licciardello (Non-Executive Chairman) • Chin Hing How (Non-Executive Director) • Henry Choo (Non-Executive Director) <p>On completion of the Acquisition, Chin Hing How and Henry Choo will be required to resign as Directors of the Company. The Company also intends to appoint the following persons as Directors of the Company with effect from completion of the Acquisition:</p> <ul style="list-style-type: none"> • Wee Min Chen (Executive Director) • Ai Ling Chong (Executive Director) • Craig Sanford (Non-Executive Director) 	Section 7

Topic	Summary	Further information
	The appointment of these proposed new Directors is subject to the approval of Shareholders (which is to be voted on by Shareholders at the General Meeting).	
Who are the key managers	<p>Following the completion of the Acquisition and the Offers, the key managers of the Company and KLE will be:</p> <ul style="list-style-type: none"> • Wee Min Chen (Managing Director and Chief Executive Officer); • Andrew Metcalfe (Company Secretary of VIP); • Wee Onn Chen (Factory Manager of KLE); • Ei Ling Chong (Executive Director of KLE); • Wei Kei Chong (Head of Production); and • Chin Eng Khoo (Senior Marketing Manager of KLE). 	Section 7
What experience and background do the Directors and key managers have?	The experience and background of each of the Directors and key managers that will be involved in the operations of the Merged Group following completion of the Acquisition and the Offers are set out in Section 7.	Section 7
What Securities will the Directors (and their associates) hold?	Details of the interests of the current Directors and proposed new directors in the Company's Securities are set out in Section 7.2.6.	Section 7.2.6

1.8 Additional key information in relation to the Offers

Topic	Summary	Further information
Are the Offers underwritten?	The Offers are not underwritten.	Section 10.16
Is there any brokerage commissions or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on an acquisition of Shares under the Public Offer, the Debt to Equity Offer or the Noteholder Offer.	Section 10.12
What are the tax implications of investing in the Shares under the Offers?	The tax consequences of any investment in Shares will depend on each Applicant's particular circumstances. Applicants should obtain their own tax advice before deciding whether to invest.	Section 11.7
Will the Shares be quoted?	An application for official quotation of all Shares to be issued under the Offers (other than those that will be subject to escrow restrictions) will be made to the ASX no later than 7	Section 10.13

days after the Prospectus Date. The Options to be issued to the Vendors and Sanston will not be quoted on the ASX.

Will any Shares be escrowed?	The Shares to be issued to the Vendors will be subject to voluntary escrow for a period for 24 months after the completion of the acquisition of KLE. The Company is intending to apply for relisting under the “profit test”. If re-admitted under the profit test, the ASX has confirmed that no other Shares will be the subject of any mandatory escrow under the Listing Rules.	Section 2.13
Financial benefits to related parties under the Offers	<p>At the General Meeting, the Company is seeking approval from Shareholders for the following related parties to obtain a financial benefit in connection with the Offers:</p> <ul style="list-style-type: none"> • Wee Min Chen; • Ei Ling Chong; • Hock Guan Ng; and • Sanston <p>Further details of these related party arrangements are set out in Section 9.</p>	Sections 9.1, 9.4 and 9.5
Where can I find more information?	If you have any questions about whether to invest in the Company or how to apply for Shares, please call your stockbroker, solicitor, accountant, tax adviser or other professional adviser. Instructions on how to apply for Shares are set out in Section 10.9 and on the back of the Application Form that relates to the relevant Offer. For general enquiries in relation to the Offers, please call the Company’s corporate adviser (Sanston) on +61 3 8530 3400 between 9.00am and 5.00pm (AEDT), Monday to Friday during the Offer Period.	N/A

2. Company overview

2.1 Incorporation

The Company was incorporated in the Australian Capital Territory on 26 October 1992 and was admitted to the Official List on 5 February 1997.

2.2 History of the Company

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.

The Company has previously been known by the names Securix Corporation Limited, EGlobal International Limited, Coms21 Limited, Coms21 Pty Ltd and Lestrangle Pty Ltd.

In the past 5 years, the Company has issued the following Securities:

- 2,500,000 Shares issued on 17 July 2012 at \$0.02 per Share resulting from the conversion of a \$50,000 convertible note issued in 2011; and
- 8,333,333 convertible notes issued on 26 June 2015 – however, these notes have been cancelled and superseded by the Loan and Convertible Note Agreement entered into with Soong Keng Tak (with the allotment of convertible notes under that agreement being subject to the Company obtaining approval from Shareholders) (refer to Section 9.3).

2.3 KLE acquisition

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 2 September 2015, the Company entered into the Share Sale Agreement (which replaced the term sheet).

Under the Share Sale Agreement, the consideration for the Acquisition is the issue of the following Securities to the Vendors:

- 210,526,300 Shares (with a deemed issue price of \$0.05 per share) (**Consideration Shares**); and
- 20,000,000 unlisted Options over Shares (**Consideration Options**) exercisable at a price of \$0.10 per option and at any time within 36 months from the date of issue of the Options.

Completion of the Acquisition under the Share Sale Agreement is subject to and conditional upon (among other things):

- the results of any due diligence investigation carried out by the Vendors in relation to VIP being satisfactory to the Vendors;

- KLE and the Vendors obtaining all necessary approvals and consents required to comply with Malaysian law;
- the results of the due diligence investigations carried out by VIP in relation to KLE being satisfactory to VIP;
- VIP holding the General Meeting and obtaining the requisite shareholder approvals required under the Corporations Act and Listing Rules in order to implement the Acquisitions and the Offers, including approvals under item 7 of section 611 of the Corporations Act and approvals under Listing Rule 11.1.2;
- the Company completing a share consolidation under section 254H of the Corporations Act so that every 25 Shares is consolidated into 1 Share, to take effect before completion of the Acquisition;
- all necessary approvals and documents being obtained/signed for the Company to convert \$730,966.47 of debt owing by the Company into Shares at a rate of \$0.03 per Share (i.e. the Debt to Equity Offer);
- KLE providing evidence to VIP's reasonable satisfaction at completion that KLE has at least \$1 million of working capital to commence the production and installation of new glove production lines producing nitrile or rubber examination gloves;
- VIP receiving valid applications and subscription moneys for no less than \$3 million under this Prospectus and not accepting applications totalling more than \$5 million; and
- VIP obtaining all necessary ASIC and ASX approvals in relation to the transactions contemplated by the Share Sale Agreement (and re-complying with Chapters 1 and 2 of the Listing Rules).

A summary of the Share Sale Agreement, including all of the conditions precedent, is set out in Section 9.1.

2.4 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.

KLE also sells the component parts associated with the conveyor chains and former holder sets.

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. These conveyor chain systems provide a more organised and efficient layout of production facilities and enhance productivity by saving valuable time and energy in the manufacturing process.

The main products produced and sold by KLE are as follows:

Conveyor Chains	<p>Double Former Chain</p>  <p>KLE6</p>  <p>KLE13</p> 	<p>KLE10</p>  <p>KLE8</p>  <p>KLE3</p> 
Former Holders	<p>Double Former Holder</p>  <p>KLE10HS</p> 	<p>KLE18HS</p> 

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 Prospectus Date, 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 (the current Non-executive Chairman of the Company).

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 October 2015, attributing a value of approximately \$4.2 million. Keng Lek occupies part of the manufacturing facility under a 12 month lease (expiring at the end of May 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

2.5 Merged Group

Following completion of the Offers and completion under the Share Sale Agreement, KLE will become a wholly owned subsidiary of the Company. As at the Prospectus Date, 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.

To assist the Shareholders in their decision as to whether or not to approve the Acquisition, the Company commissioned an 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.

2.6 Investment highlights

KLE has a 13 year history of manufacturing conveyor chain systems and parts and holder sets primarily 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 rubber glove 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
- 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)

2.7 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.

KLE generates approximately 55% and 40% of revenue from the sale of former holders and roller conveyor chains, respectively, with the remaining 5% of sales relating to 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 KLE's trade debtors were aged 3 months or less, 45.6% of trade debtors were aged more than 7 months, and 46.9% of trade debtors were aged 4 months or greater.

2.8 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 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 manufacturing in Malaysia.

For glove production, KLE is intending to initially install 2 glove production lines, ramping up to a total of 10 within 2 years. Each line has an annual production capacity of approximately 262 million pieces, and hence on commissioning of 10 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 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.

2.9 Funding and financing

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).

As mentioned above, KLE is planning to diversify into the manufacturing of rubber gloves with the installation of new glove production lines and 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 Hong Leong Bank Berhad and a few other financiers, including in relation to equipment financed on hire purchase terms. Details of these facilities are discussed further in Section 9.7.

Details of the Company's proposed use of the funds raised from the Public Offer (together with existing cash reserves) are set out in Section 10.7.

2.10 Capital management policy

The Company has no formal capital management policy in place due to its scale and size. In the short term, it is not anticipated that there will be any surplus funds available to the Company. It is currently proposed that all funds raised under the Public Offer (together with existing cash reserves) will be applied in the manner described in Section 10.7.

2.11 Dividend policy

The payment of a dividend by the Company is at the discretion of the Board and will be a function of a number of factors such as the general business environment, operating results, cash flows, capital requirements, regulatory restrictions, the financial condition of the Company and any other factors that the Board may consider relevant. The Company does not expect to pay dividends in the short term.

2.12 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 proposed 25 for 1 consolidation) ⁹	3,259,030	3,259,030
Less Shares to be cancelled under the Share Cancellation	(2,291,101)	(2,291,101)
Shares to be issued to the vendors of KLE	210,526,300	210,526,300
Shares to be issued under this Prospectus		
Public Offer	60,000,000	100,000,000
Debt to Equity Offer	24,365,549	24,365,549
Noteholder Offer ¹⁰	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, with the terms described in Section 9.2. Subject to obtaining the necessary approvals from Shareholders, an additional 3,500,000 Options will also be issued to Sanston as part of its consideration under the Sanston Mandate.

Shortly after the Prospectus Date, the Company expects to issue a total of 375,000,000 Convertible Notes under the Loan and Convertible Note Agreements described in Section 9.3. It is expected that all Convertible Notes will be converted into Shares under the Noteholder Offer.

2.13 Restricted Securities

For a period of 24 months on and from the date of completion of the Acquisition (Escrow Period), the Vendors have agreed that they will 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. The Company is intending to apply for relisting under the “profit test”. If re-admitted under the profit test, the ASX has confirmed that no other Shares will be the subject of any mandatory escrow under the Listing Rules.

⁹ The actual number of Shares on issue after the Share Consolidation may vary slightly based on rounding of fractional entitlements.

¹⁰ The number of Shares to be issued under the Noteholder Offer may increase in the event that any interest payable to the Noteholders is capitalised in accordance with the terms of the Loan and Convertible Note Agreements. As at the Prospectus Date, it is expected that no interest will be capitalised under any of the Loan and Convertible Note Agreements.

3. Independent market report



Frost & Sullivan Australia Pty. Ltd.
Suite 1, Level 9, 189 Kent Street
Sydney, NSW 2000
Tel: 02 8247 8900 Fax: 02 9252 8066
www.frost.com

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

November 30, 2015

Dear Directors,

Independent Industry Report on the Rubber Gloves Market

Introduction

KLE Products Sdn. Bhd. (**KLE**) is a Malaysian-based company that designs and manufactures roller conveyor chains to support the rubber glove and palm oil mill industries. KLE is also diversifying downstream into the manufacture of rubber gloves via the installation of a number of glove production lines. KLE is being acquired by Voltage IP Limited, by means of reverse merger, which is to be carried out in conjunction with a capital raising and application to relist on the Australian Securities Exchange (**ASX**). Voltage IP Limited has commissioned an Independent Industry Report from Frost & Sullivan for the purpose of inclusion in the prospectus related to the capital raising.

Frost & Sullivan is an independent market research and consulting firm operating in over 40 countries globally. Founded in New York in 1961, Frost & Sullivan now employs over 1,800 staff. Frost & Sullivan has undertaken a number of market studies in the medical gloves market and related sectors on behalf of market participants and financial institutions, as well as producing a number of multi-client reports on the medical gloves and other medical device industries.

In undertaking this assessment, Frost & Sullivan has relied on secondary information derived from recognised public sources. The research was undertaken in the months of September and October 2015. All effort has been made by Frost & Sullivan to ensure that information in this report is accurate and appropriate at the time of writing. Conclusions, and assumptions attached to those conclusions, are based on Frost & Sullivan's investigations and analyses of the facts as they are known as at November 2015 and Frost & Sullivan is of the opinion that the conclusions and underlying assumptions are reasonable.

Auckland	Bangalore	Bangkok	Beijing	Bogota	Buenos Aires	Cape Town	Chennai	Delhi	Dubai
Frankfurt	Kolkatta	Kuala Lumpur	London	Manhattan	Melbourne	Mexico City	Mumbai	New York	Oxford
Palo Alto	Paris	San Antonio	Sao Paulo	Seoul	Shanghai	Singapore	Sydney	Tokyo	Toronto

All references to dollars (\$) in this report are to US dollars. Where conversions from other currencies have been made, the following exchange rates have been used.

Table 1: Exchange Rates Used

	Australia	Malaysia	Europe
US\$1 =	A\$1.43	RM4.38	€0.89

Source: Yahoo! Finance, September 24 2015

Company Overview and Business Model

KLE was established in 2002 to focus on the manufacturing of conveyor chain systems and parts and holder sets for rubber glove dipping lines. Hence, the company has traditionally supplied the rubber glove manufacturing industry. Malaysia is the world's largest manufacturer of rubber gloves, with approximately 62% of global production, and many of the world's largest rubber glove manufacturers are 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 supply of 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, including leading companies such as Top Glove, Supermax and Hartalega. KLE estimates that it has approximately 50% share of sales of conveyor systems for glove manufacturing in Malaysia.

For glove production, KLE is intending to initially install two glove production lines, ramping up to a total of ten within two 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 will focus on the manufacture of nitrile gloves, as demand for nitrile is growing faster than for latex gloves. KLE will supply gloves on an Original Equipment Manufacturer (**OEM**) basis.

Medical Gloves Overview

Medical gloves are a segment within the broader disposable rubber gloves market, although rubber gloves are also used in other segments, such as in industrial, food service and scientific applications. In these markets gloves are often used for hand protection as well as prevention of cross-infection. However, usage in medical applications is the largest segment of the rubber glove industry globally, with disposable rubber gloves used mainly for prevention of infection rather than hand protection. Medical gloves are used by all types of professional in the healthcare sector, including surgeons, physicians, dentists, vets, nurses and other professionals.

Medical gloves are designed for single use, to be disposed of after each procedure, and are therefore categorised as disposable or single-use items. Medical gloves can be divided into two main categories;

- **Examination gloves** are used during medical examinations and procedures and help prevent contamination between patients and caregivers. Examination gloves are available in either sterile or non-sterile formats; and
- **Surgical gloves** are used during surgical procedures and have more precise sizing with a better precision and sensitivity, and are made to a higher standard than examination gloves. They are always sterile.

Medical gloves can be made of different polymers, including rubber latex (often called natural rubber latex or **NRL**), nitrile rubber¹, vinyl and neoprene². New generation polymers such as synthetic polyisoprene are also being used for glove manufacture. Gloves manufactured from non-NRL sources, as nitrile or neoprene, are often referred to as synthetic gloves. Traditionally NRL was used due to its ability to form smooth, continuous films on drying and after vulcanizing it has high strength and elasticity. However, concerns over latex allergies are stimulating growing consumption of synthetic gloves. Allergic reactions to latex are triggered by proteins found in NRL, and sensitivity can increase over time and with repeated use, making healthcare professionals particularly vulnerable.³ An estimated 8% to 12% of healthcare workers are affected by latex sensitivity, and this has led a number of regulatory bodies to recommend the use of synthetic gloves, and some healthcare facilities have banned NRL gloves altogether.⁴

Whilst latex gloves have traditionally accounted for the majority of medical gloves, growing concerns over latex allergies are driving use of alternatives, especially nitrile. Each material has advantages, with latex generally preferred for fit, comfort and degree of protection, but with the disadvantage of latex allergies. Latex gloves are generally still preferred for surgical applications, due to the fine control or greater sensitivity to touch available with latex surgical gloves. Latex gloves have also typically been lower in cost than nitrile gloves. However, depending on the relative costs of NRL versus nitrile, and advancements in technology that have allowed nitrile gloves to be made thinner than comparable latex gloves, nitrile can at times be cheaper than latex gloves. Use of nitrile gloves is therefore growing faster than NRL gloves. A comparison of glove materials on various criteria is given in Table 2.

Table 2: Comparison of Glove Materials

	Latex	Neoprene	Nitrile	Polyisoprene	Vinyl
Barrier Protection	Excellent	Very good	Excellent	Excellent	Fair
Strength / Durability	Excellent	Very good	Excellent	Excellent	Fair
Elasticity	Excellent	Very good	Very good	Excellent	Fair to poor
Puncture Resistance	Very good	Good	Excellent	Very good	Fair to poor
Fit, Feel, Comfort	Excellent	Very good	Very good	Excellent	Fair
Chemical Resistance	Good	Very good	Excellent	Good	Poor

Source: Ansell

In some developing markets (such as China) vinyl gloves have often been used, however, as healthcare professionals become more aware of alternatives, NRL or nitrile gloves tend to be adopted as these have better fit

¹ Nitrile rubber is a synthetic rubber copolymer of acrylonitrile (ACN) and butadiene

² Neoprene is synthetic rubber that is produced by polymerization of chloroprene

³ US Department of Labor, OSHA, Healthcare wide hazards, latex allergy

⁴ E.g. NRL gloves were banned at John Hopkins University in the USA in 2008

and comfort and a much lower failure rate. Various studies have shown that the failure rate of vinyl gloves can be as high as 40%, compared to well below 5% for NRL or nitrile gloves.⁵

Medical gloves are available in powdered or un-powdered formats, with powder (generally corn starch) used to make it easier to put gloves onto hands. Hence, a variety of product formats are available for medical gloves, including NRL or synthetic gloves, and powdered or powder-free versions. Increasing concerns over allergies or other problems arising from the use of powder are stimulating faster growth in powder-free gloves.⁶

Medical gloves are manufactured on specialist production lines which use ceramic, hand-shaped formers of the required size. These formers are dipped into a tank of the appropriate polymer, with the length of time of immersion depending on the thickness of glove being manufactured. Following the forming process, gloves are vulcanized, a drying and solidifying process. Powdering or polymer coating is then applied, before gloves are removed from the formers for packing. A percentage of gloves from each batch are subjected to testing procedures, including pinhole leak tests.

Medical gloves are mainly manufactured in rubber-producing countries, as it is generally more economical to manufacture close to the latex supply. Hence, the majority of glove manufacturing is undertaken in the main rubber producing countries of Malaysia, Thailand and Indonesia, although production also occurs in other countries such as China and Brazil. Malaysia is the main producer, accounting for approximately 62% of global production.⁷

Demand for medical gloves is likely to increase at a rate of 6-7% annually, stimulated by a number of factors including;

- Growing expenditure on healthcare.
- Increased awareness of the risks of infection during medical examinations, especially in developing countries.
- Incidence of infectious conditions such as MERS, H1-N1 and HIV.
- Growing ageing populations globally, which are causing an increase in the incidence of chronic diseases, and hence demand for medical procedures.
- Increasingly stringent healthcare regulations.
- Increased incidence of "double-gloving", i.e. use of two pairs of gloves during a procedure.

These factors are discussed later in this report.

⁵ PubMed, quoted in Nomura, Asia Glovemakers, 2011

⁶ The US FDA's 1197 Medical Glove Powder report documented a number of problems arising from glove powder including allergic reactions and wound contamination

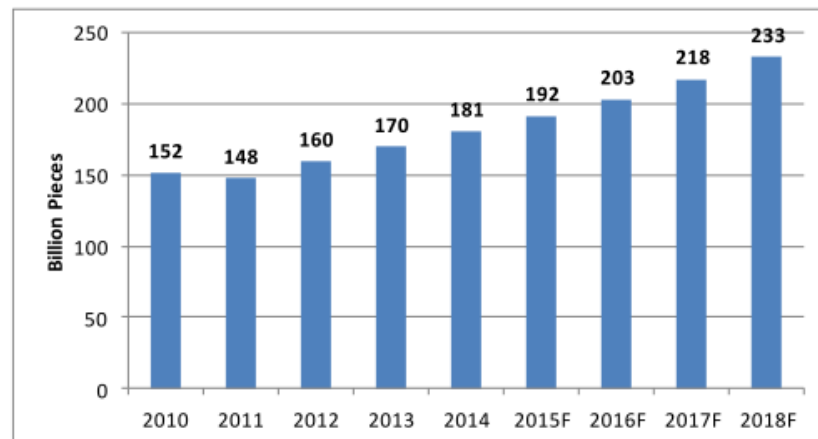
⁷ Frost & Sullivan estimate

Size and Growth of the Rubber Gloves Market

Global Demand

Global demand for rubber gloves is estimated at 181 billion pieces in 2014. Since 2010, global demand has increased from 152 billion pieces at a CAGR of 4.5%. Frost & Sullivan anticipates that demand will grow at between 6% and 7% per annum to reach 233 billion pieces in 2018 (see Figure 1).

Figure 1: Global Gloves Demand, 2010 to 2018F



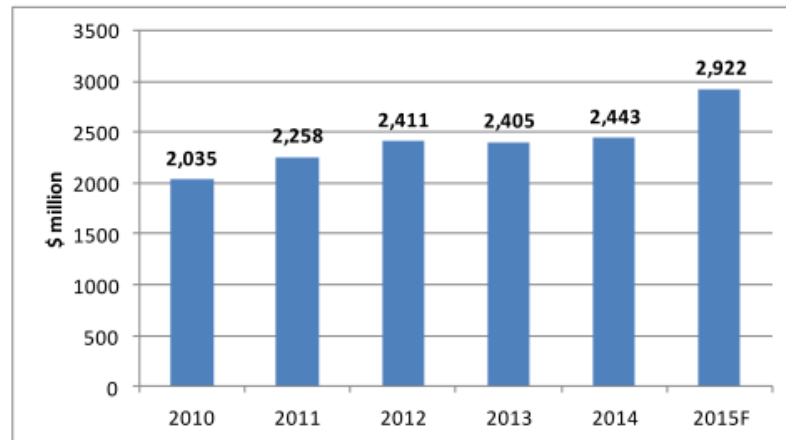
Sources: Malaysian Rubber Export Promotion Council; Frost & Sullivan forecasts

Frost & Sullivan estimates that the global value of the rubber gloves market (at manufacturers' prices) was approximately \$4.1 billion in 2014.

The value of glove exports from Malaysia reached RM10.7 billion (\$2.44 billion) in 2014, having increased at a CAGR of 4.7% since 2010.⁸ In 2015, exports of rubber gloves are forecast to increase by 20% on 2014, based on the growth in sales achieved in the first half of 2015 (see Figure 2). Rubber glove exports are therefore anticipated to reach almost \$3 billion in 2015.⁹

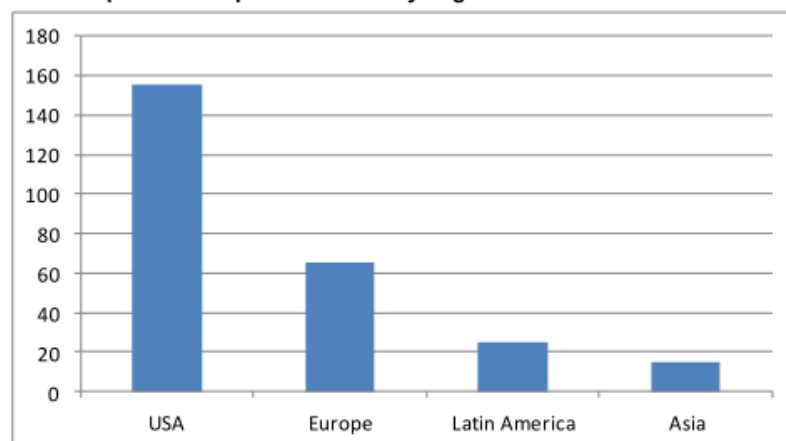
⁸ Malaysian Rubber Export Promotion Council

⁹ Malaysian Rubber Glove Manufacturers Association forecasts

Figure 2: Rubber Glove Exports from Malaysia, 2010 to 2014

Source: Malaysian Rubber Export Promotion Council. Converted from RM at a constant exchange rate as per September 24 2015

Whilst the majority of glove production is in Asia (and specifically in Malaysia), North America and Europe are the largest markets for disposable gloves. Malaysia exported approximately 112 billion pieces of rubber gloves in 2014¹⁰, giving it a market share of approximately 62% of global demand. The largest end-market for gloves is Europe, followed by North America, which cumulatively account for 63% of glove consumption.¹¹ However, the largest growth potential for gloves is in the Asia Pacific region, as indicated by the current annual per capita glove usage, shown in Figure 3. Asia (excluding Japan) currently accounts for only 10% of glove consumption, despite having 60% of the global population.¹² Whilst annual per capita consumption of gloves in North America is estimated at 155 gloves, in Asia it is currently ten times lower, indicating the significant growth potential available.

Figure 3: Annual Per Capita Consumption of Gloves by Region

Source: Semperit Group investor presentation, 2014

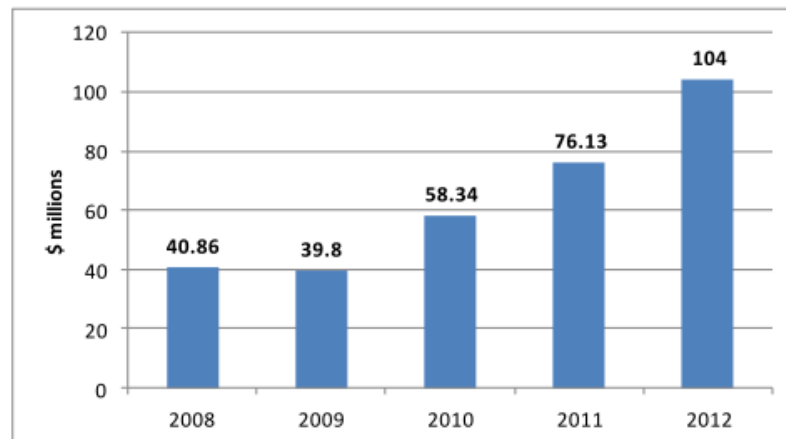
¹⁰ Malaysian Rubber Export Promotion Council

¹¹ Top Glove Corporation, Investor Presentation, September 2015

¹² Ibid

The growth in glove usage in developing markets is illustrated in China, where consumption grew from 4.9 billion pairs in 2008 to 7.14 billion in 2012, an annual growth rate of 10%. Imports account for around 12% of medical gloves used in China, and between 2008 and 2012 the value of imports increased at a CAGR of 26% (see Figure 4), with Malaysia providing around 70% of imported gloves.¹³

Figure 4: Imports of Gloves to China, 2008 to 2012

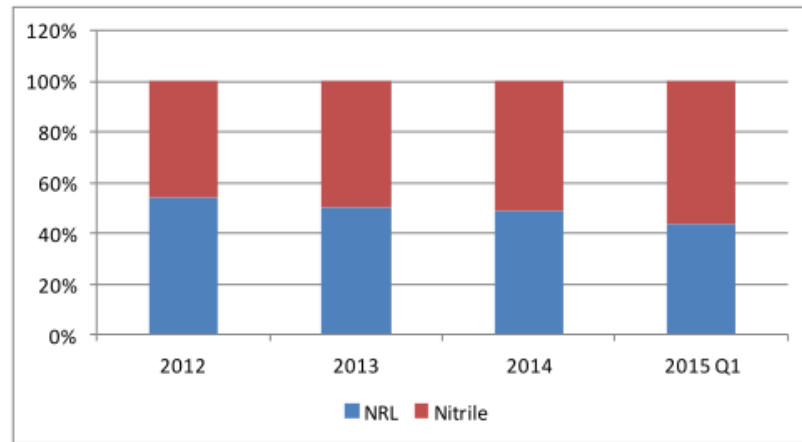


Source: Malaysian Rubber Export Promotion Council, Stretch, Q4 2013

Glove Type

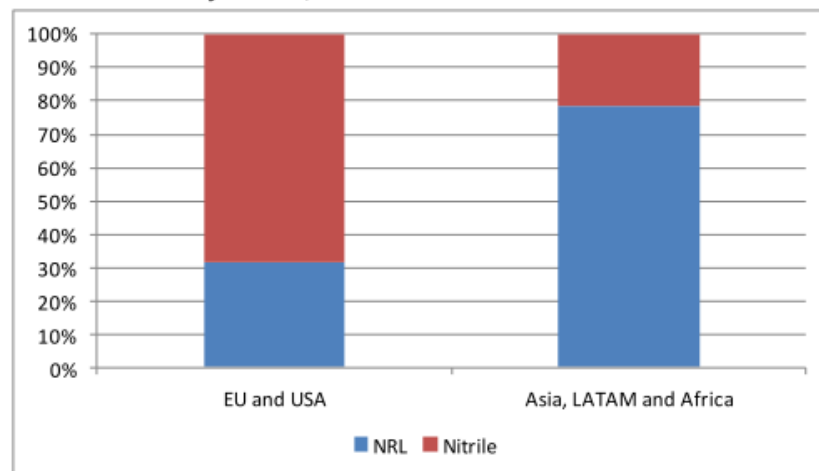
Nitrile gloves are increasing their share of sales, as concerns over latex allergies, combined with technical advances that have improved the performance of nitrile gloves, impact the market. Between 2012 and Q1 2015, Malaysian exports of gloves have moved from a 54:46 ratio of NRL: nitrile to a 44:56 ratio in Q1 2015 (see Figure 5).

¹³ Malaysian Rubber Export Promotion Council, Stretch, Q4 2013

Figure 5: Malaysian Exports of Gloves by Material, 2012 to Q1 2015

Source: Malaysian Rubber Export Promotion Council

However, whilst the global share of nitrile gloves is now in excess of 50%, there is still significant scope for nitrile to increase its share of global glove sales. This is because in most developing markets, NRL gloves are still the predominant type of gloves used. However, as concerns over latex allergies become more widespread and as technical advances in nitrile gloves improve their performance, the share of nitrile gloves in developing markets is also likely to increase. The estimated share of glove sales by material in developed and developing markets is indicated in Figure 6.

Figure 6: Share of Glove Sales by Material, 2014

Source: Malaysian Rubber Export Promotion Council

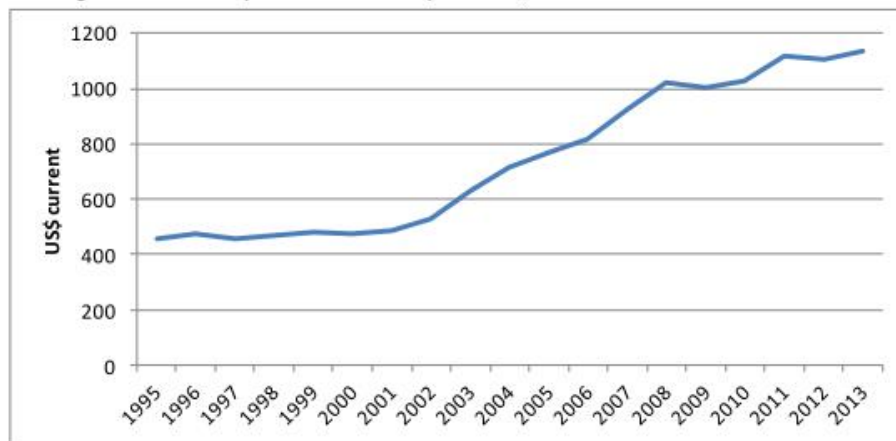
Market Drivers for Medical Gloves

A number of factors are stimulating the market for medical gloves. These factors are described in more detail below.

Growing Healthcare Expenditure

Increased healthcare expenditure globally is driving an increasing requirement for medical gloves for examinations and surgical procedures. In 2013, global expenditure on healthcare was approximately 10% of global GDP, an increase from 8.7% in 2006 and 6.6% in 2000.¹⁴ There is a strong correlation between national wealth and healthcare expenditure per capita, and hence as national income levels increase in many developing countries this is driving an increase in healthcare expenditure. Since 1995, the average global per capita expenditure on healthcare has increased from \$458 to \$1,138, at a CAGR of 5.2% (see Figure 7).

Figure 7: Average Global Per Capita Healthcare Expenditure, 1995 to 2013



Source: World Bank Development Indicators. Data is in current US\$

Increased Awareness of Risks of Infection

Medical gloves reduce the risk of exposure for healthcare workers to infection, and reduce the risk of germ dissemination in a healthcare environment. Several studies have indicated the significant impact that use of gloves has on cross-contamination.¹⁵ Increased awareness of the risks of infection and of the protection that gloves can offer is a major factor stimulating sales of medical gloves, especially in developing markets. Healthcare workers are exposed to a number of blood-borne pathogens such as hepatitis B, C and HIV. Healthcare professionals are also exposed to hazardous chemicals such as disinfectants and sterilising agents that can cause health issues such as

¹⁴ World Health Organisation Statistics

¹⁵ WHO, WHO Guidelines on Hand Hygiene in Healthcare

dermatitis and occupational asthma. Additionally, the growing use of hazardous cytostatic drugs for cancer treatment is also creating a new area of risk.

A report by the World Health Organisation (WHO) identified that out of 35 million healthcare workers globally, about 2 million needlestick injuries are incurred per year that result in infections with hepatitis B and C and HIV. Around 40% of the hepatitis B and C infections and 2.5% of the HIV infections globally are estimated to be incurred by healthcare workers.¹⁶

As well as protecting healthcare workers, use of gloves also reduces the incidence of healthcare-acquired infections (HCAIs), i.e. infections to patients arising from exposure in a healthcare facility. In developed countries, HCAI can impact between 5% and 15% of hospitalised patients, and up to almost 40% of those admitted to intensive care units (ICUs). Studies conducted in developing countries indicate even higher rates of HCAI incidence.¹⁷

Infectious Disease Incidence

Occurrence of infectious diseases act as a major stimulant to use of medical gloves, and at times can provide significant short-term boosts to glove demand. The growing incidence of HIV in the 1980's provided a significant stimulus to use of medical gloves, and more recent outbreaks of infectious diseases have had a similar impact. For example, the outbreak of the H1-N1 virus in 2009 and Ebola in 2014 acted to stimulate sales of gloves.¹⁸

Rising Elderly Populations

Growth in the number of ageing individuals increases demands on healthcare systems due to a related increase in the incidence of chronic diseases. The global population of individuals aged 65 or older is currently estimated at 601 million, and is forecast to increase to 714 million in 2020 and approximately 900 million by 2030.¹⁹ This growth in the number of ageing people is leading to increased demand on healthcare services, driving an increasing requirement for medical gloves.

Increasingly Stringent Regulations

The use of gloves by healthcare workers has increased significantly over recent years, partly a result of an increasingly stringent regulatory regime. This includes both global guidelines and national regulations in specific countries. For example, The National Institute for Occupational Safety and Health Administration in the USA (NIOSH) mandates that gloves be worn during all patient-care activities involving exposure to blood or body fluids that may be contaminated with blood, including contact with mucous membranes and non-intact skin. The WHO recommends that healthcare workers wear gloves when it can be reasonably anticipated that contact with blood or other potentially infectious materials, mucous membranes, or non-intact skin may occur.²⁰

¹⁶ WHO, Preventing Needlestick Injuries among Healthcare Workers

¹⁷ WHO, WHO Guidelines on Hand Hygiene in Healthcare

¹⁸ <http://www.chicagotribune.com/news/local/breaking/ct-ebola-equipment-sales-met-20141015-story.html>

¹⁹ National Institute on Aging, World Population Aging, accessed September 2015

²⁰ WHO, WHO Guidelines on Hand Hygiene in Healthcare

Double-Gloving

Use of two pairs of gloves during medical procedures is increasingly common, especially during surgical procedures. Many professional organisations, including the Centers for Disease Control and Prevention (**CDC**), the Association of Perioperative Registered Nurses (**AORN**), the American Academy of Orthopedic Surgeons (**AAOS**), and the American College of Surgeons (**ACS**), recommend double gloving to reduce risks for healthcare professionals. Double-gloving reduces the risk of exposure to patient blood by as much as 87% when the outer glove is punctured. The volume of blood on a solid suture needle is reduced by as much as 95% when passing through two glove layers.²¹ Additionally, double-gloving is generally not perceived to reduce tactile sensitivity.²² However, to address any potential tactile and comfort issues from double-gloving, innovations are occurring in glove design, for example manufacturing inner gloves that are 15% thinner than outer gloves. Inner gloves are also increasingly coloured, making perforations to outer gloves more visible.

Rubber Glove Industry Structure

The rubber glove industry can be divided into upstream, midstream and downstream sectors;

- The upstream sector includes operation of rubber plantations and latex concentration plants.
- The midstream sector comprises manufacturing of gloves from NRL or synthetic rubber.
- The downstream sector includes the distribution of gloves, often via medical distributors that distribute a wide range of healthcare products.

Some larger companies are vertically-integrated across multiple sectors. For example, the Malaysian company Top Glove operates two latex concentration / processing plants in addition to its glove manufacturing plants.

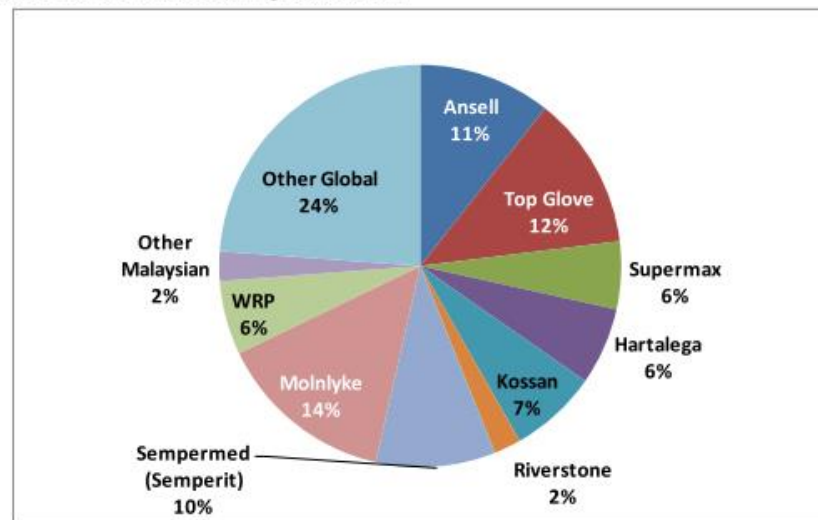
Although there has been consolidation over recent years, the manufacture of gloves is still a relatively fragmented industry, with over 100 companies estimated to be active in glove manufacture globally. In Malaysia alone, there are over 20 companies manufacturing rubber gloves. Manufacturers include those that produce their own brands, and companies that manufacture on behalf of branded glove suppliers (**OEMs**). Most Malaysian-headquartered companies are OEMs, manufacturing gloves on behalf of global suppliers.

The industry includes a number of global multi-nationals (**MNCs**) that supply gloves along with other products (such as Ansell, Kimberly-Clark and Molnlyke), as well as specialist glove manufacturers, many based in Malaysia. Malaysian-headquartered manufacturers are estimated to have approximately 40% of the global gloves market, and some of the MNCs (such as Sempemed and Ansell) also have manufacturing facilities in Malaysia. The estimated global market shares of manufacturers of gloves are indicated in Figure 8.

²¹ Journal of the American College of Surgeons, Preventing sharps injuries in the operating room, 2004

²² Ibid

Figure 8: Rubber Gloves Manufacturing Share, 2014



Source: Frost & Sullivan estimates based on company reports

Significant Malaysian-headquartered manufacturers of gloves include Top Glove, Supermax, Hartalega, Kossan, Riverstone and WRP. These companies are described in more detail in Table 3.

Table 3: Main Malaysian-Headquartered Glove Manufacturers

Company	Ownership	Revenue	Pre-Tax Profit Margin	Comments
Adventa Health	Private (subsidiary of Aspion Bhd.)	N/A	N/A	3 manufacturing plants in Malaysia and Uruguay
Hartalega	Publicly-listed (KLSE)	RM1,145 million (\$261 million)	24%	11 manufacturing plants at two sites in Malaysia with 117 lines
Kossan	Publicly-listed (KLSE)	RM1,301 million (\$297 million)	14%	3 manufacturing plants in Malaysia
Riverstone	Publicly-listed (SGX)	RM399 million (\$91 million)	20%	Plants in Malaysia, Thailand and China
Supermax	Publicly-listed (KLSE)	RM1,004 million (\$229 million)	13%	11 manufacturing plants in Malaysia
Top Glove	Publicly-listed (KLSE)	RM2,275 million (\$519 million)	9%	27 manufacturing plants in Malaysia, Thailand and China with 484 production lines
WRP	Private	N/A	N/A	3 manufacturing plants in Malaysia

Source: Company data. Financial data is for latest available year (2014)

In 2014, the average pre-tax profit margin for the Malaysian glove manufacturers for which financial data is available was 16%, and the average annual revenue growth rate over the period 2010 to 2014 was 7.2%.²³

Driven by growing global glove demand, manufacturers in Malaysia are making significant investments to increase production capacity. Some of the expansion projects for the main manufacturers in Malaysia are listed in Table 4.

Table 4: Malaysian Glove Manufacturers Expansion Projects

Company	Expansion Projects
Hartalega	Commissioning six new plants at Hartalega Next Generation Complex (NGC) at Klang, Malaysia with 72 production lines
Kossan	Planning expansion at Kossar, Malaysia with two additional plants
Riverstone	Expanding production at Taiping, Malaysia in six phases
Supermax	Constructing two new plants at Klang, Malaysia with 40 lines and additional production capacity of 5.6 billion pieces
Top Glove	One new plant (Klang) and expansion of current plants in Port Dickson (Malaysia) and Phuket (Thailand) scheduled for completion by December 2016, adding 56 lines and additional capacity of 7.6 billion pieces per year
WRP	Constructing new manufacturing plant with 23 lines and capacity of 5.5 billion pieces per year at the Sepang, Malaysia site

Source: Company reports and websites

Main Trends in Glove Manufacture

Some of the main trends in the manufacture of gloves are summarised below;

- Product innovation; manufacturers are focusing on differentiation through product innovation, for example in development of lighter-weight nitrile gloves that are better able to substitute NRL gloves, or use of proteins on gloves such as sericin, which is reputed to have moisturising, ant-microbial and wound healing properties.
- Production automation; increased use of automation to replace manual labour in glove manufacturing, for example in use of automated equipment to remove gloves from formers and to pack gloves. Manufacturers are investing in production equipment with enhanced capacity, for example at production capacities of over 40,000 pieces per hour.
- Switch to nitrile; most glove manufacturers are switching production away from NRL and towards nitrile to reflect the growth of the nitrile glove market. Many producers, however, have production technology that allows the use of both NRL and nitrile in production.
- Development of new materials: newer synthetic materials are being introduced for use in gloves, such as synthetic polyisoprene, a synthetic variant of the main polymer in rubber. Synthetic polyisoprene exceeds its natural counterpart in consistency of product, cure rate, processing, and purity. It also offers production advantages in mixing, extrusion and molding processes.

²³ Calculated based on company financial reports

Competitive Advantages of Malaysia for Glove Manufacture

Malaysia is the world's largest producer of rubber gloves, with an estimated 62% of global production and over 50 companies active in the rubber glove industry (including manufacturers and traders).²⁴ Glove manufacturing is part of a broader rubber and rubber products industry in Malaysia, that cumulatively accounted for RM31 billion (\$7.08 billion) of exports in 2014, 4% of Malaysia's total exports.²⁵ Malaysia is no longer one of the world's largest natural rubber producers (natural rubber production in Malaysia was around 5% of global production in 2014), but the country has a major rubber products manufacturing industry that also relies significantly on imported natural rubber, particularly from Thailand and Vietnam.

Malaysia's history as a centre for rubber products manufacture is largely based on its heritage as a major producer of natural rubber. However, its competitive advantage for manufacture of rubber products, such as gloves, is now based on factors such as access to raw materials; industry support; local quality standards; the availability of the full infrastructure for rubber manufacturing; and cost advantages. These factors are described in more detail below.

- Access to raw materials; although Malaysia is not one of the largest producers of natural rubber, it is located close to the major producers, Thailand, Indonesia and Vietnam, which cumulatively account for around two-thirds of global production.²⁶ Hence, Malaysia has relatively easy access to raw materials for rubber product manufacture, without significant transport costs. Although countries such as Indonesia and Thailand have local rubber supplies, Malaysia has better transport infrastructure for export of finished rubber products. Wet latex is difficult to transport, and hence manufacture of latex products tends to occur relatively close to the rubber supply. This means that manufacture of rubber products is usually concentrated close to the rubber sources. Malaysia has a combination of easy access to natural rubber and a strong logistics infrastructure for import of rubber and manufacture and export of finished rubber goods.
- Industry support; Malaysia has a network of government-supported organisations that are involved in supporting and promoting the rubber industry, including the Malaysian Rubber Board, the Malaysian Rubber Export Promotion Council, the Rubber Research Institute of Malaysia (**RRIM**) and the Malaysian Rubber Glove Manufacturers Association (**MARGMA**). These organisations undertake significant activities in supporting and promoting the rubber industry in Malaysia.
- Local quality standards; manufacture of gloves for medical applications involves stringent quality controls from organisations such as the US Food & Drug Administration (**FDA**). Malaysia has introduced the Standard Malaysian Glove (**SMG**) program, developed by RRIM and MARGMA in consultation with the FDA and other relevant authorities. The SMG program establishes standards in areas such as barrier performance as well as strength, elasticity, and protein and powder content in accordance with FDA and ASTM technical specifications. Adoption of this program has given Malaysian glove manufacturers a significant quality advantage especially in developed markets.

²⁴ Malaysian Rubber Board, Natural Rubber Statistics, 2015

²⁵ Ibid

²⁶ UN FAO statistics

- Local infrastructure; Malaysia has a complete range of local infrastructure and technical know-how for rubber products manufacture and export, including local producers of manufacturing and processing equipment, local traders and a wide range of personnel with skills in rubber processing and rubber products manufacture.
- Production costs: although labour costs in Malaysia are higher than in the main rubber-producing countries, labour only accounts for around 9-10% of the production costs of gloves due to the high degree of automation involved in the production process.²⁷ Hence, Malaysia does not have a production cost differential with other rubber-producing countries, and can have a production cost advantage from lower logistics and fuel costs. Additionally, the recent depreciation of the Malaysian Ringgit against the US\$ has given Malaysian producers an additional advantage, as exported products are usually denominated in US\$. Over the past two years, the Ringgit has depreciated from US\$1 = RM3.26 on September 30th 2013 to US\$1 = RM4.48 on September 29th 2015.²⁸ The size of the production operations in Malaysia also allows local Malaysian manufacturers to benefit from significant economies of scale. Over recent years, the industry in Malaysia has consolidated to some extent and is now dominated by large, high-volume producers. Additionally, manufacturers in Malaysia have benefitted from declining prices for natural rubber and for other inputs such as energy which has boosted profit margins.

Given the above factors, Malaysia is likely to remain the most important location globally for manufacture of rubber gloves, and the financial performance of manufacturers in Malaysia is likely to improve as a result of increasing sales, currency depreciation and reduced input costs.

Disclosure

This is an independent report prepared by Frost & Sullivan. Save for the preparation of this report and services rendered in connection with this report for which normal professional fees will be received, Frost & Sullivan has no interest in Voltage IP Limited or KLE Products Sdn. Bhd. and no interest in the outcome of the capital raising. Payment of these fees to Frost & Sullivan is not contingent on the outcome of the capital raising. Frost & Sullivan has not and will not receive any other benefits (including any commissions) and there are no factors which may reasonably be assumed to have influenced the contents of this report nor which may be assumed to have provided bias or influence. Frost & Sullivan does not hold a dealer's license or Financial Services License.

Conclusion

As a participant in the rubber gloves industry, KLE is exposed to an industry that is growing at 6-7% annually and which is likely to continue growth at this rate for the foreseeable future. There are a number of factors that will continue

²⁷ Top Glove investor presentation, 2015

²⁸ Xe.com currency conversion charts, accessed September 2015

to stimulate demand for gloves, particularly in medical applications. Growth in developing countries, where glove consumption is currently well below developed markets, is likely to be particularly strong.

Factors that will stimulate growth in the manufacture of rubber gloves include growing expenditure on healthcare; increased awareness of the risks of infection during medical examinations, especially in developing countries; incidence of infectious conditions such as MERS, H1-N1 and HIV; growing ageing populations globally, which are causing an increase in the incidence of chronic diseases, and hence demand for medical procedures; increasingly stringent healthcare regulations; and increased incidence of "double-gloving", i.e. use of two pairs of gloves during a procedure. Additionally, NRL or nitrile gloves are increasingly likely to be preferred to vinyl gloves as healthcare professionals become more aware of their performance and comfort advantages. These factors are likely to drive growth in sales of rubber gloves from 181 billion pieces in 2014 to 233 billion pieces in 2018.

Synthetic rubber gloves, especially manufactured from nitrile, are increasing their share of global glove sales, and in developed markets nitrile now accounts for a major share of gloves sold. However, sales of nitrile gloves still have significant growth potential as nitrile has a relatively small share of sales in developing markets. However, growing awareness of latex allergies and advances in nitrile glove technology are likely to drive increased sales of nitrile gloves in developing markets also.

As a company involved in both supply of glove manufacturing equipment and in glove manufacture, KLE will have exposure both to the growth of glove manufacturing capacity in Malaysia and elsewhere, as well as to growth in demand for gloves. Malaysia is the world's largest location for rubber glove production, with around 62% of gloves currently produced in Malaysia. Malaysia is home to several large glove producers, as well as being a manufacturing location for MNC glove suppliers. KLE is likely to benefit from the current additional capacity being installed by most of the major glove manufacturers in Malaysia, who are planning to expand production capacity to meet global demand growth.

Yours Sincerely



Mark Dougan
Managing Director, Australia & New Zealand

4. Financial information

4.1 Background

This Section of the Prospectus sets out the following:

- The Historical Financial Information, comprising the:
 - the Audited Statement of Profit or Loss and Other Comprehensive Income of the Company for the years ended 30 June 2015, 30 June 2014 and 30 June 2013;
 - the Audited Income Statement of KLE for the 10 months ended 30 June 2015 and the Audited Income Statement of KLE for the years ended 31 August 2014, 31 August 2013 and 31 August 2012;
 - the Adjusted Income Statement of KLE for the 10 months ended 30 June 2015 and the Adjusted Income Statement of KLE for the years ended 31 August 2014, 31 August 2013 and 31 August 2012;
 - the Audited Statement of Cash Flows of the Company for the years ended 30 June 2015, 30 June 2014 and 30 June 2013;
 - the Audited Statement of Cash Flows of KLE for the 10 months ended 20 June 2015 and the Audited Statement of Cash Flows of KLE for the years ended 31 August 2014, 31 August 2013 and 31 August 2012;
 - the Audited Statement of Financial Position of the Company as at 30 June 2015; and
 - the Audited and Adjusted Statement of Financial Position of KLE as at 30 June 2015.
- The Pro Forma Financial Information, comprising the:
 - the Consolidated Pro Forma Statement of Profit or Loss and Other Comprehensive Income for the years ended 30 June 2015, 30 June 2014 and 30 June 2013, illustrating the combined historical results of the Company and KLE for the years ended 30 June 2015, 30 June 2014 and 30 June 2013, and assuming the completion of the transactions summarised in Note 2 in Section 4.13;
 - the Consolidated Pro Forma Statement of Cash Flows for the years ended 30 June 2015, 30 June 2014 and 30 June 2013, illustrating the combined historical cash flows of the Company and KLE for the years ended 30 June 2015, 30 June 2014 and 30 June 2013; and
 - the Consolidated Pro Forma Statement of Financial Position at 30 June 2015, assuming the completion of the transactions summarised in Note 2 in Section 4.13.

4.2 Basis of preparation

The Pro Forma Financial Information has been reviewed by RSM Financial Services Australia Pty Ltd, Melbourne. A copy of RSM's Investigating Accountant's Report is set out in Section 5 of this Prospectus.

The Financial Information has been prepared and presented in accordance with the accounting policies set out in Note 1 in Section 4.13.

The Historical Financial Information of the Company has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles described in Australian Accounting Standards and the Company's adopted accounting policies. The Historical Financial Information for the years ended 30 June 2015, 30 June 2014 and 30 June 2013 has been extracted from the Company's financial statements for each financial year, which were audited by Crowe Horwath in accordance with Australian Auditing Standards, and on which an unqualified audit opinion was issued for each financial year. For each of these 3 financial years, Crowe Horwath's audit report included an emphasis of matter that, without modifying their audit opinion, drew notice to the existence of a material uncertainty which may cast doubt over the Company's ability to continue as a going concern.

The Historical Financial Information of KLE has been prepared in accordance with the stated basis of preparation, being Private Entity Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia, and KLE's adopted accounting policies. The Historical Financial Information of KLE for the 10 months ended 30 June 2015, and the years ended 31 August 2014, 31 August 2013 and 31 August 2012 has been extracted from KLE's financial statements for each financial period and year, which were audited by Yong & Leonard in accordance with approved Standards on Auditing in Malaysia, and on which an unqualified audit opinion was issued for each financial period and year.

The Company considers that if the Historical Financial Information of KLE had been prepared in accordance with Australian Accounting Standards, there would be no material differences to the financial information presented.

The Adjusted Income Statement and the Adjusted Statement of Financial Position of KLE for the 10 months ended 30 June 2015 and the years ended 31 August 2014, 31 August 2013 and 31 August 2012 have been extracted from the Audited Historical Financial Information and includes adjustments to employee expenses and director's remuneration, as if those costs had been incurred as at the date of the Historical Financial Information.

The Financial Information has been solely prepared for the purpose of inclusion in this Prospectus and is presented in an abbreviated form insofar as it does not include all the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

4.3 Historical Statement of Profit or Loss and Other Comprehensive Income – the Company

Set out below is the historical Audited Statement of Profit or Loss and Other Comprehensive Income of the Company for the years ended 30 June 2015, 30 June 2014 and 30 June 2013.

	Audited Year ended 30-Jun-15 \$	Audited Year ended 30-Jun-14 \$	Audited Year ended 30-Jun-13 \$
Revenue	245	-	17
Expenses			
Employee benefits expense	-	-	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 / (income)	(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	(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	(127,356)	(84,202)	106,054

The historical Audited Statements of Profit or Loss and Other Comprehensive Income of the Company have been extracted from the audited financial statements of the Company for the years ended 30 June 2015, 30 June 2014 and 30 June 2013.

The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the financial information set out in Section 4.13.

4.4 Historical Income Statement – KLE

Set out below is the historical Audited Income Statement of KLE for the 10 months ended 30 June 2015 and the historical Audited Income Statement of KLE for the years ended 31 August 2014, 31 August 2013 and 31 August 2012.

	Audited Period ended 30-Jun-15 \$	Audited Year ended 31-Aug-14 \$	Audited Year ended 31-Aug-13 \$	Audited Year ended 31-Aug-12 \$
Revenue	9,134,476	7,911,247	8,762,711	7,483,954
Other operating income	20,720	26,405	39,046	61,089
Expenses				
Employee benefits expense	(390,993)	(506,236)	(612,524)	(770,724)
Directors' remuneration	(20,632)	(23,296)	(29,324)	(16,355)
Operating expenses	(7,325,903)	(6,493,864)	(7,116,992)	(5,871,579)
Profit from operations	1,417,668	914,257	1,042,917	886,385
Finance costs	(201,116)	(300,370)	(255,954)	(242,157)
Profit before income tax expense	1,216,552	613,886	786,963	644,228
Income tax expense	(342,865)	(231,125)	(287,691)	(1,939)
Profit for the year	873,687	382,761	499,272	642,289

The historical Audited Income Statements of KLE have been extracted from the audited financial statements of KLE for the 10 months ended 30 June 2015, and the audited financial statements of KLE for the years ended 31 August 2014, 31 August 2013 and 31 August 2012.

The historical Audited Income Statements of KLE have been translated, based on average exchange rates for each reporting period and year, to \$ from Ringgit Malaysia ("RM") using exchange rates as follows:

- 10 months ended 30 June 2015 - \$1 : RM2.8641;
- year ended 31 August 2014 - \$1 : RM2.9854;
- year ended 31 August 2013 - \$1 : RM3.1101; and
- year ended 31 August 2012 - \$1 : RM3.1974.

During the course of RSM's review of the Historical Financial Information, it was noted that a portion of employee benefits expenses and directors' remuneration attributable to KLE's operations had been included in the financial statements of Keng Lek. Mr Wee Min Chen, the Managing Director of KLE, is also a director of Keng Lek. As a result, employee benefits expenses and directors' remuneration have been adjusted for the 10 months ended 30 June 2015, and for the years ended 31 August 2014, 31 August 2013 and 31 August 2012 as set out below.

The Income Statement should be read in conjunction with the Notes to the financial information set out in Section 4.13.

4.5 Historical Adjusted Income Statement – KLE

Set out below is the historical Adjusted Income Statement of KLE for the 10 months ended 30 June 2015 and the historical Adjusted Income Statement of KLE for the year ended 31 August 2014.

	Audited	Adjustments	Adjusted	Audited	Adjustments	Adjusted
	Period ended	to expenses	Period ended	Year ended	to expenses	Year ended
	30-Jun-15		30-Jun-15	31-Aug-14		31-Aug-14
	\$	\$	\$	\$	\$	\$
Revenue	9,134,476	-	9,134,476	7,911,247	-	7,911,247
Other operating income	20,720	-	20,720	26,405	-	26,405
Expenses						
Employee benefits expense	(390,993)	(481,882)	(872,875)	(506,236)	(45,019)	(551,255)
Directors' remuneration	(20,632)	(109,950)	(130,582)	(23,296)	(135,916)	(159,213)
Operating expenses	(7,325,903)	-	(7,325,903)	(6,493,864)	-	(6,493,864)
Profit from operations	1,417,668	(591,832)	825,836	914,257	(180,936)	733,321
Finance costs	(201,116)	-	(201,116)	(300,370)	-	(300,370)
Profit before income tax expense	1,216,552	(591,832)	624,721	613,886	(180,936)	432,951
Income tax expense	(342,865)	-	(342,865)	(231,125)	-	(231,125)
Profit for the year	873,687	(591,832)	281,855	382,761	(180,936)	201,826

Set out below is the historical Adjusted Income Statement of KLE for the years ended 31 August 2013 and 31 August 2012.

	Audited	Adjustments	Adjusted	Audited	Adjustments	Adjusted
	Year ended	to expenses	Year ended	Year ended	to expenses	Year ended
	31-Aug-13		31-Aug-13	31-Aug-12		31-Aug-12
	\$	\$	\$	\$	\$	\$
Revenue	8,762,711	-	8,762,711	7,483,954	-	7,483,954
Other operating income	39,046	-	39,046	61,089	-	61,089
Expenses						
Employee benefits expense	(612,524)	(43,214)	(655,738)	(770,724)	(42,034)	(812,758)
Directors' remuneration	(29,324)	(114,980)	(144,304)	(16,355)	(124,009)	(140,364)
Operating expenses	(7,116,992)	-	(7,116,992)	(5,871,579)	-	(5,871,579)
Profit from operations	1,042,917	(158,194)	884,722	886,385	(166,043)	720,342
Finance costs	(255,954)	-	(255,954)	(242,157)	-	(242,157)
Profit before income tax expense	786,963	(158,194)	628,769	644,228	(166,043)	478,184
Income tax expense	(287,691)	-	(287,691)	(1,939)	-	(1,939)
Profit for the year	499,272	(158,194)	341,077	642,289	(166,043)	476,245

The historical Adjusted Income Statements of KLE have been translated, based on average exchange rates for each reporting period and year, to \$ from RM using exchange rates as follows:

- 10 months ended 30 June 2015 - \$1 : RM2.8641;
- year ended 31 August 2014 - \$1 : RM2.9854;
- year ended 31 August 2013 - \$1 : RM3.1101; and

- year ended 31 August 2012 - \$1 : RM3.1974.

The historical Adjusted Income Statement should be read in conjunction with the Notes to the financial information set out in Section 4.13.

4.6 Management Discussion and Analysis on the Historical Adjusted Financial Performance of KLE

(i) Revenue

	PE 15 \$'000	PE 15 RM'000	FY 14 \$'000	FY 14 RM'000	FY 13 \$'000	FY 13 RM'000
Revenue by category						
Roller Conveyor Chains	3,796	10,872	1,899	5,668	3,792	11,792
Former Holder Sets	4,967	14,225	5,068	15,131	4,600	14,307
Components	451	1,292	1,097	3,274	418	1,301
Total gross revenue	9,214	26,389	8,064	24,073	8,810	27,401
Goods returned	-	-	(147)	(439)	(23)	(72)
Contra	(12)	(34)	-	-	-	-
Discounts allowed	(67)	(192)	(5)	(16)	(24)	(76)
Total net revenue	9,134	26,162	7,911	23,618	8,763	27,253

KLE generates circa 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 or upkeep of the former holders and conveyor chains.

KLE disclosed total net revenue of RM23.6 million (\$7.9 million) in FY 14, a decrease of 13.3% compared to RM27.3 million (\$8.8 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.

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.

In contrast, KLE disclosed an increase in total net revenue of 10.8% to total RM26.2 million (\$9.1 million) in PE 15 compared to FY 14. The growth in revenue for PE 15 compared to FY 14 is due 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.

(ii) Expenses

Employment benefits expense

	PE 15 \$'000	PE 15 RM'000	FY 14 \$'000	FY 14 RM'000	FY 13 \$'000	FY 13 RM'000
Adjusted Employee benefits expense						
Direct labour costs (comprising salaries, wages, contract wages and oncosts)	373	1,069	423	1,262	472	1,469
Other employee costs (marketing, accounting and administrative)	18	51	83	249	140	436
Adjustment for direct labour costs	324	928	-	-	-	-
Adjustment for other employee costs	158	452	45	134	43	134
Total adjusted employee benefits expense	873	2,500	551	1,646	656	2,039

Adjusted employee benefits expenses also reflect the recruitment of new employees in PE 15 to facilitate KLE's growth. Employee costs will vary only with new additions to the company as well as incremental payments given to employees depending on their yearly performance.

Directors' remuneration

	PE 15 \$'000	PE 15 RM'000	FY 14 \$'000	FY 14 RM'000	FY 13 \$'000	FY 13 RM'000
Adjusted Directors' remuneration						
Director's remuneration disclosed by KLE	21	59	23	70	29	91
Adjustment for director's remuneration for Mr Wee Min Chen	110	315	136	406	115	358
Total adjusted directors' remuneration	131	374	159	475	144	449

Director's remuneration has been adjusted to reflect an assessed market value of Mr Wee Min Chen's role as Managing Director of KLE of RM448,800 per annum (circa \$150,000 per annum).

Operating expenses

	PE 15 \$'000	PE 15 RM'000	FY 14 \$'000	FY 14 RM'000	FY 13 \$'000	FY 13 RM'000
Operating expenses						
Materials	6,140	17,585	5,549	16,565	5,798	18,031
Factory overheads	699	2,002	511	1,525	890	2,769
Other (travelling expenses, professional fees, administrative, and repairs and maintenance)	339	971	264	789	286	889
Depreciation	148	424	170	508	143	445
Total operating expenses	7,326	20,982	6,494	19,387	7,117	22,135

KLE disclosed operating expenses of RM21.0 million for PE 15 (\$7.3 million), an increase of 8.2% compared to operating expenses of RM19.4 million (\$6.5 million) for FY 14. The increase in operating expenses has been driven primarily by an increase in the cost of materials used, in line with the increase in revenue for PE 15 compared to FY 14.

4.7 Historical Consolidated Pro Forma Statement of Profit or Loss and Other Comprehensive Income

Set out below is the historical Consolidated Pro Forma Statement of Profit or Loss and Other Comprehensive Income for the years ended 30 June 2015, 30 June 2014 and 30 June 2013. The Consolidated Pro Forma Statement of Profit or Loss and Other Comprehensive Income has been prepared to illustrate the combined results of the Company and KLE for the years ended 30 June 2015, 30 June 2014 and 30 June 2013, and assuming the completion of the transactions summarised in Note 2 in Section 4.13.

	Pro Forma Year ended 30-Jun-15 \$	Pro Forma Year ended 30-Jun-14 \$	Pro Forma Year ended 30-Jun-13 \$
Revenue	10,453,262	8,053,158	8,549,601
Other operating income	25,121	28,512	42,720
Expenses			
Employee benefits expense	(964,750)	(568,669)	(545,553)
Directors' remuneration	(157,117)	(156,728)	(143,647)
Operating expenses	(8,504,878)	(6,653,117)	(6,977,330)
Profit from operations	851,638	703,157	925,791
Finance income/(costs)	(282,115)	(321,772)	(216,065)
Profit/(loss) before income tax expense	569,523	381,385	709,725
Income tax expense	(381,386)	(240,553)	(240,066)
Profit/(loss) after income tax expense for the year attributable to the owners of the consolidated entity	188,137	140,832	469,659
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 the consolidated entity	188,137	140,832	469,659

The Consolidated Pro Forma Statement of Profit or Loss and Other Comprehensive Income has been prepared based on:

- the audited financial statements of the Company for the years ended 30 June 2015, 30 June 2014 and 30 June 2013; and
- the adjusted financial statements of KLE for the 10 months ended 30 June 2015 and the adjusted financial statements of KLE for the years ended 31 August 2014, 31 August 2013 and 31 August 2012.

The results of KLE have been adjusted to present the Consolidated Pro Forma Statement of Profit or Loss for an accounting year end consistent with that of the Company. The results of KLE have been adjusted on a pro-rata basis on the basis that KLE's operating revenue and expenditure has been materially consistent throughout each reporting period and year.

The Adjusted Income Statements of KLE have been translated, based on average exchange rates for each reporting period and year, to \$ from RM, using exchange rates as follows:

- 10 months ended 30 June 2015 - \$1 : RM2.8641;

- year ended 31 August 2014 - \$1 : RM2.9854;
- year ended 31 August 2013 - \$1 : RM3.1101; and
- year ended 31 August 2012 - \$1 : RM3.1974.

The Consolidated Pro Forma Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the financial information set out in Section 4.13.

4.8 Historical Statement of Cash Flows – the Company

Set out below is the historical Statement of Cash Flows of the Company for the years ended 30 June 2015, 30 June 2014 and 30 June 2013.

	Audited Year ended 30-Jun-15 \$	Audited Year ended 30-Jun-14 \$	Audited Year ended 30-Jun-13 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers	(50,717)	(7,563)	(41,060)
Interest received	245	-	17
Net cash used in operating activities	<u>(50,472)</u>	<u>(7,563)</u>	<u>(41,043)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	8,500	9,500	25,000
Proceeds from Loan and Convertible Note Agreements	250,000	-	-
Net cash from financing activities	<u>258,500</u>	<u>9,500</u>	<u>25,000</u>
Net increase/(decrease) in cash and cash equivalents	208,028	1,937	(16,043)
Cash and cash equivalents at the beginning of the year	2,284	347	16,390
Cash and cash equivalents at the end of the year	<u>210,312</u>	<u>2,284</u>	<u>347</u>

The historical Audited Statements of Cash Flows of the Company have been extracted from the audited financial statements of the Company for the years ended 30 June 2015, 30 June 2014 and 30 June 2013.

The historical Audited Statement of Cash Flows should be read in conjunction with the Notes to the financial information set out in Section 4.13.

4.9 Historical Statement of Cash Flows – KLE

Set out below is the historical Audited Statement of Cash Flows for KLE for the 10 months ended 30 June 2015 and the historical Audited Statement of Cash Flows for the years ended 31 August 2014, 31 August 2013 and 31 August 2012.

	Audited Period ended 30-Jun-15 \$	Audited Year ended 31-Aug-14 \$	Audited Year ended 31-Aug-13 \$	Audited Year ended 31-Aug-12 \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Sales to customers	7,912,355	8,716,953	7,642,824	8,006,693
Payments to suppliers and employees	(6,564,359)	(5,643,342)	(6,687,482)	(6,241,658)
Income tax paid	(85,571)	(103,959)	(128,613)	(2,287)
Interest received	201	21,852	14,546	16,493
Interest paid	(123,294)	(212,669)	(171,288)	(183,516)
Net cash generated from operating activities	1,139,332	2,778,835	669,987	1,595,725
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of plant and equipment	(132,806)	(253,782)	(135,325)	(3,358,401)
Proceeds from disposal of plant and equipment	11,642	-	-	-
Net cash used in investing activities	(121,164)	(253,782)	(135,325)	(3,358,401)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	(349,150)	(2,344,744)	-	(62,551)
Net repayment of trust receipts	(4,513)	(595,533)	(10,764)	(450,537)
Net repayment of letter of credit/discounting line	(103,680)	(149,774)	(123,033)	(161,233)
Net (repayment)/drawdown of banker's acceptance	(133,724)	128,291	(144,690)	140,739
Net (repayment)/drawdown of term loan	(228,953)	(263,087)	(261,561)	1,578,985
Drawdown of hire purchase	-	177,062	-	52,331
Net repayment of hire purchase creditors	(105,607)	(80,974)	(1,623)	-
Net cash from/(used in) financing activities	(925,627)	(3,128,759)	(541,671)	1,097,734
Net increase/(decrease) in cash and cash equivalents	92,541	(603,706)	(7,009)	(664,942)
Cash and cash equivalents at the beginning of the year	(279,304)	332,230	310,185	980,204
Pro forma effect of foreign exchange	(5,752)	(7,828)	29,054	(5,077)
Cash and cash equivalents at the end of the period/year	(192,515)	(279,304)	332,230	310,185
Comprising:				
Fixed deposits with licensed banks	293,446	560,367	848,099	529,465
Cash and bank balances	15,469	34,214	6,388	82,959
Bank overdrafts	(501,430)	(873,885)	(522,257)	(302,239)
Cash and cash equivalents at the end of the period/year	(192,515)	(279,304)	332,230	310,185

The historical Audited Statements of Cash Flows have been extracted from the audited financial statements of KLE for the 10 months ended 30 June 2015 and the audited financial statements of KLE for the years ended 31 August 2014, 31 August 2013 and 31 August 2012.

The historical Audited Statement of Cash Flows have been translated as follows:

- cash at the end of each financial year or period has been translated to \$ from RM using the relevant spot rates as follows:

- 30 June 2015 - \$1 : RM2.9046;
 - 31 August 2014 - \$1 : RM2.9510;
 - 31 August 2013 - \$1 : RM2.9440; and
 - 31 August 2012 - \$1 : RM3.2235;
- cash at the beginning of each financial year or period has been translated to \$ from RM using the relevant spot rates as follows:
 - 31 August 2014 - \$1 : RM2.9510;
 - 31 August 2013 - \$1 : RM2.9440;
 - 31 August 2012 - \$1 : RM3.2235; and
 - 31 August 2011 - \$1 : RM3.1891;
 - cash flows for each reporting period and year, to \$ from RM, using average exchange rates as follows:
 - 10 months ended 30 June 2015 - \$1 : RM2.8641;
 - year ended 31 August 2014 - \$1 : RM2.9854;
 - year ended 31 August 2013 - \$1 : RM3.1101; and
 - year ended 31 August 2012 - \$1 : RM3.1974.

The historical Audited Statement of Cash Flows should be read in conjunction with the Notes to the financial information set out in Section 4.13.

4.10 Historical Consolidated Pro Forma Statement of Cash Flows

Set out below is the historical Consolidated Pro Forma Statement of Cash Flows for the years ended 30 June 2015, 30 June 2014 and 30 June 2013. The Consolidated Pro Forma Statement of Cash Flows has been prepared to illustrate the combined results of the Company and KLE for the years ended 30 June 2015, 30 June 2014 and 30 June 2013, and assuming the completion of the transactions summarised in Note 2 in Section 4.13.

	Pro Forma Year ended 30-Jun-15 \$	Pro Forma Year ended 30-Jun-14 \$	Pro Forma Year ended 30-Jun-13 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Sales to customers	9,365,181	8,537,932	7,703,469
Payments to suppliers and employees	(7,555,633)	(5,824,928)	(6,654,238)
Income tax paid	(102,898)	(108,068)	(107,559)
Interest received	4,088	20,634	14,888
Interest paid	(158,739)	(205,772)	(173,326)
Net cash generated from operating activities	1,551,999	2,419,797	783,234
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of plant and equipment	(175,103)	(234,039)	(672,504)
Proceeds from disposal of plant and equipment	11,642	-	-
Net cash used in investing activities	(163,461)	(234,039)	(672,504)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	(739,941)	(1,953,953)	(10,425)
Proceeds from/(repayment of) borrowings	(698,646)	(734,124)	(233,012)
Proceeds from Loan and Convertible Note Agreements	250,000	-	-
Net cash from/(used in) financing activities	(1,188,587)	(2,688,078)	(243,437)
Net increase/(decrease) in cash and cash equivalents	199,951	(502,320)	(132,707)

The Consolidated Pro Forma Statement of Cash Flows has been prepared based on:

- the audited financial statements of the Company for the years ended 30 June 2015, 30 June 2014 and 30 June 2013; and
- the audited financial statements of KLE for the 10 months ended 30 June 2015 and the audited financial statements of KLE for the years ended 31 August 2014, 31 August 2013 and 31 August 2012.

The cash flows of KLE have been adjusted to present the Consolidated Pro Forma Statement of Cash Flows for an accounting year end consistent with that of the Company. The cash flows of KLE have been adjusted on a pro-rata basis on the basis that KLE's cash flows have been materially consistent throughout each reporting period and year.

The historical audited Statements of Cash Flows of KLE have been translated as follows:

- cash at the end of each financial year or period has been translated to \$ from RM using the relevant spot rates as follows:
 - 30 June 2015 - \$1 : RM2.9046;
 - 31 August 2014 - \$1 : RM2.9510;

- 31 August 2013 - \$1 : RM2.9440; and
- 31 August 2012 - \$1 : RM3.2235;
- cash at the beginning of each financial year or period has been translated to \$ from RM using the relevant spot rates as follows:
 - 31 August 2014 - \$1 : RM2.9510;
 - 31 August 2013 - \$1 : RM2.9440;
 - 31 August 2012 - \$1 : RM3.2235; and
 - 31 August 2011 - \$1 : RM3.1891;
- cash flows for each reporting period and year, to \$ from RM, using average exchange rates as follows:
 - 10 months ended 30 June 2015 - \$1 : RM2.8641;
 - year ended 31 August 2014 - \$1 : RM2.9854;
 - year ended 31 August 2013 - \$1 : RM3.1101; and
 - year ended 31 August 2012 - \$1 : RM3.1974.

The Consolidated Pro Forma Statement of Cash Flows should be read in conjunction with the Notes to the financial information set out in Section 4.13.

4.11 Historical Statement of Financial Position – KLE

Set out below is the historical Audited Statement of Financial Position of KLE as at 30 June 2015, together with the Adjusted Statement of Financial Position at 30 June 2015, after taking into account adjustments to employee benefits expenses and directors' remuneration for the 10 months ended 30 June 2015 and the years ended 31 August 2014, 31 August 2013 and 31 August 2012.

	Audited As at 30-Jun-15 \$	Adjustment \$	Adjusted As at 30-Jun-15 \$
ASSETS			
Current assets			
Cash and cash equivalents	15,469	-	15,469
Fixed deposits	293,446	-	293,446
Inventories	2,170,539	-	2,170,539
Trade and other receivables	5,516,932	-	5,516,932
Amounts due from related companies	15,453	-	15,453
Amounts due from directors	-	-	-
Total current assets	8,011,839	-	8,011,839
Non-current assets			
Property, plant and equipment	3,943,891	-	3,943,891
Total non-current assets	3,943,891	-	3,943,891
Total assets	11,955,730	-	11,955,730
LIABILITIES			
Current liabilities			
Trade and other payables	2,961,305	-	2,961,305
Accrued employee benefit expenses and directors' remuneration	-	1,121,717	1,121,717
Amounts due to directors	667,421	-	667,421
Amounts due to related companies	1,720,924	-	1,720,924
Provision for income tax	551,425	-	551,425
Bank overdraft	501,430	-	501,430
Other borrowings	1,118,246	-	1,118,246
Total current liabilities	7,520,751	1,121,717	8,642,468
Non-current liabilities			
Borrowings	1,099,360	-	1,099,360
Deferred tax liabilities	29,997	-	29,997
Total non-current liabilities	1,129,357	-	1,129,357
Total liabilities	8,650,108	1,121,717	9,771,825
NET ASSETS	3,305,622	(1,121,717)	2,183,905
EQUITY			
Share capital	860,704	-	860,704
Retained earnings	2,444,918	(1,121,717)	1,323,201
TOTAL EQUITY	3,305,622	(1,121,717)	2,183,905

The Adjusted Statement of Financial Position of KLE has been translated to \$ from RM using the spot rate at 30 June 2015 of \$1 : RM2.9046.

The Adjusted Statement of Financial Position should be read in conjunction with the Notes to the financial information set out in Section 4.13.

4.12 Consolidated Pro Forma Statement of Financial Position

The Consolidated Pro Forma Statement of Financial Position as at 30 June 2015, set out below, has been prepared to illustrate the effects of the acquisition of KLE, and assumes completion of the pro forma transactions set out in Note 2 in Section 4.13 as if they had occurred on 30 June 2015.

		VIP	KLE	Pro Forma	Unaudited	Pro Forma	Unaudited
		Audited	Adjusted	Transactions	Pro Forma	Transactions	Pro Forma
		30-Jun-15	30-Jun-15	Minimum	Minimum	Maximum	Maximum
	Notes	\$	\$	Raise	Raise	Raise	Raise
		\$	\$	\$	\$	\$	\$
ASSETS							
Current assets							
Cash and cash equivalents	4	210,312	15,469	2,877,979	3,103,760	4,737,979	4,963,760
Fixed deposits	5	-	293,446	-	293,446	-	293,446
Inventories	6	-	2,170,539	-	2,170,539	-	2,170,539
Trade and other receivables	7	2,943	5,516,932	-	5,519,875	-	5,519,875
Amounts due from related parties	8	-	15,453	-	15,453	-	15,453
Total current assets		<u>213,255</u>	<u>8,011,839</u>	<u>2,877,979</u>	<u>11,103,073</u>	<u>4,737,979</u>	<u>12,963,073</u>
Non-current assets							
Property, plant and equipment	9	-	3,943,891	-	3,943,891	-	3,943,891
Total non-current assets		<u>-</u>	<u>3,943,891</u>	<u>-</u>	<u>3,943,891</u>	<u>-</u>	<u>3,943,891</u>
Total assets		<u>213,255</u>	<u>11,955,730</u>	<u>2,877,979</u>	<u>15,046,964</u>	<u>4,737,979</u>	<u>16,906,964</u>
LIABILITIES							
Current liabilities							
Trade and other payables	10	209,543	4,083,022	(68,683)	4,223,882	(68,683)	4,223,882
Amounts due to directors	11	-	667,421	-	667,421	-	667,421
Amounts due to related parties	12	358,167	1,720,924	(358,167)	1,720,924	(358,167)	1,720,924
Provision for income tax	13	-	551,425	-	551,425	-	551,425
Bank overdraft	14	-	501,430	-	501,430	-	501,430
Other borrowings	15	554,116	1,118,246	(554,116)	1,118,246	(554,116)	1,118,246
Total current liabilities		<u>1,121,826</u>	<u>8,642,468</u>	<u>(980,966)</u>	<u>8,783,328</u>	<u>(980,966)</u>	<u>8,783,328</u>
Non-current liabilities							
Borrowings	15	-	1,099,360	-	1,099,360	-	1,099,360
Deferred tax liabilities	16	-	29,997	-	29,997	-	29,997
Total non-current liabilities		<u>-</u>	<u>1,129,357</u>	<u>-</u>	<u>1,129,357</u>	<u>-</u>	<u>1,129,357</u>
Total liabilities		<u>1,121,826</u>	<u>9,771,825</u>	<u>(980,966)</u>	<u>9,912,685</u>	<u>(980,966)</u>	<u>9,912,685</u>
NET ASSETS		<u>(908,571)</u>	<u>2,183,905</u>	<u>3,858,945</u>	<u>5,134,279</u>	<u>5,718,945</u>	<u>6,994,279</u>
EQUITY							
Share capital	17	46,485,796	860,704	(43,186,208)	4,160,292	(41,326,208)	6,020,292
Retained earnings/(accumulated losses)	18	(47,394,367)	1,323,201	47,018,553	947,387	47,018,553	947,387
Options reserve	19	-	-	26,600	26,600	26,600	26,600
TOTAL EQUITY		<u>(908,571)</u>	<u>2,183,905</u>	<u>3,858,945</u>	<u>5,134,279</u>	<u>5,718,945</u>	<u>6,994,279</u>

The Consolidated Pro Forma Statement of Financial Position represents the Audited Statement of Financial Position as at 30 June 2015 adjusted for the pro forma transactions outlined in Note 2 in Section 4.13 relating to the issue of Shares pursuant to this Prospectus and other transactions.

The historical Audited Statement of Financial Information of the Company at 30 June 2015 has been extracted from the audited financial statements of the Company for the year ended 30 June 2015.

The Adjusted Statement of Financial Position of KLE at 30 June 2015 has been extracted from the audited financial statements of KLE for the 10 months ended 30 June 2015, and adjusted to reflect the adjustments for employee benefits expenses and directors' remuneration as set out in the Adjusted Income Statement.

The Adjusted Statement of Financial Position of KLE has been translated to \$ from RM using the spot rate at 30 June 2015 of \$1 : RM2.9046.

The Consolidated Pro Forma Statement of Financial Position should be read in conjunction with the notes to the financial information.

4.13 Notes to the financial information

1. Summary of significant accounting policies

The principle accounting policies adopted in the preparation of the financial information are set out below.

(a) Basis of preparation

The financial information has been prepared in accordance with the recognition and measurement, but not all the disclosure requirements of Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act, as appropriate for for-profit oriented entities. Compliance with these Standards ensures that the financial information complies with the recognition and measurement principles of International Financial Reporting Standards ('IFRS') as adopted by the International Accounting Standards Board ('IASB').

The Consolidated Pro Forma Statement of Financial Position assumes completion by the Company of the legal acquisition of KLE.

For accounting purposes, the legal acquisition of KLE by the Company does not represent a business combination as outlined in Australian Accounting Standard AASB 3 *Business Combinations* ('AASB 3'). At the time of the transaction, the Company will not constitute a business in its own right as defined by AASB 3.

To recognise the effects of this transaction, the financial information has been prepared using 'reverse acquisition accounting principles' (as set out in AASB 3), in accordance with the International Financial Reporting Interpretation Committee's Interpretation guidance dated March 2013.

Accordingly, the financial statements of the Company have been prepared as a continuation of the financial statements of KLE. KLE (as the deemed acquirer) has accounted for the acquisition of the Company from the acquisition date. However, as the Company did not constitute a business at the acquisition date, no goodwill can be recognised as a result of the transaction and the excess of the notional transaction consideration paid over the assets and liabilities of the Company acquired has been recognised as an expense in the income statement.

Historical cost convention

The financial information has been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial information requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Income tax

The Company is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on the Company's current understanding of the tax law. Where the final tax outcome of these matters is different from carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Options valuation

Refer to Note 19 in this Section 4.13 for estimates and assumptions used to calculate the valuation of options.

(b) Reverse assets acquisition

In accordance with the principles of AASB 3, the proposed acquisition by the Company (the legal parent) of KLE (the legal subsidiary), is deemed a reverse asset acquisition since the substance of the transaction is that existing shareholders of KLE will have effectively acquired the Company. Under reverse acquisition accounting, the consolidated financial statements are prepared as if KLE had acquired the Company, not vice versa as represented by the legal position. However, as the Company did not constitute a business at the acquisition date, no goodwill can be recognised as a result of the transaction.

In reverse acquisition accounting, the cost of the business is deemed to have been incurred by the legal subsidiary (the acquirer for accounting purposes) in the form of equity instruments issued to the owners of the legal parent (the acquiree for accounting purposes).

As a consequence:

- the cost of investment held by the legal parent (the Company) in the legal subsidiary (KLE) is reversed on consolidation and the cost of the reverse acquisition (based on the fair value of the shareholding of the Company acquired) is eliminated on consolidation against the consolidated equity and accumulated losses of the Company at the date control is passed. The effect of this is to restate the consolidated equity, retained earnings and reserves balances to reflect those of KLE at the date of the acquisition;
- the amount recognised as issued equity instruments is determined by adding the deemed cost of the acquisition, calculated by reference to the fair value of the shareholding in the Company acquired, to the issued equity of the legal subsidiary (KLE) immediately before the proposed acquisition; and
- the consolidated financial statements are issued under the name of the legal parent (the Company) but are a continuation of the financial statements of the deemed acquirer (KLE) under the reverse acquisition rules.

(c) Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Revenue is recognised upon delivery of goods, net of discounts and returns.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective

interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

(d) Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Current tax liabilities are measured based on the amounts expected to be paid, using the tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax assets relating to deductible temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax liabilities and assets are not recognised if the temporary differences arise from goodwill and for initial recognition of assets or liabilities that affect neither accounting profit nor taxable profit. Deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amount of its assets and liabilities and are measured using the tax rates that have been enacted or substantially enacted by the balance sheet date.

(e) Property, plant and equipment

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

Depreciation is provided on a straight-line method so as to write off the cost of the assets over their estimated useful lives, as follows:

Moulds	10%
Machinery and equipment	10%
Motor vehicles	20%
Office equipment	10%
Renovations	2%
Leasehold land and building	2%

Depreciation of an asset begins when it is ready for its intended use.

The residual values and the useful lives of assets, if significant, are reviewed at each balance sheet date.

The gain or loss arising from the disposal or retirement of an asset, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, are recognised in the income statement in the period it is incurred.

(f) Impairment of assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amounts of the assets are estimated.

When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount is the higher of the net selling price and value in use of an asset. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash generating unit) is less than its carrying amount, an impairment loss is recognised to reduce the carrying amount to its recoverable amount. An impairment loss for a cash generating unit is firstly allocated to reduce the carrying amount of goodwill allocated to the cash generating unit, and then, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

An impairment loss is recognised immediately in the income statement, unless it reverses a previous revaluation, in which case it is treated as a revaluation decrease.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, short-term deposits and other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the cash flow statements, cash and cash equivalents are presented net of bank overdrafts.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour costs and overheads, where applicable, that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(i) Trade and other receivables

Receivables are initially recognised at anticipated realisable values. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement.

(j) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are recognised at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(k) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

(l) Finance leases

Hire purchase and leases of property, plant and equipment, which are classified as finance leases, where substantially all the risks and benefits incidental to ownership of the assets, but not the legal ownership, are transferred to the Company.

Assets under finance leases are depreciated on a straight-line basis over the shorter of the hire and lease terms or their useful lives. Finance lease interest is recognised as an expense in the income statement over the lease period so as to give a constant periodic rate of interest on the outstanding liability at the end of each reporting period.

All other leases are classified as operating leases and the lease rentals are recognised as an expense in the income statement on a straight-line basis over the lease periods.

(m) Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

(n) Provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

(o) Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised as non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation scheme

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

(p) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in the equity as a deduction, net of tax, from the proceeds.

(q) Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount associated with GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated exclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

(r) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company in the presentation of the financial information. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Company, are set out below.

AASB 9 Financial Instruments and its consequential amendments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The adoption of the amendments from 1 July 2018 will not have a material impact on the Company.

IFRS 15 Revenue

In May 2014, the IASB issued IFRS 15 Revenue which sets out the requirements for recognising revenue that apply to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments). The adoption of the requirements of this standard will not have a material impact on the Company.

2. Pro Forma Adjustments

The Consolidated Pro Forma Statement of Financial Position as at 30 June 2015 has been prepared by adjusting the Consolidated Statement of Financial Position as at that date to reflect the financial effects of the following transactions as if they had occurred at 30 June 2015.

- i) A share consolidation where every 25 Shares will be consolidated into 1 Share, and thereafter, the cancellation of 2,291,101 Shares (on a post consolidation basis) held by Pok Seng Kong.
- ii) The issue of 210,526,300 Shares with a deemed issued price of \$0.05 each, together with 20,000,000 Options exercisable at \$0.10 per Option within 3 years after the date of issue, as consideration for the acquisition of KLE.
- iii) The Public Offer issue of 60,000,000 (minimum subscription) to 100,000,000 (maximum subscription) Shares at \$0.05 each, to raise \$3,000,000 to \$5,000,000 before expenses of the capital raising. The pro forma adjustments assume that the Public Offer is fully subscribed. All Shares issued pursuant to the Prospectus will be issued as fully paid.
- iv) Cash costs of undertaking the Public Offer of \$322,021 (minimum subscription) to \$462,021 (maximum subscription).
- v) The conversion of Convertible Notes with a face value of \$250,000 into 8,333,333 Shares as part of the Noteholder Offer.
- vi) The conversion of Convertible Notes with a face value of \$150,000 into 5,000,000 Shares as part of the Noteholder Offer.
- vii) The conversion of Convertible Notes with a face value of \$50,000 into 1,666,667 Shares as part of the Noteholder Offer.
- viii) The conversion of a related party loan totalling \$358,166.83 owed to Hock Guan Ng through the issue of 11,938,894 Shares as part of the Debt to Equity Offer.
- ix) The conversion of a third party loan due to May Thian totalling \$304,116.40 through the issue of 10,137,213 Shares as part of the Debt to Equity Offer.
- x) The conversion of a trade payable amount totalling \$61,560.74 due to Accosec Pty Ltd through the issue of 2,052,025 Shares as part of the Debt to Equity Offer.
- xi) The conversion of a trade payable amount totalling \$7,122.50 due to Dropwar Investments Pty Ltd through the issue of 237,417 Shares as part of the Debt to Equity Offer.
- xii) The allotment of 3,500,000 Options exercisable at \$0.10 per share within 3 years after the date of issue to Sanston.

3. Reverse assets acquisition

The proposed acquisition by the Company (the legal parent) of KLE (the legal subsidiary) is deemed to be a reverse asset acquisition under the principles of AASB 3 since the substance of the transaction is that the existing shareholders of KLE have effectively acquired the Company. As a result of the reverse acquisition, KLE is considered to be the accounting acquirer and the Company is considered to be the accounting acquiree, and therefore, the Financial Information has been prepared as a continuation of the financial statements of KLE.

However, as VIP will not constitute a business at the acquisition date, no goodwill can be recognised as a result of the transaction, and the excess of the notional transaction consideration paid over the assets and liabilities of VIP acquired, has been recognised as an expense in the income statement.

The following treatment has been adopted on the basis that the acquisition of KLE is deemed to be completed prior to the capital raising as set out in Note 2(iii), but after the pro forma adjustments set out in Notes 2(v) to 2(xi).

Reverse acquisition

		\$
Issued share capital of VIP as at 30 June 2015 (number of shares)	81,475,757	
The share consolidation of VIP's share capital (note 2(i))	3,259,030	
The cancellation shares held by Pok Seng Kong (note 2(i))	(2,291,101)	
Conversion of \$250,000 in convertible notes to equity (note 2(v))	8,333,333	
Conversion of \$150,000 in convertible notes to equity (note 2(vi))	5,000,000	
Conversion of \$50,000 in convertible notes to equity (note 2(vii))	1,666,667	
Conversion of related party loan due to Hock Guan Ng (note 2(viii))	11,938,894	
Conversion of third party loan due to May Thian (note 2(ix))	10,137,213	
Conversion of amounts payable to Accosec Pty Ltd (note 2(x))	2,052,025	
Conversion of amounts payable to Dropwar Investments Pty Ltd (note 2(xi))	237,417	
Number of shares in VIP prior to KLE acquisition	40,333,478	
Number of shares issued as consideration for the acquisition of KLE (note 2(ii))**	210,526,300	
Percentage ownership of VIP by KLE shareholders (rounded)	83.92%	
Fair value of ownership in VIP acquired		
Net liabilities of VIP at 30 June 2015	(908,571)	
<i>Adjustments to reflect the net asset position of VIP prior to the KLE acquisition</i>		
Conversion of \$250,000 in convertible notes to equity (note 2(v))	250,000	
Conversion of \$150,000 in convertible notes to equity (note 2(vi))	150,000	
Conversion of \$50,000 in convertible notes to equity (note 2(vii))	50,000	
Conversion of related party loan due to Hock Guan Ng (note 2(viii))	358,167	
Conversion of third party loan due to May Thian (note 2(ix))	304,116	
Conversion of amounts payable to Accosec Pty Ltd (note 2(x))	61,561	
Conversion of amounts payable to Dropwar Investments (note 2(xi))	7,123	
Value of a listed shell*	500,000	
Fair value of net assets of VIP at 30 June 2015	772,395	
Notional consideration (Fair value of net assets of VIP at 30 June 2015 - \$772,395 x 83.92%)**		648,209
Less: fair value of identifiable net assets of VIP acquired (excluding value of listed shell)		(272,395)
Excess of notional consideration over net assets acquired – expensed to the income statement		375,814

* Based on the preferred value of a listed shell adopted in the independent expert's report accompanying the notice of meeting to shareholders to approve the acquisition of KLE by VIP

** As the proposed acquisition by VIP of KLE has been prepared using 'reverse acquisition accounting principles', the notional consideration attributable to the 20,000,000 attaching options is immaterial for the purposes of the preparation of the Pro Forma Statement of Financial Position

4. Cash and cash equivalents

	Audited 30-Jun-15 \$	Unaudited Pro Forma Minimum \$	Unaudited Pro Forma Maximum \$
Cash and cash equivalents	210,312	3,103,760	4,963,760
Cash at 30 June 2015		210,312	210,312
<i>Adjustments arising in the preparation of the Pro Forma Statement of Financial Position are summarised as follows:</i>			
Cash acquired in KLE acquisition		15,469	15,469
Proceeds from the issue of 60,000,000 / 100,000,000 ordinary shares in relation to the Public Offer pursuant to the Prospectus (note 2 (iii))		3,000,000	5,000,000
Costs of undertaking the Public Offer (note 2(iv))		(322,021)	(462,021)
Proceeds received in relation to the Loan and Convertible Note Agreement undertaken on 29 September 2015 (note 2(vi))		150,000	150,000
Proceeds received in relation to the Loan and Convertible Note Agreement undertaken on 5 November 2015 (note 2(vii))		50,000	50,000
		2,893,448	4,753,448
Pro Forma balance		3,103,760	4,963,760

5. Fixed deposits

	Audited 30-Jun-15 \$	Unaudited Pro Forma Minimum \$	Unaudited Pro Forma Maximum \$
Fixed deposits	-	293,446	293,446
Fixed deposits at 30 June 2015		-	-
<i>Adjustments arising in the preparation of the Pro Forma Statement of Financial Position are summarised as follows:</i>			
Fixed deposits with licensed banks acquired in KLE acquisition		293,446	293,446
		293,446	293,446
Pro Forma balance		293,446	293,446

Fixed deposits with licensed banks have been pledged to KLE's banker as security for the banking facilities of KLE

6. Inventories

	Audited 30-Jun-15 \$	Unaudited Pro Forma Minimum \$	Unaudited Pro Forma Maximum \$
Inventories	-	2,170,539	2,170,539
Inventories at 30 June 2015		-	-
<i>Adjustments arising in the preparation of the Pro Forma Statement of Financial Position are summarised as follows:</i>			
Inventories acquired in KLE acquisition		2,170,539	2,170,539
		2,170,539	2,170,539
Pro Forma balance		2,170,539	2,170,539
Inventories, at cost, in the unaudited pro forma comprises:			
Raw materials		206,821	206,821
Work in progress		374,780	374,780
Finished goods		1,588,939	1,588,939
Pro Forma balance		2,170,539	2,170,539

7. Trade and other receivables

	Audited 30-Jun-15 \$	Unaudited Pro Forma Minimum \$	Unaudited Pro Forma Maximum \$
Trade and other receivables	2,943	5,519,875	5,519,875
Trade and other receivables at 30 June 2015		2,943	2,943
<i>Adjustments arising in the preparation of the Pro Forma Statement of Financial Position are summarised as follows:</i>			
Trade and other receivables acquired in KLE acquisition		5,516,932	5,516,932
		<u>5,516,932</u>	<u>5,516,932</u>
Pro Forma balance		<u>5,519,875</u>	<u>5,519,875</u>
Trade and other receivables in the unaudited pro forma comprises:			
Trade receivables		5,469,491	5,469,491
Other receivables, deposits and prepayments		50,384	50,384
Pro Forma balance		<u>5,519,875</u>	<u>5,519,875</u>

8. Amounts due from related parties

	Audited 30-Jun-15 \$	Unaudited Pro Forma Minimum \$	Unaudited Pro Forma Maximum \$
Amounts due from related companies	-	15,453	15,453
Amounts due to related companies at 30 June 2015		-	-
<i>Adjustments arising in the preparation of the Pro Forma Statement of Financial Position are summarised as follows:</i>			
Amounts due from related companies acquired in KLE acquisition		15,453	15,453
		<u>15,453</u>	<u>15,453</u>
Pro Forma balance		<u>15,453</u>	<u>15,453</u>
Amounts due from related companies in the unaudited pro forma comprises:			
Amounts due from KLE Industries Sdn Bhd		8,326	8,326
Amounts due from KLE Technologies Sdn Bhd		7,127	7,127
Pro Forma balance		<u>15,453</u>	<u>15,453</u>

KLE Industries Sdn Bhd ("KLE Industries") and KLE Technologies Sdn Bhd ("KLE Technologies") are related entities to KLE as they are owned by common directors. KLE Industries and KLE Technologies have minimal operations and do not form part of the KLE acquisition.

9. Property, plant and equipment

	Audited 30-Jun-15 \$	Unaudited Pro Forma Minimum \$	Unaudited Pro Forma Maximum \$
Property, plant and equipment	-	3,943,891	3,943,891
Property, plant and equipment at 30 June 2015		-	-
<i>Adjustments arising in the preparation of the Pro Forma Statement of Financial Position are summarised as follows:</i>			
Property, plant and equipment acquired in KLE acquisition		3,943,891	3,943,891
		<u>3,943,891</u>	<u>3,943,891</u>
Pro Forma balance		<u>3,943,891</u>	<u>3,943,891</u>
The carrying value of property, plant and equipment in the unaudited pro forma comprises:			
Leasehold land and building		2,803,139	2,803,139
Machinery and equipment		398,581	398,581
Motor vehicles		51,936	51,936
Moulds		143,137	143,137
Office equipment		1,308	1,308
Renovations		545,790	545,790
Pro Forma balance		<u>3,943,891</u>	<u>3,943,891</u>

10. Trade and other payables

	Audited 30-Jun-15 \$	Unaudited Pro Forma Minimum \$	Unaudited Pro Forma Maximum \$
Trade and other payables	209,543	4,223,882	4,223,882
Trade and other payables at 30 June 2015		209,543	209,543
<i>Adjustments arising in the preparation of the Pro Forma Statement of Financial Position are summarised as follows:</i>			
Trade and other payables acquired in KLE acquisition		4,083,022	4,083,022
Conversion of amounts payable to Accosec Pty Ltd to equity (note 2(x))		(61,561)	(61,561)
Conversion of amounts payable to Dropwar Investments Pty Ltd to equity (note 2(xi))		(7,123)	(7,123)
		4,014,339	4,014,339
Pro Forma balance		4,223,882	4,223,882
Trade and other payables in the unaudited pro forma comprises:			
Trade payables		2,824,876	2,824,876
Other payables and accruals		277,289	277,289
Adjusted accrued employee benefit expenses and directors' remuneration		1,121,717	1,121,717
Pro Forma balance		4,223,882	4,223,882

11. Amounts due to directors

	Audited 30-Jun-15 \$	Unaudited Pro Forma Minimum \$	Unaudited Pro Forma Maximum \$
Amounts due to directors	-	667,421	667,421
Amounts due to directors at 30 June 2015		-	-
<i>Adjustments arising in the preparation of the Pro Forma Statement of Financial Position are summarised as follows:</i>			
Amounts due to directors acquired in KLE acquisition		667,421	667,421
		667,421	667,421
Pro Forma balance		667,421	667,421

Pursuant to the Deed of Variation to the Share Sale Agreement, the directors of KLE, Wee Min Chen and Kay Wen Chen shall execute a release in favour of KLE confirming that no moneys or liabilities are owing by KLE to Wee Min Chen and Kay Wen Chen.

12. Amounts due to related parties

	Audited 30-Jun-15 \$	Unaudited Pro Forma Minimum \$	Unaudited Pro Forma Maximum \$
Amounts due from related parties	358,167	1,720,924	1,720,924
Amounts due to related parties at 30 June 2015		358,167	358,167
<i>Adjustments arising in the preparation of the Pro Forma Statement of Financial Position are summarised as follows:</i>			
Amounts due to related companies acquired in KLE acquisition		1,720,924	1,720,924
Conversion of loan due to Hock Guan Ng (note 2(viii))		(358,167)	(358,167)
		<u>1,362,757</u>	<u>1,362,757</u>
Pro Forma balance		<u>1,720,924</u>	<u>1,720,924</u>
Amounts due to related companies in the unaudited pro forma comprises:			
Amounts due to Keng Lek Engineering Sdn Bhd		1,682,596	1,682,596
Amounts to CKM Industries Sdn Bhd		38,328	38,328
Pro Forma balance		<u>1,720,924</u>	<u>1,720,924</u>

Keng Lek is a related company to KLE as it is owned by common directors. Keng Lek was established in 1986 and primarily provides metal stamping of hardware mechanical parts. Keng Lek has also expanded into the design of and manufacture of precision mould and die and CNC turning parts. CKM Industries Sdn Bhd ("CKM") is a related entity of KLE as it is also owned by common directors. CKM has minimal operations. Keng Lek and CKM do not form part of the KLE acquisition. Pursuant to the Deed of Variation to the Share Sale Agreement, Keng Lek and CKM shall execute a release in favour of KLE confirming that no moneys or liabilities are owing by KLE to Keng Lek and CKM.

13. Provision for income tax

	Audited 30-Jun-15 \$	Unaudited Pro Forma Minimum \$	Unaudited Pro Forma Maximum \$
Provision for income tax	-	551,425	551,425
Provision for income tax at 30 June 2015		-	-
<i>Adjustments arising in the preparation of the Pro Forma Statement of Financial Position are summarised as follows:</i>			
Provision for income tax acquired in KLE acquisition		551,425	551,425
		<u>551,425</u>	<u>551,425</u>
Pro Forma balance		<u>551,425</u>	<u>551,425</u>

14. Bank overdraft

	Audited 30-Jun-15 \$	Unaudited Pro Forma Minimum \$	Unaudited Pro Forma Maximum \$
Bank overdraft	-	501,430	501,430
Bank overdraft at 30 June 2015		-	-
<i>Adjustments arising in the preparation of the Pro Forma Statement of Financial Position are summarised as follows:</i>			
Bank overdraft acquired in KLE acquisition		501,430	501,430
		<u>501,430</u>	<u>501,430</u>
Pro Forma balance		<u>501,430</u>	<u>501,430</u>

15. Other borrowings

	Audited 30-Jun-15 \$	Unaudited Pro Forma Minimum \$	Unaudited Pro Forma Maximum \$
Current portion			
Borrowings	554,116	1,118,246	1,118,246
Current borrowings at 30 June 2015		554,116	554,116
<i>Adjustments arising in the preparation of the Pro Forma Statement of Financial Position are summarised as follows:</i>			
Borrowings acquired in KLE acquisition		1,118,246	1,118,246
Conversion of \$250,000 in convertible notes to equity (note 2(v))		(250,000)	(250,000)
Conversion of third party loan to equity (note 2(ix))		(304,116)	(304,116)
		564,130	564,130
Pro Forma balance		1,118,246	1,118,246
Other current borrowings in the unaudited pro forma comprises:			
Trust receipts		841,341	841,341
Term loan		192,799	192,799
Hire purchase liabilities		84,106	84,106
Pro Forma balance		1,118,246	1,118,246
Non-current portion			
Borrowings	-	1,099,360	1,099,360
Non-current borrowings at 30 June 2015		-	-
<i>Adjustments arising in the preparation of the Pro Forma Statement of Financial Position are summarised as follows:</i>			
Borrowings acquired in KLE acquisition		1,099,360	1,099,360
		1,099,360	1,099,360
Pro Forma balance		1,099,360	1,099,360
Other non-current borrowings in the unaudited pro forma comprises:			
Term loan		1,059,644	1,059,644
Hire purchase liabilities		39,716	39,716
Pro Forma balance		1,099,360	1,099,360

16. Deferred tax liabilities

	Audited 30-Jun-15 \$	Unaudited Pro Forma Minimum \$	Unaudited Pro Forma Maximum \$
Deferred tax liabilities	-	29,997	29,997
Deferred tax liabilities at 30 June 2015		-	-
<i>Adjustments arising in the preparation of the Pro Forma Statement of Financial Position are summarised as follows:</i>			
Deferred tax liabilities acquired in KLE acquisition		29,997	29,997
		29,997	29,997
Pro Forma balance		29,997	29,997

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to set off current tax assets against current tax liabilities and deferred tax relates to income taxes levied by the same taxation authority on the same taxable entity. The amounts of deferred tax liabilities, after appropriate offsetting, are included in the balance sheet.

17. Share capital

	Minimum Number of ordinary shares	\$	Maximum Number of ordinary shares	\$
Issued share capital at 30 June 2015	81,475,757	46,485,796	81,475,757	46,485,796
<i>Adjustments arising in the preparation of the Pro Forma Statement of Financial Position are summarised as follows:</i>				
Share consolidation of VIP's share capital (note 2(i))	3,259,030	46,485,796	3,259,030	46,485,796
Cancellation of shares held by Pok Seng Kong (note 2(ii))	(2,291,101)		(2,291,101)	
	<u>967,929</u>	<u>46,485,796</u>	<u>967,929</u>	<u>46,485,796</u>
The conversion of \$250,000 in Convertible Notes into 8,333,333 ordinary shares (note 2 (v))				
	8,333,333	250,000	8,333,333	250,000
The conversion of \$150,000 in Convertible Notes 5,000,000 ordinary shares (note 2 (vi))				
	5,000,000	150,000	5,000,000	150,000
The conversion of \$50,000 in Convertible Notes into 1,666,667 ordinary shares (note 2 (vii))				
	1,666,667	50,000	1,666,667	50,000
The conversion of a related party loan totalling \$358,167 owed to Hock Guan Ng through the issue of 11,938,894 ordinary shares (note 2 (viii))				
	11,938,894	358,167	11,938,894	358,167
The conversion of a third party loan due to May Thian totalling \$304,116 through the issue of 10,137,213 ordinary shares (Note 2 (ix))				
	10,137,213	304,116	10,137,213	304,116
The conversion of a trade payable amount totalling \$61,561 due to Accosec Pty Ltd through the issue of 2,052,025 ordinary shares (Note 2 (x))				
	2,052,025	61,561	2,052,025	61,561
The conversion of a trade payable amount totalling \$7,123 due to Dropwar Investments Pty Ltd through the issue of 237,417 ordinary shares (Note 2 (xi))				
	237,417	7,123	237,417	7,123
Elimination of existing VIP share capital balance (note 3)				
	-	(47,666,762)	-	(47,666,762)
KLE share capital balance acquired (note 3)				
		860,704		860,704
Fully paid ordinary shares issued as consideration for the KLE acquisition (note 2(iii))				
	210,526,300	648,209	210,526,300	648,209
Fully paid ordinary shares issued in relation to the Public Offer at \$0.05 per share pursuant to the Prospectus (note 2(iv))				
	60,000,000	3,000,000	100,000,000	5,000,000
Costs of undertaking the Public Offer (note 2(iv))				
	-	(322,021)	-	(462,021)
Fair Value of 3,500,000 options issued to Sanston as brokerage fees (Note 2 xii))				
	-	(26,600)	-	(26,600)
	<u>309,891,849</u>	<u>(42,325,504)</u>	<u>349,891,849</u>	<u>(40,465,504)</u>
Pro Forma balance	<u>310,859,778</u>	<u>4,160,292</u>	<u>350,859,778</u>	<u>6,020,292</u>

* Measured by reference to the fair value to the accounting acquirer, KLE (Notional consideration)

18. Retained earnings

	Audited 30-Jun-15 \$	Unaudited Pro Forma Minimum \$	Unaudited Pro Forma Maximum \$
Retained earnings / (accumulated losses)	(47,394,367)	947,387	947,387
Accumulated losses at 30 June 2015		(47,394,367)	(47,394,367)
<i>Adjustments arising in the preparation of the Pro Forma Statement of Financial Position are summarised as follows:</i>			
Elimination of VIP losses upon completion of KLE acquisition under reverse acquisition accounting (note 3)			
		47,394,367	47,394,367
Retained earnings of KLE on acquisition (note 3)			
		1,323,201	1,323,201
Excess of notional consideration over net assets acquired – expensed to the income statement (note 3)			
		(375,814)	(375,814)
		<u>48,341,754</u>	<u>48,341,754</u>
Pro Forma balance		<u>947,387</u>	<u>947,387</u>

19. Options reserve

	Audited 30-Jun-15 \$	Unaudited Pro Forma Minimum \$	Unaudited Pro Forma Maximum \$
Options reserve	-	26,600	26,600
Options reserve at 30 June 2015		-	-
<i>Adjustments arising in the preparation of the Pro Forma Statement of Financial Position are summarised as follows:</i>			
Fair Value of 3,500,000 options issued to Sanston as brokerage fees (Note 2 xii))*		26,600	26,600
Total pro forma adjustments		26,600	26,600
Pro Forma balance		26,600	26,600

Details of options to be issued are set out in Section 9.2 of the Prospectus

* Fair values at grant date are determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, expected early exercise and the risk-free interest rate for the term of the option.

The model inputs for options included in the pro forma adjustments were:

Exercise Price	\$0.10
Expiry Date	3 years from grant date
Share Price at Grant Date	\$0.05
Expected Dividend Yield Rate	0.0%
Risk-free Interest Rate	2.04%
Volatility	50%

20. Related party disclosure

(a) The Directors of the Company at the Prospectus Date are:

- Mr Frank Licciardello (Non-Executive Chairman)
- Mr Henry Hon Fai Choo (Non-Executive Director)
- Mr Chin Hing How (Non-Executive Director)

(b) Directors' holdings of shares, directors' remuneration and other directors' interests are set out in Section 7 of this Prospectus.

(c) There have been no related party transactions other than the directors' transactions set out in Section 7 and those relating to the material contracts set out in Section 9 of this Prospectus.

21. Subsequent events

The Company has undertaken the following material transactions, which are not reflected as adjustments in the Pro Forma Financial Information:

- At 30 June 2015, the Company disclosed amounts due to directors of \$667,421 acquired in the KLE acquisition. Pursuant to the Deed of Variation to the Share Sale Agreement, the directors of KLE, Wee Min Chen and Kay Wen shall execute a release in favour of KLE confirming that no moneys or liabilities are owing by KLE to Wee Min Chen and Kay Wen Chen.
- At 30 June 2015, the Company disclosed total amounts due to Keng Lek and CKM of \$1,720,924. Pursuant to the Deed of Variation to the Share Sale Agreement, Keng Lek and CKM shall execute a release in favour of KLE confirming that no moneys or liabilities are owing by KLE to Keng Lek and CKM.
- As at the date of this Prospectus, KLE has obtained 3 new banking facilities as follows:
 - Banking facilities granted by RHB Bank Berhad on 17 October 2015 for working capital purposes comprising:
 - Overdraft facility of RM500,000 (circa \$167,000)
 - Trust receipts, letter of credit and bankers acceptance limits of RM500,000 (circa \$167,000)
 - The above facilities are secured against a fixed deposit placement of RM330,000 (circa \$110,000) and joint and several guarantee by Wee Min Chen, Kay Wen Chen and Ei Ling Chong for the amount of RM1,000,000 (circa \$333,000).
 - Term loan of RM400,000 (circa \$133,000) granted by Standard Chartered Saadiq Berhad on 22 October 2015 for the purpose of working capital and assets acquisitions.
 - Banking facility granted by CIMB Bank Berhad on 11 November 2015 for working capital purposes comprising a term loan of RM500,000 (circa \$167,000). This facility is jointly and severally guaranteed by Wee Min Chen, Kay Wen Chen and Ei Ling Chong.

5. Investigating accountant's report



10 December 2015

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

RSM Financial Services Australia Pty Ltd
Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007
T +61(0) 3 9286 8000
F +61(0) 3 9286 8199
www.rsm.com.au

Dear Directors

Investigating Accountant's Report

Independent Limited Assurance Report on the Historical and Pro Forma Historical Financial Information of Voltage IP Limited and KLE Products Sdn Bhd

We have been engaged by Voltage IP Limited ("VIP" or "the Company") to report on the historical financial information and pro forma historical financial information of VIP as at 30 June 2015 for inclusion in its prospectus to be lodged with the Australian Securities and Investments Commission and dated on or about 11 December 2015 ("the Prospectus") and relating to the proposed:

- share consolidation of the Company's fully paid ordinary shares where every 25 Shares will be consolidated into 1 Share, and thereafter, the cancellation of 2,291,101 Shares (on a post consolidation basis) held by Pok Seng Kong;
- acquisition of KLE Products Sdn Bhd ("KLE") and the issue of 210,526,300 Consideration Shares and 20,000,000 Consideration Options to the shareholders of KLE;
- the conversion of Convertible Notes with a face value of \$250,000 into 8,333,333 Shares as part of the Noteholder Offer;
- the conversion of Convertible Notes with a face value of \$150,000 into 5,000,000 Shares as part of the Noteholder Offer;
- the conversion of Convertible Notes with a face value of \$50,000 into 1,666,667 Shares as part of the Noteholder Offer;
- the conversion of a related party loan totalling \$358,166.83 owed to Hock Guan Ng through the issue of 11,938,894 Shares as part of the Debt to Equity Offer;
- the conversion of a third party loan due to May Thian totalling \$304,116.40 through the issue of 10,137,213 Shares as part of the Debt to Equity Offer;
- the conversion of a trade payable amount totalling \$61,560.74 due to Accosec Pty Ltd through the issue of 2,052,025 Shares as part of the Debt to Equity Offer;
- the conversion of a trade payable amount totalling \$7,122.50 due to Dropwar Investments Pty Ltd through the issue of 237,417 Shares as part of the Debt to Equity Offer; and

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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.

RSM Financial Services Australia Pty Ltd ABN 22 009 176 354 Australian Financial Services Licence No. 238282

- the allotment of 3,500,000 Options exercisable at \$0.10 per share within 3 years after the date of issue to Sanston.

Expressions and terms defined in the Prospectus have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services Licence (AFSL) under the *Corporations Act 2001*. RSM Financial Services Australia Pty Ltd holds the appropriate AFSL under the *Corporations Act 2001*.

Scope

Historical Financial Information

You have requested RSM Financial Services Australia Pty Ltd to review the following historical financial information of VIP and KLE included in the Prospectus:

- the Audited Statement of Profit or Loss and Other Comprehensive Income of VIP for the years ended 30 June 2015, 30 June 2014 and 30 June 2013;
- the Audited Income Statement of KLE for the 10 months ended 30 June 2015 and the Audited Income Statement of KLE for the years ended 31 August 2014, 31 August 2013 and 31 August 2012;
- the Adjusted Income Statement of KLE for the 10 months ended 30 June 2015 and the Adjusted Income Statement of KLE for the years ended 31 August 2014, 31 August 2013 and 31 August 2012;
- the Audited Statement of Cash Flows of VIP for the years ended 30 June 2015, 30 June 2014 and 30 June 2013;
- the Audited Statement of Cash Flows of KLE for the 10 months ended 20 June 2015 and the Audited Statement of Cash Flows of KLE for the years ended 31 August 2014, 31 August 2013 and 31 August 2012;
- the Audited Statement of Financial Position of VIP as at 30 June 2015; and
- the Audited and Adjusted Statement of Financial Position of KLE as at 30 June 2015.

The historical financial information of VIP has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies. The Historical Financial Information of VIP for the years ended 30 June 2015, 30 June 2014 and 30 June 2013 has been extracted from VIP's financial statements for each financial year, which were audited by Crowe Horwath in accordance with Australian Auditing Standards, and on which an unqualified audit opinion was issued for each financial year. For each of the three financial years, Crowe Horwath's audit report included an emphasis of matter that, without modifying their audit opinion, drew notice to the existence of a material uncertainty which may cast significant doubt over VIP's ability to continue as a going concern.

The historical financial information of KLE has been prepared in accordance with the stated basis of preparation, being Private Entity Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia, and KLE's adopted accounting policies. The Historical Financial Information of KLE for the 10 months ended 30 June 2015, and the years ended 31 August 2014, 31 August 2013 and 31 August 2012 has been extracted from KLE's financial statements for each financial period and year, which were audited by Yong & Leonard in accordance with approved Standards on Auditing in Malaysia, and on which an unqualified audit opinion was issued for each financial period and year.

The historical financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Pro Forma Historical Financial Information

You have requested RSM Financial Services Australia Pty Ltd to review the following pro forma historical financial information of VIP and KLE included in the Prospectus:

- the Consolidated Pro Forma Statement of Profit or Loss and Other Comprehensive Income for the years ended 30 June 2015, 30 June 2014 and 30 June 2013;
- the Consolidated Pro Forma Statement of Cash Flows for the years ended 30 June 2015, 30 June 2014 and 30 June 2013; and
- the Consolidated Pro Forma Statement of Financial Position at 30 June 2015.

The pro forma historical financial information has been derived from the historical financial information of VIP and KLE, after adjusting for the effects of pro forma adjustments described in Section 4 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the transactions to which the pro forma adjustments relate, as described in Section 4 of the Prospectus, as if those transactions had occurred as at the date of the historical financial information. Due to its nature, the pro-forma historical financial information does not represent the company's actual or prospective financial performance, cash flows and financial position.

Directors' responsibility

The directors of VIP are responsible for the preparation of the historical financial information and pro forma historical financial information, including the selection and determination of pro forma adjustments made to the historical financial information and included in the pro forma historical financial information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of historical financial information and pro forma historical financial information that are free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

We made such enquiries, primarily of persons responsible for financial and accounting matters, and performed such procedures as we, in our professional judgment, considered reasonable in the circumstances including:

- a consistency check of the application of the stated basis of preparation, to the historical and pro forma historical financial information;
- a review of VIP and KLE's work papers, accounting records and other documents;
- enquiry of directors, management personnel and advisors;
- consideration of the pro forma adjustments described in Note 2 in Section 4.13 of the financial information; and

- the performance of analytical procedures applied to the historical and pro forma historical financial information.

A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusions

Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the historical financial information, as described in Section 4 of the Prospectus, and comprising:

- the Audited Statement of Profit or Loss and Other Comprehensive Income of VIP for the years ended 30 June 2015, 30 June 2014 and 30 June 2013;
- the Audited Income Statement of KLE for the 10 months ended 30 June 2015 and the Audited Income Statement of KLE for the years ended 31 August 2014, 31 August 2013 and 31 August 2012;
- the Adjusted Income Statement of KLE for the 10 months ended 30 June 2015 and the Adjusted Income Statement of KLE for the years ended 31 August 2014, 31 August 2013 and 31 August 2012;
- the Audited Statement of Cash Flows of VIP for the years ended 30 June 2015, 30 June 2014 and 30 June 2013;
- the Audited Statement of Cash Flows of KLE for the 10 months ended 30 June 2015 and the Audited Statement of Cash Flows of KLE for the years ended 31 August 2014, 31 August 2013 and 31 August 2012;
- the Audited Statement of Financial Position of VIP as at 30 June 2015; and
- the Audited and Adjusted Statement of Financial Position of KLE as at 30 June 2015;

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in the financial information.

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the pro forma historical financial information, as described in Section 4 of the Prospectus, and comprising:

- the Consolidated Pro Forma Statement of Profit or Loss and Other Comprehensive Income for the years ended 30 June 2015, 30 June 2014 and 30 June 2013;
- the Consolidated Pro Forma Statement of Cash Flows for the years ended 30 June 2015, 30 June 2014 and 30 June 2013; and
- the Consolidated Pro Forma Statement of Financial Position at 30 June 2015;

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in the financial information.

Restriction on Use

Without modifying our conclusions, we draw attention to the financial information – basis of preparation section, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

Responsibility

RSM Financial Services Australia Pty Ltd has consented to the inclusion of this assurance report in the Prospectus in the form and context in which it is included. RSM Financial Services Australia Pty Ltd has not authorised the issue of the Prospectus. Accordingly, RSM Financial Services Australia Pty Ltd makes no representation regarding, and takes no responsibility for, any other documents or material in, or omissions from, the Prospectus.

Declaration of Interest

RSM Financial Services Australia Pty Ltd does not have any interest in the outcome of this transaction other than the preparation of this assurance report for which normal professional fees will be received.

Yours faithfully

RSM FINANCIAL SERVICES AUSTRALIA PTY LTD

A handwritten signature in blue ink, appearing to read 'Glyn Yates'.

Glyn Yates
Director

10 December 2015

6. Key risks

6.1 Introduction

There are a number of risks, 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 associated with an investment in the Company.

This is not an exhaustive list and should be considered in conjunction with other information disclosed in this Prospectus. You should have regard to your own investment objectives and financial circumstances, and seek professional guidance from your stockbroker, solicitor, accountant or other independent professional adviser before deciding whether to invest.

The business activities of the Merged Group are 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 whether to invest in the Company's Shares, prospective investors should carefully consider the risk factors described below, together with all other information contained in this Prospectus. 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, then 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, potential investors 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. The Shares issued under this Prospectus carry no guarantee with respect to profitability, payment of dividends, return of capital or the price at which they may trade on the ASX.

6.2 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 for 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 remain suspended until such time as it does re-comply with the Listing Rules.

6.3 Removal from the Official List

The ASX has notified the Company that it 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 Prospectus Date. 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 3 of these requirements. The Company will be seeking the required approvals from Shareholders at the General Meeting.

6.4 Share Sale Agreement

6.4.1 Completion risk

The Company has entered into the Share Sale Agreement under which the Vendors agreed to sell and the Company agreed to acquire all of the issued share capital in KLE. Completion of the Acquisition under the Share Sale Agreement is conditional on the satisfaction of a number of conditions precedent. 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 and will refund all Application Moneys received.

6.4.2 Risks associated with the capital structure

If you subscribe for Shares under any of the Offers, then you should note that you will be a minority Shareholder. 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' interest in the Company may increase if any of the Vendors exercise any of the Options that are to be issued to them under the Share Sale Agreement.

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.

6.4.3 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 reduce the liquidity associated with an investment in the Company.

6.5 Specific risks relating to the Company

6.5.1 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.

Shortly following the Prospectus Date, the Company expects that it will have held the annual general meetings for FY12, FY13, FY14 and FY15 (albeit that these meetings are being held late) and lodged the current and historical audited financial reports and directors' reports required for those financial years with ASIC and the ASX. The Company is currently in the process of arranging for all required unclaimed money to be paid 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 7.3 which discusses potential breaches of Part 6.1 of the Corporations Act and the reasons for the proposed Share Cancellation.

6.6 Specific risks relating to the Merged Group

6.6.1 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 \$40,000 (respectively). KLE has never been the subject of a Tax Audit or investigation from the Malaysian tax authorities.

6.6.2 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.

6.6.3 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.

6.6.4 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.

6.6.5 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.

6.6.6 Relationships with key suppliers may deteriorate, raw materials may be subject to cost increases or supply interruptions or industry consolidation may affect the supply of raw materials

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 agreements 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.

6.6.7 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.

6.6.8 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.

6.6.9 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. A significant decline in the reputation of the Merged Group could have an adverse effect on the Merged Group's financial performance and position.

6.6.10 Interest rates may increase

Following completion of the Offers and the Acquisition, KLE will be a party to the finance facilities described in Section 9.7. 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.

6.6.11 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.

6.6.12 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.

6.6.13 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.

6.7 General risks of an investment in the Offer

6.7.1 General investment risk

The price at which the Shares may be quoted from time to time on the ASX could 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 operate;
- 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.

6.7.2 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.

6.7.3 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.

6.7.4 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.

6.7.5 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 in Malaysia. While KLE has operated successfully within the Malaysian legal and regulatory environment, unforeseen changes could materially impact the operating results of the Merged Group.

6.7.6 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.

6.7.7 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.

6.7.8 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 Offers. The Shares issued under the Offers 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 prospective Shareholders to sell their Shares.

Potential investors should consult their professional adviser before deciding whether to apply for Shares under any of the Offers.

7. Key people, interests and benefits

7.1 Key people

7.1.1 Board of Directors and Company Secretary

As at the Prospectus Date, the Board comprises:

- Frank Licciardello (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 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.

Brief summaries of the profiles of each of the officeholders (other than those that will be resigning as part of the Acquisition) are set out below:

Francesco (Frank) Licciardello Non-Executive Chairman

Mr Licciardello has extensive experience in the information technology and finance sectors. He will remain as the Non-Executive Chairman of the Company. He also serves as a director of Elk Orthobiologics Limited and Antares Mining Limited. He is currently an Executive Director and Co-owner of Sanston, a boutique corporate advisory and investment banking firm based in Melbourne, 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.

Mr Licciardello will be appointed to the board of directors of KLE upon completion of the Acquisition.

The Board considers that Frank will not be an independent director because of his association with Sanston.

Wee Min Chen Managing Director and Chief Executive Officer

Mr Wee Min Chen is a current shareholder of KLE and its managing director. He will be appointed as the Company's Group Managing Director and Chief Executive Officer upon completion of the Acquisition and will carry out these roles on a full-time basis. He completed his secondary education at Tsun Jin High School, Kuala Lumpur, Malaysia. In 1976, he started working as an apprentice toolmaker. Before founding KLE in 2002, Mr Chen has also gained experience in metal stamping for auto parts and electrical appliances.

Wee Min Chen is also a director of Keng Lek.

The Board considers that Wee Min Chen will not be an independent director because he will be a substantial Shareholder of the Company.

Ai Ling Chong

Executive Director

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 will be employed within the Merged Group on a full-time basis.

The Board considers that Ai Ling Chong will not be an independent director because of her association with the Vendors.

Craig Sanford

Non-Executive Director

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.

The Board considers that Craig will not be an independent director because of his association with Sierra Legal (being a material provider of professional services to the Company).

Andrew Metcalfe

Company Secretary

Mr Metcalfe (B.Bus, CPA, FCIS) is a qualified accountant with many years of experience across a variety of industry sectors, holding the position of Company Secretary and CFO for a number of ASX listed entities and unlisted public companies in the property, retail, energy, media and technology sectors. Andrew is employed by Accosec Consultants and assists the Company with its company secretarial and corporate governance requirements.

7.1.2 Senior Management

The key senior management of the Merged Group following the Acquisition will be:

Ei Ling Chong

Executive director of KLE

Ms Ei Ling Chong is a current shareholder of KLE and is one of the Vendors.

She completed secondary education at Hin Hua High School, Klang, Malaysia and further studies in hospitality management at Taylor's College. 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.

Wei Kee (Ricky) Chong**Head of Production**

Mr Wei Kee (Ricky) Chong is a professionally qualified Electrical Engineer with 33 years' experience in manufacturing and corporate management. He has previously worked in roles with Guinness Malaysia, Motorola and Hong Leong Yamaha Motor.

Chin Eng Khoo**Senior Marketing Manager**

Mr Chin Eng Khoo is a shareholder of KLE and its senior marketing manager. He heads the marketing team at KLE and has over 30 years of experience in sales and marketing.

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.

Wee Onn Chen**Factory Manager**

Mr Wee Onn Chen is a shareholder of KLE and its factory manager. He is also the brother of Wee Min Chen.

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.

He will also be responsible for managing the set up and building of the proposed new rubber glove manufacturing lines for KLE.

7.2 Remuneration of Directors

7.2.1 Directors' remuneration

Under the Constitution, the Directors decide the total amount paid to each Non-Executive Director as remuneration for their services as a Director. However, the total amount of fees paid to all Non-Executive Directors for their services must not exceed in aggregate in any financial year the amount fixed by the Shareholders in general meeting.

The amount fixed by the Company in general meeting is currently \$150,000 per annum. The Company will seek approval from Shareholders to increase this amount to \$250,000 per annum before the General Meeting.

The remuneration paid by the Company to the Directors in each of the last 2 financial years (and proposed to be paid in the current financial year) are as set out in the table below. The figures are exclusive of any applicable GST or superannuation (or similar pension arrangements).

Director	Remuneration for year ended 30 June 2014	Remuneration for year ended 30 June 2015	Proposed remuneration for year ended 30 June 2016
Pok Seng Kong – Former Chairman ¹¹	\$0	\$0	N/A
Chin Hing How – Non-Executive Director ¹²	\$0	\$0	N/A
Henry Choo - Non-Executive Director ¹³	\$0	\$0	N/A
Frank Licciardello – Non-Executive Chairman	N/A	N/A	\$36,000
Wee Min Chen – Managing Director	N/A	N/A	\$180,000
Ai Ling Chong – Executive Director	N/A	N/A	\$24,600
Craig Sanford – Non-Executive Director	N/A	N/A	\$26,280

7.2.2 Directorial services agreements

The Company has entered into directorial services agreements with each of the current and proposed Non-Executive Directors (**Directorial Services Agreements**).

Frank Licciardello (as Non-Executive Chairman) will receive a salary of \$36,000 per year (plus any statutory superannuation requirement). Craig Sanford's services as a Non-Executive Director will be provided through an engagement with an associated company. Fees of \$26,280 per year (plus any applicable GST) will be payable by the Company for the services provided by Craig Sanford as a Non-Executive Director. In addition, the Company will reimburse the relevant Director for all reasonable travel, accommodation and other expenses that they may incur in connection with the performance of their duties as a Director.

The Directorial Services Agreements will terminate when the relevant Non-executive Director ceases to be a Director in accordance with the Constitution, such as where the Director:

- resigns;
- is removed from office in a general meeting;
- is absent from 3 consecutive Directors' without special leave of absence;
- becomes mentally incapable; or
- automatically retires as provided for in the Constitution.

If a Non-executive Director is terminated for any reason before the first anniversary of their appointment to the Board, the relevant Director will be entitled to a payment equivalent to 3 months' worth of salary/fees (plus any applicable superannuation or GST). After the first anniversary of their appointment to the Board, this termination payment will increase to 6 months' worth of salary/fees (plus any applicable superannuation or GST).

¹¹ Resigned as a Director on 17 November 2015

¹² To resign as a Director with effect from completion of the Acquisition

¹³ As above.

7.2.3 Executive services agreements

Wee Min Chen, Ai Ling Chong and Ei Ling Chong have each entered into executive services agreements with KLE. The agreements take effect from completion of the Acquisition. It is not currently contemplated that Ei Ling Chong will be a Director of the Company. However, it is anticipated that she will remain as a director of KLE.

Each of the executive services agreements are in substantially the same form.

The following annual salaries have been agreed:

- Wee Min Chen - RM550,000
- Ai Ling Chong – RM75,000
- Ei Ling Chong – RM275,000

Other benefits afforded under each of the executive services agreements include, the ability to claim a small amount of medical and dental expenses each year and life/accident insurance coverage.

Each of the executive services agreements can be terminated by KLE or the relevant employee by giving 3 months' notice (or payment of 3 months' salary in lieu of notice). However, the relevant employee may be terminated immediately for matters relating to misconduct, default, bankruptcy and the commission of offences relating to dishonesty or theft.

7.2.4 Services agreement for secretarial services

The company secretarial services provided by Andrew Metcalfe are supplied under the terms of a retainer letter between the Company and Accosec & Associates (a business associated with Andrew Metcalfe). Under this arrangement, company secretarial services are charged to the Company at an hourly rate of \$260 per hour (plus GST) and there is an additional fixed fee of \$250 per month to cover the costs associated with Accosec & Associates providing registered office, stationary, telecommunications and storage services to the Company.

7.2.5 Deeds of Access, Indemnity and Insurance

The Company has entered into Deeds of Access, Indemnity and Insurance with each person that is expected to be a Director immediately following completion of the Acquisition. The terms of each deed requires the Company to:

- indemnify the relevant Director against certain liabilities incurred as an officer of the Company or any other company in the Company's group;
- to ensure that the Company uses its best efforts to maintain Directors and Officers insurance for the benefit of the relevant Director in relation to acts and omissions of the relevant Director in their capacity as an officer of the Company; and
- to give access to the relevant Director to documents for the purpose of any claims where the Director is a party.

Shareholder approval has not been sought in relation to any financial benefit to a Director under these Deeds of Access, Indemnity and Insurance because the Directors consider that the provision of this financial benefit is permitted without shareholder approval under section 212 of the Corporations Act.

7.2.6 Directors' interests

Directors are not required under the Constitution to hold any Shares. The interests of the current and proposed Directors in Securities issued by the Company (following completion of the Offers and the Acquisition) are expected to be as set out below:

Director	Securities
Frank Licciardello – Current Director	3,500,000 Options to be issued to Sanston
Chin Hing How – Current Director	Nil
Henry Hon Fai Choo – Current Director	3,500,000 Options to be issued to Sanston
Wee Min Chen – Proposed Director	96,842,098 Shares and 9,200,000 Options ¹⁴
Ai Ling Chong – Proposed Director	Nil
Craig Sanford – Proposed Director	Nil

Directors may hold their interests in Securities shown above directly or through holdings by companies or trusts.

Frank Licciardello is a director of Sanston. Henry Choo is a representative of Sanston. The terms of the Sanston Mandate (and the consideration payable to Sanston for its work in connection with the Acquisition as corporate financial advisor to the Company and lead manager to the Offers) are described further in Section 9.5. Subject to obtaining the necessary approvals from Shareholders, 3,500,000 Options are to be issued to Sanston as part of its consideration for the services provided under the Sanston Mandate.

7.3 Major shareholders and Share Cancellation

In the 12 month period before the Prospectus Date, the only persons that had a relevant interest in 10% or more of the Company's voting securities were Pok Seng Kong, Inner Ivory Investments, Inc (**Inner Ivory**) and Hock Guan Ng.

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.

¹⁴ The Options to be issued to have the terms described in Section 9.2

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 resigned as a Director.

The cancellation of Shares held by Pok Seng Kong is to occur by way of a selective capital reduction. Section 256C(2) of the Corporations Act requires that the relevant resolution at the General Meeting 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 that 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 General 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:

- is fair and reasonable to the Company's Shareholders as a whole; and
- 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 (with the number of Shares held by other existing Shareholders then being 967,929 Shares). Under the Corporations Act, the Company may cancel the Shares 14 days after a copy of the relevant resolutions are lodged with ASIC following the passing of those resolutions.

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.

Following completion of the Offers and the Acquisition, it is anticipated that 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).

7.4 Top 20 Shareholders

The Company will announce to the ASX details of its top 20 Shareholders following completion of the Offers and before the Shares re-commence trading on the ASX.

8. Corporate governance

8.1 Overview

The Company has adopted a Corporate Governance Register containing a number of charters and policies aimed at creating an appropriate system of control and accountability for the administration of corporate governance. The Board is committed to administering the charters, policies and procedures with openness and integrity.

To the extent they are applicable to the Company, the Board has adopted the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd Edition (**ASX Principles and Recommendations**).

In light of the Company's current size and nature, the Board considers that the current Board is a cost effective and practical method of directing and managing the Company (and will not be forming any additional Board committees). As the Company's activities develop in size and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's main corporate charters, policies and practices as at the date of this Prospectus are outlined below and the Company's full Corporate Governance Register is available in the corporate governance information section of the Company's website (www.voltageip.com.au).

8.2 Corporate Governance Charters

The Board has adopted a Board Charter to formally recognise its responsibilities, functions, powers and authority. The Board Charter also defines other matters that are important for effective corporate governance, including:

- the roles and responsibilities of the Board;
- the intentions of the Board regarding its composition;
- the role and responsibilities of the chairperson;
- the establishment of committees of the Board;
- processes for Board meetings;
- the roles and responsibilities of the chief executive officer and the company secretary; and
- materiality thresholds regarding when matters must be brought to the direct attention of the chairperson.

The Board has also adopted the following additional Charters:

- Audit and Risk Committee Charter;
- Remuneration Committee Charter; and
- Nomination Committee Charter.

As noted above, the Board does not consider its current size or structure (or the operations of the Company) to be of a sufficient magnitude to establish a separate Audit and Risk Committee, Remuneration Committee or Nomination Committee. The Board will carry out the duties of those committees and intends to comply with the

terms of the charters contained in the Corporate Governance Register that relate to those committees (as if the Board constituted the relevant committee contemplated by those charters and one of the non-executive Directors was the chairperson of each of the relevant committees).

8.3 Code of Conduct

The Board recognises the need to observe high standards of corporate practice and business conduct. Accordingly, the Board has adopted a formal Code of Conduct, which sets out the way the Company intends to conduct business. The Code of Conduct outlines the framework for ensuring that the Company's decision making process and actions are undertaken in an ethical and accountable manner. In particular, the Code of Conduct sets out the Company's expectations relating to:

- personal and professional behaviour;
- conflicts of interest;
- corrupt conduct;
- protecting the Merged Group's intellectual property;
- security of information;
- use of the Merged Group's resources;
- public and media communications;
- discrimination and harassment; and
- occupational health and safety.

All Company Directors, senior executives and employees are required to comply with the Code of Conduct.

8.4 Continuous Disclosure Policy

Subject to the exceptions contained in the Listing Rules, the Company will be required to disclose to the ASX any information concerning the Company which a reasonable person would expect to have a material effect on the price or value of the Shares.

The Company is committed to observing its disclosure obligations under the Listing Rules and the

Corporations Act. The Company has adopted a Continuous Disclosure Policy which establishes procedures which are aimed at ensuring that Directors and management are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information.

The Continuous Disclosure Policy sets out principles relating to disclosure of material information, including that the Company:

- to reduce the risk of the emergence of a false market in the Shares, will seek to make regular announcements regarding projects and important milestones (even when that information may not strictly be required under the Company's continuous disclosure obligations);
- will not provide the press, analysts or shareholders with any price sensitive information that has not already been disclosed to the ASX;
- will not generally respond to market rumours and speculation, except when required by law or requested to do so by the ASX; and

- will only allow the chairman, the chief executive officer and the company secretary to make public statements on behalf of the Company.

8.5 Diversity Policy

The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

8.6 Shareholder Communications Policy

The Board's aim is to ensure that Shareholders are provided with sufficient information to assess the performance of the Company and that they are informed of all major developments affecting the state of affairs of the Company relevant to Shareholders in accordance with all applicable laws. The Company has a communications strategy which aims to promote effective communication with Shareholders and encourage effective participation at general meetings.

Information will be communicated to Shareholders through the lodgement of all relevant financial and other information with the ASX and publishing information on the Company's website. In particular, the Company's website will contain links to relevant analyst and media briefings (which, where practicable are intended to be webcast or recorded) and copies of the Company's corporate governance policies. All relevant announcements made to the ASX and any other relevant information will be posted on the Company's website promptly following their release to the ASX.

8.7 Securities Trading Policy

The Board has adopted a Securities Trading Policy that sets out the guidelines on the sale and purchase of securities in the Company by its Directors, employees and contractors (**Restricted Persons**). The Securities Trading Policy explains the types of conduct in relation to dealings in Shares that are prohibited under the Corporations Act.

Under the terms of the policy, buying or selling Shares is not permitted at any time by any person who possesses inside information or where short-term or speculative trading is involved. The policy also generally provides that notification to the Company is required before any dealing takes place.

Restricted Persons must not deal in Shares during 'black-out periods', which include the following:

- from 15 June each year until the first trading day after the day on which the full year financial results for the Company have been released to the ASX;
- from 15 December each year until the first trading day after the day on which the interim financial results in respect of the previous 6 month period are released to the ASX; and
- from the end of each calendar quarter until the beginning of trading on the first trading day after the day on which any required quarterly reporting has been released to the ASX in respect of the preceding calendar quarter.

8.8 Other policies

In addition to the charters and policies discussed above, the Company has also adopted the following additional policies:

- Performance Evaluation Policy;
- Risk Management Policy; and
- Auditor Selection and Rotation Policy.

8.9 Departures from ASX Principles and Recommendations

Principle	Response
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT	
Recommendation 1.1 A listed entity should disclose: <p>(a) the respective roles and responsibilities of its board and management; and</p> <p>(b) those matters expressly reserved to the board and those delegated to management.</p>	Complies. The Board has adopted a Board Charter which sets out the respective roles and responsibilities of the Board and senior management. The Board's responsibilities include: <ul style="list-style-type: none"> • the appointment of the chairperson, company secretary, chief executive officer, the senior management team and key staff members; • providing input into, review and final approval of the Company's direction, strategies, business objectives and targets; • reviewing, approving and monitoring significant business transactions; • monitoring the Company's financial performance by reviewing and approving budgets, assessing the Company's performance against budgets and monitoring the adequacy and integrity of financial and other reporting processes; • ensuring that adequate internal control systems are in place and complied with; and • ensuring corporate accountability to Shareholders. <p>The chief executive officer is responsible for running the affairs of the Company under the delegated authority of the Board and for implementing policies and strategies set by the Board.</p> <p>The responsibilities of the company secretary include facilitating the Company's corporate governance process and ensuring that the Board processes and procedures run efficiently and effectively.</p> <p>Other managers employed or engaged by the Company will be required to support the chief executive officer to implement the running of the</p>

Principle	Response
	general operations of the Company. The Board Charter includes guidance on the materiality of matters that need to be brought to the direct attention of the chairperson.
Recommendation 1.2 A listed entity should: <ul style="list-style-type: none"> (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. 	<p>Has not always complied in the past, but intends to comply in the future.</p> <p>The Company has conducted background checks in relation to the recently appointed and proposed new Directors (being Frank Licciardello, Wee Min Chen, Ai Ling Chong and Craig Sanford). These checks involved having the new Directors complete relevant questionnaires and statutory declarations in relation to their background and suitability to become Directors of the Company and carrying out insolvency searches. As at the Prospectus Date, the Company has also received police checks in respect of all of the recently appointed and proposed new Directors.</p> <p>It is the intention of the Company that detailed checks be carried out in relation to future Board candidates.</p>
Recommendation 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	<p>Complies.</p> <p>Employment contracts or service agreements have been entered into with all Directors and senior executives referred to in Section 7.1 of this Prospectus (other than those that will be resigning as part of the Acquisition process) setting out the terms of their appointment.</p> <p>Details of these arrangements have been summarised in Section 7.2 of this Prospectus.</p>
Recommendation 1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	<p>Complies.</p> <p>The Board Charter sets out the roles and responsibilities of the company secretary. The Board Charter specifies that the company secretary is accountable directly to the Board through the chairperson on all matters relating to the proper functioning of the Board.</p>
Recommendation 1.5 A listed entity should: <ul style="list-style-type: none"> (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant 	<p>Partially complies.</p> <p>The Board has adopted a Diversity Policy requiring the Board to set measurable objectives for achieving gender diversity and requiring annual assessment.</p> <p>A copy of the Diversity Policy is included in the Company's Corporate Governance Register and is available to members of the public through the Company's website.</p> <p>However, the Company has not yet made any determination on the appropriate measureable</p>

Principle	Response
<p>committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <ol style="list-style-type: none"> (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act. 	<p>objectives that the Company will target or reported on any of those objectives.</p> <p>The Company intends to implement processes to comply with Recommendation 1.5 in the future.</p>
<p>Recommendation 1.6</p> <p>A listed entity should:</p> <ol style="list-style-type: none"> (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	<p>Partially complies.</p> <p>The Board has adopted a Performance Evaluation Policy which has been included in the Corporate Governance Register and disclosed on the Company's website. The policy requires the Board to undertake annual performance reviews of the Board, its committees and individual Board members, but as at the Prospectus Date, no reviews have been undertaken. The Company intends to evaluate performance in accordance with the Performance Evaluation Policy in the future and disclose for each future reporting period whether an evaluation has been undertaken.</p>
<p>Recommendation 1.7</p> <p>A listed entity should:</p> <ol style="list-style-type: none"> (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	<p>Partially complies.</p> <p>The Board has adopted a Performance Evaluation Policy which has been included in the Corporate Governance Register and disclosed on the Company's website. The policy requires the Board to undertake annual performance reviews of the chief executive officer and other senior managers, but as at the Prospectus Date, no reviews have been undertaken. The Company intends to evaluate performance in accordance with the Performance Evaluation Policy in the future and disclose for each future reporting period whether an evaluation has been undertaken.</p>
PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE	
<p>Recommendation 2.1</p> <p>The board of a listed entity should:</p> <ol style="list-style-type: none"> (a) have a nomination committee which: <ol style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: <ol style="list-style-type: none"> (3) the charter of the committee; (4) the members of the committee; and 	<p>Does not presently comply.</p> <p>The Board has not and is unlikely to establish a separate Nomination Committee in the near future.</p> <p>Given the proposed size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Nomination Committee. Accordingly, the Board will perform the role of the Nomination Committee.</p>

Principle	Response
<p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>Items that would usually be required to be discussed by a nomination committee will be discussed and deliberated by the Board.</p> <p>To assist the Board in fulfilling its functions, the Board has adopted a Nominations Committee Charter which describes the role, functions and responsibilities of the Board when it convenes as the Nomination Committee.</p>
<p>Recommendation 2.2</p> <p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>Does not presently comply.</p> <p>Following completion of the Acquisition, the Board members together will have a broad range of experience, expertise, skills, qualifications and contacts relevant to the Merged Group and its business.</p> <p>The Company has adopted a Nomination Committee Charter that requires the Board (when it convenes as the Nomination Committee) to formulate a Board skills matrix, setting out the mix of skills and diversity that the Board is looking to achieve in its membership.</p> <p>The Board intends to develop this skill matrix as the operations of the Merged Group progress and develop.</p>
<p>Recommendation 2.3</p> <p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the Principles and Recommendations but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	<p>Complies.</p> <p>As at the Prospectus Date, the only independent director of the Company is Chin Hing How. Chin Hing How has been a Director since 13 May 2009. However, it is expected that he will resign as a Director with effect from completion of the Acquisition.</p> <p>Wee Ming Chin, Ai Ling Chong, Frank Licciardello and Craig Sanford will not be independent directors. Wee Ming Chin will be a substantial holder of Shares. Ai Ling Chong is the sister of Ei Ling Chong (who will also be a substantial holder of Shares). Frank Licciardello is a director and shareholder of Sanston and Craig Sanford is a director and shareholder of Sierra Legal Pty Ltd (both being providers of material professional services to the Company).</p>
<p>Recommendation 2.4</p> <p>A majority of the board of a listed entity should be independent directors.</p>	<p>Does not presently comply.</p>

Principle	Response
	As described above, there are not expected to be any independent directors after completion of the Offers and the Acquisition.
Recommendation 2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Does not presently comply. As noted above, Frank Licciardello is not considered to be an independent director. Frank Licciardello is expected to remain as the chairperson of the Board and is not the Company's chief executive officer.
Recommendation 2.6 A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Complies. The processes for the induction, training and professional development of Board members is contained in the Board Charter adopted by the Board.
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY	
Recommendation 3.1 A listed entity should: <ul style="list-style-type: none"> (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it. 	Complies. The Company has adopted the Code of Conduct described in section 8.3 of this Prospectus. The Code of Conduct is included in the Company's Corporate Governance Register and is available on the Company's website.
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING	
Recommendation 4.1 The board of a listed entity should: <ul style="list-style-type: none"> (a) have an audit committee which: <ul style="list-style-type: none"> (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: <ul style="list-style-type: none"> (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner. 	Does not presently comply. The Board has not and is unlikely to establish a separate Audit Committee in the near future. Given the proposed size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Audit Committee. Accordingly, the items that would usually be required to be discussed by an Audit Committee will be discussed and deliberated by the Board. To assist the Board in fulfilling its functions, the Board has adopted an Audit and Risk Committee Charter which describes the role, functions and responsibilities of the Board when it convenes as the Audit and Risk Committee. The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises (as recommended by the Audit and Risk Committee, if created in the future). Candidates for the position of external auditor will be assessed

Principle	Response
	<p>based on their skill, knowledge, independence and value for money.</p> <p>The Company's policies require its external auditors to be rotated and replaced in accordance with the Corporations Act.</p>
<p>Recommendation 4.2</p> <p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>Does not currently comply, but intends to comply in the future.</p> <p>The Company has not had a CEO or CFO in recent years. However, the approach suggested by Recommendation 4.2 is consistent with the terms of the Audit and Risk Committee Charter included in the Company's Corporate Governance Register.</p>
<p>Recommendation 4.3</p> <p>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	<p>Complies.</p> <p>The Company's Shareholder Communication Policy requires that the Company's auditor be requested to attend the AGM and Shareholders will be entitled to ask questions of the Company's auditor.</p>
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE	
<p>Recommendation 5.1</p> <p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>Complies.</p> <p>The Company has adopted the Continuous Disclosure Policy summarised in Section 8.4. This policy is contained in the Company's Corporate Governance Register and is available to members of the public through the Company's website.</p>
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS	
<p>Recommendation 6.1</p> <p>A listed entity should provide information about itself and its governance to investors via its website.</p>	<p>Complies.</p> <p>The Company's Corporate Governance Register is available to members of the public through the Company's website. The Company also intends to post other information regarding its governance on its website (including ASX announcements).</p>
<p>Recommendation 6.2</p> <p>A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p>	<p>Complies.</p> <p>The Company has adopted the Shareholder Communications Policy described in Section 8.6. The Company's communications strategy aims to promote effective communication with Shareholders and encourage effective participation at general meetings.</p>

Principle	Response
Recommendation 6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Complies. The Company has adopted the Shareholder Communications Policy described in Section 8.6. This policy is contained in the Company's Corporate Governance Register and is available to members of the public through the Company's website.
Recommendation 6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Does not currently comply, but intends to comply in the future. It is intended that Shareholders will be given the opportunity to receive communications from the Company electronically.
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK	
Recommendation 7.1 The board of a listed entity should: <p>(a) have a committee or committees to oversee risk, each of which:</p> <ol style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	Does not presently comply. The Board has not and is unlikely to establish a separate Risk Committee in the near future. Given the proposed size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Risk Committee. Accordingly, the items that would usually be required to be discussed by a Risk Committee will be discussed and deliberated by the Board. To assist the Board in fulfilling its functions, the Board has adopted an Audit and Risk Committee Charter which describes the role, functions and responsibilities of the Board when it convenes as the Audit and Risk Committee.
Recommendation 7.2 The board or a committee of the board should: <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	Does not currently comply, but intends to comply in the future. The Company has adopted a Risk Management Policy. The arrangements to be put in place by the Board to monitor risk management include: <ul style="list-style-type: none"> • monthly reporting by senior management to the Board in respect of operations and the financial position and performance of the Merged Group; • preparation of quarterly rolling forecasts by senior management for the Board; and • the development of a risk register which provides a framework for systematically understanding, identifying and analysing the types of business risks to the Merged Group

Principle	Response
	<p>and forming an action plan in respect of those risks.</p> <p>The Risk Management Policy requires that the Company's risk management system be reviewed annually to ensure that it continues to be sound.</p> <p>On the basis that the Risk Management Policy has only recently been adopted, reviews of the Company's risk management system/framework have not yet occurred.</p>
<p>Recommendation 7.3</p> <p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>Does not presently comply.</p> <p>The Board will perform the role of Audit and Risk Committee. When the Board convenes as the Audit and Risk Committee it will carry out those functions which are delegated to it in the Company's Audit and Risk Committee Charter, which include reviewing the Company's internal audit procedures and accounting control systems.</p> <p>Due to the nature and size of the Company's proposed operations, the expense of an independent internal auditor is not considered to be appropriate.</p>
<p>Recommendation 7.4</p> <p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>Complies.</p> <p>The Company has considered its economic, environmental and social sustainability risks by way of internal review and has concluded that it is not subject to material economic, environmental and social sustainability risks. The Board intends to re-assess this position after completion of the Acquisition.</p>
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY	
<p>Recommendation 8.1</p> <p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <ol style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>Does not presently comply.</p> <p>The Board has not and is unlikely to establish a separate Remuneration Committee in the near future.</p> <p>Given the proposed size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Remuneration Committee. Accordingly, the Board will perform the role of the Remuneration Committee.</p> <p>Items that would usually be required to be discussed by a remuneration committee will be discussed and deliberated by the Board.</p> <p>To assist the Board in fulfilling its functions, the Board has adopted a Remuneration Committee Charter which describes the role, functions and</p>

Principle	Response
	responsibilities of the Board when it convenes as the Remuneration Committee.
Recommendation 8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Complies. Details of remuneration, including the Company's policy on remuneration, are contained in the Remuneration Report which forms of part of the Annual Report. The Board has not established a Remuneration Committee or Nominations Committee. Therefore, the Board will be responsible for determining and reviewing compensation arrangements for the Directors and executive officers. The Board will assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant market conditions (with the overall objective of encouraging the retention of an experienced and high quality Board and executive team).
Recommendation 8.3 A listed entity which has an equity-based remuneration scheme should: <ul style="list-style-type: none"> (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it. 	Complies. The Company does not currently have any equity-based remuneration schemes. Nevertheless, the Company's Securities Trading Policy includes prohibitions on Directors, employees and others from entering any transaction designed to limit the economic risk of holding any unvested shares, options or performance rights issued by the Company.

9. Material contracts

9.1 Share Sale Agreement

General

The Company entered into the Share Sale Agreement with KLE and the Vendors on 2 September 2015 to acquire all of the issued share capital of KLE. In consideration for the Acquisition, the Company has agreed to issue the following Securities to the Vendors:

- 210,526,300 Shares (with a deemed issue price of \$0.05 per share) (**Consideration Shares**); and
- 20,000,000 unlisted Options over Shares (**Consideration Options**) exercisable at a price of \$0.10 per option and at any time before the third anniversary of the date of issue of the Options.

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 or required under the terms of KLE's agreements with third parties (such as banks and other financiers).
- 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 any 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 ASX 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 (to take effect immediately before completion of the Acquisition).
 - 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 this 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).
 - Wee Min Chen, Chin Eng Khoo, Ei Ling Chong, Kay Wen Chen, Wei Kee Chong and any other Vendors providing services to KLE each entering into employment contracts with KLE (in a form approved by the Company).
 - Wee Min Chen, Kay Wen Chen, Keng Lek and CKM Industries Sdn Bhd each signing a deed of release in favour of KLE (and being in a form approved by the Company) confirming that no moneys or liabilities are owing by any of them to KLE.
 - The Company receiving written evidence (in a form approved by the Company) confirming that WRP Asia Pacific Sdn Bhd has repaid RM 1.9 million in debts owed to KLE.
 - KLE lodging with the relevant government agency its tax return for the financial year ending on 31 August 2014.

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.

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.

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 ASX Listing Rules and the existence of any litigation or claims against it.

Completion

Completion under the Share Sale Agreement is required to take place on the date that is 5 business days after the date on which all the conditions precedent have first 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.

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.

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 certain 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.

Related party issues

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 Acquisition.

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

In the independent expert report circulated with the Notice of Meeting, RSM opined that the preferred value of the Shares following completion of the Acquisition and the Offers is \$0.02 per Share. RSM also considered the valuation of the Options to be issued to Sanston and opined that they currently have a value of \$0.0076 per Option. The Consideration Options, and the Options to be issued to Sanston, are to be issued with substantially the same terms and will therefore have the same (or similar) value.

Based on the preferred values of the Shares and Options set out in the independent expert report (or as an alternative, applying the \$0.05 per Share price under the Public Offer), the value of the Securities to be issued to the related parties under the Share Sale Agreement are set out below:

Related party	Value of Shares (applying \$0.02 per Share valuation)	Value of Shares (applying \$0.05 per Share valuation)	Value of Options
Wee Min Chen	\$1,936,842	\$4,842,104.90	\$69,920
Ei Ling Chong	\$1,936,842	\$4,842,104.90	\$69,920

9.2 Option terms

It has been agreed with the Vendors that the Consideration Options will have the following key terms. The Options to be issued to Sanston under the Sanston Mandate have substantially the same terms (but will not be subject to any voluntary escrow period).

Exercise price

Each Option will be exercisable by the holder for an exercise price of \$0.10 per option.

Expiry

The Options will expire if they have not been exercised on or before the date that is 3 years after the date on which they are issued.

Conditions

The issuance of any Shares on conversion of the Options will be conditional on the Company obtaining any necessary shareholder approvals for the purposes of the Corporations Act and the Listing Rules.

Listing and transfer

The Options will be unlisted Securities and the Company does not have any obligation to apply for the Options to become tradeable on the ASX. In relation to the Consideration Options to be issued to the Vendors, 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 Vendors can only transfer the Consideration Options to a person that would not need to receive a disclosure document from the Company in order for the Shares to be issued to that person in compliance with the Corporations Act following the exercise of the Consideration Options. There is no voluntary escrow period that applies to the Options to be issued to Sanston. However, similar transfer restrictions otherwise apply.

Bonus issues

If the Company makes a bonus issue of Shares (**Bonus Issue**) before some or all of the Options have been exercised, then the number of Shares to be issued on exercising those Options will be increased by the number of additional Shares to which the holder would have been entitled had the Options held by the holder at the record time for the Bonus Issue been exercised before the record time for the Bonus Issue.

Adjustments for rights issue

If the Company makes a pro rata issue of Shares (other than a Bonus Issue) to Shareholders, then the exercise price of each unexercised 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 Option;
- E = the number of underlying Shares to which 1 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.

9.3 Loan and Convertible Note Agreements

These agreements are relevant to the Noteholder Offer.

In September 2015, the Company entered into Loan and Convertible Note Agreements with Soong Keng Tak (**SKT**) and Asenna Wealth Solutions Pty Ltd (**Asenna**), with SKT and Asenna being the only eligible Applicants under the Noteholder Offer. 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.

Other key terms of the Loan and Convertible Note Agreements include:

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 166,666,666 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 rate

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). The Company has indicated that interest will be paid in the form of cash and that no interest will be capitalised.

Conversion

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. The Convertible Notes will also automatically convert into Shares if the Company receives conditional approval from the ASX for the Relisting Application. Accordingly, if the

Conditions of the Offers are satisfied, then any Convertible Notes that are issued as a result of obtaining the necessary Shareholder approval at the General Meeting will automatically convert into Shares in conjunction with the Offers.

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 at the time of conversion, and then divided by \$0.0012 per note. As a result, and taking into account the impact of the Share Consolidation, it is expected that approximately 8,333,333 Shares will be issued to SKT and approximately 6,666,667 Shares will be issued to Asenna.

The Noteholder Offer has been included in this 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.

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.

9.4 Agreements relating to debt to equity conversions

These agreements relate to the Debt to Equity Offer.

The Creditors (being the only eligible Applicants under the Debt to Equity Offer) comprise the following:

- Hock Guan Ng - \$358,166.83 owing by the Company as at the Prospectus Date;
- May Thian - \$304,116.40 owing by the Company as at the Prospectus Date;
- Accosec Pty Ltd - \$61,560.74 owing by the Company as at the Prospectus Date; and
- Dropwar Investments Pty Ltd - \$7,122.50 owing by the Company as at the Prospectus Date.

Hock Guan Ng and May Thian were assigned the rights to recover debts that were previously owed by the Company to former Directors and entities associated with former Directors. The amounts owed by the Company to Accosec Pty Ltd and Dropwar Investments Pty Ltd relate to fees payable by the Company for services that have been provided by those entities to the Company (and for which payment has not yet been provided). The Creditors have (in aggregate) agreed to convert \$730,966.47 of debt owing by the Company into Shares at a rate of \$0.03 per Share (i.e. a total of 24,365,549 Shares).

Each of the Creditors have signed a letter agreement confirming their agreement to participate in these debt to equity conversions, which are conditional on the Company obtaining any approvals (including approvals from Shareholders) required by law.

The Debt to Equity Offer has been included in this Prospectus to ensure that the Shares to be issued on conversion of the relevant debts owing by the Company are issued with the disclosure required under Chapter 6D of the Corporations Act.

The allotment of Shares 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. While approval is being sought from Shareholders at the General Meeting 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 being 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.

As noted above, in the independent expert report circulated with the Notice of Meeting, RSM opined that the preferred value of the Shares following completion of the Acquisition and the Offers is \$0.02 per Share. 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 based on the preferred values of the Shares set out in the independent expert report. However, applying the \$0.05 per Share Offer Price, the Shares to be issued to Hock Guan Ng under the Debt to Equity Offer could also reasonably be given a value of \$596,944.70.

9.5 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.

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.

Part of the consideration payable under the Sanston Mandate includes the allotment of 3,500,000 Options. Shareholder approval is being sought at the General Meeting for the allotment of these Options in accordance with the Listing Rules.

A summary of the key provisions contained within the Sanston Mandate are set out below.

Payment and consideration

The Company has agreed to pay to Sanston the following:

- 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); 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.

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.

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 Section 9.2.

Termination events

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:

- 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, 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;
- 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 Shares 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.

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.

Undertakings and other terms

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, contract to sell, otherwise dispose of, directly or indirectly, any Shares or any Securities that are otherwise convertible into Shares without the prior written consent of Sanston.

Indemnity

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, this Prospectus or any document accompanying this 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.

Future capital raising

The Company has agreed to offer Sanston the lead role in any further equity capital raising that is undertaken in connection with the Company within 12 months of completion of the Offers, subject to competitive terms in respect of pricing, fees and timing relative to market practices at the time.

Related party issues

Sanston is a company controlled by Frank Licciardello and is therefore a related party. Shareholder approval was not 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). 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. At the General Meeting, approval from Shareholders will still be sought by the Company under Listing Rule 10.11 for the allotment of the Options to Sanston.

In the independent expert report circulated with the Notice of Meeting, RSM considered the valuation of the Options to be issued to Sanston and opined that they currently have a value of \$0.0076 per Option. Accordingly, based on this valuation methodology, the Options to be issued to Sanston have a value of \$26,600. The other fees payable to Sanston under the Sanston Mandate have been described above.

9.6 Sierra Legal retainer

Sierra Legal has been engaged to advise the Company in relation to the Acquisition and the Offers under the terms of a retainer letter dated 16 June 2015. Under the retainer letter, Sierra Legal agreed to carry-out an agreed scope of work relating to the Acquisition and the Offers for a capped fee amount of \$85,000 (plus GST and disbursements).

Additional fees totalling approximately \$33,000 (plus GST) have also been agreed between Sierra Legal and the Company in respect of legal work that was outside the scope of the initial fee cap agreement.

Craig Sanford is a shareholder and the Managing Director of Sierra Legal and therefore may be a related party of the Company. Shareholder approval was not sought under section 208 of the Corporations Act in relation to the fees payable to Sierra Legal. The Directors consider that the terms of the retainer with Sierra Legal were

negotiated on an arm's length basis, particularly because they were negotiated and agreed before it was ever contemplated that Craig Sanford would become a director of the Company.

9.7 Finance facilities

Company finance facilities

In recent years, the Company has been largely funded by loans from former Directors and entities associated with the former Directors. More recently, the funding required by the Company to pursue the Acquisition and other transactions contemplated by this Prospectus has been received from the Noteholders under the Loan and Convertible Note Agreements. Assuming that all Shares are issued under the Debt to Equity Offer and the Noteholder Offer, the Company will have no outstanding finance facilities in place following the completion of the Acquisition and the Offers.

KLE finance facilities

The main banking facilities used as part of the operations of KLE are provided by Hong Leong Bank Berhad. The facilities include:

- a RM3,500,000 fixed term loan facility to refinance the purchase of KLE's interest in the business premises in Beranang, Selangor;
- a RM3,000,000 overdraft facility for working capital purposes;
- a RM8,500,000 letter of credit, trust receipt, banker's acceptance and bank guarantee facility for trade financing requirements;
- a RM2,000,000 temporary overdraft facility to refinance overdraft and trade bills from KLE's previous financier (i.e. United Overseas Bank (Malaysia) Bhd); and
- a RM5,000,000 forward/spot foreign exchange contracts facility for hedging foreign currency exposure.

These facilities are secured by:

- a first ranking charge over KLE's interest in the business premises; and
- joint and several guarantees by Wee Min Chen, Kay Wen Chen and Ei Ling Chong.

Smaller banking facilities and hire purchase facilities have also been provided for the benefit of KLE by CIMB Bank Berhad, RHB Bank Berhad, Standard Chartered Saadiq Berhad, Malayan Banking Berhad, BMW Credit (Malaysia) Sdn Bhd, Public Bank Berhad and Pac Lease Berhad in relation to specific vehicles and equipment used in the KLE business.

10. Details of the Offers

10.1 The Offers

The Offers consist of:

- the Public Offer which is open to the general public;
- the Debt to Equity Offer which is made only to the Creditors; and
- the Noteholder Offer which is made only to the Noteholders.

The Offers are conditional on the satisfaction of the Conditions of the Offers referred to in Section 10.5. If the Conditions of the Offers are not satisfied, then no Shares will be issued under any of the Offers and any Application Moneys received under the Public Offer will be returned to the Applicants.

The Company reserves the right to close some or all of the Offers before the Closing Date.

10.2 Public Offer

This Prospectus invites members of the general public to apply for up to 100,000,000 new Shares at an Offer Price of \$0.05 per Share to raise up to \$5 million. The Public Offer requires a minimum subscription of 60,000,000 Shares (raising \$3 million).

In the event that the minimum amount of \$3 million is not raised within 3 months after the Prospectus Date, no Shares will be issued under the Public Offer and all Application Moneys will be repaid in accordance with the requirements of the Corporations Act.

Applications under the Public Offer must be for a minimum amount of \$2,000 worth of Shares (40,000 Shares) and thereafter, in multiples of \$200 worth of Shares (4,000 Shares).

To be eligible to participate in the Public Offer, you must be a resident of Australia.

10.3 Debt to Equity Offer

Under this Prospectus, the Company offers the Creditors up to 24,365,549 new Shares in order to convert \$730,966.47 of debt owed by the Company at a rate of \$0.03 per Share.

A summary of the agreements reached with the Creditors to convert this debt is contained in Section 9.4.

Only the Creditors may accept the Debt to Equity Offer and a personalised Application Form for the Debt to Equity Offer will be issued to the Creditors (together with a copy of this Prospectus).

10.4 Noteholder Offer

Under this Prospectus, the Company offers the Noteholders an aggregate amount of approximately 15,000,000 new Shares.

The purpose of the Noteholder Offer is to convert all Convertible Notes (to be issued by the Company) into Shares under this Prospectus. A summary of the terms of the Loan and Convertible Note Agreements are contained in Section 9.3.

Only the Noteholders may accept the Noteholder Offer and a personalised Application Form for the Noteholder Offer will be issued to the Noteholders (together with a copy of this Prospectus).

10.5 Conditions of the Offers

The Offers under this Prospectus are conditional on the satisfaction of each of the following conditions within 3 months after the Prospectus Date:

- Shareholders approving each of the following matters required for the Acquisition of KLE to occur **(Essential Resolutions)**:
 - approval of the Share Consolidation and Share Cancellation;
 - approval under Listing Rule 11.1.2 for the Company to make a significant change to the nature or scale of its activities;
 - 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;
 - approvals under Listing Rules and the Corporations Act for the Company to issue:
 - the Convertible Notes to the Noteholders;
 - the Consideration Shares to the Vendors;
 - the Consider Options to the Vendors; and
 - all Shares under the Public Offer, the Debt to Equity Offer and the Noteholder Offer;
 - approvals under the Corporations Act required to implement the 24 month voluntary escrow that will apply in relation to the Consideration Shares and Consideration Options;
- completion of the Acquisition occurring (such that KLE becomes a wholly owned subsidiary of the Company);
- the Company receiving valid applications and subscription moneys (in cleared funds) for no less than \$3 million under the Public Offer; and
- the Company receiving conditional approval from the ASX for the Relisting Application.

Accordingly, the Offers under this Prospectus are effectively inter-conditional on the successful completion of the Acquisition of KLE and the allotment of Shares under the Offers will occur simultaneously with the allotment of the Consideration Shares, Consideration Options and the Options under the Sanston Mandate.

In the event that the Conditions of the Offers are not satisfied, then the Company will not proceed with the Offers and will repay all Application Moneys received under the Public Offer.

10.6 Purpose of the Offers

The Public Offer is being conducted to:

- fund the immediate working capital needs for the Company and the KLE business;
- assist the Company to meet the requirements of the ASX and satisfy Chapters 1 and 2 of the Listing Rules; and
- provide funds to pursue identified and potential growth opportunities, including the diversification of KLE's current business into rubber glove manufacturing with the installation of new glove production lines at KLE's factory in Malaysia.

On completion of the minimum capital raising of \$3 million under the Public Offer, the Board believes that the Company will have sufficient funds to achieve these objectives.

The Debt to Equity Offer and the Noteholder Offer are being conducted to reduce the Company's debts and to maximise the portion of the Public Offer proceeds that can be applied to the development of the KLE business.

10.7 Use of funds

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

Purpose	Minimum subscription (\$3,000,000)	Percentage of total funds applied	Maximum subscription (\$5,000,000)	Percentage of total funds applied
Cash reserves of the Merged Group ¹⁵	\$108,602		\$108,602	
Funds raised under Public Offer	\$3,000,000		\$5,000,000	
Total	\$3,108,602		\$5,108,602	
Expenses of the Offers	\$322,021	10.36%	\$462,021	9.04%
ASX re-compliance costs	\$70,543	2.27%	\$72,543	1.42%
Purchase of Rubber Glove Manufacturing Line for KLE	\$2,000,000	64.34%	\$4,000,000	78.30%
Working capital	\$366,038	11.78%	\$224,038	4.39%
Sales and Marketing for KLE	\$350,000	11.26%	\$350,000	6.85%
Total funds applied	\$3,108,602		\$5,108,602	

The estimates of expenditure set out in this Section 10.7 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 any future acquisitions by the Company may exceed the current or projected financial resources of the Company and it is expected that these acquisitions would be funded by project finance and/or equity issues (subject to Shareholder approvals as required).

¹⁵ As at 30 September 2015

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.

10.8 Capital structure

Capital structure (undiluted)

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	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	0.31%	967,929	0.28%
Shares to be issued to the vendors of KLE	210,526,300	67.72%	210,526,300	60.00%
Shares to be issued under this 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 ¹⁶	15,000,000	4.83%	15,000,000	4.28%
Shares following completion of Offers and Acquisition	310,859,778		350,859,778	

The consideration for the Acquisition will also result in the allotment of 20,000,000 Options, with the terms described in Section 9.2. Subject to obtaining the necessary approvals from Shareholders, an additional 3,500,000 Options will also be issued to Sanston as part of its consideration under the Sanston Mandate.

Shortly after the Prospectus Date, the Company expects to issue a total of 375,000,000 Convertible Notes under the Loan and Convertible Note Agreements described in Section 9.3. It is expected that all Convertible Notes will be converted into Shares under the Noteholder Offer.

Details of the Company's Securities (other than Shares) are detailed in the table below

	Before completion of Offers and Acquisition	After completion of Offers and Acquisition
Options	Nil	23,500,000
Convertible Notes	375,000,000	Nil

¹⁶ The number of Shares to be issued under the Noteholder Offer may increase in the event that any interest payable to the Noteholders is capitalised in accordance with the terms of the Loan and Convertible Note Agreements. However, the Company has elected to pay all interest in the form of cash and does not believe that any interest will be capitalised.

Capital structure (fully diluted)

If the Options were to be issued after completion of the Acquisition and the Offers (but before any other Securities have been issued), the number of Shares on issue would 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	0.29%	967,929	0.26%
Shares issued to the vendors of KLE	230,526,300	68.95%	230,526,300	61.58%
Shares to be issued under this Prospectus				
Public Offer	60,000,000	17.94%	100,000,000	26.71%
Debt to Equity Offer	24,365,549	7.29%	24,365,549	6.51%
Noteholder Offer ¹⁷	15,000,000	4.49%	15,000,000	4.01%
Shares issued from Options being exercised by Sanston	3,500,000	1.05%	3,500,000	0.93%
Shares following completion of Offers, Acquisition and exercising of Options	334,359,778		374,359,778	

10.9 How to apply for Shares under the Offers

To participate in the Public Offer, the Application Form for the Public Offer attached to or accompanying this Prospectus must be completed in accordance with the instructions accompanying the Application Form and be accompanied by a cheque or bank cheque drawn and payable on an Australian bank. Any cheques must be made payable to "Voltage IP Limited" and should be crossed "Not Negotiable". Applicants should ensure that cleared funds are available at the time the Application is lodged, as dishonoured cheques will result in the Application being rejected.

Alternatively, the Application Moneys can be transferred to the Company's bank account (details of which are below):

Account name: Voltage IP Limited ABN 83 057 884 876
BSB: 03-30-17
Account number: 294843
SWIFT: WPACAU2S
Branch: 530 Collins Street

Instructions for completing Application Forms relating to the Debt to Equity Offer and the Noteholder Offer are contained in the relevant Application Forms.

¹⁷ The number of Shares to be issued under the Noteholder Offer may increase in the event that any interest payable to the Noteholders is capitalised in accordance with the terms of the Loan and Convertible Note Agreements. However, the Company has elected to pay all interest in the form of cash and does not believe that any interest will be capitalised.

Completed Application Forms and accompanying cheques (or a copy of the deposit advice) must be received by the Company before 5.00pm (AEDT) on the Closing Date at:

By delivery:

Sanston Securities Australia Pty Ltd
Level 7, 564 St Kilda Road
Melbourne VIC 3004

If you pay the Application Moneys into the Company's bank account, you should use the name of the Applicant (as specified in your Application Form as the transfer reference) and cleared funds must be received into the Company's bank account before 5.00pm (AEDT) on the Closing Date.

By submitting an Application, you are offering to subscribe for Shares in the amount specified in the Application Form on the terms and conditions set out in this Prospectus and the Application Form. An Application by an Applicant is irrevocable and may not be varied or withdrawn except as required by law.

10.10 Allocation and allotment of Shares

Subject to the Conditions of the Offers being satisfied, the allotment of Shares to Applicants under the Offers will occur as soon as possible after the Closing Date, following which holding statements will be dispatched as required by the ASX. Applicants who sell the Shares before they receive their holding statement will do so at their own risk.

The Company has the right to allocate the Shares under the Offers. The Company may reject any Application or allocate any investor fewer Shares than applied for under the Offers. If an Application under the Public Offer is not accepted, or is accepted in part only, the relevant part of the Application Moneys will be refunded. Interest will not be paid on Application Moneys refunded.

10.11 Application Moneys to be held in trust

The Application Moneys will be held in a separate bank account on behalf of Applicants until the Shares are allotted. If the minimum subscription is not achieved within 3 months after the Prospectus Date, the Application Moneys will be refunded in full without interest, and no Shares will be allotted pursuant to this Prospectus.

10.12 Brokerage commissions and stamp duty payable by Applicants

No brokerage, commission or stamp duty is payable by Applicants on an acquisition of Shares under the Public Offer, the Debt to Equity Offer or the Noteholder Offer.

10.13 Quotation of Shares

Within 7 days after the Prospectus Date, the Company will submit the Relisting Application to the ASX. The ASX will not allow the removal of the trading suspension which currently applies to the Company's Shares until the ASX is satisfied that the Company has re-complied with Chapters 1 and 2 of the Listing Rules.

If approval for the Relisting Application is not granted by the ASX within 3 months after the Prospectus Date (or such other period varied by ASIC), then the Company will not allot or issue any Shares pursuant to the Offers and will repay all Application Moneys received under the Public Offer without any interest, as soon as practicable.

The fact that the ASX may approve the Relisting Application is not to be taken in any way as an indication of the merits of the Company or the Shares offered pursuant to this Prospectus.

10.14 CHESS

The Company participates in the ASX's Clearing House Electronic Sub-register System (CHESs) and will comply with the Listing Rules and the ASX Settlement Operating Rules. CHESs is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two registers, being an electronic CHESs sub-register or an electronic issuer sponsored sub-register.

For all successful Applicants, the Shares of a Shareholder who is a participant in CHESs or a Shareholder sponsored by a participant in CHESs will be registered on the CHESs sub-register. All other Shares will be registered on the issuer sponsored sub-register.

Following the allotment of Shares under the Offers, Shareholders will be sent a holding statement that sets out the number of Shares allotted to them under this Prospectus and provide details of a Shareholder's Holder Identification Number (for Shareholders who elect to hold shares on the CHESs sub register) or the Securityholder Reference Number (for Shareholders who elect to hold their shares on the issuer sponsored sub-register). Shareholders will subsequently receive statements showing any changes to their shareholding. Share certificates will not be issued.

10.15 Ranking

Shares issued pursuant to this Prospectus will rank equally in all respects with existing Shares. Full details of the rights attaching to the Shares are contained in the Company's Constitution, a summary of which is set out in Section 11.1. The Constitution is available for inspection, without a charge, during normal business hours at the Company registered office.

10.16 Underwriting

The Offers under this Prospectus are not underwritten.

10.17 Broker commissions and handling fees

Sanston, the company appointed as the lead manager and corporate financial adviser to the Offers, will pay a commission at a negotiated rate with Sanston where a dealer has introduced an Applicant and indicated that introduction by completion of the "broker code" section of the Application Form. The commission will be paid by Sanston to the relevant dealer within 21 business days after allotment of the Shares on the presentation of a tax invoice to Sanston.

10.18 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offers, or to permit a public offering of the Shares, in any jurisdiction outside Australia.

This Prospectus does not constitute an offer or invitation to apply for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

This Prospectus may not be released or distributed in the United States or elsewhere outside Australia. Each Applicant and each person on behalf of whom the Applicant is acting will be taken to have represented, warranted and agreed as follows:

- they understand that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or resold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable securities laws of states or other jurisdictions in the United States;
- they are not in the United States and are not acting on behalf of a person in the United States;
- they have not sent and will not send this Prospectus or any other material relating to the Offers to any person in the United States; and
- they will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction in which the Shares are offered and sold.

11. Additional information

11.1 Rights and liabilities attaching to Shares

The rights and liabilities attaching to ownership of the Shares arise from a combination of the Constitution, statute, the Listing Rules and general law.

A summary of the principal rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Relisting Application is approved by the ASX and that the Shareholders approve the adoption of the proposed new Constitution at the General Meeting.

11.1.1 Voting at a general meeting

At a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney has 1 vote on a show of hands and, on a poll, 1 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.

11.1.2 Meetings of Shareholders

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.

11.1.3 Dividends

Subject to the Constitution, the Corporations Act and the Listing Rules, the Board may:

- 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.

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.

11.1.4 Transfer of Shares

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 or 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.

The Board may refuse to register a transfer of shares where permitted to do so under the Listing 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.

11.1.5 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 Directors may decide to 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.

11.1.6 Winding up

If the Company is wound up, then subject to the Constitution, the Corporations Act, the Listing Rules and the ASX Settlement Operating Rules and any special resolution or preferential rights or restrictions attached to a class of shares, each Shareholder has the right to participate in the repayment of paid up capital through the distribution of any surplus assets or profits of the Company.

11.1.7 Unmarketable parcels

Subject to the Corporations Act, Listing Rules and the ASX Settlement Operating Rules, the Company may sell the Shares of a Shareholder who holds less than a marketable parcel of shares.

11.1.8 Variation of class rights

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:

- 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.

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.

11.1.9 Dividend reinvestment plan, dividend selection plan and bonus share plan

The Constitution authorises the Directors, on any terms and at their discretion, to establish a dividend reinvestment plan (under which any shareholder may elect that the dividends payable by the Company be reinvested by subscription for Securities), a dividend selection plan (whereby any shareholder 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) and an employee incentive plan (whereby Securities of the Company may be provided for the benefit of employees or Directors).

11.1.10 Directors – number

The minimum number of Directors is 3 and the maximum is fixed by the Directors but may not be more than 7. Directors are elected at annual general meetings of the Company.

11.1.11 Directors – voting

Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of an equality of vote on a resolution, the chairperson of the meeting has a casting vote.

11.1.12 Directors – remuneration

The Directors, other than the Executive Directors, will be paid by way of fees for services, the maximum aggregate sum as may be approved from time to time by the Company in general meeting. The Constitution also makes provision for the Company to pay all properly incurred expenses of Directors in attending meetings and carrying out their duties.

11.1.13 Powers and duties of Directors

The Directors may exercise all powers and do all things that are within the Company's power.

11.1.14 Indemnities

To the extent permitted by law, the Company indemnifies each officer of the Company or its related bodies corporate against any losses, liabilities, costs, charges and expenses incurred by the person acting in that capacity.

To the extent permitted by law, the Company may insure an officer of the Company or its related bodies corporate against a liability incurred by that person as an officer of that company, unless the liability arises out of conduct involving wilful breach of duty in relation to the Company or a contravention of sections 182 or 183 of the Corporations Act. To the extent permitted by law, the Company may also insure such an officer for costs and expenses incurred by that person in defending or resisting proceedings, whatever the outcome.

11.1.15 Capitalising profits

Subject to the Corporations Act, the Listing Rules, the ASX Settlement Operating Rules and any rights or restrictions attached to any shares or class of shares and any special resolution of the Company, the Directors may capitalise and distribute profits or other amounts available for distribution among those Shareholders who would be entitled to receive dividends and in the same proportions.

11.1.16 Alteration of share capital

Subject to the Corporations Act, the Listing Rules and the ASX Settlement Operating Rules, the Company may alter its share capital.

11.1.17 Preference shares

The Company may issue preference shares including preference shares which are liable to be redeemed or converted to ordinary shares.

11.1.18 Alteration of Constitution

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.

11.2 Interests of experts and advisers

11.2.1 No interest except as disclosed

Other than as set out below or elsewhere in this Prospectus, no expert, promoter, underwriter or any other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, nor any firm in which any of those persons is or was a partner nor any company with which any of those persons is or was associated, has now or at any time within 2 years before lodgement of this Prospectus with ASIC:

- any interest in the formation or promotion of the Company or in any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with any of the Offers; and
- been paid or received, or agreed to be paid or receive, any benefits for any services rendered in connection with the formation or promotion of the Company or any of the Offers.

11.2.2 Interests of advisers

The Company has engaged the following professional advisers in connection with the Offers who have consented to be named in this Prospectus:

Lead Manager

Sanston has acted as lead manager to the Offers and corporate adviser in relation to the Acquisition. The Company estimates that it will pay Sanston approximately \$430,000 (plus GST) for these services. During the 2 years preceding lodgement of this Prospectus with ASIC, Sanston received fees of approximately \$60,000 (plus GST) from the Company.

Australian legal adviser

Sierra Legal has acted as Australian legal adviser to the Company in relation to the Offers and the Acquisition. The Company estimates that it will pay Sierra Legal approximately \$118,000 (plus GST) for these services. Further amounts may be paid to Sierra Legal in accordance with its normal, time-based charges. During the 2 years preceding lodgement of this Prospectus with ASIC, Sierra Legal received fees of approximately \$93,500 (plus GST) from the Company for legal services.

Malaysian legal adviser

Yong See & Partners has acted as the Malaysian legal adviser to the Company in relation to the Offers and the Acquisition. The Company estimates that it will pay Yong See & Partners approximately \$10,000 (plus any applicable GST) for these services. Further amounts may be paid to Yong See & Partner in accordance with its normal, time-based charges. During the 2 years preceding lodgement of this Prospectus with ASIC, no fees were received by Yong See & Partners from the Company for legal services.

Investigating Accountant

RSM has acted as Investigating Accountant and has prepared the Investigating Accountant's Report included in Section 5, the independent expert's report included in the Notice of Meeting and has performed work in relation to due diligence enquiries. The Company estimates that it will pay RSM approximately \$52,000 (plus GST) for these services. Further amounts may be paid to RSM in accordance with its normal, time-based charges. During

the 2 years preceding lodgement of this Prospectus with ASIC, RSM received fees of approximately \$29,000 (plus GST) from the Company for advisory services.

Frost & Sullivan

Frost & Sullivan has been engaged by the Company to prepare the Independent Market Report included in section 3. The Company estimates that it will pay Frost & Sullivan approximately \$10,000 (plus GST) for these services.

These amounts and other expenses of the Offers will be paid by the Company out of available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 10.7.

11.3 Consents and disclaimers of responsibility

Written consents to the issue of this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC, had not been withdrawn by the following parties:

- Sanston has given and, at the time of lodgement of this Prospectus with ASIC has not withdrawn, its consent to be named in this Prospectus as lead manager in relation to the Offers (and the corporate adviser in relation to the Acquisition) in the form and context in which it is named. Sanston takes no responsibility for any part of this Prospectus other than any reference to its name.
- RSM has given, and at the time of lodgement of this Prospectus with ASIC has not withdrawn, its consent to be named in this Prospectus as the Investigating Accountant in the form and context in which it is named, and its consent to the inclusion of the Investigating Accountant's Report in the form and context in which it is included. RSM takes no responsibility for any part of this Prospectus other than the Investigating Accountant's Report.
- Sierra Legal has given, and at the time of lodgement of this Prospectus with ASIC has not withdrawn, its consent to be named in this Prospectus as the Company's Australian legal adviser in relation to the Offers in the form and context in which it is named. Sierra Legal takes no responsibility for any part of this Prospectus other than any reference to its name.
- Yong See & Partners has given, and at the time of lodgement of this Prospectus with ASIC has not withdrawn, its consent to be named in this Prospectus as the Company's Malaysian legal adviser in relation to the Offers in the form and context in which it is named. Yong See and Partners takes no responsibility for any part of this Prospectus other than any reference to its name.
- Boardroom Pty Limited has given, and at the time of lodgement of this Prospectus with ASIC has not withdrawn, its consent to be named in this Prospectus as the Company's share registry in the form and context in which it is named. Boardroom Pty Limited has not taken part in the preparation of any part of this Prospectus other than the recording of its name as share registry to the Company. Boardroom Pty Limited has not authorised or caused the issue of and expressly disclaims any responsibility for any part of this Prospectus.
- Crowe Horwath Melbourne has given, and at the time of lodgement of this Prospectus with ASIC has not withdrawn, its consent to be named in this Prospectus as the Company's auditor in the form and context in which it is named. Crowe Horwath Melbourne has not taken part in the preparation of any part of this Prospectus other than the recording of its name as the Company's auditor. Crowe Horwath Melbourne has not authorised or caused the issue of and expressly disclaims any responsibility for any part of this Prospectus.

- Yong & Leonard has given, and at the time of lodgement of this Prospectus with ASIC has not withdrawn, its consent to be named in this Prospectus as the auditor of KLE in the form and context in which it is named. Yong & Leonard has not taken part in the preparation of any part of this Prospectus other than the recording of its name as KLE's auditor. Yong & Leonard has not authorised or caused the issue of and expressly disclaims any responsibility for any part of this Prospectus.
- Frost & Sullivan has given, and at the time of lodgement of this Prospectus with ASIC has not withdrawn, its consent to be named in this Prospectus as the Independent Market Expert and to the inclusion of its Independent Market Report in the form and context in which it is named and to the inclusion in this Prospectus of statements said to be based on statements made in the Independent Market Report. Frost & Sullivan takes no responsibility for any part of this Prospectus other than the Independent Market Report and the statements in this Prospectus that are stated to be based on the Independent Market Report.
- KLE and the Vendors have given, and have not withdrawn before the lodgement of this Prospectus with ASIC, their written consent to be named in this Prospectus in the form and context in which they are named. KLE and the Vendors take no responsibility for any part of this Prospectus other than any reference to their names.

11.4 Ownership restrictions

The sale and purchase of Shares in the Company is regulated by Australian laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section contains a general description of these laws.

11.4.1 Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 shareholders, if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply.

The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in the Company.

11.4.2 The Foreign Acquisitions and Takeovers Act

Under Australia's foreign investment review framework, which comprises the Foreign Acquisitions and Takeovers Act 1975 (Cth), its associated regulations, and Australia's Foreign Investment Policy, the Treasurer has the power to block foreign investment proposals or apply conditions to the way proposals are implemented to ensure that they are not contrary to the national interest.

In general, proposals by a single foreign person (and their associates) to acquire an interest of 20% or more in any business valued at more than \$252 million (or \$1,094 million for certain prescribed investors including United States and New Zealand investors) must be reported to Australia's Foreign Investment Review Board for examination by the Treasurer. This also applies to proposals by two or more foreign persons (and their associates) to acquire an interest of 40% or more. Foreign government investors require approval from the Treasurer before making any direct investments in Australia, regardless of the value. Further information on the Australian Government's foreign investment screening requirements is detailed in Australia's Foreign Investment Policy, available at www.firb.gov.au.

11.5 ASX waivers / ASIC relief

The ASX has granted the Company the following 'in principle' waivers in respect of the Offers:

- Listing Rule 2.1 condition 2 has been waived to the extent necessary to permit the issue price for Shares under the Offers to be less than \$0.20 per Share (i.e. \$0.05 per Share under the Public Offer and \$0.03 per Share under the Debt to Equity Offer and Noteholder Offer); and
- Listing Rule 1.1 condition 11 has been waived to the extent necessary to permit the exercise price for the Consideration Options (and the Options to be issued to Sanston under the Sanston Mandate) to be \$0.10 per option.

The ASX has also granted a waiver in favour of the Company of the requirements of Listing Rule 10.13.3. Ordinarily, Listing Rule 10.13.3 would have required the Notice of Meeting to have specified 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 General 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 (all of which are considered to be related parties) 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 General Meeting).

No relief from the Corporations Act has been sought or obtained by the Company in connection with the Offers.

11.6 Litigation and claims

KLE was previously pursuing legal action against one of its customers, WRP Asia Pacific Sdn Bhd, in relation to an outstanding aged trade debtor balance of RM1.94 million (approximately \$669,000). These proceedings have recently been settled and the proceedings have been withdrawn. The settlement amount was RM1.9 million (approximately \$657,000).

As at the Prospectus Date, so far as the Directors are aware, there is no other current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which the Company or KLE are directly or indirectly concerned and which is likely to have a material adverse impact on the business or financial position of the Merged Group.

11.7 Taxation

The acquisition and disposal of Securities will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Securities from a taxation viewpoint and generally.

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them in relation to the Offers, by consulting their own professional tax advisers. To the maximum extent permitted by law, the Company, its officers and each of their respective advisers accept no liability and responsibility with respect to the taxation consequences of subscribing for Securities under this Prospectus.

11.8 Governing law

This Prospectus and the contracts that arise from the acceptance of Applications are governed by the laws applicable in Victoria, Australia and each Applicant submits to the exclusive jurisdiction of the courts of Victoria, Australia.

11.9 Electronic prospectus

A copy of this Prospectus can be downloaded from the Company's website located at www.voltageip.com.au or Sanston's website at www.sanston.com.au. If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

There is no facility for the Offers to be accepted electronically or by applying online. Securities will not be issued under the electronic version of this Prospectus. The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies a complete and unaltered version of this Prospectus. You may obtain a hard copy of this Prospectus free of charge by contacting the Company.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus, or any of those documents were incomplete or altered.

12. Directors' authorisation

This Prospectus is authorised by each Director and each person listed in this Prospectus as a proposed Director. Each of those persons consent to the lodgement of this Prospectus with ASIC.

Signed by Henry Choo, a Director of the Company, pursuant to section 351 of the Corporations Act, for the purposes of lodgement of this Prospectus with ASIC.

A handwritten signature in black ink, appearing to be 'H. Choo', written in a cursive style.

Henry Choo
Director

13. Glossary

Term	Meaning
Acquisition	The acquisition by the Company from the Vendors of all of the issued shares in KLE.
AEDT	Australian Eastern Daylight Saving Time.
Applicant	A person who submits a valid Application pursuant to this Prospectus.
Application	A valid application for Shares made pursuant to an Application Form.
Application Form	An application form included in or accompanying this Prospectus (including the electronic version of this Prospectus).
Application Moneys	Moneys payable in connection with an Application under the Public Offer.
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.
Closing Date	The last date for receipt of completed Application Forms which is 5.00pm (AEDT) on 16 February 2016, or such other date as the Directors determine.
Company or VIP	Voltage IP Limited ACN 057 884 876.
Conditions of the Offers	The conditions set out in Section 10.5
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.

Term	Meaning
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 new 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	Has the meaning given in Section 10.5.
Expiry Date	13 January 2017, being 13 months after the Prospectus Date, after which no Shares will be issued under this Prospectus.
Exposure Period	Has the meaning given in the “Important information” Section of this Prospectus.
Financial Year or FY	The 12 months commencing on 1 July and ending on the following 30 June.
Frost & Sullivan	Frost & Sullivan Australia Pty Ltd ACN 096 869 108
General Meeting	The meeting of Shareholders of the Company to (among other things) approve the Essential Resolutions, to be held on 18 December 2015.
GST	Australian goods and services tax.
Investigating Accountant	RSM.
Investigating Accountant’s Report	The report set out in Section 5.
Independent Market Expert	Frost & Sullivan
Independent Market Report	The report set out in Section 3.
Keng Lek	Keng Lek Engineering Sdn Bhd (Company No. 139026-P).
KLE	KLE Products Sdn Bhd (company number 568510-M).
Loan and Convertible Note Agreements	The agreements described in Section 9.3.
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.

Term	Meaning
Noteholders	Asenna and SKT.
Noteholder Offer	An offer to the Noteholders to subscribe for approximately 15,000,000 new Shares on conversion of the Convertible Notes issued (or to be issued) under the Loan and Convertible Note Agreements.
Notice of Meeting	The notice of meeting issued by the Company in relation to the General Meeting.
Offers	The Public Offer, the Debt to Equity Offer and the Noteholder Offer.
Offer Period	The period from the Opening Date up to and including the Closing Date.
Offer Price	In relation to the Public Offer, \$0.05 per Share, payable on Application for the Shares.
Official List	The official list of the ASX.
Opening Date	The first date for receipt of completed Application Forms which is 9.00am (AEDT) on 21 December 2015, or such other date as the Directors determine.
Options	Options to be issued fully paid Shares.
Prospectus	This prospectus dated 14 December 2015, including any supplementary prospectus.
Prospectus Date	The date of this Prospectus, being 14 December 2015.
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 this Prospectus.
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.
RM	Malaysian Ringgit
RSM	RSM Financial Services Australia Pty Ltd ACN 009 176 354.
Sanston	Sanston Securities Australia Pty Ltd ACN 156 057 064.

Term	Meaning
Sanston Mandate	The letter of engagement between Sanston and the Company dated 15 June 2015 and with the key terms summarised in Section 9.5.
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 cancellation of 57,277,536 Shares (or 2,291,101 Shares following the Share Consolidation) currently held by Pok Seng Kong (for no consideration), as proposed by Resolution 3 of the Notice of Meeting.
Share Consolidation	A share consolidation under section 254H of the Corporations Act so that every 25 Shares is consolidated into 1 Share, to take effect before completion of the Acquisition.
Share Registry	Boardroom Pty Limited ACN 003 209 836.
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 (as amended on 21 October 2015) as described in Section 9.1.
Shareholder	A holder of Shares.
Sierra Legal	Sierra Legal Pty Ltd ACN 140 725 060.
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).
Yong See & Partners	The Malaysian legal practice with that name.

14. Application Forms

A Number of Shares you are applying for <div style="border: 1px solid black; height: 20px; width: 100%;"></div> <p style="font-size: small;">A minimum of 40,000 Shares may be applied for and thereafter in multiples of 4,000 Shares</p>	B Total amount payable <div style="border: 1px solid black; height: 20px; width: 100%;"></div>	x \$0.05 per Share = <div style="border: 1px solid black; height: 20px; width: 100%;"></div>										
C Write the name(s) you wish to register the Shares in <i>(see reverse for instructions)</i> Applicant #1 <div style="border: 1px solid black; height: 20px; width: 100%;"></div> Name of Applicant #2 or <Account Designation> <div style="border: 1px solid black; height: 20px; width: 100%;"></div> Name of Applicant #3 or <Account Designation> <div style="border: 1px solid black; height: 20px; width: 100%;"></div>												
D Write your postal address here Number/Street <div style="border: 1px solid black; height: 20px; width: 100%;"></div> <div style="border: 1px solid black; height: 20px; width: 100%;"></div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div>Suburb/Town <div style="border: 1px solid black; height: 20px; width: 60%;"></div></div> <div>State <div style="border: 1px solid black; height: 20px; width: 10%;"></div></div> <div>Postcode <div style="border: 1px solid black; height: 20px; width: 15%;"></div></div> </div>												
<div style="display: flex; justify-content: space-between;"> <div> E CHESS participant – Holder Identification Number (HIN) <div style="border: 1px solid black; height: 20px; width: 100%;"></div> </div> <div style="font-size: x-small;"> Important: Please note if the name and address details above in sections C and D do not match exactly with your registration details held at CHESS, any Securities issued as a result of your Application will be held on the Issuer Sponsored subregister. </div> </div>												
F Enter your Tax File Number(s), ABN, or exemption category <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> Applicant #1 <div style="border: 1px solid black; height: 20px; width: 100%;"></div> Applicant #3 <div style="border: 1px solid black; height: 20px; width: 100%;"></div> </div> <div style="width: 45%;"> Applicant #2 <div style="border: 1px solid black; height: 20px; width: 100%;"></div> </div> </div>												
<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> G Payment details – PIN CHEQUE(S) HERE or transfer funds to the Company's bank account details of which are shown opposite: SEE INSTRUCTIONS FOR PAYING BY EFT OVERLEAF <i>Please enter details of the cheque(s) that accompany this application.</i> </div> <div style="width: 45%;"> Account Name: Voltage IP Limited BSB: 03-30-17 Account number: 294843 Swift: WPACAU2S Branch: 530 Collins Street Melbourne VIC </div> </div>												
<table style="width: 100%; border-collapse: collapse;"> <tr> <th style="width: 35%;">Name of drawer of cheque</th> <th style="width: 15%;">Cheque no.</th> <th style="width: 15%;">BSB no.</th> <th style="width: 15%;">Account no.</th> <th style="width: 20%;">Cheque Amount A\$</th> </tr> <tr> <td style="border: 1px solid black; height: 20px;"></td> <td style="border: 1px solid black; height: 20px;"></td> <td style="border: 1px solid black; height: 20px;"></td> <td style="border: 1px solid black; height: 20px;"></td> <td style="border: 1px solid black; height: 20px;"></td> </tr> </table>			Name of drawer of cheque	Cheque no.	BSB no.	Account no.	Cheque Amount A\$					
Name of drawer of cheque	Cheque no.	BSB no.	Account no.	Cheque Amount A\$								
<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> H Contact telephone number (daytime/work/mobile) <div style="border: 1px solid black; height: 20px; width: 100%;"></div> </div> <div style="width: 45%;"> I Email address <div style="border: 1px solid black; height: 20px; width: 100%;"></div> </div> </div>												

Declaration By submitting this Application Form with your Application Moneys, I/we declare that I/we:

- ✓ have read the Prospectus in full;
- ✓ have received a copy of the Prospectus;
- ✓ have completed this Application Form in accordance with the Prospectus and the instructions on this Application Form and declare that all details and statements made by me/us are complete and accurate;
- ✓ agree and consent to the Company collecting, holding, using and disclosing my/our personal information in accordance with the Privacy Policy (available at www.boardroomlimited.com.au/Privacy);
- ✓ acknowledge that once the Company accepts my/our Application Form, I/we may not withdraw it unless permitted to do so under the Corporations Act;
- ✓ apply for the number of Shares that I/we apply for (or a lower number allocated in a manner allowed under the Prospectus);
- ✓ acknowledge that my/our application may be rejected by the Company in consultation with its advisers in its absolute discretion;
- ✓ authorise the Company and its respective officers and agents to do anything on my/our behalf necessary (including the completion and execution of documents) to enable the Shares to be allocated to me/us;
- ✓ am/are over 18 years of age;
- ✓ agree to be bound by the constitution of the Company;
- ✓ acknowledge that neither the Company nor any person or entity guarantees any particular rate of return on the Shares, nor do they guarantee the repayment of capital;
- ✓ represent, warrant and agree that I/we am/are not in the United States or a US Person and am/are not acting for the account or benefit of a US Person; and
- ✓ represent, warrant and agree that I/we have not received this Prospectus outside Australia and am/are not acting on behalf of a person resident outside Australia unless the Shares may be offered in my/our jurisdiction without contravention of the security laws of the jurisdiction or any need to register the Prospectus, the Shares or the Public Offer.

Guide to the Public Offer Application Form

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the appropriate Application Form using BLOCK LETTERS. These instructions are cross-referenced to each section of the Application Form.

Instructions

- A** If applying for Shares insert the **number** of Share for which you wish to subscribe at Item **A** (not less than 40,000 Shares and then in multiples of 4,000 Shares). Multiply the number of Shares applied for by A\$0.05 to calculate the total Application Moneys and enter the **A\$ amount** at Item **B**.
- C** Write your **full name**. Initials are not acceptable for first names.
- D** Enter your **postal address** for all correspondence. All communications to you from the Company will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- E** If you are sponsored in CHESS by a stockbroker or other CHESS participant you may enter your CHESS HIN if you would like the allocation to be directed to your HIN. **NB: your registration details provided must match your CHESS account exactly.**
- F** Enter your Australian **tax file number** (TFN) or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN/ABN of each joint Applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form.
- G** Complete **payment details** as requested. If paying by cheque, make your cheque payable to "Voltage IP Limited". Cross it and mark it 'Not negotiable'. Cheques must be in Australian currency and must be drawn on an Australian bank. If paying by bank transfer, transfer the Application Moneys to the Company's bank account (details of which are shown overleaf). **IMPORTANT** If you deposit Application Moneys into the Company's bank account you **MUST** use the name of the Applicant in the transfer reference field when making the deposit. If the Applicant is an individual, the transfer reference must be the surname and first initial of the Applicant. **Please ensure you send the completed Application Form to the address shown below with a copy of the deposit advice.**
- H** Enter your **contact details** so we may contact you regarding your Application Form or Application Moneys.
- I** Enter your **email address** so we may contact you regarding your Application Form or Application Moneys or other correspondence.

Correct Form of Registrable Title

Note that ONLY persons or separate legal entities can hold the Shares. The Application Form must be in the name of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Individual	Mr John David Smith	J D Smith
Company	ABC Pty Limited	ABC P/L or ABC Co
Joint Holdings	Mr John David Smith & Mrs Mary Jane Smith	John David & Mary Jane Smith
Trusts	Mr John David Smith <J D Smith Family A/C>	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith <Est Late John Smith A/C>	John Smith (deceased)
Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
Superannuation Funds	John Smith Pty Limited <J Smith Super Fund A/C>	John Smith Superannuation Fund

Lodgment

Mail your completed Application Form with your cheque(s), bank draft or details of the funds transfer you have made attached to the following address:

Mailing and delivery address:

Voltage IP Limited
C/-Sanston Securities Australia Pty Ltd
Level 7, 564 St Kilda Road
Melbourne VIC 3004

The Public Offer closes at 5.00pm (AEDT) on 16 February 2016 (unless the Public Offer is closed earlier)

It is not necessary to sign or otherwise execute the Application Form.

If you have any questions as to how to complete the Application Form, please contact Boardroom Pty Limited on 1300 737 760 within Australia and + 61 2 9290 9600 outside Australia.

Privacy Statement

Boardroom Pty Limited advises that Chapter 2C of the Corporations Act requires information about you as a Security holder (including your name, address and details of the Securities you hold) to be included in the public register of the entity in which you hold the Securities. Information is collected to administer your Security holding and if some or all of the information is not collected then it might not be possible to administer your Security holding. Your personal information may be disclosed to the entity in which you hold the Securities. You can obtain access to your personal information by contacting us at the address or telephone number shown on this Application Form. Our privacy policy is available on our website (<http://www.boardroomlimited.com.au/Privacy.html>).

G	Contact telephone number (daytime/work/mobile)	H	Email address

Declaration By submitting this Application Form, I/we declare that I/we:

- ✓ have read the Prospectus in full;
- ✓ have received a copy of the Prospectus;
- ✓ have completed this Application Form in accordance with the Prospectus and the instructions on this Application Form and declare that all details and statements made by me/us are complete and accurate;
- ✓ agree and consent to the Company collecting, holding, using and disclosing my/our personal information in accordance with the Privacy Policy (available at www.boardroomlimited.com.au/Privacy);
- ✓ acknowledge that once the Company accepts my/our Application Form, I/we may not withdraw it unless permitted to do so under the Corporations Act;
- ✓ apply for the number of Shares that I/we apply for (or a lower number allocated in a manner allowed under the Prospectus);
- ✓ acknowledge that my/our application may be rejected by the Company in consultation with its advisers in its absolute discretion;
- ✓ authorise the Company and its respective officers and agents to do anything on my/our behalf necessary (including the completion and execution of documents) to enable the Shares to be allocated to me/us;
- ✓ am/are over 18 years of age;
- ✓ agree to be bound by the constitution of the Company;
- ✓ acknowledge that neither the Company nor any person or entity guarantees any particular rate of return on the Shares, nor do they guarantee the repayment of capital;
- ✓ represent, warrant and agree that I/we am/are not in the United States or a US Person and am/are not acting for the account or benefit of a US Person; and
- ✓ represent, warrant and agree that I/we have not received this Prospectus outside Australia and am/are not acting on behalf of a person resident outside Australia unless the Shares may be offered in my/our jurisdiction without contravention of the security laws of the jurisdiction or any need to register the Prospectus, the Shares or the Noteholder Offer.

Guide to the Noteholder Offer Application Form

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the Application Form using BLOCK LETTERS. These instructions are cross-referenced to each section of the Application Form.

Instructions

- A** Insert the **number** of Share for which you wish to subscribe at Item **A**. Insert the **number** of Convertible Notes to be converted into Shares at Item **B**.
- C** Write your **full name**. Initials are not acceptable for first names. Please contact the Company if you wish to appoint a "Nominee" in accordance with the terms of the Loan and Convertible Note Agreements.
- D** Enter your **postal address** for all correspondence. All communications to you from the Company will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- E** If you are sponsored in CHESS by a stockbroker or other CHESS participant you may enter your CHESS HIN if you would like the allocation to be directed to your HIN. **NB: your registration details provided must match your CHESS account exactly.**
- F** Enter your Australian **tax file number** (TFN) or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN/ABN of each joint Applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form.
- G** Enter your **contact details** so we may contact you regarding your Application Form.
- H** Enter your **email address** so we may contact you regarding your Application Form or other correspondence.

Correct Form of Registrable Title

Note that ONLY persons or separate legal entities can hold the Shares. The Application Form must be in the name of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Individual	Mr John David Smith	J D Smith
Company	ABC Pty Limited	ABC P/L or ABC Co
Joint Holdings	Mr John David Smith & Mrs Mary Jane Smith	John David & Mary Jane Smith
Trusts	Mr John David Smith <J D Smith Family A/C>	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith <Est Late John Smith A/C>	John Smith (deceased)
Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
Superannuation Funds	John Smith Pty Limited <J Smith Super Fund A/C>	John Smith Superannuation Fund

Lodgment

Mail your completed Application Form to the following address:

Mailing and delivery address:

Voltage IP Limited
C/-Sanston Securities Australia Pty Ltd
Level 7, 564 St Kilda Road
Melbourne VIC 3004

The Noteholder Offer closes at 5.00pm (AEDT) on 16 February 2016

It is not necessary to sign or otherwise execute the Application Form.

If you have any questions about to how to complete this Application Form, please contact Sanston on +61 3 8530 3400.

Privacy Statement

Boardroom Pty Limited is the Company's Share Registry. Boardroom Pty Limited advises that Chapter 2C of the Corporations Act requires information about you as a Security holder (including your name, address and details of the Securities you hold) to be included in the public register of the entity in which you hold the Securities. Information is collected to administer your Security holding and if some or all of the information is not collected then it might not be possible to administer your Security holding. Your personal information may be disclosed to the entity in which you hold the Securities. You can obtain access to your personal information by contacting Boardroom Pty Ltd on 1300 737 760 within Australia and + 61 2 9290 9600 outside Australia, or at the address shown in the Corporate Directory section of the Prospectus. Boardroom Pty Ltd's privacy policy is available on its website (<http://www.boardroomlimited.com.au/Privacy.html>).

Voltage IP Limited

ABN 83 057 884 876

Debt to Equity Offer Application Form

Broker Reference – Stamp Only

Broker
Code

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Advisor Code

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This Application Form must only be used where the Applicant is one of the Creditors.

This is an Application Form for Shares in Voltage IP Limited (**Company**) on the terms set out in the Prospectus dated 14 December 2015 (**Prospectus**). The expiry date of the Prospectus is 13 January 2017. Defined terms in the Prospectus have the same meaning in this Application Form. This Application Form must be received by **5.00pm (AEDT) on 16 February 2016**.

This Application Form is important. If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus dated 14 December 2015 contains information relevant to a decision to invest in the Shares of the Company and you should read the entire Prospectus carefully before applying for Shares.

To meet the requirements of the *Corporations Act 2001* (Cth), this Application Form must not be distributed to another person unless included in, or accompanied by, the Prospectus dated 14 December 2015. A person who gives another person access to this Application Form must, at the same time and by the same means, give the other person access to the Prospectus. The Company will send you a free paper copy of the Prospectus if you have received an electronic prospectus and you ask for a paper copy before the close of the Debt to Equity Offer.

PLEASE FOLLOW THE INSTRUCTIONS TO COMPLETE THIS APPLICATION FORM (PLEASE SEE THE REVERSE OF THIS APPLICATION FORM) AND PRINT CLEARLY IN CAPITAL LETTERS USING BLACK OR BLUE PEN.

A Number of Shares you are applying for

x \$0.03 per Share =

B Amount of debt being converted into Shares

C Write the name(s) you wish to register the Shares in (*see reverse for instructions*)

Applicant #1

Name of Applicant #2 or <Account Designation>

Name of Applicant #3 or <Account Designation>

D Write your postal address here

Number/Street

Suburb/Town

State

Postcode

E CHESS participant – Holder Identification Number (HIN)

X																			
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Important: Please note if the name and address details above in sections C and D do not match exactly with your registration details held at CHESS, any Securities issued as a result of your Application will be held on the Issuer Sponsored subregister.

F Enter your Tax File Number(s), ABN, or exemption category

Applicant #1

Applicant #2

Applicant #3

G Contact telephone number (daytime/work/mobile)

H Email address

Declaration By submitting this Application Form, I/we declare that I/we:

- ✓ have read the Prospectus in full;
- ✓ have received a copy of the Prospectus;
- ✓ have completed this Application Form in accordance with the Prospectus and the instructions on this Application Form and declare that all details and statements made by me/us are complete and accurate;
- ✓ agree and consent to the Company collecting, holding, using and disclosing my/our personal information in accordance with the Privacy Policy (available at www.boardroomlimited.com.au/Privacy);
- ✓ acknowledge that once the Company accepts my/our Application Form, I/we may not withdraw it unless permitted to do so under the Corporations Act;
- ✓ apply for the number of Shares that I/we apply for (or a lower number allocated in a manner allowed under the Prospectus);
- ✓ acknowledge that my/our application may be rejected by the Company in consultation with its advisers in its absolute discretion;
- ✓ authorise the Company and its respective officers and agents to do anything on my/our behalf necessary (including the completion and execution of documents) to enable the Shares to be allocated to me/us;
- ✓ am/are over 18 years of age;
- ✓ agree to be bound by the constitution of the Company;
- ✓ acknowledge that neither the Company nor any person or entity guarantees any particular rate of return on the Shares, nor do they guarantee the repayment of capital;
- ✓ represent, warrant and agree that I/we am/are not in the United States or a US Person and am/are not acting for the account or benefit of a US Person; and
- ✓ represent, warrant and agree that I/we have not received this Prospectus outside Australia and am/are not acting on behalf of a person resident outside Australia unless the Shares may be offered in my/our jurisdiction without contravention of the security laws of the jurisdiction or any need to register the Prospectus, the Shares or the Debt to Equity Offer.

Guide to the Debt to Equity Offer Application Form

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the Application Form using BLOCK LETTERS. These instructions are cross-referenced to each section of the Application Form.

Instructions

- A** Insert the **number** of Share for which you wish to subscribe at Item **A**. Insert the **amount** of the debt being converted into Shares at Item **B**.
- C** Write your **full name**. Initials are not acceptable for first names.
- D** Enter your **postal address** for all correspondence. All communications to you from the Company will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- E** If you are sponsored in CHESS by a stockbroker or other CHESS participant you may enter your CHESS HIN if you would like the allocation to be directed to your HIN. **NB: your registration details provided must match your CHESS account exactly.**
- F** Enter your Australian **tax file number** (TFN) or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN/ABN of each joint Applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form.
- G** Enter your **contact details** so we may contact you regarding your Application Form.
- H** Enter your **email address** so we may contact you regarding your Application Form or other correspondence.

Correct Form of Registrable Title

Note that ONLY persons or separate legal entities can hold the Shares. The Application Form must be in the name of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person. Examples of the correct form of registrable title are set out below.

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Trusts	Mr John David Smith <J D Smith Family A/C>	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith <Est Late John Smith A/C>	John Smith (deceased)
Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
Superannuation Funds	John Smith Pty Limited <J Smith Super Fund A/C>	John Smith Superannuation Fund

Lodgment

Mail your completed Application Form to the following address:

Mailing and delivery address:

Voltage IP Limited
C/-Sanston Securities Australia Pty Ltd
Level 7, 564 St Kilda Road
Melbourne VIC 3004

The Debt to Equity Offer closes at 5.00pm (AEDT) on 16 February 2016

It is not necessary to sign or otherwise execute the Application Form.

If you have any questions about to how to complete this Application Form, please contact Sanston on +61 3 8530 3400.

Privacy Statement

Boardroom Pty Limited is the Company's Share Registry. Boardroom Pty Limited advises that Chapter 2C of the Corporations Act requires information about you as a Security holder (including your name, address and details of the Securities you hold) to be included in the public register of the entity in which you hold the Securities. Information is collected to administer your Security holding and if some or all of the information is not collected then it might not be possible to administer your Security holding. Your personal information may be disclosed to the entity in which you hold the Securities. You can obtain access to your personal information by contacting Boardroom Pty Ltd on 1300 737 760 within Australia and + 61 2 9290 9600 outside Australia, or at the address shown in the Corporate Directory section of the Prospectus. Boardroom Pty Ltd's privacy policy is available on its website (<http://www.boardroomlimited.com.au/Privacy.html>).

Corporate directory

Company

Voltage IP Limited ACN 057 884 876
Level 2, 470 Collins Street
Melbourne 3000
Victoria, Australia

Tel: +61 3 9867 7199
Fax: +61 3 9867 8587
Email: andrew@accosec.com
Website: www.voltageip.com.au

Lead Manager

Sanston Securities Australia Pty Ltd
AFSL Authorised Representative No. 423253
Level 7, 564 St Kilda Road
Melbourne 3004
Victoria, Australia

Investigating Accountant

RSM Financial Services Australia Pty Ltd
Level 21, 55 Collins Street
Melbourne 3000
Victoria, Australia

Share registry¹⁹

Boardroom Pty Limited
Level 12, 225 George Street
Sydney 2000
New South Wales, Australia

Current officers

Mr Frank Licciardello – Non-Executive Chairman
Mr Henry Choo – Non-Executive Director¹⁸
Mr Chin Hing How – Non-Executive Director¹⁸
Mr Andrew Metcalfe – Company secretary

Incoming officers

Mr Wee Min Chen – Executive Director
Ms Ai Ling Chong – Executive Director
Mr Craig Sanford – Non-Executive Director

Australian Legal Adviser

Sierra Legal Pty Ltd
Level 9, 499 St Kilda Road
Melbourne 3004
Victoria, Australia

Malaysian Legal Adviser

Yong See & Partners
Lot 213 2nd Floor
Wisma MPL
Jalan Raja Chulan
50200 Kuala Lumpur, Malaysia

Auditor¹⁹

Crowe Horwath Melbourne
Level 17, 181 William Street
Melbourne 3000
Victoria, Australia

¹⁸ To resign on completion of the Acquisition

¹⁹ These entities have been included for information purposes only. They have not been involved in the preparation of this Prospectus.