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CORPORATE INFORMATION

Board of Directors
- Lim Bee San, *Chairperson, Independent Non-Executive Director*
- Dato Dr. Kho Eng Hue @ Koh Eng Hooi, *Deputy Chairman, Executive Director*
- Ang Chuang Juay, *Group Chief Executive Officer, Executive Director*
- Huang Yan Teo, *Independent Non-Executive Director*
- Koo Ah Kan, *Independent Non-Executive Director*
- Lim Wee Kiat, *Independent Non-Executive Director*
- Tan Nyap Keong @ Tony Tan, *Independent Non-Executive Director*
- Wong Chin Mun, *Independent Non-Executive Director (Appointed on 16 August 2012; resigned on 3 January 2013)*
- Chong Hon Keun, *Chief Financial Officer, Executive Director (Resigned from the Board as Executive Director on 1 September 2012)*

Company Secretary
- Ow Pee Juan (MAICSA 7013304)

Audit Committee
- Huang Yan Teo (Chairperson)
- Koo Ah Kan
- Lim Bee San
- Tan Nyap Keong @ Tony Tan

Nomination Committee
- Koo Ah Kan (Chairperson)
- Huang Yan Teo
- Lim Bee San

Remuneration Committee
- Lim Bee San (Chairperson)
- Ang Chuang Juay
- Huang Yan Teo

ESOS Committee
- Ang Chuang Juay (Chairperson)
- Huang Yan Teo
- Koo Ah Kan
- Lim Bee San

Auditors
Moore Stephens Associates & Co
Suite 5.2A, Level 5,
Menara Pelangi,
No. 2, Jalan Kuning, Taman Pelangi,
80400 Johor Bahru, Johor
Tel: (607) 333 8800
Fax: (607) 334 6151

Share Registrar
Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur.
Tel: (603) 2264 3883
Fax: (603) 2282 1886

Sponsor
M & A Securities Sdn Bhd
No.45-3, The Boulevard, Mid Valley City,
Lingkaran Syed Putra,
59200 Kuala Lumpur.
Tel: (603) 2284 2911
Fax: (603) 2284 2718

Principal Banker
Malayan Banking Berhad

Registered Office
48 Jalan Kota Laksamana 2/15,
Taman Kota Laksamana, Seksyen 2,
75200 Melaka.
Tel: (606) 283 6620
Fax: (606) 283 6621

Business Office
B205, Pusat Perdagangan Phileo Damansara 1,
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46350 Petaling Jaya, Selangor.
Tel: (603) 7954 1930
Fax: (603) 7954 1984

Stock Exchange Listing
ACE Market of
Bursa Malaysia Securities Berhad
Bursa Code: 0102
Reuters Code: 0102.KL
Bloomberg Code: CCHB MK

Other information
Corporate Website:
http://www.rapidconn.org/

CORPORATE PROFILE

The ConnectCounty Group is an integrated provider of interconnect solutions. With highly automated manufacturing facilities in the People's Republic of China ("China"), and the United States of America ("USA"), the Group undertakes the design, development, manufacture and marketing of cables, connectors and related products. The Group has offices in Malaysia, Singapore, USA and China.

Our engineering research is primarily performed at the USA subsidiary, Rapid Conn, Inc. and product development is undertaken at our Asian facilities. We specialize in interconnector solutions for diverse industries of medical, automotive, entertainment and telecommunication, etc.

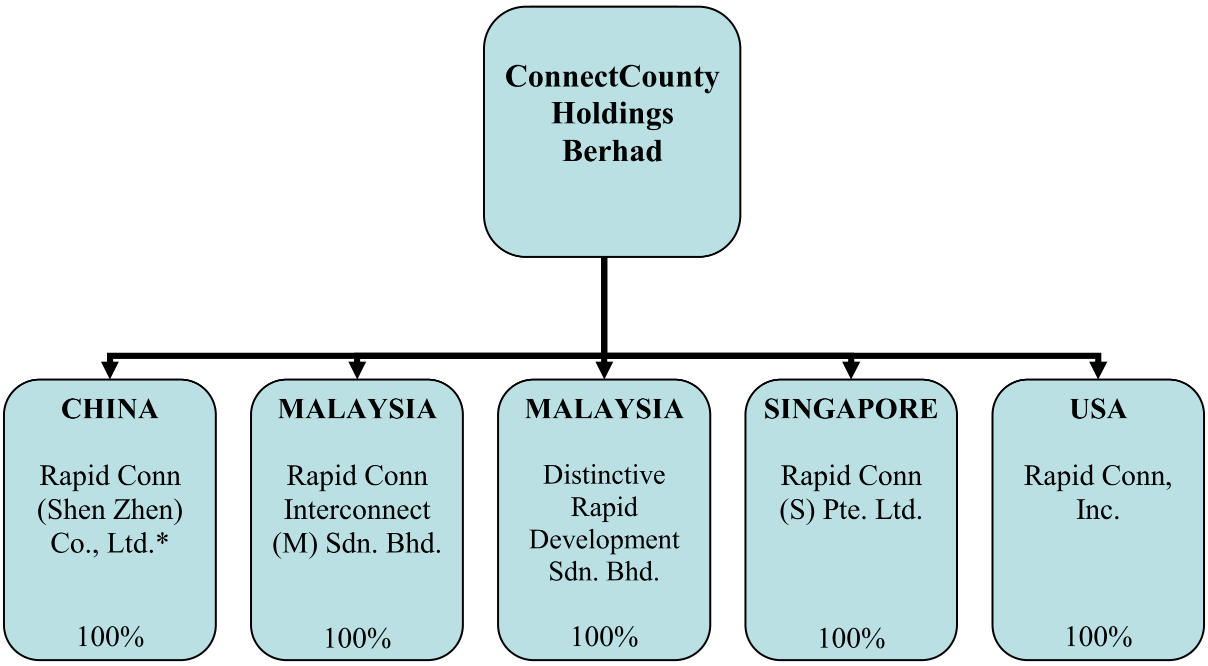
Our solutions include:

Value-added products and services:
We enhance industry standard products in terms of additional features, improved product performance or product quality.

Customized products:
We provide customized product development, inclusive of conceptualization, design, prototyping, tool building, testing and debugging, tooling and manufacture.

Industry Standard Products ("ISP"):
We manufacture a wide range of ISP cables and connectors.

CORPORATE STRUCTURE



* Holds 20% equity interest in Yongxin Libikang Technology Co., Ltd.

CHAIRPERSON'S STATEMENT

On behalf of the Board of Directors, it gives me great pleasure to present the Annual Report and audited financial statements of ConnectCounty Holdings Berhad ("CCHB" or the "Company") for the financial year ended ("FYE") 31 December 2012.

FINANCIAL REVIEW 2012 AND HIGHLIGHTS

The year 2012 was an extremely difficult year for the Group. Global economic conditions remain soft as the economies in the United States and the Euro zone in particular, continue to fight recession as they attempt to recover from the effects of major crises. In addition, we saw major changes in the electronics and consumables markets triggered by the end market volatility, mainly due to the austerity measures of European countries and the overall dismal global economic activities. This has been reflected in lower growth in the demand for electronics and electronic-related products.

Sales

For the FYE 31 December 2012, CCHB and its subsidiaries ("the Group") recorded a turnover of RM53.5 million, as compared with a turnover of RM51.4 million in the previous year. The slow growth in Euro zone economy has a direct impact on our European customers. This has led to lower demands from some of the Group's major customers and subsequently the decrease in volume sales during the year. Another factor is the reorganization of some major customers, which led to some sales orders not materializing. The market became even more competitive resulting from some consolidations and mergers of several companies.

During the year, the Group was affected by approximately US$4 million (i.e. RM12.4 million) sales shortfalls as compared to the sales projection mainly due to sales orders from two new customers not materializing. Furthermore, a major customer of the Group had lost some key projects to their competitors. Thus, approximately US$1.7 million (i.e. RM5.3 million) sales orders from this customer did not materialize.

Gross margin

The gross margin for the year improved from 17.8% in 2011 to 19.1% in 2012 as the commodity prices generally remained stable during the year. Likewise, we have progressively outsourced some of our manufacturing activities to an appointed sub-contractor based in Jiangxi, which offers lower labour cost. Nevertheless, the gross margin remains under pressure mainly due to the escalating labour cost in Shen Zhen, where our Group's major manufacturing facility is located. We continue to experience high labour costs affecting labour-intensive industries such as ours.

China's GDP slowed to 7.8% in 2012 compared to 9.3% in 2011, amid weakness in the global economy, rising wages and political uncertainties. With the transition in China's political leadership, the policy makers have promised to maintain a prudent monetary policy and pro-active fiscal policy in pushing forward China's economic growth for 2013. Increasing constraints in resources, environment and labour supply have led to the absent of huge productivity gains. This would ultimately mean disappearing profit margins for many manufacturers in China. The rising wages in China is seen as a key component of inflation rising so quickly that many companies are at a crisis point.

The Southern and Coastal provinces of China continue to face severe labour shortages, driving wages to record high levels. In order to lure new workers and retain the old, wage increases ranging from 10 to 30 percent have become the norm. China's labour force may have already reached its peak in 2011 and the rural young are highly mobile as they demand for better working conditions and higher pay. In general, China's younger generation is no longer willing to endure hardship without clear expectations that it is a temporary means to a more comfortable end. For many factories including ours, these are too costly to be tenable. As a result, squeezed margins are taking their toll in China and this had caused many factories in the southern and eastern provinces to close down in the past year. Some plants have moved to second or third-tier cities in the inland province of Jiangxi, Hubei and Hunan; as costs in these areas are about 20 percent lower than in Guangdong province. In line with the Group's continuous costs reduction exercise, the Group has proactively outsourced some of its manufacturing activities to Jiangxi province. As such, the Group's subsidiary in China has successfully acquired a 20 percent equity interest in the appointed sub-contractor based in Jiangxi during the year 2012, which in turn is an associate of the Group now.

CHAIRPERSON'S STATEMENT (CONT'D)

FINANCIAL REVIEW 2012 AND HIGHLIGHTS (CONT'D)

Group's overall performance

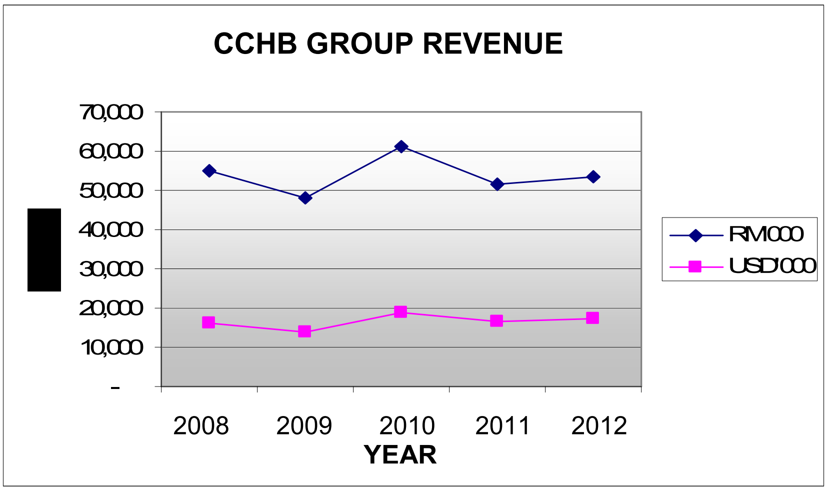
The Group's overall performance was a loss after tax of RM3.4 million against a loss after tax of RM2.5 million in the previous year. During the year, an existing customer of the Group filed bankruptcy resulting in approximately US$506k (i.e. RM1.6 million) sales projection lost from this customer. The results were affected by our US and Singapore subsidiaries making provision for doubtful debts of approximately US$137k (i.e. RM424k) and US$156k (i.e RM484k) respectively for the year ended 31 December 2012. Likewise, for the year ended 31 December 2011, only approximately US$198k (i.e. RM613k) and RMB200k (i.e. RM100k) provision for doubtful debts were made by our US and China subsidiaries.

During the year, the Group has terminated the Receivable Finance Facility in US which was utilized since Sept 2011, resulting in a one-off termination fee of approximately US$30k, in order to save the ongoing facility costs. Incidentally, our US subsidiary received insurance compensation in 2012 relating to claims of approximately US$38k (i.e. RM119k) pertaining to a customer who filed for bankruptcy last year. The total amount due from the customer was US$198k, which was fully provided for doubtful debts last year. The Group also recognized approximately RM380k reversal of deferred tax assets in 2012 as compared to recognizing RM547k of deferred tax assets in 2011.

CORPORATE HIGHLIGHTS

The Group believes that its market share has largely been maintained in the vast cable assembly and connector industry worldwide, as illustrated from the steady revenue stream of the Group shown below. Despite the volatile foreign currency market, the gross margin of the Group remains competitive notwithstanding the rising costs of sales, shown in the tables below.

Year	Revenue (RM) RM'000	Revenue (USD Equivalent) USD'000	Weighted Average RM : USD1	% Gross Margin
2008	54,828	16,125	3.40 : 1	10.16
2009	47,908	13,672	3.50 : 1	22.08
2010	61,118	18,922	3.23 : 1	21.45
2011	51,420	16,587	3.10 : 1	17.86
2012	53,338	17,206	3.10 : 1	19.13



The Group continues its costs reduction exercise and in particular:-

i) Implementation of an employee efficiency program to improve productivity;
ii) Production remuneration scheme for production workers in its subsidiary in China, Rapid Conn (Shen Zhen) Co., Ltd. ("RCC") whereby the employees would be remunerated according to productivity;
iii) Vertical integration of manufacturing process to increase profit margin & quality control;
iv) Continuous investment in Research & Development for product innovation; and
v) Outsourced of manufacturing activities towards inland, such as Jiangxi province, China; where labour costs are cheaper as compared to Shen Zhen, China.

We also highlight some of the risk factors affecting the Group as disclosed in the Statement on Risk Management and Internal Control on page 20.

CHAIRPERSON'S STATEMENT (CONT'D)

FUTURE OUTLOOK AND GROUP PROSPECT

Looking ahead into 2013, global economic conditions remain uncertain and weaker-than-expected macro situation may drag down global demand of electronics and consumables and continue to affect the electronics and consumables ecosystem. While the market uncertainties continue to overshadow the Euro zone due to the prolonged financial crisis, the emerging markets such as China, India, Latin America and ASEAN will however continue to drive global demand. These emerging markets' underlying fundamentals are still strong with respect to their domestic consumptions. Thus, the Board believes that there are opportunities arising from our geographical positioning and technological capabilities to meet our existing and potential customers' demand.

It is generally expected that the demand for digital gadgets will continue its growth momentum in 2013. With the broad range of end-use markets and increasing electronics content, this offers many potential sources of demand for interconnects, thus providing a favourable environment for a pick-up in demand for interconnects.

The on-going competitive labour market in Shen Zhen, China and acute labour supply where our factory is located has deeply affected our business. The management has taken several steps to mitigate increasing labour costs such as outsourcing to contractors in other provinces and aligning wage increases to productivity. Our China subsidiary has also aquired a 20% stake in a company in Jiangxi where the labour costs are more competitive. Once we have transferred a larger portion of our manufacturing activities out of ShenZhen, we should expect lower overall wages.

Moving forward, we are well positioned to benefit from any upturn in demand and will leverage on our competitive strengths and core competencies which include:

- Our R&D expertise which are mainly in areas of product conceptualization, patent research, material and process evaluation/formulation, designing, specification creation, prototyping, tool building, testing and debugging, as well as automated assembly equipment and tooling manufacturing methodology. Our R&D expertise are mainly skewed towards customization of customers' needs on cables and connectors;
- Our ability to produce customized and up-to-date products;
- Our ability to provide competitive pricing through our cost efficiency management system; and
- Our wide range of products offering.

In summary, the Board of Directors is of the view that notwithstanding the competitive business environment, we are optimistic that the financial performance for 2013 will be better than the two preceding years due to the current measures taken by the management to reduce costs and expand sales.

APPRECIATION

On behalf of the Board of Directors, I would like to express our sincere appreciation and gratitude to all our valued shareholders, customers, vendors, bankers and business associates for their kind understanding, continuous support and confidence in the Group's business direction and strategies. I also wish to thank our employees for their ongoing dedication and invaluable contribution to the Group.

We will work together for a successful year ahead.

Lim Bee San
Chairperson, Independent Non-Executive Director
28 May 2013

DIRECTORS' PROFILE

LIM BEE SAN
Chairperson, Independent Non-Executive Director

Lim Bee San, Malaysian aged 44, is an Independent Non-Executive Director of the Company. She was appointed to the Board on 2 January 2008 and was re-designated as Independent Non-Executive Chairperson on 30 April 2009. She is a member of the Audit Committee, Nomination Committee, Employee Share Option Scheme ("ESOS") Committee and Chairperson of the Remuneration Committee. She is a lawyer by profession. She holds a Law and Accounting & Finance degree, BA (Hons) and is a Barrister-at-law (Middle Temple, London).

She had previously practiced in two legal firms as a legal assistant from year 1996 to 1999. She became a partner of a legal firm from 2000 to 2006. She is the Founding Partner of M/s The Law Chambers of Yeap & Lim which was established since 2006. She does not have any family relationship with any directors and/or substantial shareholders of the Company. She has not been convicted of any offences within the past 10 years. She has no conflict of interest with the Company or holds any directorships of other public companies.

DATO DR. KHO ENG HUE @ KOH ENG HOOI
Deputy Chairman, Executive Director

Dato Dr. Kho Eng Hue @ Koh Eng Hooi, Malaysian aged 63, is an Executive Director of the Company. He was appointed to the Board on 1 November 2011 and was re-designated as Deputy Chairman on 27 February 2012. He completed his tertiary education in Sydney, Autralia. He graduated from University of New South Wales in 1972 with a Bachelor of Science. He was a lecturer at Taylor's College before moving into property development and since 1979, has been the Managing Director of KLS Properties Sdn. Bhd., a developer of townships, comprising residential houses, condominiums, shop offices and industrial factories.

Dato Dr. Kho Eng Hue @ Koh Eng Hooi was also the President of Rotary Club of Klang in 1990; conferred Datoship by HM Sultan of Selangor in 1990, and President of the University of New South Wales Alumni Malaysia Chapter from 1999 to 2007 and now a patron to the Alumni Chapter. For his services the University conferred on him a Doctor of Science Honoris Causa in 2004. He does not have any family relationship with any directors and/or substantial shareholders of the Company. He has not been convicted of any offences within the past 10 years. He has no conflict of interest with the Company.

ANG CHUANG JUAY
Group Chief Executive Officer ("CEO"), Executive Director

Ang Chuang Juay, Singaporean, aged 54 is the Chief Executive Officer of the Company. He was appointed to the Board on 18 August 2003 and has been the Managing Director since then. He was re-designated as Group Chief Executive Officer on 20 October 2008. He is the Chairperson of the ESOS Committee and a member of the Remuneration Committee. Mr. Ang graduated in 1983 with a Bachelor degree in Engineering from National University of Singapore.

Mr. Ang began his career with Wearnes Technology as the Head of its Printed Circuit Board assembly operations. He remained with the company for 6 years throughout which he obtained extensive exposure in surface mount technology ("SMT"), floppy disk drive ("FDD") and hard disk drive ("HDD") operation. He was seconded to Taiwan to head the production unit and was subsequently sent to China to set up the FDD operation. He also worked as the Managing Director of a UI IT company based in Singapore specializing in networking.

After the takeover of the UI IT company by another firm, he became a consultant to NS-Tech Co. Ltd. His talents and natural drive was spotted by the founding member of NS-Tech Co. Ltd. and was roped in to assist in the expansion into the USA and set up a presence in Singapore. Not satisfied with merely being a subcontractor for OEMs and with his mind firmly set on working in the forefront technology with MNCs, he decided to pursue his own goals and visions by divesting his interests in NS-Tech Co. Ltd. and thereafter formed ConnectCounty Holdings Berhad ("CCHB"). He does not have any family relationship with any directors and/or substantial shareholders of the Company. He has not been convicted of any offences within the past 10 years. He has no conflict of interest with the Company or holds any directorships of other public companies.

DIRECTORS' PROFILE (CONT'D)

HUANG YAN TEO
Independent Non-Executive Director

Huang Yan Teo, Malaysian aged 65, is an Independent Non-Executive Director of the Company. He was appointed to the Board on 20 May 2005. He is the Chairperson of the Audit Committee, and a member of the Nomination Committee, Remuneration Committee, and the ESOS Committee. He is a Chartered Accountant by profession. He is a member of the Malaysian Institute of Accountants, a member of the Chartered Tax Institute of Malaysia and a Member of the Association of Chartered Certified Accountants (UK).

From 1966 to 1974, he served for an audit firm, Coopers and Lybrand, before moving on to hold the position as a Financial Controller with a firm in the private sector from 1974 until 1981. Currently, he is the managing partner of his own accounting practice, Messrs Huang Yan Teo & Co. He is also the director of London Biscuits Berhad and Khee San Berhad. He does not have any family relationship with directors and/or substantial shareholders of the Company. He has not been convicted of any offences within the past 10 years. He has no conflict of interest with the Company.

KOO AH KAN
Independent Non-Executive Director

Koo Ah Kan, Malaysian aged 52, is an Independent Non-Executive Director of the Company. He was appointed to the Board on 13 May 2008 and re-designated as Independent Non-Executive Director on 16 April 2013. He is the Chairperson of the Nomination Committee and a member of the Audit Committee and ESOS Committee. He holds a Bachelor of Law from The University of Auckland, New Zealand.

He was admitted to the New Zealand Bar in 1985. He was in private practice in New Zealand and England for more than 15 years. He was one of the founders of Loo & Koo Solicitors and Notary Public, Auckland, New Zealand. He remains a consultant of Loo & Koo. Since returning to Malaysia in 2001, Mr Koo has been active in the manufacturing sector encompassing precision engineering parts for the auto industry and manufacturing of surface preparation machines for the aerospace industry and general industry. Combining his business and legal skills, Mr Koo has successfully restructured a number of private companies with operations in Asean countries, Hong Kong and China.

He does not have any family relationship with any directors and/or substantial shareholders of the Company. He has not been convicted of any offences within the past 10 years. He has no conflict of interest with the Company or holds any directorships of other public companies.

LIM WEE KIAT
Independent Non-Executive Director

Lim Wee Kiat, Malaysian aged 32, is an Independent Non-Executive Director of the Company. He was appointed to the Board on 2 June 2011. He graduated with a Bachelor of Science (Honours) in Computing and Information Systems from University of Nottingham, Nothingham, United Kingdom in 2003. Subsequently, in 2005 he obtained a Postgraduate Certification in Networking Computing from University of Monash, Victoria, Melbourne. He also holds an Advance Diploma in Information Technology from Royal Melbourne Institute of Technology, Victoria, Melbourne in 2001.

Mr. Lim joined HWG Tin Mining Sdn. Bhd., a 51% subsidiary of Ho Wah Genting Berhad, as an Executive Director in April 2008 overseeing the overall tin mining project. He is involved in strategic planning, project implementation, feasibility studies, assist in obtaining the necessary licences, consents, authorizations, approvals etc. Prior to joining HWG Tin Mining Sdn. Bhd., he was attached with M-Link System (M) Sdn. Bhd. as System Software Engineer and worked in the Information Technology sector for 6 years. Mr. Lim is also a director of Ho Wah Genting Berhad. He does not have any family relationship with any directors and/or substantial shareholders of the Company. He has not been convicted of any offences within the past 10 years. He has no conflict of interest with the Company.

DIRECTORS' PROFILE (CONT'D)

TAN NYAP KEONG @ TONY TAN
Independent Non-Executive Director

Tan Nyap Keong @ Tony Tan, Malaysian aged 62, is an Independent Non-Executive Director of the Company. He was appointed to the Board on 1 November 2011. He was appointed as member of the Audit Committee on 18 November 2011. He graduated from the University of Tasmania, Australia with a Bachelor of Arts Degree majoring in Political Science and Administration and then read law at Lincoln's Inn England. He was called to the English Bar in July 1979. Mr. Tan was called to the Malaysian Bar in 1980 and is now an advocate and solicitor of the High Court of Malaya. He is the founding partner of the legal firm of Messrs N.K. Tan & Rahim. He has 33 years of experience in commercial law and is versed in conveyancing, litigation and general law.

At present, Mr. Tan is the Independent Non-Executive Director of Asia Pacific Flight Training Berhad (APFT) and Chairman for Nomination Committee and Member of Audit Committee.

He is also the Independent Non-Executive Director of CVM Minerals Limited ("CVM") a public company listed on the Stock Exchange of Hong Kong Limited and is an Audit Committee Member.

He does not have any family relationship with any directors and/or substantial shareholders of the Company. He has not been convicted of any offences within the past 10 years. He has no conflict of interest with the Company.

PROFILE OF MANAGEMENT TEAM

BALAJI RAGHUNATHAN
Vice President - Operations

Balaji Raghunathan, Indian citizen aged 37 is the Vice President - Operations for Rapid Conn Inc, USA. He has been with Rapid Conn group since June 2004. Mr. Raghunathan has Bachelors in Mechanical Engineering from Vellore Institute of Technology, Tamil Nadu, India. He graduated with honors in his Bachelors Degree, Silver medalist in the University in 1996. He further completed Masters in Industrial Engineering with special focus on Production Systems from State University of New York, Buffalo, NY, USA and graduated in 2001.

Mr. Raghunathan started his career in 1996 working for a leading Automotive Turbo Charger manufacturing company in India. He gained valuable knowledge in manufacturing process and operations during his first 3 years before opting to further pursue his Masters Degree in USA. During his Masters, Mr. Raghunathan was an intern at General Motors automotive plant in Buffalo, NewYork. He further honed his skills on manufacturing technologies in the world's largest engine manufacturing plant of General Motors.

Upon graduation, Mr. Raghunathan started as a supplier process and quality control engineer for Hughes Network Systems, Maryland, USA in 2001. He pursued his career with Hughes till 2004 before joining Rapid Conn. His skill was recognized quickly by the organization and was appointed as VP-Operations in 2008. He does not have any family relationship with any directors and/or substantial shareholders of the Company. He has not been convicted of any offences within the past 10 years. He has no conflict of interest with the Company or holds any directorships of other public companies.

CORINA YONG
Group Business Development Director

Corina Yong, Singaporean aged 50, is the Group Business Development Director based in Singapore. She specialises in building and leading integrated sales and marketing, business development and operational management in the Information Technology, Telecommunications and Financial Services industries. She holds a Post Graduate Diploma in Strategic Marketing from The Chartered Institute of Marketing, United Kingdom. She is also a certified Professional Trainer from Workforce Development Authority of Singapore.

Corina had a dynamic sales career in the multi-billion life insurance industry with American International Assurance Ltd for 8 years prior to undertaking a position as Publisher of a leading automobile magazine, AutoNews. Her career in multinational companies saw her holding positions as Consultant for Cisco Systems, Head of the Asia Pacific Marcoms team in Lenovo, Director of Business Development in Sigma Delphi and regional marketing and channel marketing roles in Agilent and Racal Data Group. Prior to joining Rapid Conn (S) Pte Ltd, Corina was a Training Consultant to various MNCs.

In her regional roles with these companies, Corina travelled extensively to United States and Asia Pacific countries. Her keen perception of the country markets enabled her to develop creative branding strategies successfully. The clearest affirmation of her in-depth understanding of the markets is her ingenuity to enhance company's branding, continuously develop and drive successful sales and marketing strategies in these countries. She does not have any family relationship with any directors and/or substantial shareholders of the Company and has not been convicted of any offences within the past 10 years. There is no conflict of interests with the Company nor does she holds any directorships of other public companies.

CHONG HON KEUN
Chief Financial Officer ("CFO")

Chong Hon Keun, Malaysian aged 37, is the Group's Chief Financial Officer. He holds a Bachelor of Accounting (Honours) from University of Malaya, Kuala Lumpur. He is a member of the Malaysian Institute of Accountants (MIA), a member of the Malaysian Institute of Certified Public Accountants (MICPA) and a Fellow of the Association of Chartered Certified Accountants (ACCA).

Mr. Chong started his career with KPMG in Malaysia as an Audit Assistant in 1999. He joined Bristol Myers Squibb (Malaysia) Sdn. Bhd. in 2003 as an Accounting Manager. In 2005, he was assigned to Bristol Myers Squibb (China) Investment Ltd. ("BMC") as Internal Control Manager, based in Shanghai. In 2007, he was promoted to the position of Senior Project Manager to oversee the migration of BMC to the Bristol Myers Squibb Asia Pacific Financial Shared Services ("APFSS"). His last position held with APFSS was Assistant Financial Controller prior to joining ConnectCounty Holdings Berhad. He does not have any family relationship with any directors and/or substantial shareholders of the Company. He has not been convicted of any offences within the past 10 years. He has no conflict of interest with the Company or holds any directorships of other public companies.

STATEMENT ON CORPORATE GOVERNANCE

The Malaysian Code on Corporate Governance ("Code") sets out the principles and best practices that companies may apply in the direction and management of their business and affairs towards the ultimate objective of maximizing shareholders value.

The statement sets out how the Group has applied the key principles and the extent of its compliance with the best practices throughout the financial year ended 31 December 2012.

DIRECTORS

(i) Board Charter

The Board has overall responsibility for the strategic direction and control of the Group. The day-to-day operations of the Group are delegated to the management, who reports to the Group CEO. The Group CEO would in turn report to the Board directly on issues pertaining to its operations, etc.

(ii) Board's Meeting Protocol

The Board ordinarily has five (5) scheduled meetings annually, with additional meetings to be held between the scheduled meetings as and when necessary. The process usually starts with the Company Secretary informing the Board of its upcoming scheduled meeting on a date pre-agreed by its Board members. A venue would be agreed upon and sufficient notices, agenda etc. would be disseminated to its Board members.

(iii) Board Composition

Presently, the Board has seven (7) Members, of which comprising of two (2) Executive Directors who are the Chief Executive Officer and Deputy Chairman and five (5) Independent Non-Executive Directors. The profiles of the Board members are as set out on pages 7 to 9 of this Annual Report.

This is in line with the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market which requires one-third of the Board to consists of Independent Non-Executive Directors; thereby bringing objective and independent judgment to facilitate a balanced leadership in the Group as well as safeguard the interest of the shareholders in ensuring the highest standard of conduct and integrity are maintained.

For this financial year under review, a total of five (5) Board Meetings were held. The record of attendance of these meetings by the current Board is as follows:

Directors	**Attendance**
Lim Bee San *	5/5
Dato Dr. Kho Eng Hue @ Koh Eng Hooi	5/5
Ang Chuang Juay	5/5
Huang Yan Teo *	5/5
Koo Ah Kan *	5/5
Chong Hon Keun (Resigned from the Board as Executive Director on 1 September 2012)	4/5
Lim Wee Kiat *	5/5
Tan Nyap Keong @ Tony Tan *	4/5
Wong Chin Mun* (Appointed on 16 August 2012; resigned on 3 January 2013)	1/5

** Denotes Independent Non-Executive Director*

(iv) Supply of Information

Each Director is provided with full and timely information which enables them to discharge their responsibilities. Prior to each Board meeting, the agenda together with the detailed reports and supplementary papers are circulated to the Directors in advance. This is to enable the Directors to obtain further explanations, where necessary, to be adequately informed before the meeting.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

DIRECTORS (CONT'D)

(iv) Supply of Information (Cont'd)

The Directors have full access to all information within the Company in furtherance of their duties. In addition, all Directors have access to the advice and services of the Company Secretaries who are responsible for ensuring that the Board procedures are followed. The Directors may also seek external independent professional advice at the Company's expenses, to assist them in their decision-making.

(v) Directors' Training

The Board recognizes that in order to be kept abreast with the developments of the marketplace, law and regulations and corporate governance, it is imperative to attend relevant training programmes on a continuous basis. All existing Directors have successfully attended and successfully completed the Mandatory Accreditation Programme ("MAP") conducted by the relevant authorities. The newly appointed Directors have also completed the MAP.

The Directors are encouraged to evaluate their own training needs on a regular basis and to determine the relevant programmes, seminars or dialogues available that would best enable them to enhance their skill and knowledge to meet the constant shift of the borderless business environment.

Some of the training programmes attended by the Directors in 2012, are as follows:-

- National Tax Conference 2012 organized by Chartered Tax Institute of Malaysia;
- Seminar Percukaian Kebangsaan 2012 organized by Lembaga Hasil Dalam Negeri;
- Effective Dispute Resolution for Corporate Malaysia organized by KLRCA;
- Interest Scheme: The Next Generation Wealth Generator organized by SSM;
- Malaysia Market Focus organized by Malaysian Investor Relations Association;
- Malaysian Code on Corporate Governance 2012 – Putting into Practice organized by SIDC.

(vi) Appointment and Re-election

In accordance with the Company's Articles of Association, one third of the Directors shall retire from office and be eligible for re-election at each Annual General Meeting and all Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election.

The Directors shall have the power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but so that the total number of Directors shall not any time exceed the number fixed in accordance with the Company's Articles of Association. Any Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by the rotation at that meeting.

(vii) Role of Board Committees

In line with the Board's commitment to having good corporate governance, the Board has set up the following four (4) board committees, each entrusted with specific tasks to assist the Board in carrying out its duties and responsibilities. These committees are the Audit Committee, Nomination Committee, Remuneration Committee, and the ESOS Committee.

a) Audit Committee
The terms of reference of the Audit Committee are set out on pages 17 to 19 of the annual report.

b) Nomination Committee
The terms of reference of the Nomination Committee are set out on page 16 of the annual report.

c) Remuneration Committee
The Remuneration Committee is responsible to recommend to the Board the framework and quantum values for the Executive Directors' as well as senior management's remuneration package, terms of employments, reward structure and perks.

In general, the remuneration is structured so as to link rewards to corporate and individual performance as in the case of the Executive Directors and senior management. As for the Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken individually by the director concerned.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

DIRECTORS (CONT'D)

(vii) Role of Board Committees (Cont'd)

c) Remuneration Committee (Cont'd)

The Remuneration Committee comprises the following members:

Name	Position
Lim Bee San	Chairperson
Ang Chuang Juay	Member
Huang Yan Teo	Member

d) Employee Share Option Scheme ("ESOS") Committee

The ESOS Committee is appointed by the Board to administer the ESOS in accordance with the objectives as stated in the By-Laws of the ESOS.

The ESOS Committee comprises the following members:

Name	Position
Ang Chuang Juay	Chairperson
Huang Yan Teo	Member
Koo Ah Kan	Member
Lim Bee San	Member

For the FYE 31 December 2012, the Company did not offer any new ESOS options to eligible Directors and employees of the Group. The ESOS expired on 16 October 2010 in accordance with its by-laws.

DIRECTORS' REMUNERATION

(i) Directors' remuneration policy

a) Non-Executive Directors of the Company are entitled to the following:
- Director fee of RM1,000 per month
- Meeting allowance of RM1,000 per meeting
- Chairmanship allowance of RM3,000 per year
- Membership allowance of RM2,000 per year

b) Executive Directors of the Company are entitled to the following:
- Director fee of RM1,000 per month

(ii) Details of Directors' remuneration

The Company pays its Non-Executive Directors allowances based on attendance of meetings. For the financial year ended 31 December 2012, there is only one service contract between the sole Chief Executive Officer / Executive Director and the Company.

The details of the remuneration of Directors of the Company which includes remuneration received/receivable from the Company and its subsidiary companies during the financial year are as follows:

a) Aggregate remuneration of Directors categorised into the appropriate components:

	Executive Directors (RM)	Non-Executive Directors (RM)	Total (RM)
Salaries and other emoluments	937,598	87,750	1,025,348
Fees	98,960	64,500	163,460
Benefits-in-kind	18,575	-	18,575

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

DIRECTORS' REMUNERATION (CONT'D)

(ii) Details of Directors' remuneration (Cont'd)

b) The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed as follows:

Remuneration	Executive Directors	Non-Executive Directors	Total
Below RM50,000	1	6	7
RM50,001 – RM100,000	-	-	-
RM100,001 – RM150,000	1	-	1
RM850,001 – RM950,000	1	-	1

(iii) Directors' share options

There were no share options offered to the Directors during the financial year ended 31 December 2012.

CORPORATE OBJECTIVES

The Board periodically reviews the performance as well as the division of responsibilities to ensure that the needs of the Group are consistently met. In addition, the Board also approves the internal annual budget for the Group accordingly. These include internal performance targets such as sales, margins and profits to be met by the CEO and its management. On a quarterly basis, the Board reviews its internal budget achievability with the CEO. Any deviation are explained, deliberated and documented accordingly. These periodic reviews include Group's strategies on sustainability of business, succession planning, etc.

SHAREHOLDERS

Investor Relations and Shareholders' Communication

The Board recognizes the importance to have timely and equal dissemination of relevant information on the Group's performance and other development via an appropriate channel of communication.

Shareholders, investors and analysts are kept abreast with the major developments of the Group through the various means of communications as follows, but not limited to:-

- Quarterly financial statements and annual report;
- Announcements on major developments made to Bursa Malaysia Securities Berhad; and
- Company's general meetings.

Annual General Meeting ("AGM")

The AGM is the principal forum for dialogue with public shareholders. Notice of AGM and annual reports will be sent to the shareholders within the period prescribed by the Company's Articles of Association. In addition, the Notice of AGM will be advertised in the newspaper. Any items of special business included in the Notice of AGM will be accompanied by a full explanation of the effects of the proposed special business.

ACCOUNTABILITY AND AUDIT

(i) Financial Reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial statements, quarterly announcement of results to shareholders, as well as the Chairperson's Statement in the annual report.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

ACCOUNTABILITY AND AUDIT (CONT'D)

(i) Financial Reporting (Cont'd)

The Board is assisted by the Audit Committee to oversee the Group's financial reporting process to ensure accuracy and adequacy of all relevant information for disclosure, accounting policies adopted have been consistently applied, the financial statements are prepared in accordance with the provisions of the Companies Act, 1965 and the approved accounting standards in Malaysia and all estimates made are prudent and reasonable.

(ii) Statement of Directors' Responsibility in respect of the Financial Statements

The Companies Act, 1965 requires the Directors to prepare financial statements which reflect a true and fair view of the state of affairs of the Company and of the Group and of the results of the Company and of the Group for that period. In preparing those financial statements, the Directors are required to:

- prepare the financial statements on a going concern basis unless otherwise indicated;
- state whether applicable approved accounting standards have been properly followed;
- select suitable accounting policies and apply them consistently; and
- make reasonable judgment and prudent estimate.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time, the financial position of the Company and Group and to enable them to ensure the financial statements comply with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia. They are responsible for taking reasonable steps to safeguard the assets of the Company and Group, for the prevention and detection of fraud and other irregularities.

The Board has established a formal and transparent arrangement with its external auditors to meet their professional requirements. The auditors have continued to highlight to the Audit Committee and Board of Directors matters that require the Board's attention.

(iii) Risk Management and Internal Control

The Board of Directors is responsible for the Group's system of risk management and internal control which support effective and efficient operations and compliance with laws and regulations.

Information pertaining to the Company's risk management and internal control is presented in the Statement on Risk Management and Internal Control laid out on pages 20 to 22 of this annual report.

(iv) Relationship with the Auditors

The Board has established a formal and transparent arrangement with its external auditors to meet their professional requirements.

(v) Corporate Social Responsibility

The Group has not carried out any major corporate social activities during the financial year ended 31 December 2012.

NOMINATION COMMITTEE REPORT

(i) Terms of Reference

The Board has established a Nomination Committee which comprise exclusively of non-executive directors.

The Nomination Committee is responsible to oversee the selection and assessment of directors.

The Nomination Committee is set up to propose new nominees for the Board and to evaluate each individual Director on an on-going basis. The Nomination Committee also seeks to ensure an optimal mix of qualification, skill and experience among the Board members.

(ii) Composition

The Nomination Committee comprises the following members:

Name	Position
Koo Ah Kan	Chairperson
Huang Yan Teo	Member
Lim Bee San	Member

(iii) Gender diversity policies

The Group does not have a formal policy on boardroom gender diversity. However, the Board is constantly in the look out for the right candidate in filling any vacancies and would strive to balance the gender diversity of the Board.

Nevertheless, the Board is pleased to highlight that the Chairperson of the Board and our company secretary are both women.

(iv) Frequency and Attendance of Committee Meetings

The Committee shall meet at least (1) one time a year and such meetings as the Chairman shall decide in order to fulfill its duties. A quorum shall consist of a majority of Committee members, and the majority present must be independent directors.

Member of committee may participate in a meeting by means of conference telephone, conference videotape or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting.

(v) Minutes

The minutes of each meeting shall be kept and distributed to each member. All minutes of the meetings shall be circulated to every member of the Board. The Secretary of the Committee shall be the Company Secretary.

(vi) Summary of Activities

During the financial year ended 31 December 2012, the Nomination Committee convened two (2) meetings, and one (1) nomination was made to the Board.

AUDIT COMMITTEE REPORT

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2012.

COMPOSITION AND DESIGNATION OF AUDIT COMMITTEE

Name	Designation	Directorship
Huang Yan Teo	Chairperson	Independent Non-Executive Director
Lim Bee San	Member	Independent Non-Executive Director
Koo Ah Kan	Member	Independent Non-Executive Director
Tan Nyap Keong @ Tony Tan	Member	Independent Non-Executive Director

TERMS OF REFERENCE

The terms of reference of the Audit Committee of the Company set out by the Board of Directors are as follows:

i) COMPOSITION

The Audit Committee shall be appointed by the Board from amongst their members and shall fulfil the following requirements:

1) The Committee shall consist of not less than three (3) members, all must be non-executive directors, with majority of them being Independent Directors.

2) The Committee shall elect a Chairman from among its members who is an Independent Non-Executive Director.

3) At least one (1) member of the Committee;

(i) Must be a member of the Malaysian Institute of Accountants (MIA),

(ii) If he/she is not a member of MIA, he/she must have at least three (3) years' working experience and;

(a) Must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or

(b) Must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or

(c) Fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

(iii) No alternate director shall be appointed as a member of the Committee,

(iv) Persons related or deemed related to Executive Directors shall not be eligible for appointment as a member of the Committee.

If a member of the Committee resigns, dies or for any other reasons ceased to be a member resulting in the number of members to be reduced to two (2), the Board of Directors shall within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

The Board shall review the terms of the Committee no less than every three (3) years.

AUDIT COMMITTEE REPORT (CONT'D)

TERMS OF REFERENCE (CONT'D)

ii) AUTHORITY OF THE COMMITTEE

The Committee is authorised to:

1) investigate any activity within its terms of reference.

2) have unrestricted access to any information pertaining to the Company and its subsidiary companies for the purpose of discharging its functions and responsibilities.

3) consult independent experts where they consider it necessary to carry out their duties.

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

iii) FREQUENCY AND ATTENDANCE OF COMMITTEE MEETINGS

The Committee shall meet at least (5) five times a year and such meetings as the Chairman shall decide in order to fulfil its duties. A quorum shall consist of a majority of Committee members, and the majority present must be independent directors.

Member of committee may participate in a meeting by means of conference telephone, conference videotape or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting.

iv) MINUTES

The minutes of each meeting shall be kept and distributed to each member. All minutes of the meetings shall be circulated to every member of the Board. The Secretary of the Committee shall be the Company Secretary.

v) FUNCTIONS

The functions of the Committee are as follows:

1. review the audit plan with the external auditor;

2. review with the external auditors his evaluation of the system of internal controls;

3. review the audit report of the external auditors;

4. determine the assistance given by the Company's officer to the auditors;

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

6. review the scope and result of the internal procedures;

7. review the balance sheet and profit and loss account;

8. review any related party transactions that may arise within the Company or the Group;

9. to review and report the same to the Board of Directors any letter of resignation from the external auditors of the Company as well as whether there is any reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment;

AUDIT COMMITTEE REPORT (CONT'D)

TERMS OF REFERENCE (CONT'D)

v) FUNCTIONS (CONT'D)

10. to make recommendations concerning the appointment of the external auditors and their remuneration to the Board of Directors;

11. prompt reporting to Bursa Securities on any matter reported by the Committee to the Board which has not been satisfactory resolved resulting in a breach of the Listing Requirements of Bursa Securities;

12. to verify the allocation of ESOS at the end of each financial year, if any; and

13. to perform any other work that is required or empowered to do by statutory legislation or guidelines as prepared by the relevant Government authorities.

SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2012, the Audit Committee convened five (5) meetings. The details of attendance are as follows:

Committee Members	Attendance
Huang Yan Teo	5/5
Lim Bee San	5/5
Koo Ah Kan	5/5
Tan Nyap Keong @ Tony Tan	5/5

The summary of the activities of the Audit Committee in the discharge of its duties and responsibilities for the financial year included the following:

- Reviewed the external auditors' scope of work and audit plan for the year;

- Reviewed the unaudited quarterly reports and announcements for the Board's consideration and approval; and

- Discussed any other matters raised during the meeting.

INTERNAL AUDIT FUNCTION

The Company has in place an Internal Audit Department. The Internal Audit Department is responsible for conducting periodic audits on internal control matters to ensure compliance with systems and standard operating procedures in each of the operations of the Group. The main objective of these audits is to provide a reasonable assurance they operate satisfactorily and effectively. Audits are to be conducted with regard to various specific areas of concern and high-risk areas.

STATEMENT BY THE AUDIT COMMITTEE IN RELATION TO THE ESOS ALLOCATION

The Listing Requirement of Bursa Malaysia Securities Berhad for the ACE Market requires a statement by the Audit Committee in relation to the allocation of the options pursuant to any share scheme for employees as required under Rule 8.19.

There was no option granted to the eligible Executive Directors and employees of the Group during the financial year under review.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders investments and the Group's assets. The Board of Directors of the Company is pleased to present this Statement on Risk Management and Internal Control, with respect to state, nature and scope of the Group during the year.

The Group's revenue and gross margin depend significantly on general economic conditions and the demand for products in the markets in which our customers compete. Recent adverse worldwide economic conditions, including the European sovereign debt crisis, have created challenging conditions in the interconnects industry.

We highlight some of the key risk factors and uncertainties, which are not exhaustive, but critical to the business operations of the Group, as follows:-

RISK FACTORS

It will be difficult for us to accurately forecast the market and customer demand for our products due to weak global economic conditions and instability of the financial markets. As a result, the risk that our forecasts are not in line with demand increases or decreases. If our forecasts exceed actual market demand, then we would experience periods of product oversupply and price fluctuation, which could impact on our financial performance. If market demand increases significantly beyond our forecasts or beyond our ability to add manufacturing capacity, then we may be unable to satisfy customer products needs, which could result in a loss of market share if our competitors are able to meet the customer demands.

In addition, our principal customers may have varied from year to year. These customers may experience dramatic declines in their market share or competitive position, due to adverse global economic or other forces, that may cause them to reduce their purchases from us, or in some cases, result in the termination of their relationship with us. Significant reductions in sales to any of these customers, or the loss of major customers, would materially affect our business.

Our Group may have exposure to financially troubled customers or suppliers, which may adversely affect our financial results. If our customers experience financial difficulty, we could face difficulties in recovering amounts owed to us from these customers, or demand for our products from these customers could decline. Additionally, if our suppliers experience financial difficulty, we could have difficulty sourcing supply necessary to fulfill production requirements and meet scheduled shipments. If one or more of our customers were to become insolvent or otherwise were unable to pay for the services provided by us on a timely basis, our operating results and financial condition could be adversely affected. Such adverse effects could include one or more of the following: an increase in our provision for doubtful accounts, a charge for inventory write-offs, a reduction in revenue, and an increase in our working capital requirements due to higher inventory levels and increases in days our accounts receivables are outstanding.

Furthermore, the Group is exposed to the risk on fluctuations in foreign currency exchange rates, and this could increase our operating costs. Our major manufacturing operations are located in China. However, most of our purchase and sale transactions are denominated in United States Dollars. As a result, we are exposed to fluctuations in the functional currencies of our fixed cost overhead or our supply base relative to the currencies in which we conduct transactions.

Interconnect business is an extremely dynamic industry. It may be possible for our current or future competitors to gain competitive advantages in product technology, manufacturing technology, or process technology, which may allow them to offer products that have significant advantage over the products that we offer. Advantages could be in capacity, performance, reliability and other attributes. A competitive cost structure for our products, including critical components, labor and overhead, is also critical to the success of our business. We may be at competitive disadvantages to any companies that are able to gain a technological and cost structure advantage.

RESPONSIBILITY

The Board of Directors is responsible for the Group's system of risk management and internal control; and reviewing the adequacy and integrity of this system. The system of internal control can only provide reasonable, but not absolute, assurance against any material misstatement or loss as it is designated to manage rather than eliminate the risk of failure to achieve the Group's business objectives.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

RISK MANAGEMENT FRAMEWORK

Presently, the Board's primary objective and direction in managing the Group's risks is focused on the achievement of the Group's business objectives. Throughout the current financial year, the Board identified, evaluated and managed those significant risks faced by the Group through monitoring the Group's business operations to enhance shareholders' wealth. Furthermore, the Board has entrusted the Chief Executive Officer / Executive Director with the responsibility of reviewing and resolving any operational issues arising.

Key features of the Group's Risk Management Framework

(i) Objectives

- To understand the principal risks involved in the daily sales and operations of the Group.
- To identify key areas for management to focus on its internal and external resources; so as to implement strategic planning to achieve its sales, marketing and operational objective.
- To understand the current sales position of the Group and minimize the financial risks involved.
- To ensure the continuity of business and operations of the Group and minimize the risk of payment default for the Group.
- To diversify the Group's clientele, so as to minimize the risk of over-concentration in a particular customer group.
- To launch additional products into different industrial or market segments, so as to minimize risk of over-dependent on few product lines and obsolescence.
- To have a healthy mix of high volume and high value product sales, so as to achieve a good balance of regular and stable monthly sales/revenues and higher profit margins to stay competitive in the market.

(ii) Key Processes and Procedures in Risk Management

- Plan the procedures for problem solving of the unforeseen problems, which includes corrective and preventive action and contingency planning (e.g. quality issues resolution, human resources management, etc.).
- Identify marketing tools, create awareness and meet potential customers for future sales.
- Obtain market research material and reference books to identify growing product segments and geographic segments.
- Understand the market through research and collaboration with customers, the life cycle of existing products and consistently introduce new product launches in the sales funnel.
- Understanding the supply chain process of the customers to identify shipping and transportation cycle to complete the sales.
- Sales teams to be proactive and to maintain excellent networking with customers to ensure steady and consistent incoming sales each month instead of sporadic burst of sales.
- Periodic sales conference calls to understand status of sales orders and deliveries. The key participants include General Managers of each subsidiary company and key sales and production personnel. The CEO will be alerted on any unresolved pertinent issues.
- For new customers, to do a background checks on the customer's credibility and financial status to assess the financial risk of working with the new potential customers.

ON GOING ASSESSMENT BY THE BOARD

On periodic basis, management reports to the board on the key development of the Group's business strategies, risks, opportunities and rewards that have both impacted or likely to impact the Group and its achievement of the objectives and strategies.

Throughout these management reporting, management also highlight those challenges and strategies in place to ensure effectiveness of the risk management and internal control system in managing those risks.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

INTERNAL CONTROL

The Group currently relies on existing internal control mechanisms to provide management with the required level of assurance that the business is being operated in an orderly manner.

Key features of the Group's Internal Control and Risk Appetite

The Group's diversified geographical locations require a top-down delegation of authorities and controls to the local senior management teams of each subsidiary. Nevertheless, the head of each subsidiary report to the Group CEO on significant issues and resolutions.

The Group's key management constantly communicates using broadly the mass social telecommunication media to resolve any impending issues, or seek assistance cross functions and geographical locations.

The financial reporting controls mainly reside with the head of Finance of each subsidiary who functionally report to the Group CFO. Likewise, the monthly management financial reporting would then be consolidated at the Group level by its central Malaysian Finance team.

The CEO provides assurance that the operational controls are effective throughout the year. The CFO provides assurance that the financial reporting controls are effective throughout the year.

Internal Audit

The Company has in place Internal Audit Department ("IAD") which will provide support to the Audit Committee in discharging its duties with regard to the adequacy and integrity of the system of internal controls within the Group.

The internal audit function is lead by the Group's Corporate Quality Manager, a Malaysian based in Shen Zhen, China; who reports directly to the Audit Committee on matters pertaining to internal audit. The internal audit team assesses risk areas and proposes audit scope and procedures to the Audit Committee. Audit report is tabled to the Audit Committee accordingly.

During the financial year ended 31 December 2012, the IAD has conducted review on engineering, document control, production management and management of Rapid Conn (Shen Zhen) Co., Ltd. The IAD plans to perform audit on the quality management system and the environment management system of Rapid Conn (Shen Zhen) Co., Ltd. in year 2013. The total cost incurred in managing the IAD in year 2012 was approximately RM31,053.

Assurance from CEO and CFO are obtained throughout the year via formal and informal inquiries, discussions and meetings that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects based on the risk management and internal control system of the Group.

Conclusion

The Board is of the view that the existing system of internal control is sound and adequate for the current level of operations. There were no significant weaknesses or material problems in the internal control procedures that had arisen during the financial year.

Review of the statement by External Auditors

Pursuant to Rule 15.23 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, the External Auditors have reviewed this statement for inclusion in the Annual Report for the financial year ended 31 December 2012 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

ADDITIONAL COMPLIANCE INFORMATION

To comply with the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market, the following additional information is provided:

Utilization of Proceeds

The RM1,987,580 proceeds raised from the Private Placement of 14,197,000 new ordinary shares of RM0.10 each in the Company ("Placement Shares") at an issue price of RM 0.14 each, which was completed on 15 March 2012, has been proposed to be utilized as follows:-

Description	Proposed Utilization RM	Actual Utilization as at 31 March 2013 RM	Deviation RM	Balance RM	Estimated timeframe for utilization of proceeds
Working capital					
- Staff salaries	350,000	350,141	141	-	Completed
- Marketing expenses	200,000	124,769		75,231	Within 3 months
- Purchase of raw materials and components	1,000,000	1,000,000		-	Completed
- Maintenance and administrative costs	344,580	360,899	16,319	-	Completed
Private Placement Expenses	93,000	76,540	(16,460)	-	Completed
Total	**1,987,580**	**1,912,349**	**-**	**75,231**	

Non-Audit Fee

The non-audit fee paid by the Company to external auditors for the financial year ended 31 December 2012, is disclosed in Note 8 to the financial statements.

Profit Guarantee

No profit guarantee was given by the Company in respect of the financial year ended 31 December 2012.

Share Buybacks

There were no share buyback during the financial year ended 31 December 2012.

Options, Warrants or Convertible Securities Exercised

(a) Self regularization plan

The Company had on 28 September 2011 issued 60,847,500 ordinary shares with free detachable warrants at an issue price of RM0.10 per share in conjuction with the renounceable rights issue of 60,847,500 right shares on the basis of three (3) rights share together with three (3) warrants for every four (4) CCHB shares held. The exercise period for the warrant is ten (10) years from 19 September 2011 up to and including 18 September 2021.

Each warrant entitles its registered holder the right to subscribe for one (1) new ordinary share of RM0.10 each in the Company at an exercise price of RM0.10 per share until the expiry of the exercise period.

With regards to the Proposals as mentioned above, on 18 July 2011 the Securities Commission had vide its letter dated 18 July 2011 approved the Proposed Exemption. The approval is subjected to CCHB disclosing in its annual and interim accounts and any public document, including annual reports, prospectuses and circulars, throughout the validity period and the conversion or subscription rights or options remain outstanding.

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

Options, Warrants or Convertible Securities Exercised (Cont'd)

(a) Self regularization plan (Cont'd)

The following are the relevent disclosures made in compliance with the disclosure conditions imposed by the Securities Commission:-

(i) The validity period for the Exemption is from 18 July 2011 up to 18 September 2021.

(ii) The details of the shareholdings of the Person Acting in Concert ("PAC") and their entitlement to the Rights Issue are as follows:

Direct shareholdings as at 30 April 2013

	No. of CCHB shares	%	No. of Warrants	%
Chng Seng Chye @ Chng Hung Seng	18,287,382	11.71	4,466,070	7.34
Ang Chuang Juay	11,665,752	7.47	-	-
Total	**29,953,134**	**19.18**	**4,466,070**	**7.34**

(iii) The maximum potential voting shares or voting rights of the offeror and persons acting in concert in the offeree, if only the offeror and persons acting in concert (but not other holders) exercise the conversion or subscription rights or options in full is 34,419,204 CCHB Shares representing 21.43% of the issued and paid-up share capital of CCHB.

(iv) The PAC shall not undertake the acquisition of voting shares or voting rights or acquisition of the conversion or subscription rights or options of CCHB (excluding issuance of new CCHB shares following the exercise of the conversion or subscription rights or options, or where all CCHB subscription rights or options on a pro-rata basis) by the PAC throughout the validity period of the Exemption.

(v) The mandatory offer obligation by the PAC to acquire all the remaining CCHB Shares not already held by them upon completion of the Rights Issue or after the exercise of the Warrants will not arise as a result of granting of the Exemption.

The corporate proposal was completed on 3 October 2011 with the listing and quotation for 60,847,500 new CCHB shares ("Rights Shares") together with 60,847,500 free detachable warrants ("Warrants").

(b) Private placement

The Company had on 15 March 2012 completed the Private Placement following the listing and quotation of 14,197,000 new ordinary shares of RM0.10 each on the ACE Market of Bursa Malaysia Securities Berhad. The status of utilization of proceeds is further disclosed on page 23.

Profit Projection

The Company has issued a consolidated profit projection for the Financial Year Ended 31 December 2012 together with the principal bases and assumptions and the reporting accountants' letter thereon in the abridged prospectus to shareholders dated 24 August 2011. The Board of Directors are of the view that due to the on-going competitive labour market in China and shortage of labour supply, together with the weak European consumer markets; the sales targets as per the profit projection are not achieved for the Financial Year Ended 31 December 2012. The detailed analyses of the variances are as follows:-

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

Profit Projection (Cont'd)

	*Projection 31 Dec 2012 RM	Audited 31 Dec 2012 RM	Variance RM	Remarks
Revenue	73,485,196	53,526,363	(19,958,833)	N1
Cost of sales	(56,254,966)	(43,828,566)	12,426,400	N1
Gross profit	17,230,230	9,697,797	(7,532,433)	
GP % of sales	23.4%	18.1%		N1
Other income	-	540,021	540,021	N2
Administrative and other expenses	(9,770,940)	(9,727,250)	43,690	N3
Distribution and selling expenses	(4,050,239)	(3,086,633)	963,606	N4
Finance costs, net	(130,005)	(501,642)	(371,637)	N5
Bonus payments	(165,950)	-	165,950	N6
Profit/(loss) before taxation	3,113,096	(3,077,707)	(6,190,803)	
Taxation	(688,908)	(387,614)	301,294	N7
Net profit/(loss) attributable to shareholders	**2,424,188**	**(3,465,321)**	**(5,889,509)**	

*After audited accounts reclassification. A reclassification amount of (1) RM64,554 relating to loss on foreign exchange (realized) from finance costs to administrative and other expenses, (2) RM289,370 reclassified from adminstrative expenses to distribution and selling expenses, to be consistent with the audited accounts.

One-off events / transaction entries that affected the 2012 results are as follows:-

(N1) Approximately US$4 million (i.e. RM12.4 million) sales orders shortfall as compared to the projection mainly due to orders from two new customers not materialise.

An existing customer filed bankruptcy during the year. This resulted in approximately US$506k (i.e. RM1.6 million) sales projection lost from this customer.

A major customer of the Group had lost some key projects to their competitors. Thus, approximately US$1.7 million (i.e. RM5.3 million) sales orders from this customer did not materialise.

In addition, the average gross margin fell from 23.4% projected, as compared to 18.1% actual for the year. This is mainly due to pricing pressure from existing customers, slowdown in global demand, escalating labour costs in China etc.

(N2) Included in other income is a reversal on provision for doubtful debts on trade receivable, which approximated to RM100k, as the payment was received from this debtor during the year.

Our subsidiary in Singapore received P&I (Productivity & Innovation) Cash Payout and SME Cash Grant from the local government aimed at encouraging businesses to adopt new technology. The total amount received during the year approximated to US$34k (i.e. RM106k).

Furthermore, one of our subsidiaries in the US had received insurance compensation in relation to claims of approximately US$38k (i.e. RM119k) during the year, pertaining to a customer who filed bankruptcy last year.

Likewise, approximately RM57k due to sales of scrap was not in projection.

(N3) Included in administrative and other expenses is a provision of doubtful debts by our US subsidiary, of approximately US$137k (i.e. RM424k). Our Singapore subsidiary also made provision of doubtful debts of approximately US$156k (i.e RM484k).

Engineering and other expenses reduced by RM492k for the Group due to cost rationalization and reduced headcount, as compared to projection.

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

Profit Projection (Cont'd)

(N4) Savings on transportation costs of approximately US$331k (i.e. RM1,026k) during the year due to lower sales activities.

(N5) Our US subsidiary incurred factoring interests of approximately US$112k (i.e. RM347k), which was not included in the projection previously, as it was only effected on July 2011. The factoring facility was terminated in September 2012.

Furthermore, our subsidiary in Singapore incurred loan interest of approximately US$17k (i.e. RM53k), which was not included in the projection previously.

(N6) There were no bonus payments during the year.

(N7) Included in taxation are deferred tax adjustments of RM380k mainly due to subsidiaries in US and China.

Recurrent Related Party Transactions of Revenue or Trading Nature

Details of transactions with related parties undertaken by the Group during the financial year under review on page 75 of this annual report.

Material Contracts Involving Directors and Substantial Shareholders' Interest

Saved for the Recurrent Related Party Transactions noted above, there were no material contracts entered into by the Company or its subsidiaries involving directors' and substantial shareholders' interest in the financial year ended 31 December 2012.

American Depository Receipt ("ADR") or Global Depository Receipt ("GDR")

The Company has not sponsored any ADR or GDR program for the financial year ended 31 December 2012.

Sanction and/or penalties

The Company and its subsidiaries, Directors and management have not been imposed with any sanctions and/or penalties by and regulatory authorities.

Revaluation of Landed Properties

The Company and the Group has no landed properties.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are that of design, manufacture, sales, marketing, services and trading of cables, connectors and related products.

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

RESULTS

	Group RM	Company RM
Loss net of tax	3,465,321	2,009,665

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up share capital from RM14,197,840 to RM15,617,540 by the issuance of 14,197,000 ordinary shares of RM0.10 each at an issue price of RM0.14 per ordinary share pursuant to the private placement exercise.

The new ordinary shares were issued for cash consideration for the purpose of working capital. The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

DETACHABLE WARRANTS

The warrants 2011/2021 represent detachable warrants which are constituted under Deed Poll dated 24 June 2011.

As at 31 December 2012, the total numbers of warrants that remain unexercised were 60,846,600.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Ang Chuang Juay	
Huang Yan Teo	
Lim Bee San	
Koo Ah Kan	
Lim Wee Kiat	
Tan Nyap Keong @ Tony Tan	
Dato Dr. Kho Eng Hue @ Koh Eng Hooi	
Wong Chin Mun	(Appointed on 16 August 2012, resigned on 3 January 2013)
Chong Hon Keun	(Resigned on 1 September 2012)

DIRECTORS' REPORT

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at anytime during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 10 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over the shares in the Company and its related corporations during the financial year were as follows:

	Number of Ordinary Shares of RM0.10 Each			
Direct interest	1.1.2012	Bought	Sold	31.12.2012
Ang Chuang Juay	16,665,752	-	5,000,000	11,665,752
Huang Yan Teo	70,000	-	-	70,000
Koo Ah Kan	1,442,520	-	-	1,442,520
Dato Dr. Kho Eng Hue @ Koh Eng Hooi	6,951,000	-	-	6,951,000
Tan Nyap Keong @ Tony Tan	5,948,040	-	-	5,948,040
Indirect Interest				
Lim Bee San *	800	-	-	800
Dato Dr. Kho Eng Hue** @ Koh Eng Hooi	443,000	-	-	443,000

	Number of Warrants			
Direct interest	1.1.2012	Bought	Sold	31.12.2012
Ang Chuang Juay	7,142,460	-	-	7,142,460
Huang Yan Teo	30,000	-	-	30,000
Koo Ah Kan	400,000	-	-	400,000
Dato Dr. Kho Eng Hue @ Koh Eng Hooi	2,979,000	-	-	2,979,000
Tan Nyap Keong @ Tony Tan	2,549,160	-	-	2,549,160
Indirect Interest				
Dato Dr. Kho Eng Hue** @ Koh Eng Hooi	353,000	-	-	353,000

* Indirect interest by virtue of the shareholdings of her spouse.
** Indirect interest by virtue of the shareholdings of his spouse.

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONT'D)

Ang Chuang Juay by virtue of his total direct and indirect interests in shares in the Company and pursuant to Section 6A(4)(c) of the Companies Act,1965, is deemed interested in the shares in all of the Company's subsidiaries to the extent that the Company has interests.

Other than as disclosed above, the other directors do not have any interest in the shares or options over shares of the Company or of its related companies during and at the end of the financial year.

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

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

(b) At the date of this report, the directors are not aware of any circumstances which would render:

  (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

  (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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

(e) As at the date of this report, there does not exist:

  (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

  (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

  (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

  (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SUBSEQUENT EVENT

Details of subsequent event are disclosed in Note 34 to the financial statements.

DIRECTORS' REPORT

AUDITORS

The auditors, Moore Stephens Associates & Co., have indicated their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors

(SIGNED)
ANG CHUANG JUAY

(SIGNED)
HUANG YAN TEO

Petaling Jaya , Selangor
Dated: 16 APRIL 2013

STATEMENT BY DIRECTORS

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

We, ANG CHUANG JUAY and HUANG YAN TEO, being two of the directors of CONNECTCOUNTY HOLDINGS BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 35 to 84 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and the cash flows of the Group and of the Company for the year then ended.

The information set out in Note 38 on page 85 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1. Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors

(SIGNED)
ANG CHUANG JUAY

(SIGNED)
HUANG YAN TEO

Petaling Jaya , Selangor
Date: 16 APRIL 2013

STATUTORY DECLARATION

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

I, CHONG HON KEUN (I/C No.: 750928-10-5567), being the officer primarily responsible for the financial management of CONNECTCOUNTY HOLDINGS BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 35 to 84 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed CHONG HON KEUN)
at Petaling Jaya in the State of Selangor)
on 16 APRIL 2013)

(SIGNED)
CHONG HON KEUN

Before me:
Commissioner for Oaths

(SIGNED)
CHONG YIK LOONG (B404)
Pesuruhjaya Sumpah, Malaysia
Suite 208, 2nd Floor, Blok E,
Phileo Damansara 1, No. 9, Jln. 16/11,
46350 Petaling Jaya, Selangor.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF CONNECTCOUNTY HOLDINGS BERHAD

Report on the Financial Statements

We have audited the financial statements of ConnectCounty Holdings Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 35 to 84.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

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

b) We have considered the accounts and the auditors' report of a subsidiary of which we have not acted as auditors, which are indicated in Note 15 to the financial statements.

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

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF CONNECTCOUNTY HOLDINGS BERHAD (CONT'D)

Report on Other Legal and Regulatory Requirements (Cont'd)

d) The auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act other than that related to emphasis of matter as disclosed in Note 15(b) to the financial statements.

Other Reporting Responsibilities

The supplementary information set out in Note 38 on page 85 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

As stated in Note 2(b) to the financial statements, the Group and the Company adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the year then ended.

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

(SIGNED)

Moore Stephens Associates & Co.
AF1494
Chartered Accountants

(SIGNED)

Fong Chee Meng
No. 2707/09/14 (J)
Chartered Accountant

Johor Bahru, Malaysia
Date: 16 APRIL 2013

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

		Group		Company	
	NOTE	2012	2011	2012	2011
		RM	RM	RM	RM
Revenue	3	53,526,363	51,419,909	-	-
Cost of sales	4	(43,828,566)	(42,233,868)	-	-
Gross profit		9,697,797	9,186,041	-	-
Other items of income	5	540,021	2,138,043	412,229	653,039
Other items of expenses					
Administration expenses		(8,752,123)	(10,434,219)	(1,191,039)	(2,002,624)
Distribution and selling expenses		(3,086,633)	(2,700,945)	-	-
Other expenses	6	(975,127)	(789,492)	(1,230,601)	(7,466,897)
Finance cost, net	7	(501,642)	(471,846)	(254)	(287)
Loss before tax	8	(3,077,707)	(3,072,418)	(2,009,665)	(8,816,769)
Income tax (expense)/credit	11	(387,614)	544,540	-	-
Loss net of tax		(3,465,321)	(2,527,878)	(2,009,665)	(8,816,769)
Other comprehensive (expenses)/income					
Foreign currency translation		(115,104)	326,359	-	-
Total comprehensive expenses for the year		(3,580,425)	(2,201,519)	(2,009,665)	(8,816,769)
Total comprehensive expenses attributable to owners of the Company		(3,580,425)	(2,201,519)	(2,009,665)	(8,816,769)
Loss per share attributable to owners of the Company (sen)					
- Basic	12	(2.29)	(1.41)		
- Diluted	12	**Not applicable**			

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	NOTE	31.12.2012	31.12.2011	1.1.2011
		RM	RM	RM
ASSETS				
Non-current assets				
Plant and equipment	13	3,046,507	3,661,260	2,678,429
Investment in associate	14	50,000	-	-
Deferred tax assets	16	1,049,939	1,456,323	844,680
		4,146,446	5,117,583	3,523,109
Current assets				
Inventories	17	4,607,756	4,638,203	4,418,046
Trade receivables	18	10,646,178	14,333,157	10,877,244
Other receivables	19	2,171,641	4,298,447	2,567,478
Cash and bank balances	20	2,260,805	2,745,793	2,694,520
		19,686,380	26,015,600	20,557,288
TOTAL ASSETS		23,832,826	31,133,183	24,080,397
EQUITY AND LIABILITIES				
Equity attributable to owners				
Share capital	21	15,617,540	14,197,840	20,282,500
Share premium	22	491,340	-	6,893,524
Foreign exchange reserve	23	76,666	191,770	(134,589)
(Accumulated losses)/Retained profit		(3,282,760)	182,561	(16,352,585)
TOTAL EQUITY		12,902,786	14,572,171	10,688,850
Non-current liabilities				
Borrowings	24	167,788	211,143	244,104
Deferred tax liabilities	16	39,799	39,799	39,799
		207,587	250,942	283,903
Current liabilities				
Borrowings	24	491,486	3,543,964	65,034
Trade payables	26	8,722,111	10,848,551	11,685,878
Other payables	27	1,508,856	1,917,555	1,356,732
		10,722,453	16,310,070	13,107,644
TOTAL LIABILITIES		10,930,040	16,561,012	13,391,547
TOTAL EQUITY AND LIABILITIES		23,832,826	31,133,183	24,080,397

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

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	NOTE	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
ASSETS				
Non-current assets				
Plant and equipment	13	51,086	58,668	2,854
Investments in subsidiaries	15	1,186,360	1,186,360	7,608,207
		1,237,446	1,245,028	7,611,061
Current assets				
Other receivables	19	6,065,335	6,149,721	4,366,556
Cash and bank balances	20	395,399	302,507	123,908
		6,460,734	6,452,228	4,490,464
TOTAL ASSETS		7,698,180	7,697,256	12,101,525
EQUITY AND LIABILITIES				
Equity attributable to owners				
Share capital	21	15,617,540	14,197,840	20,282,500
Share premium	22	491,340	-	6,893,524
Accumulated losses		(8,788,447)	(6,778,782)	(17,025,037)
TOTAL EQUITY		7,320,433	7,419,058	10,150,987
Current liability				
Other payables	27	377,747	278,198	1,950,538
TOTAL LIABILITY		377,747	278,198	1,950,538
TOTAL EQUITY AND LIABILITIES		7,698,180	7,697,256	12,101,525

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

		◄-----Non-distributable-----►			
	Share Capital RM	**Share Premium RM**	**Foreign Exchange Reserve RM**	**Retained Profit/ (Accumulated Losses) RM**	**Total Equity RM**
At 1 January 2011	20,282,500	6,893,524	(134,589)	(16,352,585)	10,688,850
Total comprehensive expense for the year	-	-	326,359	(2,527,878)	(2,201,519)
	20,282,500	6,893,524	191,770	(18,880,463)	8,487,331
Capital reduction and consolidation	(12,169,500)	(6,893,524)	-	19,063,024	-
Issuance of ordinary shares pursuant to:					
- Rights issue	6,084,750	-	-	-	6,084,750
- Conversion of warrants	90	-	-	-	90
At 31 December 2011	14,197,840	-	191,770	182,561	14,572,171
At 1 January 2012	14,197,840	-	191,770	182,561	14,572,171
Total comprehensive expense for the year	-	-	(115,104)	(3,465,321)	(3,580,425)
	14,197,840	-	76,666	(3,282,760)	10,991,746
Issuance of ordinary shares pursuant to:					
- Private placement	1,419,700	491,340	-	-	1,911,040
At 31 December 2012	15,617,540	491,340	76,666	(3,282,760)	12,902,786

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

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Non-distributable			
	Share Capital RM	**Share Premium RM**	**Accumulated Losses RM**	**Total Equity RM**
At 1 January 2011	20,282,500	6,893,524	(17,025,037)	10,150,987
Total comprehensive expense for the year	-	-	(8,816,769)	(8,816,769)
	20,282,500	6,893,524	(25,841,806)	1,334,218
Capital reduction and consolidation	(12,169,500)	(6,893,524)	19,063,024	-
Issuance of ordinary shares pursuant to:				
- Rights issue	6,084,750	-	-	6,084,750
- Conversion of warrants	90	-	-	90
At 31 December 2011	14,197,840	-	(6,778,782)	7,419,058
At 1 January 2012	14,197,840	-	(6,778,782)	7,419,058
Total comprehensive expense for the year	-	-	(2,009,665)	(2,009,665)
	14,197,840	-	(8,788,447)	5,409,393
Issuance of ordinary shares pursuant to:				
- Private placement	1,419,700	491,340	-	1,911,040
At 31 December 2012	15,617,540	491,340	(8,788,447)	7,320,433

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

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2012

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax	(3,077,707)	(3,072,418)	(2,009,665)	(8,816,769)
Adjustments for:				
Deposit written off	404	-	-	-
Depreciation of plant and equipment	1,243,384	1,154,564	8,034	2,183
Loss/(Gain) on disposal of plant and equipment	4,712	(1,894,646)	-	-
Impairment loss on investments in subsidiaries	-	-	-	6,421,849
Impairment loss on - trade receivables	224,210	713,041	-	-
- other receivables	694,428	-	1,103,046	1,002,666
Impairment loss on sales and purchase tax recoverable	-	507,177	-	-
Inventories written down	-	578,374	-	-
Interest expenses	413,336	440,408	-	-
Interest income	(487)	(1,367)	-	-
Loss/(Gain) on foreign exchange - unrealised	221,729	9,495	112,784	(141,973)
Reversal of impairment loss on trade receivable	(100,000)	-	-	-
Plant and equipment written off	3,768	10,737	2,198	-
Operating loss before working capital changes	(372,223)	(1,554,635)	(783,603)	(1,532,044)
Inventories	30,447	(798,531)	-	-
Receivables	5,006,088	(4,450,299)	(1,136,345)	(2,645,604)
Payables	(2,743,596)	(666,441)	99,549	(1,722,340)
Cash generated from/(used in) operations	1,920,716	(7,469,906)	(1,820,399)	(5,899,988)
Interest paid	(413,336)	(440,408)	-	-
Tax paid	(7,443)	(2,480)	-	-
Net cash generated from/(used in) operating activities	1,499,937	(7,912,794)	(1,820,399)	(5,899,988)

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

STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2012

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in an associate	(50,000)	-	-	-
Investment in a subsidiary	-	-	-	(2)
Interest received	487	1,367	-	-
Proceeds from disposal of plant and equipment	1,488	69,353	-	-
Purchase of plant and equipment	(665,029)	(1,741,665)	(2,650)	(7,997)
Net cash used in investing activities	(713,054)	(1,670,945)	(2,650)	(7,999)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares pursuant to:				
- Rights issue	-	6,084,750	-	6,084,750
- Conversion of warrants	-	90	-	90
- Private placement	1,987,580	-	1,987,580	-
Private placement expenses	(76,540)	-	(76,540)	-
Repayment of hire purchase	(54,526)	(54,863)	-	-
(Repayment)/Drawdown of other short term borrowings	(3,066,829)	3,500,832	-	-
Net cash (used in)/generated from financing activities	(1,210,315)	9,530,809	1,911,040	6,084,840
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(423,432)	(52,930)	87,991	176,853
EFFECTS OF EXCHANGE RATE CHANGES	(61,556)	104,203	4,901	1,746
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	2,745,793	2,694,520	302,507	123,908
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR (NOTE 20)	2,260,805	2,745,793	395,399	302,507

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the ACE Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at No. 48, Jalan Laksamana 2/15, Taman Kota Laksamana, Seksyen 2, 75200 Melaka.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are that of design, manufacture, sales, marketing, services and trading of cables, connectors and related products. There have been no significant changes in the nature of these principal activities during the financial year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise stated below.

The financial statements are presented in Ringgit Malaysia ("RM").

(b) First time adoption of Malaysian Financial Reporting Standards ("MFRS")

These are the first financial statements of the Group and of the Company prepared in accordance with MFRSs and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied.

In the previous financial years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRSs") in Malaysia.

There are no financial impacts of the transition from FRSs to MFRSs as explained in Note 36.

(c) Standards and Interpretations Issued but Not Yet Effective

The Group and the Company have not adopted the following accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but not yet effective:

Effective for financial periods beginning on or after 1 July 2012
MFRS 101: Presentation of items of Other Comprehensive Income (Amendments to MFRS 101)

Effective for financial periods beginning on or after 1 January 2013
MFRS 10: Consolidated Financial Statements
MFRS 11: Joint Arrangements*
MFRS 12: Disclosure of Interests in Other Entities
MFRS 13: Fair Value Measurement
MFRS 119: Employee Benefits (International Accounting Standards ("IAS") 19 as amended by International Accounting Standard Board ("IASB") in June 2011)
MFRS 127: Separate Financial Statements (IAS27 as amended by IASB in May 2011)*
MFRS 128: Investments in Associates and Joint Ventures (IAS28 as amended by IASB in May 2011)*
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Government Loans*
Amendments to MFRS 7: Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Standards and Interpretations Issued but Not Yet Effective (Cont'd)

Effective for financial periods beginning on or after 1 January 2013 (Cont'd)

Amendments to MFRS 11: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Amendments to MFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 132: Financial Instruments – Presentation (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)
IC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine*

Effective for financial periods beginning on or after 1 January 2014

Amendments to MFRS 132: Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

Effective for financial periods beginning on or after 1 January 2015

MFRS 9: Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9: Financial Instruments (IFRS 9 issued by IASB in October 2010)

* Not applicable to the Group and the Company

The directors expect that the adoption of the above standards and interpretations will have no significant effect on the financial statements in the period of initial application except as those described below:

(i) MFRS 9: Financial Instruments

MFRS 9, as issued, reflects the first phase of the International Accounting Standards Board's (IASB's) work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial instruments as defined in MFRS 139 Financial Instruments: Recognition and Measurement ("MFRS 139") and replaces the guidance in MFRS 139.

In subsequent phases, the IASB will address impairment of financial assets.

The Group and the Company will quantify the effect of adopting this MFRS when the full standard is issued.

(ii) MFRS 13: Fair Value Measurement

MFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of MFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other MFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in MFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under MFRS 7 Financial Instruments: Disclosures will be extended by MFRS 13 to cover all assets and liabilities within its scope.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Standards and Interpretations Issued but Not Yet Effective (Cont'd)

(ii) MFRS 13: Fair Value Measurement (Cont'd)

The directors anticipate that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

(d) Basis of Consolidation

(i) Business combinations

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

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquire; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquire either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Acquisitions before 1 January 2011

As part of its transition to MFRS, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1 January 2011. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous FRS framework as at the date of transition.

(ii) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control exists when the Company has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Basis of Consolidation (Cont'd)

(iii) Loss of control

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

(iv) Associate

Associate is entity, including unincorporated entity, in which the Group has significant influence, but not control, over the financial and operating policies.

Investment in associate is accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in profit or loss. Any retained interest in the former associate at the date when significant influence is lost is re-measured at fair value and this amount is regarded as the initial carrying amount of a financial asset.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss.

Investment in associate is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(v) Transactions eliminated on consolidation

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

(e) Foreign Currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM) which is also the Company's functional currency.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Foreign Currencies (Cont'd)

(ii) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

(f) Plant and Equipment

All items of plant and equipment are initially recorded at cost. The cost of an item of plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and Company and the cost of the item can be measured reliably.

Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of plant and equipment are required to be replaced in intervals, the Group and Company recognise such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Plant and Equipment (Cont'd)

Depreciation of plant and equipment is computed on a straight line basis over the estimated useful lives of the assets as follows:

Plant and machinery	10% to 20%
Office equipment, furniture and fittings	10% to 33.3%
Motor vehicles	10% to 20%
Mouldings	10%
Renovation	10%

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

The residual values, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

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

(g) Impairment of Non-Financial Assets

The Group and Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indications exist, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated to reduce the carrying amount of assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

(h) Financial Assets

Financial assets are recognised in the statement of financial position when, and only when, the Group and Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial Assets (Cont'd)

- Loans and receivables

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

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

  Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after reporting date which are classified as non-current.

A financial asset or part of it is derecognised when, and only when, the contractual rights to receive cash flows from the asset has expired or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liabilitiy assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(i) Impairment of Financial Assets

The Group and Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the assets does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(j) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and at hand.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined using first-in, first-out basis. The cost of raw materials comprises cost of purchase. The cost of finished goods and work-in-progress include cost of raw materials, direct labour, other direct cost and appropriate production overheads.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

(l) Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are recognised in the statement of financial position when, and only when, the Group and Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

- <u>Other financial liabilities</u>

  The Group's and the Company's other financial liabilities include trade payables, other payables and borrowings.

  Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

  Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowing is classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

  For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

A financial liability or a part of it is derecognised when, and only when, the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(m) Borrowing Cost

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

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Employee Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Company.

Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries make contributions to their respective countries statutory pension schemes. Such contributions are recognised as an expense in the period in which the related service is performed.

(iii) Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as expenses if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(o) Leases

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

(p) Income Taxes

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the current taxes is also recognised in other comprehensive income or directly in equity respectively.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Income Taxes (Cont'd)

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(q) Segment Reporting

For management purposes, the Group is organised into geographical operating segments which are independently managed by the respective geographical segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, who regularly review the segment results in order to allocate resources to the segments and to assess the segments performance.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Share Capital and Share Issuance Expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(s) Contingencies

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

Contingent liability is not recognised in the statements of financial position of the Group and of the Company.

(t) Revenue

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

(i) Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Interest income is recognised using the effective interest method.

(u) Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss over the contractual period or, upon discharge of the guarantee. When settlement of a financial guarantee contracts becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(v) Significant Accounting Judgments and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability in the future.

(i) Judgement Made in Applying Accounting Policies

There were no major judgements made by the management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Significant Accounting Judgments and Estimates (Cont'd)

(ii) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- Useful lives of plant and equipment

  The cost of plant and equipment for the manufacturing of electronic components is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful life of these plant and equipment to be within 5 to 10 years. These are common life expectancies applied in the electronics industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's and the Company's plant and equipment at the reporting date are disclosed in Note 13.

- Deferred tax assets

  Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of the deferred tax assets of the Group are as disclosed in Note 16.

- Impairment of loans and receivables

  The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

  Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group and the Company's loans and receivables at the reporting date are disclosed in Notes 18 and 19.

- Inventories obsolescence

  Reviews are made periodically by the management on inventories for excess inventories, obsolescence and decline in the net realisable value below cost. These reviews require the use of judgements and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. Inventories written off and written down to profit or loss in respect of the Group were RM Nil (2011: RM578,374).

3. REVENUE

This represents invoiced sales after allowance for goods returned and trade discount.

4. COST OF SALES

Cost of sales represents cost of inventories sold and recognised as expense.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

5. OTHER ITEMS OF INCOME

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Compensation from insurance	119,056	-	-	-
Credit insurance refund	27,156	-	-	-
Gain on disposal of plant and equipment	-	1,894,646	-	-
Gain on foreign exchange				
- unrealised	-	-	-	141,973
Government incentive for SME	76,430	22,500	-	-
Reversal of impairment on trade receivable	100,000	-	-	-
Recovery expenses	-	-	412,229	511,066
Sales of scrap	57,435	74,756	-	-
Sub-let rental income	69,750	93,000	-	-
Tooling charges	14,310	31,232	-	-
Waiver received from creditors	37,535	10,513	-	-
Others	38,349	11,396	-	-
	540,021	2,138,043	412,229	653,039

6. OTHER EXPENSES

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Impairment of investments in subsidiaries	-	-	-	6,421,849
Deposit written off	404	-	-	-
Impairment loss on receivables				
- trade receivables	224,210	713,041	-	-
- other receivables	694,428	-	1,103,046	1,002,666
Plant and equipment written off	3,768	10,737	2,198	-
Loss/(Gain) on foreign exchange				
- unrealised	221,729	9,495	112,784	-
- realised	(174,124)	56,219	12,573	42,382
Loss on disposal of plant and equipment	4,712	-	-	-
	975,127	789,492	1,230,601	7,466,897

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

7. FINANCE COST, NET

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Interest income	(487)	(1,367)	-	-
Finance and bank interest	413,336	440,408	-	-
Bank charges	88,793	32,805	254	287
	501,642	471,846	254	287

8. LOSS BEFORE TAX

Loss before tax is stated after charging/(crediting):

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Impairment on investments in subsidiaries (Note 15)	-	-	-	6,421,849
Auditors' remuneration				
- Statutory audit				
- current year	71,160	61,290	17,000	16,000
- (over)/under provision in prior year	(1,457)	3,900	-	3,900
- Other services	-	37,970	-	37,970
Auditors' remuneration borne by holding company				
- Subsidiary				
- current year	32,000	30,000	32,000	30,000
- under provision in prior year	-	25,440	-	25,440
- Associate	16,000	-	16,000	-
Depreciation (Note 13)	1,243,384	1,154,564	8,034	2,183
Employee benefits expense (Note 9)	11,634,675	13,022,820	601,848	546,314
Impairment loss on receivables				
- trade receivables (Note 18)	224,210	713,041	-	-
- other receivables (Note 19)	694,428	-	1,103,046	1,002,666
Impairment loss on sales and purchase tax recoverable (Note 19)	-	507,177	-	-
Inventories written down	-	578,374	-	-
Loss/(Gain) on foreign exchange				
- unrealised	221,729	9,495	112,784	(141,973)
- realised	(174,124)	56,219	12,573	43,282
Loss/(Gain) on disposal of plant and equipment	4,712	(1,894,646)	-	-
Plant and equipment written off	3,768	10,737	2,198	-
Professional fees and cost on corporate exercise	86,000	660,800	86,000	660,880
Reversal of impairment loss on trade receivable (Note 18)	(100,000)	-	-	-
Rental of equipment	74,915	71,892	6,036	6,036
Rental of factory	933,013	934,857	-	-
Rental of office	957,970	1,098,120	28,600	24,610
Rental income	(69,750)	(93,000)	-	-

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

9. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Wages, salaries and bonuses	11,116,074	12,480,924	549,979	501,587
Social security contributions	195,607	191,281	2,561	2,479
Defined contribution plans	228,684	209,332	44,939	37,872
Other staff related expenses	94,310	141,283	4,369	4,376
	11,634,675	13,022,820	601,848	546,314

Included in employee benefits expense of the Group and of the Company are directors' remuneration amounting to RM1,489,253 (2011: RM1,388,705) and RM308,311 (2011: RM310,556) respectively as disclosed in Note 10.

10. DIRECTORS' REMUNERATION

The details of remuneration receivable by directors of the Group and the Company during the year are as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Directors of the Company				
Executive:				
Salaries and other emoluments	937,598	956,766	124,061	124,061
Fees	98,960	20,000	32,000	20,000
Benefits-in-kind	18,575	13,978	-	-
	1,055,133	990,744	156,061	144,061
Non-executive:				
Other emoluments	95,000	121,000	95,000	121,000
Fees				
- Current year	64,500	47,000	64,500	47,000
- Over provision in prior year	(7,250)	(1,505)	(7,250)	(1,505)
	152,250	166,495	152,250	166,495
	1,207,383	1,157,239	308,311	310,556
Other directors of subsidiaries				
Executive:				
Salaries and other emoluments	256,549	233,394	-	-
Defined contribution plans	14,136	12,050	-	-
Fee	29,760	-	-	-
	300,445	245,444	-	-
Total	1,507,828	1,402,683	308,311	310,556

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

10. DIRECTORS' REMUNERATION (CONT'D)

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration (Note 30(b))	1,337,003	1,222,210	156,061	144,061
Total non-executive directors' remuneration	152,250	166,495	152,250	166,495
Total directors' remuneration (Note 9)	1,489,253	1,388,705	308,311	310,556

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of directors	
	2012	**2011**
Executive directors:		
Below RM100,000	1	1
RM100,001 to RM150,000	1	-
RM800,001 to RM850,000	-	1
RM850,001 to RM950,000	1	-
Non-executive directors:		
Below RM50,000	6	5
RM50,001 to RM100,000	-	1

11. INCOME TAX EXPENSE/(CREDIT)

The major components of income tax expense/(credit) are:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Statement of comprehensive income:				
Current income tax:				
Foreign tax	7,443	2,480	-	-
Deferred tax (Note 16):				
Relating to origination/(reversal) of temporary differences	380,171	(547,020)	-	-
Income tax recognised in profit or loss	387,614	(544,540)	-	-

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

11. INCOME TAX EXPENSE/(CREDIT) (CONT'D)

Reconciliation between tax expense and accounting loss

A reconciliation between tax expense and the product of accounting loss are multiplied by the applicable corporate tax rate are as follows:

Group	**2012 RM**	**2011 RM**
Loss before tax	(3,077,707)	(3,072,418)
Taxation at Malaysian statutory tax rate of 25% (2011: 25%)	(769,424)	(768,104)
Adjustments:		
Different tax rates in other countries	88,256	85,302
Non-deductible expenses	711,113	1,253,067
Deferred tax assets not recognised	388,318	52,276
Deferred tax asset reversed/(recognised) on unutilised business losses	380,171	(547,020)
Income not subject to tax	(287,927)	(576,587)
Utilisation of previously unutilised business losses	(122,893)	(43,474)
Income tax recognised in profit or loss	387,614	(544,540)

Company	**2012 RM**	**2011 RM**
Loss before tax	(2,009,665)	(8,816,769)
Taxation at Malaysian statutory tax rate of 25% (2011: 25%)	(502,416)	(2,204,192)
Adjustments:		
Non-deductible expenses	605,473	2,367,452
Income not subject to tax	(103,057)	(163,260)
Income tax recognised in profit or loss	-	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the year.

Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

The above reconciliation is prepared by aggregating separate reconciliation for each national jurisdiction.

12. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share amounts are calculated by dividing profit for the year net of tax, attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

The following reflect the profit and share data used in the computation of basic earnings per share for the years ended 31 December:

	2012	**2011**
Loss net of tax (RM)	(3,465,321)	(2,527,878)
Weighted average number of ordinary shares in issue	151,157,715	179,041,862
Basic loss per share (sen)	(2.29)	(1.41)

(b) Diluted earnings per share

No adjustment has been made to weighted average number of ordinary shares in calculation of diluted loss per share as the options over unissued ordinary shares exercisable pursuant to the warrants at the end of the financial year have anti-dilutive effect.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

13. PLANT AND EQUIPMENT

	Plant and Machinery RM	Office Equipment, Furniture and Fittings RM	Motor Vehicles RM	Mouldings RM	Renovation RM	Total RM
Group						
At 31 December 2012						
Cost						
At 1 January 2012	5,919,948	2,201,547	584,168	157,761	1,223,510	10,086,934
Additions	517,017	55,347	-	27,569	65,096	665,029
Disposals	-	(27,900)	-	-	-	(27,900)
Written offs	(67,047)	(301,328)	-	-	(31,195)	(399,570)
Exchange differences	(98,102)	(32,826)	(19,109)	-	(5,110)	(155,147)
At 31 December 2012	6,271,816	1,894,840	565,059	185,330	1,252,301	10,169,346
Accumulated Depreciation and Impairment Losses						
At 1 January 2012						
Accumulated depreciation	3,369,408	1,841,882	223,280	13,833	913,865	6,362,268
Accumulated impairment losses	63,406	-	-	-	-	63,406
	3,432,814	1,841,882	223,280	13,833	913,865	6,425,674

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

13. PLANT AND EQUIPMENT (CONT'D)

	Plant and Machinery RM	Office Equipment, Furniture and Fittings RM	Motor Vehicles RM	Mouldings RM	Renovation RM	Total RM
Group						
At 31 December 2012						
Accumulated Depreciation and Impairment Losses (Cont'd)						
Charge for the year	838,239	196,139	67,805	36,646	104,555	1,243,384
Disposals	-	(21,700)	-	-	-	(21,700)
Written offs	(65,586)	(299,022)	-	-	(31,194)	(395,802)
Reclassifications	-	-	-	-	-	-
Exchange differences	(83,693)	(30,679)	(9,237)	-	(5,108)	(128,717)
At 31 December 2012						
Accumulated depreciation	4,058,368	1,686,620	281,848	50,479	982,118	7,059,433
Accumulated impairment losses	63,406	-	-	-	-	63,406
	4,121,774	1,686,620	281,848	50,479	982,118	7,122,839
Net Carrying Amount						
At 31 December 2012	2,150,042	208,220	283,211	134,851	270,183	3,046,507

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

13. PLANT AND EQUIPMENT (CONT'D)

	Plant and Machinery RM	Office Equipment, Furniture and Fittings RM	Motor Vehicles RM	Mouldings RM	Renovation RM	Total RM
Group						
At 31 December 2011						
Cost						
At 1 January 2011	5,434,561	2,011,231	446,103	-	972,840	8,864,735
Additions	1,704,502	113,719	118,400	144,981	50,000	2,131,602
Disposals	(1,431,385)	(5,125)	-	(2,136)	(8,720)	(1,447,366)
Written offs	(57,068)	-	-	-	-	(57,068)
Reclassification	(186,037)	125,515	46,981	13,541	-	-
Exchange differences	455,375	(43,793)	(27,316)	1,375	209,390	595,031
At 31 December 2011	5,919,948	2,201,547	584,168	157,761	1,223,510	10,086,934
Accumulated Depreciation and Impairment Losses						
At 1 January 2011						
Accumulated depreciation	3,637,613	1,524,675	158,046	-	802,566	6,122,900
Accumulated impairment losses	63,406	-	-	-	-	63,406
	3,701,019	1,524,675	158,046	-	802,566	6,186,306

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

13. PLANT AND EQUIPMENT (CONT'D)

Group	Plant and Machinery RM	Office Equipment, Furniture and Fittings RM	Motor Vehicles RM	Mouldings RM	Renovation RM	Total RM
At 31 December 2011						
Accumulated Depreciation and Impairment Losses (Cont'd)						
Charge for the year	748,172	235,233	57,673	11,908	101,578	1,154,564
Disposals	(1,304,266)	(4,001)	-	(107)	(7,485)	(1,315,859)
Written offs	(46,331)	-	-	-	-	(46,331)
Reclassifications	(24,057)	15,948	6,264	1,845	-	-
Exchange differences	358,277	70,027	1,297	187	17,206	446,994
At 31 December 2011						
Accumulated depreciation	3,369,408	1,841,882	223,280	13,833	913,865	6,362,268
Accumulated impairment losses	63,406	-	-	-	-	63,406
	3,432,814	1,841,882	223,280	13,833	913,865	6,425,674
Net Carrying Amount						
At 31 December 2011	2,487,134	359,665	360,888	143,928	309,645	3,661,260
At 1 January 2011	1,733,542	486,556	288,057	-	170,274	2,678,429

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

13. PLANT AND EQUIPMENT (CONT'D)

Company	Office Equipment, Furniture and Fittings RM	Renovation RM	Total RM
At 31 December 2012			
Cost			
At 1 January 2012	18,201	50,000	68,201
Addition	2,650	-	2,650
Written off	(10,205)	-	(10,205)
At 31 December 2012	10,646	50,000	60,646
Accumulated Depreciation			
At 1 January 2012	9,116	417	9,533
Charge for the year	3,034	5,000	8,034
Written off	(8,007)	-	(8,007)
At 31 December 2012	4,143	5,417	9,560
Net Carrying Amount At 31 December 2012	6,503	44,583	51,086
At 31 December 2011			
Cost			
At 1 January 2011	10,204	-	10,204
Addition	7,997	50,000	57,997
Written off	-	-	-
At 31 December 2011	18,201	50,000	68,201
Accumulated Depreciation			
At 1 January 2011	7,350	-	7,350
Charge for the year	1,766	417	2,183
Written off	-	-	-
At 31 December 2011	9,116	417	9,533
Net Carrying Amount At 31 December 2011	9,085	49,583	58,668
At 1 January 2011	2,854	-	2,854

(a) During the year, the Group and the Company acquired plant and equipment by means of:

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Cash	665,029	1,741,665	2,650	7,997
Others included in sundry payables (Note 27)	-	389,937	-	50,000
	665,029	2,131,602	2,650	57,997

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

13. PLANT AND EQUIPMENT (CONT'D)

(b) The net carrying amount of motor vehicle of the Group held under finance lease and held in trust by a director at the end of the year was RM197,889 (2011: RM213,910).

(c) Included in plant and equipment of the Group and the Company are fully depreciated assets which are still in use as follow:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Plant and machinery	1,890,129	1,507,119	-	-
Office equipment, furniture and fittings	1,327,423	1,304,447	-	3,646
Renovation	324,854	166,658	-	-
	3,542,406	2,978,224	-	3,646

(d) As at the end of previous financial year, plant and equipment of the Group with a carrying amount of RM99,910 have been pledged to a foreign commercial finance firm for factoring facilities granted to the Group as disclosed in Note 24 to the financial statements. This factoring facility has been terminated on 22 August 2012.

14. INVESTMENT IN ASSOCIATE

		Group	
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
Unquoted shares, at cost	50,000	-	-

Details of the associate company are as follows:

Name of Company	Country of incorporation	Effective interest held (%) 31.12.2012	31.12.2011	1.1.2011	Principal activities
Yongxin Libikang Technology Co., Ltd	People's Republic of China	20	-	-	Manufacturing and trading of cables, connectors and products.

The results of the associate company have not been equity accounting in the financial year ended 31 December 2012 as the results of the associate is not significant.

The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	Group
	2012
	RM
Assets and liabilities:	
Total assets	768,215
Total liabilities	(613,656)
Results:	
Revenue	2,778,446
Loss for the year	(109,347)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

15. INVESTMENTS IN SUBSIDIARIES

	Company		
	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**
Unquoted shares, at cost	20,932,399	20,932,397	18,392,568
Add: Addition during the year	-	2	2,539,829
Less: Accumulated impairment losses	(19,746,039)	(19,746,039)	(13,324,190)
	1,186,360	1,186,360	7,608,207

	Company		
	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**
Accumulated impairment losses			
Balance as at 1 January	19,746,039	13,324,190	14,107,087
Add: Impairment during the year	-	6,421,849	1,581,046
Less: Reversal during the year	-	-	(2,363,943)
Balance as at 31 December	19,746,039	19,746,039	13,324,190

(a) Details of the subsidiaries are as follows:

Name of Subsidiaries	**Country of incorporation**	**Effective Interest Held (%) 31.12.2012**	**31.12.2011**	**1.1.2011**	**Principal Activities**
Rapid Conn Interconnect (M) Sdn. Bhd.	Malaysia	100	100	100	Trading in cables, connectors and its related products.
Rapid Conn Inc.	United States of America (USA)	100	100	100	Design, manufacture, sales, marketing and services of cables, connectors and related products.
Rapid Conn (S) Pte. Ltd. *	Singapore	100	100	100	Trading and marketing of cables, connectors and related products.
Rapid Conn (ShenZhen) Co., Ltd	People's Republic of China	100	100	100	Manufacture and trading of cables, connectors and related products.
Distinctive Rapid Development Sdn. Bhd	Malaysia	100	100	-	Dormant

* Audited by Moore Stephens LLP, Singapore.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

15. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(b) Auditors' Report and subsidiaries

Rapid Conn Interconnect (M) Sdn. Bhd.'s auditor's report contain audit emphasis of matter relating to the appropriateness of going concern basis of accounting is dependent on the success of the future operations and financial support from its holding Company and its fellow subsidiaries and/or its attaining sufficient cash inflow to sustain its operations.

(c) Impairment tests for investments in subsidiaries

The management has carried out an impairment review on the investments in the subsidiaries due to the value of net tangible assets being lower than the investment cost incurred by the Company. In view of this, the Company has used value-in-use calculations using cash flow projections to estimate the recoverable amount.

Based on the calculations, there was impairment loss as the recoverable amounts of the assets or cash generating units which was lower than their carrying amounts as at end of the reporting period.

Value-in-use was determined by discounting the future cash flows generated from the continuing use of the cash generating units based on the following assumptions:

i) pre-tax cash flow projections based on the most recent financial budgets approved by the directors covering a 3 years' period.

ii) a pre-tax discount rate of 7% to 9% was applied in determining the recoverable amount. The discount rate was based on the current borrowing interest rate applicable at each subsidiaries locality.

The values assigned to the key assumptions represent management's assessment of future trends in the industry.

16. DEFERRED TAX (ASSETS)/LIABILITIES

		Group	
	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
At 1 January	(1,416,524)	(804,881)	106,124
Recognised in profit or loss (Note 11)	380,171	(547,020)	(927,171)
Exchange differences	26,213	(64,623)	16,166
At 31 December	(1,010,140)	(1,416,524)	(804,881)

Deferred tax assets and liabilities are offsets when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The net deferred tax assets and liabilities shown on the statement of financial position after appropriate offsetting are as follows:

		Group	
	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
Deferred tax assets	(1,049,939)	(1,456,323)	(844,680)
Deferred tax liabilities	39,799	39,799	39,799

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

16. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D)

Deferred Tax Assets of the Group:

	Unutilised Business Losses RM	Others RM	Total RM
At 1 January 2012	(1,444,887)	(11,436)	(1,456,323)
Recognised in profit or loss	380,171	-	380,171
Exchange differences	26,213	-	26,213
At 31 December 2012	(1,038,503)	(11,436)	(1,049,939)
At 1 January 2011	(833,244)	(11,436)	(844,680)
Recognised in profit or loss	(547,020)	-	(547,020)
Exchange differences	(64,623)	-	(64,623)
At 31 December 2011	(1,444,887)	(11,436)	(1,456,323)

Deferred Tax Liabilities of the Group:

	Unutilised Capital Allowances RM	Total RM
At 31 December 2012/31 December 2011/1 January 2011	39,799	39,799

Deferred tax assets have not been recognised in respect of the following items as it is not probable that certain of the subsidiaries will generate sufficient future taxable profits against which it can be utilised:

		Group	
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Unutilised business losses	5,489,900	4,299,500	4,059,700
Unutilised capital allowances	4,511,600	4,511,600	4,511,600

17. INVENTORIES

		Group	
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
At cost:			
Raw materials	548,481	1,394,968	1,139,149
Finished goods	1,930,843	1,266,810	1,334,701
Cables	83,647	80,265	-
Components	270,940	355,725	280,555
Goods in transit	1,212,323	281,629	437,742
Work in progress	561,522	1,144,458	480,524
	4,607,756	4,523,855	3,672,671
At net realisable value:			
Raw materials	-	75,712	-
Finished goods	-	38,095	346,560
Components	-	541	398,815
	-	114,348	745,375
	4,607,756	4,638,203	4,418,046

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

18. TRADE RECEIVABLES

		Group	
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
Amount due from third parties	10,784,376	15,065,973	11,226,028
Amount due from an associate	86,012	-	-
	10,870,388	15,065,973	11,226,028
Less: Allowance for impairment	(224,210)	(732,816)	(348,784)
	10,646,178	14,333,157	10,877,244

Movement in allowance for impairment during the financial year are as follows:

		Group	
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
At 1 January	732,816	348,784	294,094
Charge for the year (Note 8)	224,210	713,041	54,690
Reversal of impairment loss			
- recovered (Note 8)	(100,000)	-	-
- written off	(613,041)	(302,665)	-
Exchange differences	(19,775)	(26,344)	-
At 31 December	224,210	732,816	348,784

The Group's normal trade credit terms are up to 90 days (2011: 90 days). Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to group of debtors. Trade receivables are non-interest bearing.

They are recognised at their original invoice amounts which represent their fair value on initial recognition.

<u>Ageing analysis of trade receivables</u>

The ageing analysis of the Group's trade receivables are as follows:

		Group	
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
Neither past due nor impaired	9,268,459	11,664,767	7,600,820
1 to 30 days past due not impaired	1,043,372	2,119,165	1,369,225
31 to 60 days past due not impaired	204,534	490,662	997,209
61 to 90 days past due not impaired	39,075	57,487	909,990
91 to 120 days past due not impaired	-	1,076	-
More than 121 days past due not impaired	90,738	-	-
	1,377,719	2,668,390	3,276,424
Impaired	224,210	732,816	348,784
	10,870,388	15,065,973	11,226,028

<u>Receivables that are neither past due nor impaired</u>

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

18. TRADE RECEIVABLES (CONT'D)

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM1,377,719 (2011: RM2,668,390) that are past due at reporting date but not impaired.

The balances of receivables that are past due but not impaired are unsecured in nature. The management is confident that these receivables are recoverable as these accounts are still active.

The currency exposure profiles of trade receivables are as follows:

		Group	
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Hong Kong Dollars	642,969	658,465	122,255
Singapore Dollars	10,277	-	-
US Dollars	1,840,469	6,724,473	6,337,403

19. OTHER RECEIVABLES

		Group	
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Due from subsidiaries	-	-	-
Sales tax and purchase tax recoverable	1,534,208	1,639,248	1,610,514
Deposits	268,881	279,623	263,629
Prepayments	171,950	117,103	113,463
Sundry receivables	1,398,207	2,769,650	579,872
	3,373,246	4,805,624	2,567,478
Less: Allowance for impairment	(1,201,605)	(507,177)	-
	2,171,641	4,298,447	2,567,478

		Company	
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Due from subsidiaries	10,371,077	9,373,680	6,595,780
Sales tax and purchase tax recoverable	-	-	-
Deposits	7,356	12,810	9,510
Prepayments	32,354	5,637	1,006
Sundry receivables	1,000	1,000	1,000
	10,411,787	9,393,127	6,607,296
Less: Allowance for impairment	(4,346,452)	(3,243,406)	(2,240,740)
	6,065,335	6,149,721	4,366,556

Movement in allowance for impairment during the financial year are as follows:

		Group	
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
At 1 January	507,177	-	-
Impairment loss	694,428	507,177	-
At 31 December	1,201,605	507,177	-

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

19. OTHER RECEIVABLES (CONT'D)

	Company		
	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**
At 1 January	3,243,406	2,240,740	2,364,465
Impairment loss	1,103,046	1,002,666	(123,725)
At 31 December	4,346,452	3,243,406	2,240,740

Other receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

The amounts due from subsidiaries are unsecured, non-interest bearing and are repayable on demand.

Included in previous year sundry receivables of the Group was an amount of RM1,956,800 in relation to sales proceeds on disposal of plant and equipment receivable from third parties.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors except that 99% (2011: 99%) of receivables are due from subsidiaries at Company level.

The currency exposure profiles of other receivables are as follows:

	Group		
	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**
US Dollars	-	474,905	-
Singapore Dollars	18,364	-	-

	Company		
	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**
US Dollars	3,718,329	3,883,126	4,355,039
Singapore Dollars	3,299,368	3,184,759	-

20. CASH AND BANK BALANCES

	Group		
	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**
Cash on hand and at banks/ Cash and cash equivalents	2,260,805	2,745,793	2,694,520

	Company		
	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**
Cash on hand and at banks/ Cash and cash equivalents	395,399	302,507	123,908

The currency exposure profiles of cash and bank balances are as follows:

	Group		
	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**
Renminbi	-	-	3,946
Singapore Dollars	15,221	-	-
US Dollars	55,793	1,375,049	782,618

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

20. CASH AND BANK BALANCES (CONT'D)

	Company		
	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
US Dollars	2,978	163,151	336

21. SHARE CAPITAL

	Number of Ordinary Shares		Amount	
	2012	2011	2012	2011
Authorised:			RM	RM
At 1 January/ 31 December	250,000,000	250,000,000	25,000,000	25,000,000
Issued and fully paid:				
At 1 January	141,978,400	202,825,000	14,197,840	20,282,500
Capital reduction and consolidation	-	(121,695,000)	-	(12,169,500)
Issuance of shares pursuant to:				
- Rights issue	-	60,847,500	-	6,084,750
- Conversion of warrant	-	900	-	90
- Private placement	14,197,000	-	1,419,700	-
At 31 December	156,175,400	141,978,400	15,617,540	14,197,840

Private Placement

During the financial year, the Company increased its issued and paid-up share capital from RM14,197,840 to RM15,617,540 by the issuance of 14,197,000 ordinary shares of RM0.10 each at an issue price of RM0.14 per ordinary share pursuant to the private placement exercise.

The new ordinary shares were issued for cash consideration for the purpose of working capital. The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

Detachable Warrants

In year 2011, the Company issued renounceable rights issue of 60,847,500 new ordinary share together with 60,847,500 free detachable warrants on the basis of three (3) rights shares together with three (3) detachable warrants for every four (4) ordinary shares of the Company. This exercise price is subject to adjustment in accordance with the basis set out in the deed poll.

The warrants may be exercised at any time commencing on the date of issue of warrants on 19 September 2011 but not later than 18 September 2021. Any warrants which have not been exercised at date of maturity will lapse and cease to be valid for any purpose.

The new ordinary shares allotted and issued upon exercise of the warrants shall be fully paid and rank pari passu with the then existing ordinary shares of the Company. The warrant holders will not have any voting rights in any general meeting of the Company unless the warrants are exercised into new ordinary shares and registered prior to the date of the general meeting of the Company.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

22. SHARE PREMIUM (NON-DISTRIBUTABLE)

	Group and Company	
	2012	**2011**
	RM	**RM**
At 1 January	-	6,893,524
Premium arising from:		
Capital reduction and consolidation	-	(6,893,524)
Private Placement	567,880	-
Share issuance expenses	(76,540)	-
At 31 December	491,340	-

The share premium which is non-distributable represents the premium arising from the issue of shares.

23. FOREIGN EXCHANGE RESERVE (NON-DISTRIBUTABLE)

	Group	
	2012	**2011**
	RM	**RM**
At 1 January	191,770	(134,589)
(Reversal)/Arising during the year	(115,104)	326,359
At 31 December	76,666	191,770

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

24. BORROWINGS

		Group	
	31.12.2012	**31.12.2011**	**1.1.2011**
Current	**RM**	**RM**	**RM**
Secured:			
Obligation under finance lease (Note 25)	46,813	43,132	65,034
Factoring facility	-	3,000,832	-
	46,813	3,043,964	65,034
Unsecured:			
Short term loan	444,673	500,000	-
	491,486	3,543,964	65,034
Non-Current			
Secured:			
Obligation under finance lease	167,788	211,143	244,104
	659,274	3,755,107	309,138
Total borrowings			
Obligation under finance lease (Note 25)	214,601	254,275	309,138
Factoring facility	-	3,000,832	-
Short term loan	444,673	500,000	-
	659,274	3,755,107	309,138
Maturity of borrowings (excluding obligation under finance lease)			
Within one year	444,673	3,500,832	-

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

24. BORROWINGS (CONT'D)

The short term loan from a third party is denominated in Singapore Dollars, bears interest at 10.5% (2011: 10.5%) per annum and is unsecured, and repayable in 12 monthly installments commencing from 18 July 2012.

The factoring facility in previous year which was denominated in USD Dollars and granted by a foreign commercial finance firm to one of the Company's subsidiary in USA was secured by:

(i) a corporate guarantee from the Company and a subsidiary in Singapore, and

(ii) lien on all assets of the USA subsidiary via a Power of Attorney granted to the foreign commercial finance firm.

The factoring facility has been terminated on 22 August 2012.

25. OBLIGATION UNDER FINANCE LEASE

		Group	
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
Future minimum hire purchase payments:			
Not later than 1 year	57,843	56,910	92,322
Later than 1 year and not later than 2 years	183,093	56,910	54,634
Later than 2 years and not later than 5 years	-	180,139	218,534
More than 5 years	-	-	9,034
	240,936	293,959	374,524
Less: Future finance charges	(26,335)	(39,684)	(65,386)
Present value of obligation under finance lease (Note 24)	214,601	254,275	309,138
Analysis of present value of hire purchase liabilities:			
Not later than 1 year	46,813	43,132	65,034
Later than 1 year and not later than 2 years	167,788	46,060	41,407
Later than 2 years and not later than 5 years	-	165,083	193,721
More than 5 years	-	-	8,976
	214,601	254,275	309,138

The hire purchase is denominated in Singapore Dollars and bears interest at the reporting date at rate of 6.44% (2011: 6.44%) per annum.

26. TRADE PAYABLES

Included in trade payables of the Group is an amount due to an associate amounting to RM62,074 (2011: RM Nil).

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranges from 30 to 120 days (2011: 30 to 120 days).

The currency exposure profiles of trade payables are as follows:

		Group	
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
US Dollars	719,018	1,844,409	4,683,329
Hong Kong Dollars	-	11,639	-

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

27. OTHER PAYABLES

	Group 31.12.2012 RM	Group 31.12.2011 RM	Group 1.1.2011 RM
Due to subsidiaries	-	-	-
Accruals	1,151,940	1,400,468	1,063,152
Sundry payables	356,916	517,087	293,580
	1,508,856	1,917,555	1,356,732

	Company 31.12.2012 RM	Company 31.12.2011 RM	Company 1.1.2011 RM
Due to subsidiaries	-	-	1,585,339
Accruals	302,093	218,023	321,354
Sundry payables	75,654	60,175	43,845
	377,747	278,198	1,950,538

The amounts due to subsidiaries are unsecured, interest-free and are repayable on demand.

Included in previous year sundry payables of the Group and the Company was an amount of RM389,937 and RM50,000 respectively in relation to purchase of plant and equipment as disclosed in Note 13(a).

The currency exposure profiles of other payables are as follows:

	Group 31.12.2012 RM	Group 31.12.2011 RM	Group 1.1.2011 RM
US Dollars	-	-	83,942
Hong Kong Dollars	-	113	1,901
Singapore Dollars	269,204	-	-

	Company 31.12.2012 RM	Company 31.12.2011 RM	Company 1.1.2011 RM
Singapore Dollars	-	-	1,585,339

28. COMMITMENTS

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
(a) Lease commitments:				
Payable within one year	69,363	65,323	-	-
Payable more than one year	172,748	27,218	-	-
	242,111	92,541	-	-
(b) Rental commitments:				
Payable within one year	1,801,289	1,857,467	26,400	26,400
Payable more than one year	4,532,525	6,046,085	26,400	52,800
	6,333,814	7,903,552	52,800	79,200

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

29. CONTINGENT LIABILITIES AND OBLIGATION

As at balance sheet date, the contingent liabilities and obligations are in respect of:

	Company	
	2012	**2011**
	RM	**RM**
Corporate guarantees given to a foreign commercial finance firm for factoring facilities granted to a subsidiary company	-	3,000,832

30. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Significant related party transaction

In addition to the related party information disclosed elsewhere in the financial statements, the following significant related party transactions between the Company and its subsidiaries took place at terms agreed between the parties during the financial year.

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Recovery expenses charged to subsidiaries	-	-	412,229	511,066

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Short term employee benefits	1,314,360	1,201,183	156,061	144,061
Post-employment benefits:				
Defined contribution plan	41,218	35,005	-	-
	1,355,578	1,236,188	156,061	144,061

Included in the total key management personnel are:

Directors' remuneration excluding benefits in kind (Note 10)	1,337,003	1,222,210	156,061	144,061

(c) Transaction with a director of the Company

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Consultancy fee	-	30,000	-	30,000

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

31. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

(i) Financial assets

	Note	31.12.2012	31.12.2011	1.1.2011
Group		**RM**	**RM**	**RM**
Loans and Receivables				
Trade receivables	18	10,646,178	14,333,157	10,877,244
Other receivables	19	2,171,641	4,298,447	2,567,478
Cash and bank balances	20	2,260,805	2,745,793	2,694,520
		15,078,624	21,377,397	16,139,242
Company				
Loans and Receivables				
Trade receivables	18	-	-	-
Other receivables	19	6,065,335	6,149,721	4,366,556
Cash and bank balances	20	395,399	302,507	123,908
		6,460,734	6,452,228	4,490,464

(ii) Financial liabilities

	Note	31.12.2012	31.12.2011	1.1.2011
Group		**RM**	**RM**	**RM**
Financial liabilities measured at amortised cost				
Trade payables	26	8,722,111	10,848,551	11,685,878
Other payables	27	1,508,856	1,917,555	1,356,732
Borrowings	24	659,274	3,755,107	309,138
		10,890,241	16,521,213	13,351,748
Company				
Financial liabilities measured at amortised cost				
Trade payables	26	-	-	-
Other payables	27	377,747	278,198	1,950,538
Borrowings	24	-	-	-
		377,747	278,198	1,950,538

(b) Fair value of financial instruments

The carrying value of current financial assets and current financial liabilities of the Group approximate their values due to their short term nature whilst the carrying value of hire purchase payables is estimated to be approximate the fair value estimated based on the current rates available for borrowing with the same maturity profile.

No disclosure of fair value is made for the amounts due from/(to) subsidiaries, as it is not practicable to determine their fair values with sufficient reliability due to lack of fixed payment terms entered by the parties involved. However, the Company do not anticipate the carrying amounts recorded at the reporting date to be significantly different from the values that would eventually be received or settled.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's and the Company's activities expose them to a variety of financial risk: liquidity risk, market risk (including interest rate risk, foreign currency risk) and credit risk. The Group's and the Company's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's and the Company's financial performance. The Group and the Company may use relevant financial instruments to manage certain risks. Such financial instruments are not held for trade or speculative purposes.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Liquidity Risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

To manage liquidity risk, the Group and Company maintain a level of cash equivalent and funding facilities deemed adequate by management to finance their operations. In assessing the adequacy of the facilities, management reviews its working capital requirements.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the reporting date base on contractual undiscounted repayment obligations.

Group	**On demand or within 1 year RM**	**1 to 5 years RM**	**Over 5 years RM**	**Total RM**
31 December 2012				
Trade payables	8,722,111	-	-	8,722,111
Other payables	1,508,856	-	-	1,508,856
Borrowings	491,486	167,788	-	659,274
	10,722,453	167,788	-	10,890,241
31 December 2011				
Trade payables	10,848,551	-	-	10,848,551
Other payables	1,917,555	-	-	1,917,555
Borrowings	3,543,964	211,143	-	3,755,107
	16,310,070	211,143	-	16,521,213
1 January 2011				
Trade payables	11,685,878	-	-	11,685,878
Other payables	1,356,732	-	-	1,356,732
Borrowings	65,034	235,128	8,976	309,138
	13,107,644	235,128	8,976	13,351,748

Company	**On demand or within 1 year RM**
31 December 2012	
Other payables	377,747
31 December 2011	
Other payables	278,198
1 January 2011	
Other payables	1,950,538

(b) Interest Rate Risk

Interest rate risk is the risk that the fair value of the future cash flows of the Group's or the Company's future instruments will fluctuate because of change in market interest rates.

The Group's exposure to interest rate risk arises primarily from its borrowings; the Group has no substantial long term interest-bearing assets as at 31 December 2012. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes.

Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The interest rate that the Group will be able to obtain on debt financing will depend on market conditions at that time, and may differ from the rates the Group has secured currently.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Interest Rate Risk (Cont'd)

The interest rates and repayment terms of interest-bearing financial instruments are disclosed in the respective notes to the financial statements.

The Group is not exposed to any significant market risk for changes in interest rates. Hence, no sensitivity analysis is presented.

(c) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures that are denominated in a currency other than respective functional currencies of Group entities, primarily Ringgit Malaysia ("RM"), Renminbi ("RMB") and US Dollars ("USD"). The foreign currencies in which these transactions are denominated are mainly US Dollars ("USD"), Singapore Dollars ("SGD") and Hong Kong Dollars ("HKD").

The Group faces foreign exchange risk as its borrowing is denominated in foreign currency or whose price is influenced by its benchmark price movements in foreign currency (especially USD) as quoted on international markets.

The Group does not have any formal hedging policy for its foreign exchange exposure and did not actively engage in activities to hedge its foreign currency exposures during the financial year. The Group seeks to manage the foreign currency risk by constructing natural hedges where it matches revenue and expenses in any single currency.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations. The Group's net investment in Singapore, People's Republic of China and United States of America are not hedged as currency position in RMB and USD are considered to be long-term in nature.

<u>Sensitivity analysis for foreign currency risk</u>

The following table demonstrates the sensitivity of the Group's and Company's loss net of tax to a 5% change in the USD, HKD and SGD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

	Group		**Company**	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
USD against RM				
- strengthened	58,862	520,947	186,065	202,314
- weakened	(58,862)	(520,947)	(186,065)	(202,314)
SGD against RM				
- strengthened	(44,231)	-	164,968	159,238
- weakened	44,231	-	(164,968)	(159,238)
HKD against RM				
- strengthened	32,148	(3,351)	-	-
- weakened	(32,148)	3,351	-	-

(d) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing with reputable banks with high credit ratings.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Credit Risk (Cont'd)

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the financial year in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statements of financial position.

Significant concentrations of credit risk

Concentrations of credit risk exist when changes in economics, industry or geographical factors similarly affect counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group has no significant concentration of credit risks with exposure spread over a large number of counterparties and customers.

Receivables and other financial assets

Risk management objective, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Deposits with banks are placed with or entered into with reputable banks with high credit ratings and no history of default.

Exposure to credit risk

The maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their net realisable values. The Group uses aging analysis to monitor the credit quality of the receivables.

Impairment losses

The Group maintains an aging analysis in respect of trade receivables only. The aging of trade receivables as at the reporting date is disclosed in Note 18.

The movement in the impairment loss of trade and other receivables is disclosed in Note 18 and 19. The allowance account is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Financial guarantees

Risk management objective, policies and processes for managing the risk

During the previous financial year, the Company provides financial guarantees to a foreign commercial finance firm for factoring facilities granted to a subsidiary. The Company monitors on an ongoing basis the results of the subsidiary and repayments made by the subsidiary.

Exposure to credit risk

The factoring facility has been terminated on 22 August 2012; as such there is no exposure to credit risk as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Credit Risk (Cont'd)

Amounts due from subsidiaries

Risk management objective, policies and processes for managing the risk

The Company provides advances to its subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk

The maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

As at the reporting date, there was no indication that the amounts due from subsidiaries are not recoverable.

33. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholder, return capital to shareholder or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 31 December 2011.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, trade and other payables and borrowings, less cash and bank balances. Capital includes equity attributable to the owners.

	Note	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Trade payables	26	8,722,111	10,848,551	11,685,878
Other payables	27	1,508,856	1,917,555	1,356,732
Borrowings	24	659,274	3,755,107	309,138
Less: Cash and bank balances	20	(2,260,805)	(2,745,793)	(2,694,520)
Net debt		8,629,436	13,775,420	10,657,228
Equity attributable to the owners, represent total capital		12,902,786	14,572,171	10,688,850
Capital and net debt		21,532,222	28,347,591	21,346,078
Gearing ratio		40%	49%	50%

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

34. SUBSEQUENT EVENT

On 19 February 2013, the Company had announced that the Memorandum of Understanding (“MOU”) entered between Distinctive Rapid Development Sdn. Bhd., a wholly-owned subsidiary of the Company and its director, Dato’ Dr Kho Eng Hue @ Koh Eng Hooi, on 22 June 2012 has been duly terminated with effect from 19 February 2013.

35. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their geographical location, and has four reportable segments as follows:

(i) Rapid Conn Interconnect (M) Sdn. Bhd. (“RCM”), ConnectCounty Holdings Berhad (“CCHB”) and Distinctive Rapid Development Sdn. Bhd. ("DRD") covering Malaysia;

(ii) Rapid Conn (ShenZhen) Co., Ltd. (“RCC”) covering People’s Republic of China (“China”);

(iii) Rapid Conn (S) Pte. Ltd. (“RCS”) covering Singapore; and

(iv) Rapid Conn, Inc. (“RCI”) covering United States of America (“USA”).

Except as indicated above, no operating segments has been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respect as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

35. SEGMENT INFORMATION (CONT'D)

	Malaysia		China		Singapore		USA		Adjustments and eliminations		Note	Per consolidated financial statements	
	2012 RM	2011 RM	2012 RM	2011 RM	2012 RM	2011 RM	2012 RM	2011 RM	2012 RM	2011 RM		2012 RM	2011 RM
Revenue:													
External customers	95,363	313,234	12,805,240	11,002,079	12,890,550	18,786,355	27,735,210	21,318,241	-	-		53,526,363	51,419,909
Inter-companies	-	-	18,927,781	19,902,673	-	-	-	-	(18,927,781)	(19,902,673)	A	-	-
Total revenue	95,363	313,234	31,733,021	30,904,752	12,890,550	18,786,355	27,735,210	21,318,241	(18,927,781)	(19,902,673)		53,526,363	51,419,909
Results:													
Depreciation and amortisation	8,034	2,183	950,069	852,998	204,510	166,700	80,771	132,683	-	-		1,243,384	1,154,564
Segment (loss)/profit	(2,011,611)	(9,014,847)	30,876	(2,077,161)	(1,505,809)	2,204,398	323,452	(22,157)	85,385	5,837,349	C	(3,077,707)	(3,072,418)
Assets:													
Additions to non-current assets	2,650	57,997	543,327	1,618,604	109,355	452,780	9,697	2,221	-	-	D	665,029	2,131,602
Segment assets	7,739,633	7,853,166	10,668,745	13,864,468	9,099,484	11,108,300	9,345,312	9,737,578	(13,020,348)	(11,430,329)	E	23,832,826	31,133,183
Segment liabilities	5,713,982	5,726,944	9,995,351	12,973,996	5,107,678	5,534,168	8,317,635	8,836,788	(18,204,606)	(16,510,884)	F	10,930,040	16,561,012

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

35. SEGMENT INFORMATION (CONT'D)

Note: Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-companies revenues are eliminated on consolidation

B There are no other material non-cash expenses

C The following items are added to/(deducted from) segment profit to arrive at "Loss before tax" presented in the consolidated statement of comprehensive income:

	2012 RM	2011 RM
Profit from inter-companies sales	(328,994)	(547,810)
Inter-companies sales commission	(3,678)	(2,430)
Impairment on investments in subsidiaries	-	6,421,849
Allowance for impairment on amount due from subsidiary	1,103,046	1,002,666
Reversal of impairment on amounts due to subsidiary	(895,185)	(1,659,903)
Foreign currency difference	210,196	622,977
	85,385	5,837,349

D Additions to non-current assets consist of:

	2012 RM	2011 RM
Motor vehicles	-	118,400
Mouldings	27,569	144,981
Office equipment, furniture and fittings	55,347	113,719
Plant and machinery	517,017	1,704,502
Renovation	65,096	50,000
	665,029	2,131,602

E The following items are deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2012 RM	2011 RM
Investments in subsidiaries	(1,186,360)	(1,186,360)
Plant and equipment	(10,706)	(10,706)
Inter-companies assets	(11,823,282)	(10,233,263)
	(13,020,348)	(11,430,329)

F The following items are deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2012 RM	2011 RM
Inter-companies liabilities	(18,204,606)	(16,510,884)
	(18,204,606)	(16,510,884)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

35. SEGMENT INFORMATION (CONT'D)

GEOGRAPHICAL INFORMATION

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2012 RM	2011 RM	2012 RM	2011 RM
Malaysia	95,363	313,234	51,086	58,668
People's Republic of China	12,805,240	11,002,079	2,244,909	2,653,137
Singapore	12,890,550	18,786,355	731,088	849,545
USA	27,735,210	21,318,241	19,424	99,910
	53,526,363	51,419,909	3,046,507	3,661,260

Non-current assets information presented above consist of the following items as presented in the consolidated statements of financial position.

	2012 RM	2011 RM
Motor vehicles	310,838	360,888
Mouldings	134,851	143,928
Office equipment, furniture and fittings	208,647	359,665
Plant and machinery	2,121,988	2,487,134
Renovation	270,183	309,645
	3,046,507	3,661,260

36. EXPLANATION OF TRANSITION TO MFRSs

As stated in Note 2 (b), these are the first financial statements of the Group and of the Company prepared in accordance with first time adoption of MFRSs.

The accounting policies set out in Note 2 have been applied in preparing the financial statements of the Group and of the Company for the year ended 31 December 2012, the comparative information presented in these financial statements for the year ended 31 December 2011 and in the preparation of the opening MFRSs statement of financial position at 1 January 2011 (the Group's date of transition to MFRSs).

The transition to MFRSs does not have financial impact to the financial statements of the Group and of the Company. There are no differences to the statements of financial position, statements of comprehensive income, and statements of cash flows between presented under MFRSs and presented under FRSs. The comparative consolidated statement of financial position and consolidated statement of comprehensive income of the Group prepared under MFRSs are the same as previously prepared in FRSs.

37. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 16 April 2013.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

38. SUPPLEMENTARY INFORMATION – BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the (accumulated losses)/retained profits of the Group and of the Company into realised and unrealised (loss)/profit are presented as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Total (accumulated losses)/retained profit of the Company and its subsidiaries				
- Realised	(2,680,860)	(6,776,813)	(8,675,663)	(6,920,755)
- Unrealised	(601,900)	537,525	(112,784)	141,973
	(3,282,760)	(6,239,288)	(8,788,447)	(6,778,782)
Less: Consolidation adjustments	-	6,421,849	-	-
(Accumulated losses)/Retained profit as per financial statements	(3,282,760)	182,561	(8,788,447)	(6,778,782)

The determination of realised and unrealised (loss)/gain is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

ANALYSIS OF SHAREHOLDINGS
as at 30 April 2013

Class of Shares	:	Ordinary Shares of RM 0.10 each
Authorised Share Capital	:	RM25,000,000
Issued and Fully Paid-up Capital	:	RM15,617,540
Voting Rights	:	One (1) Vote Per Ordinary Share
Number of Holders	:	1,111

Distribution of Shareholdings

Holdings	No. of Shareholders	Percentage of Shareholders (%)	No. of Shares
Less than 100	31	2.79	1,263
100 to 1,000	245	22.05	119,421
1,001 to 10,000	396	35.65	1,733,672
10,001 to 100,000	292	26.28	12,433,220
100,001 to less than 5% of issued shares	144	12.96	103,934,690
5% and above of issued shares	3	0.27	37,953,134
	1,111	100.00	156,175,400

List of 30 Largest Shareholders

No.	Name	No. of Shares Held	Percentage (%)
1	Chng Seng Chye @ Chng Hung Seng	18,287,382	11.71
2	Ang Chuang Juay	11,665,752	7.47
3	Lee Cheng Tao	8,000,000	5.12
4	Lee Min Tee	7,197,000	4.61
5	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Kho Eng Hue @ Koh Eng Hooi (CEB)	6,951,000	4.45
6	Goh Chin Cheng	6,385,150	4.09
7	Lee Yee Min	6,187,100	3.96
8	Tan Nyap Keong @ Tony Tan	5,948,040	3.81
9	Gan Tai Fun	5,142,500	3.29
10	Ng Poh Seng	4,221,604	2.70
11	Phoo Keng Hui	3,518,640	2.25
12	Wong Kok Cheng	3,344,338	2.14
13	Tan Wai Ling	2,803,200	1.79
14	Ho Lee Fong	2,282,200	1.46
15	A.A. Anthony Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Shi Leong Ming	2,060,000	1.32
16	AIBB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Batu Bara Resources Corporation Sdn. Bhd.	1,951,250	1.25
17	Ong Kook Liong	1,540,000	0.99
18	Koo Ah Kan	1,442,520	0.92
19	Goh Choon Cheok	1,401,500	0.90

ANALYSIS OF SHAREHOLDINGS
as at 30 April 2013 (CONT'D)

List of 30 Largest Shareholders (Cont'd)

No.	Name	No. of Shares Held	Percentage (%)
20	Hew Yat Yin	1,385,700	0.89
21	Koh Bee Hoon	1,373,000	0.88
22	Goh Mee Fong	1,372,870	0.88
23	Mohamed Rafiq Bin Mohamed Ibrahim	1,240,800	0.79
24	Chin Hock Seng	1,220,000	0.78
25	Tan Gek Cheng	1,200,000	0.77
26	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Thio Siew Geok	1,190,000	0.76
27	ECML Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Koh Boon Poh (008)	1,115,600	0.71
28	Tan Heng Ta	1,000,000	0.64
29	Siew Kek Kee	975,000	0.62
30	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Loke Tan Chung	750,000	0.48

Statement of Directors' Interest

	Direct Interest		Deemed Interest	
Name of Directors	**No. of Shares**	**%**	**No. of Shares**	**%**
Ang Chuang Juay	11,665,752	7.47	-	-
Dato Dr. Kho Eng Hue @ Koh Eng Hooi [#2]	6,951,000	4.45	443,000	0.28
Huang Yan Teo	70,000	0.04	-	-
Koo Ah Kan	1,442,520	0.92	-	-
Lim Bee San [#1]	-	-	800	0.00
Lim Wee Kiat	-	-	-	-
Tan Nyap Keong @ Tony Tan	5,948,040	3.81	-	-

Notes:
#1 Deemed interest by virtue of her husband's interest, namely Ngo Wei Leong.
#2 Deemed interest by virtue of his spouse's interest, namely Datin Lee Min Mooi @ Lee Min May.

Ang Chuang Juay, by virtue of his total direct and indirect interest in the shares of the Company, is deemed interested in the shares of all the Company's subsidiaries to the extent that the Company has an interest.

List of Substantial Shareholders

	Direct Interest		Deemed Interest	
Substantial shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Chng Seng Chye @ Chng Hung Seng	18,287,382	11.71	-	-
Ang Chuang Juay	11,665,752	7.47	-	-
Lee Cheng Tao	8,000,000	5.12	-	-

ANALYSIS OF WARRANTHOLDINGS
as at 30 April 2013

Distribution of Warrantholdings

Holdings	No. of Holders	Percentage of Warrantholders (%)	No. of Warrants
Less than 100	7	2.76	270
100 to 1,000	27	10.63	10,680
1,001 to 10,000	58	22.84	297,700
10,001 to 100,000	93	36.61	4,369,720
100,001 to less than 5% of issued warrants	65	25.59	33,103,950
5% and above of issued warrants	4	1.57	23,064,280
	254	100.00	60,846,600

List of 30 Largest Warrantholders

No.	Name	No. of Warrants Held	Percentage (%)
1	Lee Cheng Tao	8,000,000	13.15
2	Gan Tai Fun	7,142,460	11.74
3	Chng Seng Chye @ Chng Hung Seng	4,466,070	7.34
4	Goh Chin Cheng	3,455,750	5.68
5	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Kho Eng Hue @ Koh Eng Hooi (CEB)	2,979,000	4.90
6	Tan Nyap Keong @ Tony Tan	2,549,160	4.19
7	Ng Poh Seng	2,006,000	3.30
8	Siew Kek Kee	1,346,700	2.21
9	Tan Wai Ling	1,203,200	1.98
10	Ho Lee Fong	1,082,200	1.78
11	Ong Kook Liong	1,060,000	1.74
12	Low Pak Seng	1,032,000	1.70
13	A.A. Anthony Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Shi Leong Ming	900,000	1.48
14	Koh Bee Hoon	889,800	1.46
15	AIBB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Batu Bara Resources Corporation Sdn. Bhd.	836,250	1.37
16	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Thio Siew Geok	810,000	1.33
17	ECML Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Kwong Ming Kwei	805,700	1.32
18	Wong Kok Cheng	770,030	1.27
19	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Loke Tan Chung	670,000	1.10
20	Hew Yat Yin	638,700	1.05
21	Goh Choon Cheok	601,500	0.99
22	Maybank Securities Nominees (Tempatan) Sdn. Bhd. Maybank Kim Eng Securities Pte Ltd For Phang Eng Yon	505,800	0.83

ANALYSIS OF WARRANTHOLDINGS
as at 30 April 2013 (CONT'D)

List of 30 Largest Warrantholders (Cont'd)

No.	Name	No. of Warrants Held	Percentage (%)
23	Ong Kook Liong	500,000	0.82
24	Tan Philip	500,000	0.82
25	ECML Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Tan Bee Yook (008)	499,200	0.82
26	Koh Whee Ling	452,240	0.74
27	Lim Yun Nian	450,000	0.74
28	Lee Chan Lan	441,000	0.72
29	Phoo Keng Hui	436,560	0.72
30	Lim Soh Hong	430,000	0.71

Statement of Directors' Interest

	Direct Interest		Deemed Interest	
Name of Directors	**No. of Warrants**	**%**	**No. of Warrants**	**%**
Ang Chuang Juay	-	-	-	-
Dato Dr. Kho Eng Hue @ Koh Eng Hooi [#2]	2,979,000	4.90	353,000	0.58
Huang Yan Teo	30,000	0.05	-	-
Koo Ah Kan	400,000	0.66	-	-
Lim Bee San [#1]	-	-	-	-
Lim Wee Kiat	-	-	-	-
Tan Nyap Keong @ Tony Tan	2,549,160	4.19	-	-

Notes:

#1 Deemed interest by virtue of her husband's interest, namely Ngo Wei Leong.
#2 Deemed interest by virtue of his spouse's interest, namely Datin Lee Min Mooi @ Lee Min May.

List of Substantial Warrantholders

	Direct Interest		Deemed Interest	
Substantial shareholders	**No. of Warrants**	**%**	**No. of Warrants**	**%**
Lee Cheng Tao	8,000,000	13.15	-	-
Gan Tai Fun	7,142,460	11.74	-	-
Chng Seng Chye @ Chng Hung Seng	4,466,070	7.34	-	-
Goh Chin Cheng	3,455,750	5.68	-	-

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of **CONNECTCOUNTY HOLDINGS BERHAD (Co. No. 618933-D)** will be held at Conference Room, Level 3, Eastin Hotel, 13, Jalan 16/11, Pusat Dagang Seksyen 16, 46350 Petaling Jaya, Selangor, on Friday, 21 June 2013 at 11.00 a.m. for the following purposes: -

AGENDA

ORDINARY BUSINESS

1) To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2012 together with the reports of the Directors and Auditors thereon.

RESOLUTION 1

2) To approve the payment of Directors' fees for the financial year ended 31 December 2012.

RESOLUTION 2

3) To re-elect the following Directors who retire by rotation in accordance with Article 83 of the Company's Articles of Association and being eligible offer themselves for re-election:-

   i) Lim Bee San **RESOLUTION 3**
   ii) Huang Yan Teo **RESOLUTION 4**

4) To re-appoint Messrs Moore Stephens Associates & Co. as auditors of the Company and to authorise the Directors to fix their remuneration.

RESOLUTION 5

SPECIAL BUSINESS
To consider and if thought fit, to pass the following resolution: -

5) **Ordinary Resolution – Authority pursuant to Section 132D of the Companies Act, 1965 for the Directors to issue shares**

   "That pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue new shares in the Company at any time until the conclusion of the next Annual General Meeting upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being, subject always to the approval of all the relevant authorities being obtained for such allotment and issue."

RESOLUTION 6

6) To transact any other business for which due notice shall be given in accordance with the Company's Articles of Association and the Companies Act, 1965.

By order of the Board

OW PEE JUAN
(MAICSA 7013304)
Company Secretary

MELAKA
Date: 28 May 2013

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Notes:-

1. A member entitled to attend and vote at the general meeting is entitled to appoint a proxy/proxies who may but need not be a member of the Company to vote in his/her stead.
2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
3. Where a member is an authorised nominee as defined under the Securities Industry (Central Depository) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account its holds.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
6. The instrument appointing a proxy must be deposited at the registered office of the Company at 48 Jalan Kota Laksamana 2/15, Taman Kota Laksamana, Seksyen 2, 75200 Melaka, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
7. Depositors who appear in the Record of Depositors as at 17 June 2013 shall be regarded as Member of the Company entitled to attend the Tenth Annual General Meeting or appoint a proxy/proxies to attend, speak and vote on his/her behalf.

EXPLANATION NOTE

Resolution 6

The proposed Resolution 6, if passed, will empower the Directors of the Company from the date of above Annual General Meeting, authority to allot and issue shares in the Company up to an aggregate amount of not exceeding 10% of the issued share capital of the Company for the time being for such purposes as they consider would be in the best interest of the Company and also to empower Directors to obtain approval from Bursa Malaysia Securities Berhad for the listing of and quotation for additional shares issued. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

The general mandate sought to grant authority to Directors to allot and issue of shares is a renewal of the mandate that was approved by the shareholders at the Ninth Annual General Meeting held on 22 June 2012. The renewal of the general mandate is to provide flexibility to the Company to issue new shares without the need to convene a separate general meeting to obtain shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions.

Up to the date of this Notice, the Company did not issue any shares pursuant to the mandate granted to the Directors at the Ninth Annual General Meeting because there was no need for any fund raising activity for the purpose of investment, acquisition or working capital.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

The Directors who are standing for re-election at the Tenth Annual General Meeting are as follows:

1. Lim Bee San
2. Huang Yan Teo

The details of the above Directors are set out in the Profile of Directors on pages 7 to 8 of this Annual Report. Their securities holdings in the Company are set out on page 87 and 89 of this Annual Report.

CONNECTCOUNTY HOLDINGS BERHAD
(Company No. 618933-D)
(Incorporated in Malaysia under the Companies Act, 1965)

No. of ordinary shares held

FORM OF PROXY
(Before completing this form please refer to the notes below)

I/We ____NRIC/Company no. ____________________
(FULL NAME IN BLOCK CAPITAL)

of ____
(FULL ADDRESS)

being a member(s) of **CONNECTCOUNTY HOLDINGS BERHAD** hereby appoint the following person(s):-

Name of proxy, NRIC no., & address		**No. of ordinary shares represented by proxy**
1.		
2.		
3.		

or failing whom, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Tenth Annual General Meeting of the Company which will be held at Conference Room, Level 3, Eastin Hotel, 13, Jalan 16/11, Pusat Dagang Seksyen 16, 46350 Petaling Jaya, Selangor, on Friday, 21 June 2013 at 11.00 a.m. for the following purposes:-

	FOR	**AGAINST**
RESOLUTION 1		
RESOLUTION 2		
RESOLUTION 3		
RESOLUTION 4		
RESOLUTION 5		
RESOLUTION 6		

(Please indicate with an "X" in the appropriate spaces provided above how you wish your votes to be cast on the resolutions specified in the Notice of Tenth Annual General Meeting. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion.)

Signed this day _________ of _______________________

____
Signature(s) / Common Seal of Shareholder(s)

Notes:-

1. *A member entitled to attend and vote at the general meeting is entitled to appoint a proxy/proxies who may but need not be a member of the Company to vote in his/her stead.*
2. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.*
3. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depository) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
4. *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account its holds.*
5. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.*
6. *The instrument appointing a proxy must be deposited at the registered office of the Company at 48 Jalan Kota Laksamana 2/15, Taman Kota Laksamana, Seksyen 2, 75200 Melaka, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.*
7. *Depositors who appear in the Record of Depositors as at 17 June 2013 shall be regarded as Member of the Company entitled to attend the Tenth Annual General Meeting or appoint a proxy/proxies to attend, speak and vote on his/her behalf.*

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RM0.80
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The Company Secretary of

CONNECTCOUNTY HOLDINGS BERHAD (618933-D)

48 Jalan Kota Laksamana 2/15,
Taman Kota Laksamana, Seksyen 2,
75200 Melaka.

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